HIGH STAKES, CLEAR CHOICES

Alternative Federal Budget 2017

CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

ISBN 978-1-77125-329-1

This report is available free of charge at www.policyalternatives.ca. Printed copies may be ordered through the CCPA National Office for $10.

PLEASE MAKE A DONATION...

Help us to continue to offer our publications free online.

With your support we can continue to produce high quality research — and make sure it gets into the hands of citizens, journalists, policy makers and progressive organizations. Visit www.policyalternatives.ca or call 613-563-1341 for more information.

The CCPA is an independent policy research organization. This report has been subjected to peer review and meets the research standards of the Centre.

The opinions and recommendations in this report, and any errors, are those of the authors, and do not necessarily reflect the views of the funders of this report.

UNIFOR
Local567

Introduction

We are at a pivotal moment in Canadian politics. In 2015, a new Liberal government was elected on a wave of public desire for more: more empathy, more investment, more acknowledgement that we can and must do better for each other and especially for the most vulnerable. Some positive steps have been taken in this direction. But much more needs to be done to address Canada's persistent inequalities and to get the economy moving.

This would be a very bad time to retreat into the rhetoric of fairness while falling short on implementing the policies that would take us there. Better than nothing — or better than Trump — is not good enough. We must be clearheaded and unapologetic in our vision for change or be ready to face the backlash from half-measures or broken promises. More than ever Canadians need to see action on inequality, climate change, poverty, and jobs.

High stakes

Canadians are giving a lot to the economy, but it is not giving back as much as it could.

The median income in Canada was $32,800 a year in 2014. Albertans did better with $41,000 a year while in PEI the median income was a low $25,200.[1] Lower on the spectrum, more than 1 million people in Canada worked for minimum wage in 2015.[2]

At current rates, if they were lucky enough to work 40 hours a week, a minimum-wage worker would have brought home a low of $22,152 a year in New Brunswick and as much as $28,288 in Alberta.[3] Miss one week of work at $10.65/hour, however, and you are officially living below the poverty line.

The average house price in Canada is closing in on half a million dollars — double that if you live in Vancouver.[4] A loaf of factory bread will put you out nearly $5 if you live in Nunavut.[5] The cost of enlisting your two-year-old in child care in Toronto now tops $16,000 a year.[6]

More than 4.5 million Canadians lived below the poverty line in 2014, 991,000 of them children.[7] Poverty rates are higher for women, racialized people, and immigrants, and they skyrocket for people living with disabilities, single mothers, and Aboriginal people. More than half of all First Nation children live in poverty.[8]

One in eight Canadians regularly experience food insecurity and more than 800,000 people visit a food bank each month.[9] Nearly 100 First Nation communities continue to go without clean drinking water.[10]

More than a third of Inuit households live in overcrowded or unsafe housing.[11] And 3.5 million Canadians lack basic drug coverage, leading many to simply go without important prescription medication.[12]

Canada is on track to miss its greenhouse gas emissions target by a mile, leaving future generations to foot the bill of climate change.

Canadian household debt exceeded the size of our economy (GDP) for the first time last year. The average Canadian owes $21,348 in consumer debt (not including mortgage debt).[13] Canada's farmers are now carrying over $92 billion in total debt.[14] Public student debt in Canada had reached $28 billion at last count.[15]

On the other side of the divide, the two richest Canadians hold the same amount of wealth as the poorest 30% of the population.[16] The 100 highest-earning CEOs in Canada took home an average of $9.5 million each in 2015.[17] And our tax system consistently provides greater benefits to high-income earners.[18]

For example, over 90% of the benefit of the capital gains tax break goes to the top 10% of income earners; 87% of the benefit goes to the top 1%.[19] Over 10 years, federal corporate tax rates have been cut by nearly 50%, while those same corporations amassed over $500 billion in excess cash.[20]

In 2016, the federal government took steps toward narrowing this income and wealth gap. It made significant investments in housing and clean water for First Nation communities, for example, and implemented the Canada Child Benefit (CCB), which should reduce child poverty in Canada by 14%. The government also introduced a 10% increase to the Guaranteed Income Supplement (GIS) top-up for poor single seniors, which we estimate will reduce poverty among seniors by 5%.

While these are positive measures, all of them advocated in past Alternative Federal Budgets, they do not get us nearly close enough to the goal of more equally shared prosperity.

Economists and financial institutions around the world have recognized the detrimental effects of inequality on social cohesion, health, and tolerance for ever-higher levels of poverty. This year's AFB demonstrates that the money and tools are there to transform Canada's economy so that it is working for everyone.

Clear choices

The AFB would establish a federal minimum wage of $15 an hour, indexed to inflation, so that no full-time worker finds themselves living in poverty at the end of a 40-hour week. By lowering the eligibility requirement for employment insurance, our plan would protect an additional 250,000 workers in precarious, contract, and part-time jobs from downturns in the economy.

The AFB recognizes the diversity of Canada's workforce and would rebalance investments across different sectors of the economy. Young workers would receive support through the creation of paid internships and greater access to apprenticeships.

Investments in physical infrastructure would be dramatically larger and immediately implemented. This money would be more responsive to community needs and create jobs in predominantly male employment sectors, while investments in care services would create jobs in predominantly female employment sectors.

Investments in Farm Credit Canada will allow a new generation of farmers to continue without unmanageable debt loads.

The AFB would direct funds raised through carbon taxes to low-income households, and to training for those affected by the shift to a greener economy. It would invest in making existing industries more sustainable, and in supporting new industries, creating green-collar jobs and ensuring a just transition for workers and their families.

The AFB would ensure the federal government helps shoulder the burden of the rising cost of living by increasing investments in basic necessities. It would build 10,000 new units of affordable housing each year, with an additional 5,000 units for populations with high housing needs (e.g, Indigenous people living off reserve, people with physical disabilities, and seniors).

The AFB would increase access to primary health care and mental health care while introducing a national pharmacare program. This would allow more than 3.5 million Canadians to fill prescriptions that they would not otherwise be able to afford.

The AFB would support struggling families by providing access to affordable child care and home care, and ensuring the people who provide those services are paid a living wage. It would eliminate tuition for post-secondary education and improve funding for First Nations students.

Parents would no longer need to trade in their own financial security to provide for their children's education. New graduates would no longer enter the workforce with crippling debt. The 10,000 First Nations students on waiting lists for post-secondary education would be able to start school.

Some of the money for these commitments will come from ending the special tax treatment Canada gives to domestic and foreign corporations. For example, the AFB would tax capital gains at the same rate as we tax employment income or profits, creating an additional $10 billion in government revenue. It would apply a 1% withholding tax on Canadian assets held in tax havens, generating over $2 billion a year.

The AFB would eliminate provisions in trade agreements that allow foreign investors to sue the Canadian government for lost business revenues that result from public interest regulation and other democratic decisions. This could be a key Canadian demand in looming NAFTA renegotiations.

Finally, governments need to do a better job of explaining who benefits from public spending. Growth in the economy is meaningless if it is enjoyed only by a lucky few. The AFB demonstrates how its measures would impact households across the income spectrum.

The bottom 90% of families (the vast majority who make less than $170,000 a year) will be better off under our plan. Families making between $63,000 and $170,000 a year will pay slightly more taxes but receive new and better services like pharmacare, free tuition, and affordable child care. The AFB will lift one million Canadians out of poverty, reducing the overall poverty rate from 12% to 9%.

Our country is diverse and the challenges we face are complex. The solutions to our problems don't fit in a tweet. However, a more equal and sustainable society, a more shared prosperity, is within our reach.

If 2016 taught us anything it is that people are not happy with the status quo. The consequences of not taking action now to fix Canada's inequalities — through a fairer tax system, renewed physical and social infrastructure, and enhanced public services — will be severe.

The rhetoric of fairness has never been enough. As recent events have shown us, the decision to cling to words rather than action to address inequality can have untenable consequences. The stakes are high, but the choices are clear.

Notes

1 Statistics Canada. *Table 206-0053 - Distribution of employment income of individuals by sex and work activity, Canada, provinces and selected census metropolitan areas, annual*, CANSIM.

2 Diane Galarneau and Eric Fecteau. (2014). *The Ups and Downs of Minimum Wage*. Ottawa: Statistics Canada.

3 Government of Canada. "Hourly Minimum Wages in Canada for Adult Workers." Online: http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?lang=eng&dec=1

4 Canadian Real Estate Associtaion. "National Average Price Map." Online: http://www.crea.ca/housing-market-stats/national-average-price-map/

5 Nunavut Bureau of Statistics. *Nunavut Food Price Survey*. Online: http://www.stats.gov.nu.ca/en/Economic%20prices.aspx

6 David Macdonald and Martha Friendly. (2016). *A Growing Concern: 2016 Child Care Fees in Canada's Big Cities*. Ottawa: Canadian Centre for Policy Alternatives.

7 Statistics Canada. *Table 206-0041 - Low income statistics by age, sex and economic family type, Canada, provinces and selected census metropolitan areas (CMAs), annual*, CANSIM (database). The low-income measure after tax is used as the poverty line.

8 David Macdonald and Daniel Wilson. (2016). *Shameful Neglect: Indigenous Child Poverty in Canada*. Ottawa: Canadian Centre for Policy Alternatives.

9 V. Tarasuk, A. Mitchell, and N. Dachner. (2015). *Household food insecurity in Canada, 2013*. Toronto: Research to Identify Policy Options to Reduce Food Insecurity (PROOF). Online: http://nutritionalsciences.lamp.utoronto.ca/wp-content/uploads/2015/10/foodinsecurity2013.pdf

10 Health Canada. "Drinking Water Advisories in First Nations Communities." Ottawa. Online: http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-dwa-eau-aqep-eng.php

11 Statistics Canada. *National Household Survey 2011*. Ottawa.

12 Julie White. (2016). *A National Public Drug Plan For All*. Ottawa: Canadian Health Coalition.

13 Trans Union of Canada. "TransUnion Q3 2016 Industry Insights Report." Burlington.

14 Statistics Canada. CANSIM Table 002-0008 - Farm debt outstanding, classified by lender.

15 Statistics Canada. *Survey of Financial Security*, *2014*.

16 Oxfam Canada. (2017). "An economy for the 99 percent." Online: https://www.oxfam.org/en/research/economy-99

17 Hugh Mackenzie. (2017). *Throwing Money at the Problem: 10 Years of Executive Compensation*. Ottawa: Canadian Centre for Policy Alternatives.

18 David Macdonald. (2016). *Out of the Shadows: Shining a light on Canada's unequal distribution of federal tax expenditures*, Canadian Centre for Policy Alternatives.

19 Brian Murphy, Mike Veall, and Michael Wolfson. (2015). "Top-End Progressivity and Federal Tax Preferences in Canada: Estimates from Personal Income Tax Data." *Canadian Tax Journal* 63, no. 3.

20 Statistics Canada. CANSIM Table 378-0121: National Balance Sheet Accounts, quarterly (dollars). See also: Jordan Brennan. (2015). *Do Corporate Income tax Rate Reductions Accelerate Growth*. Ottawa: Canadian Centre for Policy Alternatives.

Macroeconomic Policy

Slow growth is a choice, a bad one

Slow growth continued through 2016. The second quarter of 2016 actually saw negative growth due to the Alberta wildfires. Thankfully, we avoided another recession. But as disruptions in the Canadian economy are to be expected, and slow growth forecasted for at least the short term (economists expect real GDP growth of 2% in 2017, see *Table 2*), recession is not out of the question.

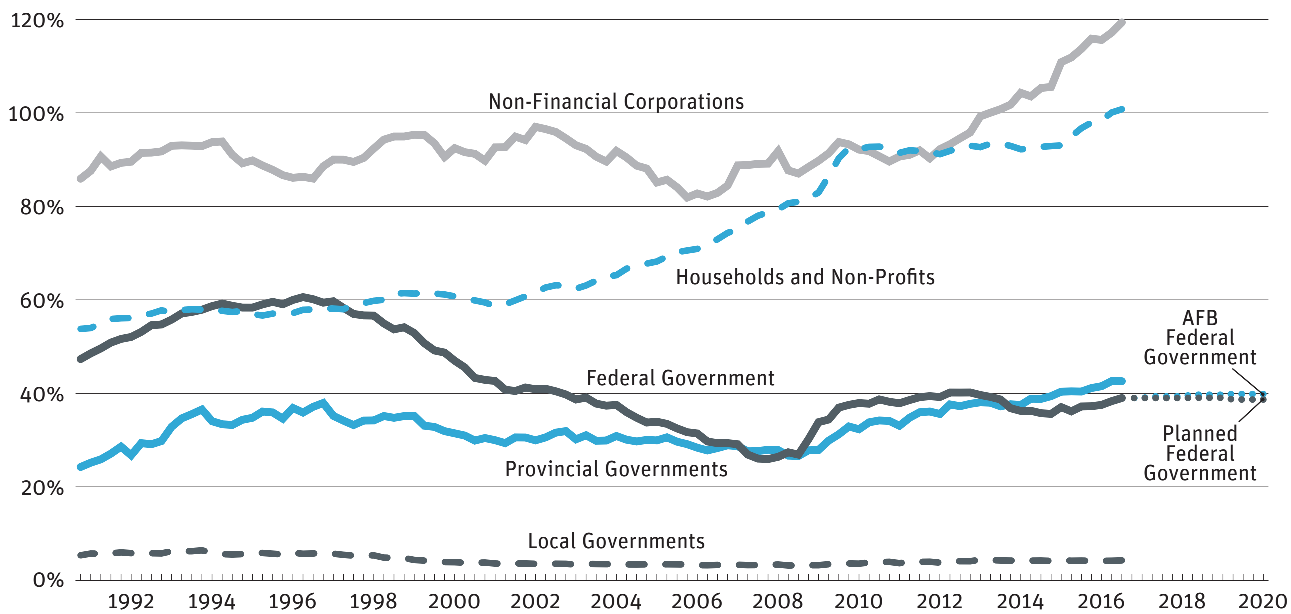
That said, slow growth is a choice for Canada, not an economic necessity. There are things the government can do to speed up a full recovery and the longer we wait, the larger the cost will be in terms of employment and wage growth. The Liberal government has shown an interest in using fiscal policy to spur growth. However, its expansionary instincts have been fairly muted. Expected deficits never go higher than $27.8 billion (in 2017-18) in Finance Canada's base case before tapering off in the following years (see *Table 2*).

The Alternative Federal Budget (AFB) chooses to do more. Our basic assumption is that employing people is good for economic growth. The AFB therefore focuses spending in areas with the highest job growth potential, including physical infrastructure, health care, and child care. The investments we make would lift nominal GDP growth back up to pre-recession levels of 5.4% and 4.7% respectively in years one and two — the result of creating hundreds of thousands of jobs (see *Table 3*).

A dangerous way to balance the books

What little growth Canada has experienced since the 2008 recession has been financed by rapidly expanding private debt. The ex-

FIGURE 1 Debt-to-GDP by sector[3]



Source Cansim 378-0121, 385-0032, 380-0063, Update of Economic and Fiscal Projections (November 2016), and author's calculations.

pansion of that debt makes those sectors of the economy much more vulnerable to interest rate fluctuations as well as asset price changes. Households are way outside of their historical debt range: total mortgage and consumer credit surpassed Canada's GDP in 2016 for the first time. For comparison, the household debt-to-GDP ratio was 54% in 1990 (see *Figure 1*).

There are no signs of this expansion stopping. If anything, the trend seems to have accelerated since the 2010–2015 plateau. In the last 12 months alone households expanded their debt load by $77.1 billion.[1]

Likewise, non-financial corporations hold total debt worth 120% of GDP after a substantial two-year borrowing binge. This is well above their historical debt-to-GDP range of 80% to 100%. And it is debt that could have been — but wasn't — used to make productive investments in machinery and equipment. Instead, this corporate money was mostly consumed by non-productive mergers and acquisitions.

The provinces are also hitting all-time high debt levels worth 43% of national GDP, which is just outside the historic range. Since 2015, the provinces have held more debt than the federal government, a situation that does not appear to be reversing itself. Historically, the provinces have held much less debt than the federal government. In fact, the federal government is at the low end of its historical debt-to-GDP range, sitting currently at 39%. That includes all debt, not just accumulated deficits as presented in budgets. Municipalities have little debt and

FIGURE 2 Employment rate and AFB impact

Source Cansim 282-0087, Update of Economic and Fiscal Projections (November 2016), and author's calculations.

operate mostly on a cash basis, as they generally cannot run operating budget deficits.

The federal government's current plan is essentially to maintain the present federal debt-to-GDP level for the next three years. The AFB also maintains that level for the foreseeable future, as shown in *Table 3*. We can do this while running higher deficits thanks to higher growth in the economy under our plan. The result is a stable ratio similar to what bank economists have endorsed.[2]

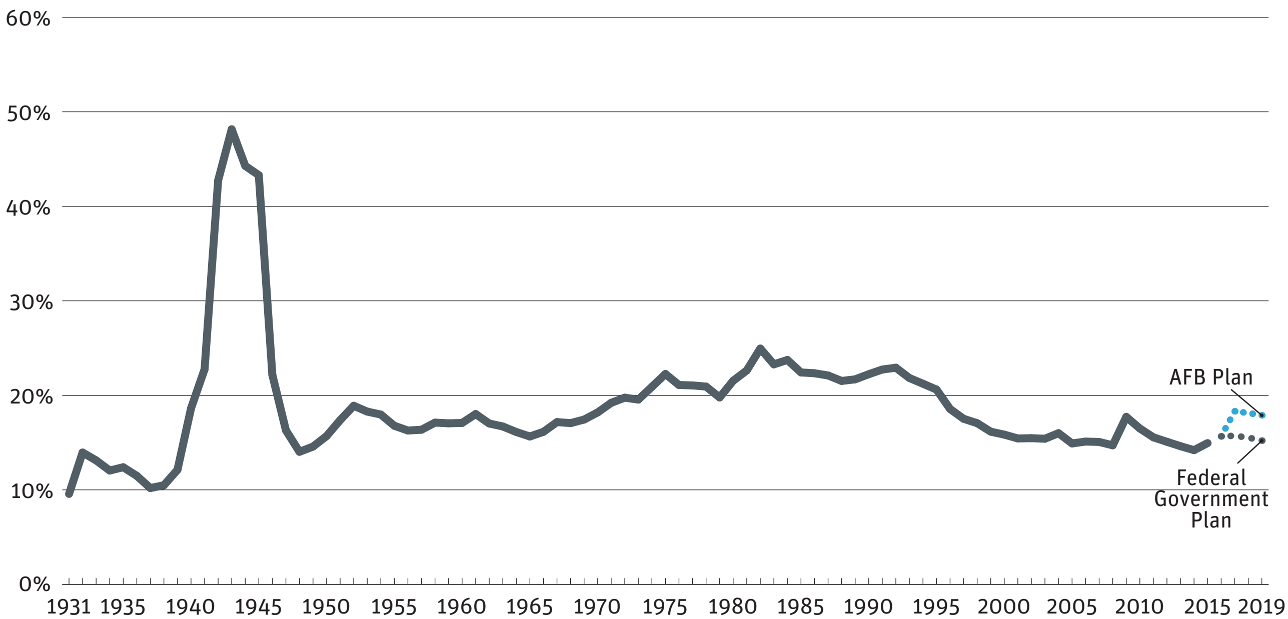
Weak GDP growth hides a weaker job market

Intuitively, as the unemployment rate falls, more Canadians decide to enter the job market presuming jobs will be easier to find. However, since the 2009 recession, the opposite has occurred. The unemployment rate has fallen, but relatively fewer people are looking for work. It is more helpful in this context to study the employment rate, since it will show the proportion of working-age Canadians who have a job irrespective of who is and isn't looking.

The employment rate is lower today than it was at the worst point of the Great Recession, as shown in *Figure 2*. The federal government's current plan has this rate remaining at its present all-time low for another year and then slowly climbing to where employment sat in 2012. There appears to be no plan to get anywhere near the employment levels of the mid-2000s.

The AFB, on the other hand, would substantially boost the employment rate over

FIGURE 3 Federal total expenditures as a share of GDP and AFB impact



Source Statistics Canada catalogue 11-516-X, Fiscal reference tables, Update of Economic and Fiscal Projections (November 2016), and author's calculations.

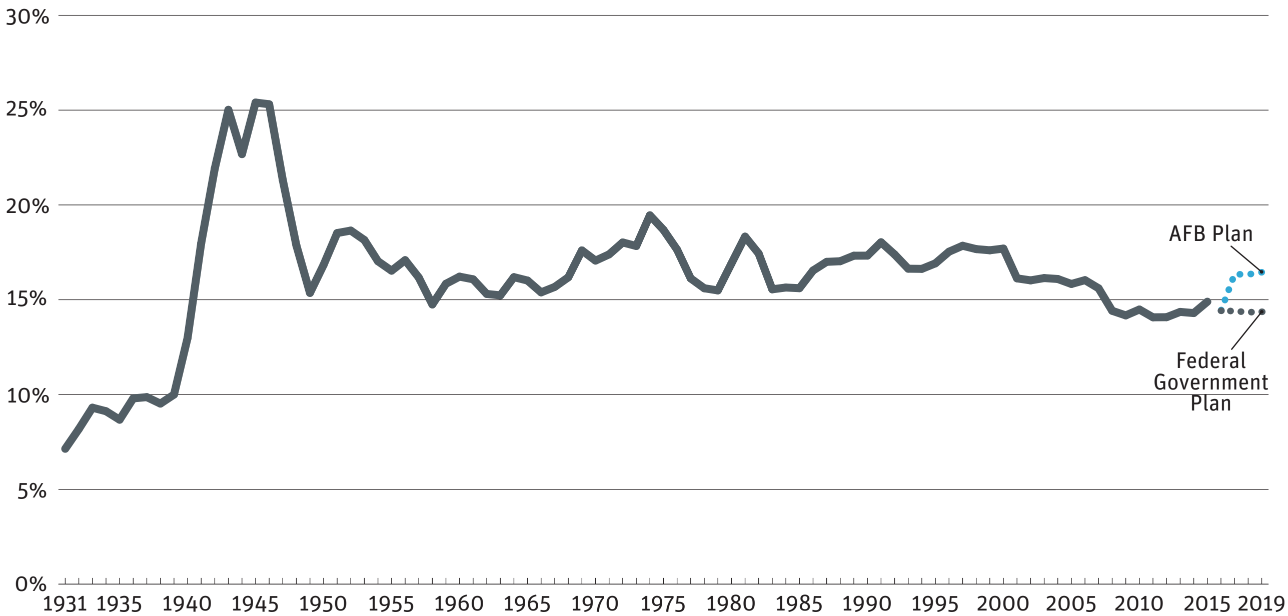
several years, as shown in *Figure 2* and *Table 3*. Actually, we improve on the federal base case by 460,000 jobs by year three. The unemployment rate hits 6.4% under our plan, not because people have giving up looking for work, but because they found a job.

Too small to make a difference

Federal expenditures as a share of the economy are close to all-time lows, as shown in *Figure 3*. Under the federal government's plan they will hit a new record low of 14% by 2019. To put that number in perspective, by the time Canadians go to the polls again government spending will be lower than at any time since 1939, despite federal responsibilities — for old age security and universal health care, to name just two examples — being much larger than they were then. One of the reasons the federal government has had a limited impact on economic and job growth is that it is simply too small, by historical standards, for the task.

In comparison, the AFB spends $69.8 billion more in 2019 than the federal government's current plan. While at first glance this may seem like a lot of money, federal expenditures would remain near the bottom of their historical range. In fact, the AFB plan is thriftier, in relative terms, than any federal budget between 1970 and 1996. Despite the massive changes brought in by the AFB, with many programs designed to expand over time, the net result is a falling expenditure-to-GDP ratio, as new growth more than offsets new expenditures.

FIGURE 4 Federal revenue as a share of GDP and AFB impact



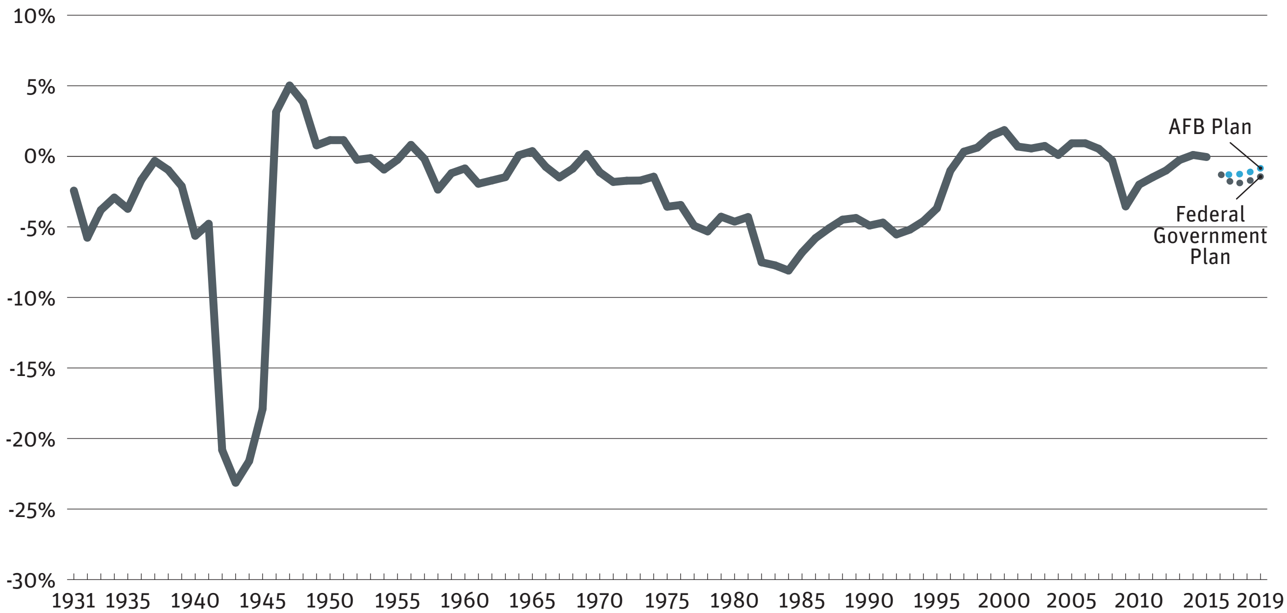
Source Statistics Canada catalogue 11-516-X, Fiscal reference tables, Update of Economic and Fiscal Projections (November 2016), and author's calculations.

On the other side of the ledger, federal revenues are also near all-time lows relative to GDP. The current plan proposes no change on this front. Despite the federal government introducing some measures to raise tax revenue, such as the new top tax bracket, that money was spent to lower taxes mostly for individuals making more than $89,000 a year. The corporate tax cuts of the late 1990s and early 2000s substantially reduced tax revenues, which never recovered. The present federal plan is to keep tax revenues at a level not seen since 1949.

The AFB boosts revenues by $55.5 billion a year by 2019-20. A sixth of that amount is due to more Canadians working, and therefore paying taxes, as opposed to tax changes *per se* (see *Table 3* and the Taxation chapter). Improved revenue recovery through our tax reform plan is focused on the highest earners, who have seen massive wage increases in the past 20 years. Despite this improvement to the distribution system, federal revenues as a share of GDP will sit in the middle of their historical range, and be nowhere near as high as they were in the 1970s or 1980s.

The federal government's current plan of holding deficits at 1% of GDP over the next three years is modest by historical standards. Even though the 2009 deficit of 3.5% of GDP was considered extraordinary at the time, it was quite ordinary compared to any year between 1975 and 1995. Likewise, the AFB increases both revenues and expenditures by billions of dollars, but both would sit at the low end of their historic ranges. As a result, the AFB deficit of $43.0 billion in

FIGURE 5 Federal deficit as a share of GDP and AFB impact



Source Statistics Canada catalogue 11-516-X, Fiscal reference tables, Update of Economic and Fiscal Projections (November 2016), and author's calculations.

2017-18, or 2% of GDP, is also small by historical standards, and compared to the size Canada's economy it is little changed from the current plan.

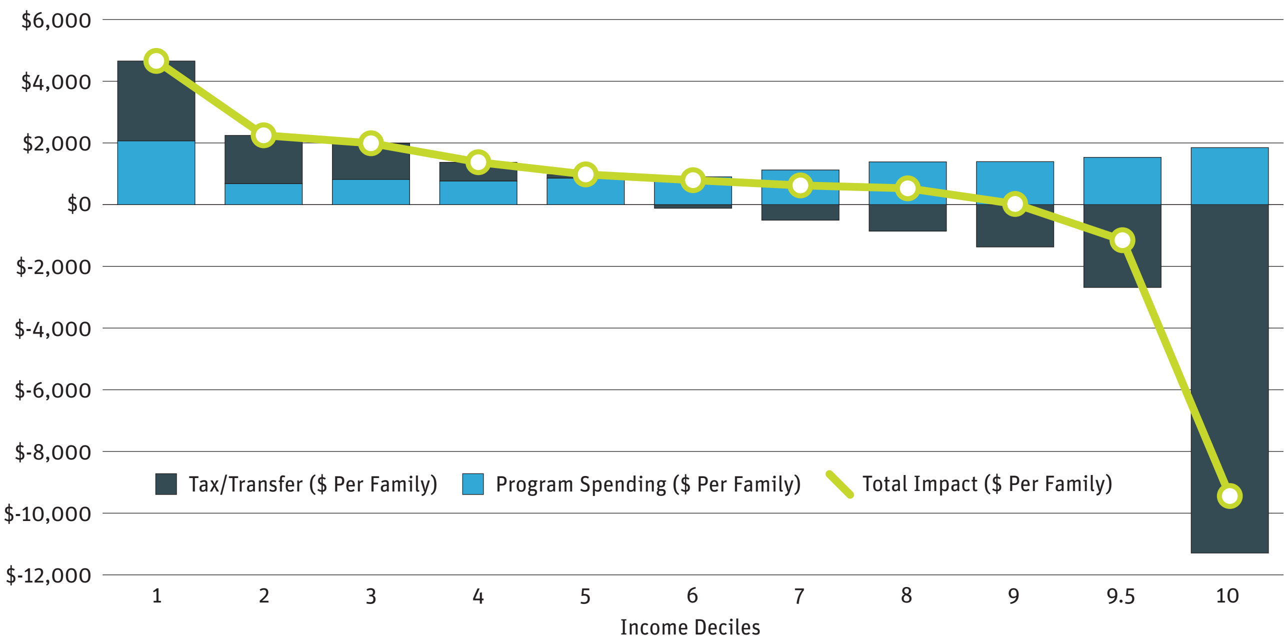
Who gains and who pays

The AFB has been striving for some time to better understand and measure the distributional implications of federal budgets. If our small group can perform these types of analyses, much larger federal departments with more resources can as well. Publishing the gender, income, and poverty distribution of budgets makes them more transparent and easier to understand for Canadians.

The distribution of AFB impacts includes not only cash changes due to the tax/transfer system, but also the benefits of government spending based on who is most likely to use specific programs and where those people sit on the income spectrum. Much of the tax/transfer distributional modelling (and costing) is performed using Statistics Canada's tax modelling software, the Social Policy Simulation Database and Model (SPSD/M).[4] Our program distribution employs proxies for benefit and distributes expenditures accordingly.

Under our plan, the bottom half of Canadian families — those making under $63,000 a year before taxes — see higher transfers net of taxes. They are better off from a pure income perspective. Families with gross incomes between $63,000 and $126,000 (deciles six through eight) do pay more in taxes net of transfers, but it amounts to less than $1,000 per family. The top 5% of fam-

FIGURE 6 Distribution of AFB impacts (2017)



Source Deciles are based on economic family total income (before taxes but after transfers), SPSDM 22.3 glass box, and author's calculations.[5]

ilies — those with incomes over $218,000 — see their taxes net of transfers rise by an average of $11,300 per family. This distribution can be contrasted with federal programs such as family income splitting, which provided the largest net gains to the richest families.

Despite paying slightly more in taxes most families are better off under the AFB plan. The services and programs they would receive are worth more than the increase in their tax bills. For example, our plan to eliminate university tuition fees, make child care more available and affordable, and introduce national pharmacare, among other programs, will provide a net benefit for 90% of Canadian families (those making under $170,000 a year), as shown by the green line in *Figure 6*.

The income group that benefits the most from the AFB is the lowest-earning 10% of Canadian families. New transfers, such as the GST top-up of $1,800 per person and boosting the Guaranteed Income Supplement to $1,000 per senior, are targeted to this group, as are our improvements to social assistance. Changes in the tax code, in particular closing loopholes for the rich, predictably cost the richest 5% of families the most in net tax/transfer changes.

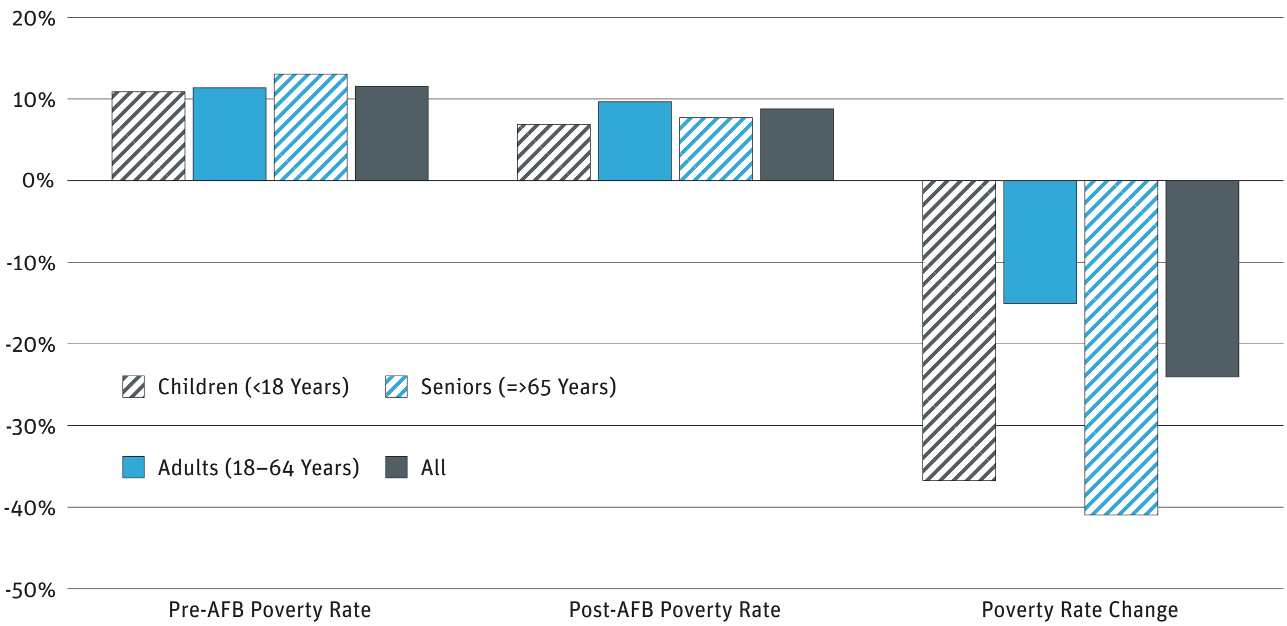
On the programs side, free tuition and help for the homeless aid Canada's lowest income decile. However, the benefits of new programs are not restricted to the lowest earners. Many of the middle and upper income deciles gain substantially from new AFB programs, especially free tuition, national pharmacare, and improved health

TABLE 1 AFB poverty impact (2017 LIM-AT)

	Number in Poverty (000s)	Number In Poverty After AFB (000s)	Lifted out of Poverty by AFB (000s)
Children (<18 yrs)	753	476	277
Adults (18–64 yrs)	2,615	2,222	393
Seniors (≥65 yrs)	830	490	340
All	4,198	3,189	1,010

Source Poverty rate defined by LIM-AT, SPSDM 22.3 glass box, and author's calculations.[7]
Note Totals may not add up due to rounding.

FIGURE 7 AFB impact on poverty rates (2017)[8]



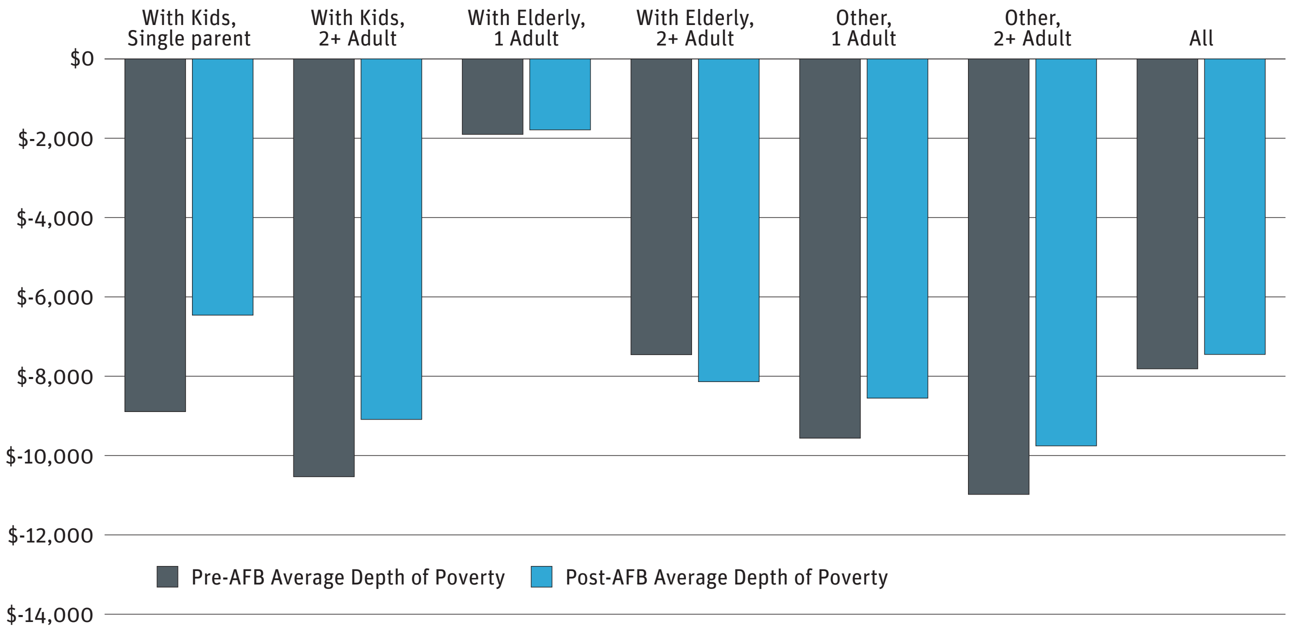
Source Poverty rate defined by LIM-AT, SPSDM 22.3 glass box, and author's calculations.[9]

care, as shown by the program spending bars of *Figure 6*.

The AFB illustrates what a transparent poverty analysis would look like when applied to federal budget measures. The federal government has made some initial attempts to do the same, but they have exaggerated the impacts.[6]

The fully implemented AFB would lift just over one million Canadians out of poverty, as shown in *Table 1*. This breaks down to 277,000 children, 393,000 adults, and 340,000 seniors. Two-thirds of all seniors in this scenario are women, reducing the poverty rate among that group from 15.6% to 8.8%.

FIGURE 8 AFB impact on depth of poverty (2017)



Source Poverty rate defined by LIM-AT, SPSDM 22.3 glass box and author's calculations[10]

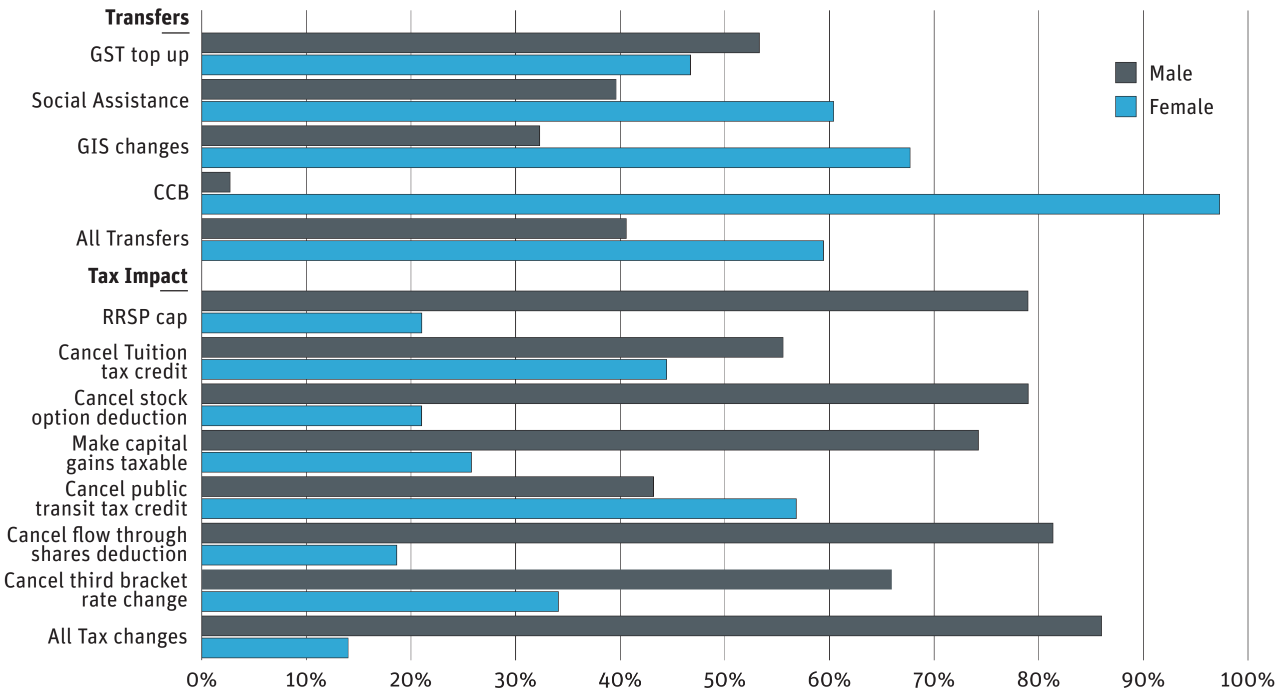
The largest drop in poverty is experienced by children and seniors, which both see their poverty rates fall by two-fifths. This is due primarily to the new GST top-up of up to $1,800 per person and GIS improvements of up to $1,000 per senior (see the Poverty and Inequality and the Seniors and Retirement chapters). The aggregate effect of the AFB is to reduce the poverty rate from 11.6% to 8.8%.

An equally important measure of poverty is the average amount by which a family is below the poverty line. For instance, a single additional dollar of income (from employment or government transfers) could move a family from below the poverty line to above it, but it would make no practical difference in their lives.

The AFB has a substantial impact on low incomes, even for families that are not lifted completely out of poverty, as shown in *Figure 8*. For example, our plan reduces the *depth* of poverty for single-parent families from $8,890 to $6,460, an improvement of $2,430 a family. The average depth of poverty for two-parent families and other households with more than one adult is reduced by $1,440 and $1,010 respectively. For elderly families with more than one adult the average depth of poverty worsens, but this is because so many seniors near the poverty line are lifted above it, thereby eliminating this offsetting effect on the average.

The federal government has committed to conducting a gender-based analysis of its 2017 budget.[11] The AFB presents a model for how this could look. *Figure 9* illustrates

FIGURE 9 Gender distribution of AFB tax and transfer measures



Source SPSDM 22.3 glass box and author's calculations.[12]

the breakdown by gender of who benefits and who pays for the AFB's major tax and transfer changes.

Most of the AFB's transfer changes benefit women more than men. The Canada Child Benefit (CCB) indexation in particular almost exclusively benefits women. This is because the CCB is paid to the lower earner in the family, which is almost always a woman in a heterosexual couple. The GIS improvements go disproportionately to women, since senior women are much more likely to live in poverty in the first place.

On the other hand, the new GST top-up of up to $1,800 per person is relatively evenly shared. While women would benefit from the children's portion of the GST top-up, which is paid to the lower earner, low-income single adult men would benefit more, as there are almost no other income supports for this group. Across all transfers women benefit slightly more, but the split is surprisingly even.

Since men are heavily overrepresented among high earners they pay more in taxes under the AFB plan. Our lowering of the RRSP cap, cancellation of stock option deductions, full inclusion of capital gains, the cancellation of the middle tax bracket change and cancellation of the flow-through shares deduction are particularly skewed toward high-income men, who are far more likely to use these tax breaks. Cancellation of tuition and public transit deductions affect men and women roughly evenly, although women are slightly more affected.

Conclusion

This analysis has shown how the measures proposed by the AFB would substantially strengthen employment and economic growth, reduce poverty, and improve equality within a reasonable fiscal framework. GDP growth and employment growth in particular would be much larger in our scenario than in the federal government's current plan. And these macroeconomic changes do not even begin to describe the dramatic improvements in programs as outlined in the AFB's 22 chapters and summarized in *Table 4* below.

The AFB also provides a template for federal and provincial governments interested in determining the distributional impact of their proposals. Our analyses of the effects of budget measures on poverty, gender, and income distribution are almost entirely absent from present government budgets, despite the much greater resources at their disposal.

In short, the AFB presents a detailed and eminently affordable plan for how the federal government could deliver on its promise of improving the lives of all Canadians and ensuring the national wealth is shared more equally.

Notes

1 Cansim 378-0121 up to Q3 2016. Loans including households and non-profit institutions serving households.

2 Bill Curry. "Morneau vows prudent budget as Canada awaits U.S. policy changes." *Globe and Mail*, January 13, 2017.

3 Debt is "Core Debt" as defined by the Bank of International Settlements (http://www.bis.org/statistics/totcredit.htm) including debt obligations beyond just the accumulated deficit generally contained in government debt-to-GDP figures, as presented in Tables 2 and 3.

4 This analysis is based on Statistics Canada's Social Policy Simulation Database Model 22.3. The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors.

5 See endnote 4.

6 Jordan Press. "Liberal government oversold child benefit's impact on poverty rates, documents suggest." The Canadian Press, December 23, 2016.

7 See endnote 4.

8 The LIM-AT line was estimated for 2017 such that the aggregate poverty rate in 2017 matches the 2014 rate if the GIS and CCB changes between 2014 and 2017 were included in the 2014 year.

9 See endnote 4.

10 See endnote 4.

11 Finance Canada. *A Plan for middle class progress: fall economic statement 2016*. November 2016, p. 37.

12 See endnote 4.

13 Finance Canada. *Update of Economic and Fiscal Projections*. November 2015.

TABLE 2 Base Case (Finance Canada)

Macroeconomic Indicators (mil)	2016	2017	2018	2019
Nominal GDP	$2,027,000	$2,114,000	$2,192,000	$2,280,000
Real GDP growth	1.4%	2.0%	1.8%	1.8%
GDP inflation	0.6%	2.2%	1.8%	2.1%
Nominal GDP growth	2.0%	4.3%	3.7%	4.0%
Participation rate	65.8%	65.8%	66.2%	66.5%
Labour force	19,566	19,750	20,069	20,361
Employed (000s)	18,224	18,387	18,704	18,997
Employment rate	61.3%	61.3%	61.7%	62.0%
Unemployed (000s)	1,342	1,363	1,365	1,364
Unemployment rate	6.9%	6.9%	6.8%	6.7%
Budgetary Transactions (mil)	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Revenues	$291,100	$303,300	$313,200	$326,200
Program spending	$291,300	$306,500	$313,200	$317,200
Debt service	$24,900	$24,600	$25,900	$28,200
Budget balance (surplus/deficit)	-$25,100	-$27,800	-$25,900	-$19,200
Closing debt (accumulated deficit)	$642,000	$669,800	$695,700	$714,900
Budgetary Indicators as a Percentage of GDP				
Revenues/GDP	14.4%	14.3%	14.3%	14.3%
Program spending/GDP	14.4%	14.5%	14.3%	13.9%
Budgetary balance/GDP	-1.2%	-1.3%	-1.2%	-0.8%
Debt/GDP	31.7%	31.7%	31.7%	31.4%

TABLE 3 AFB Case

	2016-17	2017-18	2018-19	2019-20
Nominal GDP	$2,027,000	$2,136,000	$2,236,000	$2,329,000
Nominal GDP growth	2.0%	5.4%	4.7%	4.2%
Revenues (mil)				
Base case	$291,100	$303,300	$313,200	$326,200
Net AFB revenue measures		$41,400	$43,600	$45,900
Additional tax revenue due to higher GDP		$3,200	$7,200	$9,600
Total	$291,100	$347,900	$364,000	$381,700
Program Spending (mil)				
Base Case	$291,300	$306,500	$313,200	$317,200
Net AFB program measures		$59,600	$65,300	$69,800
Total	$291,300	$366,100	$378,500	$387,000
Debt service	$24,900	$24,800	$26,300	$28,800
Budget balance (surplus/deficit)	-$25,100	-$43,000	-$40,800	-$34,100
Closing debt (accumulated deficit)	$642,000	$685,000	$725,800	$759,900
Budgetary Indicators as Percentage of GDP				
Revenue/GDP	14.4%	16.3%	16.3%	16.4%
Program spending/GDP	14.4%	17.1%	16.9%	16.6%
Budgetary balance/GDP	-1.2%	-2.0%	-1.8%	-1.5%
Debt/GDP	31.7%	32.1%	32.5%	32.6%
AFB Employment Impact	**2016**	**2017**	**2018**	**2019**
AFB jobs created (000s)		277	450	460
Population (000s)	29,718	30,015	30,315	30,618
Participation rate	65.8%	66.7%	67.6%	67.9%
Labour force (000s)	19,566	20,020	20,493	20,790
Employed (000s)	18,224	18,664	19,154	19,457
Employment rate	61.3%	62.2%	63.2%	63.5%
Unemployed (000s)	1,342	1,356	1,339	1,333
Unemployment rate	6.9%	6.8%	6.5%	6.4%

Note The AFB merely modifies the base case as presented in the most recent economic update in the fall of 2016; it does not start from different macroeconomic assumptions. As such, assumptions of GDP, employment, and expenditure and revenue growth are identical between the base case and the AFB, except where these are explicitly changed by the AFB. The AFB case includes all costed items in the AFB that impact federal finances as laid out in summary in Table 4.

TABLE 4 AFB Actions ($mil)

	2017-2018	2018-19	2019-20
Agriculture			
Support farmers in climate change adjustments	250	250	250
Restore Canadian Grain Commission funding	20	20	19
Rebuild government research capacity	100	100	100
Arts & Culture			
Increase and extend Canada Cultural Spaces Fund		188	188
Showcasing Canada Program		25	25
Childcare			
Indigenous community child care development	100		
Provincial child care framework development	500		
Expand affordable child care		1,600	2,600
Defense			
International peacekeeping training centre	5	5	5
Cancel purchase of F-35s in place of Super Hornets	(400)	(400)	(400)
Employment Insurance			
Keep EI premiums at $1.88 per $100 of insurable earnings	(3,500)	(3,500)	(3,500)
Additional eight weeks of leave for non-birthing parents	600	600	600
Low-income supplement	900	900	900
Establish uniform EI entry of 360 hours	2,000	2,000	2,000
Environment and Climate Change			
Remove federal fossil fuel subsidies	(1,500)	(1,500)	(1,500)
Global climate financing	1,000	1,000	1,000
Renew funding for the Clean Energy Fund	1,000	1,000	1,000
Re-establish home energy efficiency retrofit program	400	400	400
Terrestrial protected areas	145	95	95
Working landscapes	123	119	146
Ocean conservation	146	146	146
First Nations			
Language revitalization	154	154	154
Invest in First Nations child and family services	155	155	155
Invest in First Nations housing, water, and infrastructure	1,900	1,900	1,900
Investments in K-12 on-reserve schools	653	653	653
Investments in PSSSP for post-secondary students	142	142	142
Health Accord for First Nations	1,581	1,203	1,208

Gender Equality			
National plan to address violence against women	500	500	500
Increase funding for Status of Women Canada	100	100	100
Implement equal pay in federal government	10	10	10
Health Care			
Health Accord with 6% annual escalator	632	1,561	2,458
National pharmacare	3,390	3,831	4,597
New long-term and residential care spaces	2,300	2,300	2,300
Train 3,500 new mental health professionals	100	100	150
Housing and Neighbourhoods			
Preserve existing social housing stock	1,000	1,000	1,000
Investment in affordable housing funding	1,000	1,000	1,000
Investment in supportive housing	1,000	1,000	1,000
Immigration			
Foreign credential recognition and training	100	100	100
Improve support for refugees	50	50	50
Infrastructure and Cities			
Community infrastructure transfer	5,400	5,400	5,400
Support for non-profit business models	10	10	10
Support community economic development investment funds	15	15	15
Neighbourhood revitalization program	100	100	100
International Development			
Boost development funding toward 0.7% of GNI	760	1,642	2,664
Post-Secondary Education			
Eliminate the federal tuition tax credit	(1,195)	(1,195)	(1,195)
Cancel the Canada Job Grant	(300)	(300)	(300)
Cancel RESP	(140)	(140)	(140)
Eliminate the student loan interest tax credit	(45)	(45)	(45)
Reduce the scientific research and experimental development credit by 0.8%	(25)	(25)	(25)
Core funding for post-secondary education	5,480	5,480	5,480
Eliminate tuition fees for all students	3,590	3,590	3,590
Improve labour market Information	15	15	15
Create national labour market partners forum	5	5	5
Training for unemployed Canadians who do not qualify for EI	300	300	300
Improve union-based apprenticeship training	125	125	125

Harmonize provincial-territorial apprenticeship training	15	15	15
Eliminate interest on student loans	283	283	283
Funding for PSE research and scholarships	146	146	146
English as an additional language (EAL) training	53	53	53
Poverty			
Poverty reduction transfer to provinces	4,000	4,000	4,000
Create a GST top-up	5,400	5,400	5,400
Index CCB to inflation	730	1,460	2,190
Public Services			
Assess the budget cut impacts and restore programs where needed	500	2,000	2,000
Sectoral Development Policy			
Sectoral development councils	50	50	50
Enhance value-added production in key sectors	450	450	450
Seniors and Retirement Security			
Index OAS to average industrial wage growth	60	66	70
Limit RRSP contributions to $20,000/year	(950)	(950)	(950)
Cancel pension income splitting	(1,280)	(1,344)	(1,411)
Increase GIS top-up for coupled and single seniors	1,990	1,990	1,990
Taxation			
Eliminate stock option deduction	(670)	(670)	(670)
Stop abuse of small business tax rate	(500)	(500)	(500)
Equalize capital gains treatment (personal)	(5,000)	(5,000)	(5,000)
Equalize capital gains treatment (corporate)	(5,000)	(5,000)	(5,000)
Lifetime cap on TFSA contributions at $50,000	(100)	(100)	(100)
Cancel boutique tax credits	(200)	(200)	(200)
Eliminate flow-through mineral exploration credit	(125)	(125)	(125)
Eliminate corporate meals and entertainment expense	(400)	(400)	(400)
Limit CEO pay deductions to $1 million/person	(150)	(175)	(200)
Increase corporate income taxes from 15% to 21%	(6,000)	(7,500)	(9,000)
Small business tax rate to 15%	(1,180)	(1,770)	(2,360)
Economic substance test for offshore subsidiaries	(400)	(400)	(400)
Capping interest payments to offshore subsidiaries	(200)	(200)	(200)
Tax havens withholding tax	(2,000)	(2,000)	(2,000)
Taxing foreign e-commerce corporate profits	(600)	(600)	(600)
End GST/HST exemption for foreign e-commerce companies	(400)	(400)	(400)
Financial activities tax	(5,000)	(5,100)	(5,202)

Inheritance tax on $5-million (and up) estates	(2,000)	(2,000)	(2,000)
Cancel second income tax bracket change (20.5% to 22%)	(2,800)	(2,800)	(2,800)
Water			
National public water and wastewater fund	6,500	6,500	6,500
Implementation of wastewater systems effluent regulations	1,000	1,000	1,000
Water infrastructure aid for small municipalities	100	100	100
Water operator training, public sector certification and conservation programs	75	75	75
Assess environmental impact of energy, tar sands, mining developments	50	50	50
Reinstate cut water programs at Environment and Climate Change Canada and Fisheries and Oceans Canada	50	50	50
Protect Canada's Great Lakes and freshwater supply	500	950	950
Establish water quality and quantity monitoring frameworks	109	109	109
Groundwater protection plan	3	3	3
Review of virtual water exports	1	1	1
Youth			
Youth labour market planning board	30	30	30
Renewal of federal-funded internships	300	300	300
Statistics Canada tracking of unpaid internships and NEET	2	2	2
Proactive Labour Code enforcement	10	10	10
Total AFB Expenditure Changes	59,562	65,281	69,782
Total AFB Revenue Changes	(41,360)	(43,639)	(45,923)

Taxation

ALTERNATIVE FEDERAL BUDGET 2017 / TAXATION

HIGH STAKES

- Our tax system has become overly complex and riddled with loopholes and provisions that worsen inequalities.
- Canada's last comprehensive tax review (the Carter commission) happened 51 years ago.
- Our tax system needs to be made more equitable.
- Tax havens have become a common way for corporations to avoid paying their fair share.
- Our corporate tax structure does not fairly address foreign companies.

CLEAR CHOICES

- Eliminate regressive and ineffective tax loopholes.
- End corporate tax dodging and make corporations pay their fair share.
- Tax foreign e-commerce companies to level the playing field.
- Increase taxes on banks and finance.
- Introduce wealth/inheritance taxes and make income taxes more progressive.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

The Liberal government has taken several positive steps, all of them promoted in past Alternative Federal Budgets, to make the federal tax system fairer. It has added another top tax bracket of 33% on incomes above $200,000. It replaced the Universal Child Care Benefit with a more progressive Canada Child Benefit, which should reduce child poverty by 14%, according to AFB estimates. It cancelled family income splitting and the previous government's planned doubling of the annual tax-free savings account contribution limit, both highly regressive tax measures that benefited mainly Canada's well-off. It has closed some tax loopholes and increased the capacity of the Canada Revenue Agency to go after high-income individuals evading taxes through offshore tax havens.

While these actions are a good start, much more needs to be done to reform our tax system. Not only will the measures proposed below make taxes fairer in Canada, they will allow the government to fund the social, economic, and environmental services and investments Canadians deserve, and help pay for other promises the government has made but not yet delivered on. The last time Canada conducted a comprehensive tax review (the Diefenbaker-appointed Carter commission) was 51 years ago. Since then, our tax system has become overly complex and riddled with loopholes that worsen inequalities. The system does not address our current challenges, nor does it fairly tax new business structures.

AFB Actions

There are a number of straightforward tax measures that could generate significant revenue for public services, broaden our tax base, make the tax system fairer, reduce inequalities, and promote economic and productivity growth.

Action: Eliminate regressive and ineffective tax loopholes and simplify the tax system (savings: $16 billion a year).

Recent analysis by the Canadian Centre for Policy Alternatives exposes how over 90% of federal personal tax expenditures provide greater benefits to higher-income earners.[1] It is clear proof of how Canada's tax system disproportionately benefits the wealthy and at a great cost to the public. The federal government has initiated a review of its tax expenditures, hoping to generate $3 billion in annual savings. But this is a very modest target.[2] The government could save at least $16 billion through the following 10 simple tax reforms.

1. Eliminate the stock option deduction (savings: $670 million a year)
This loophole allows corporate executives to pay tax on their stock option compensation at half the statutory rate that the rest of us pay on our working income. Not only is the deduction highly regressive, with over 90% of the benefit going to the top 1% of tax filers (who make more than $250,000 annually), it is also bad for the economy, as it encourages CEOs to inflate short-term stock prices through share buybacks instead of investing in the economy.[3]

2. End the abuse of the small business tax rate (savings: about $500 million a year)
Tax laws allow accountants, dentists, doctors, and small business operators to provide their services through Canadian-controlled private corporations (CCPCs) rather than as employees. These individuals then pay tax on income held within these businesses at the much lower small business rate of 11% on their first $500,000 of income instead of at federal personal income tax rates of up to 33%. Individuals may also split personal income among family members to avoid paying taxes.[4]

3. Tax income from capital gains and investments at the same rate as employment income (savings: $10 billion a year)
Individuals who profit from the sale of investments or assets pay tax at half the rate of tax on income from employment thanks to the partial inclusion of capital gains. Over 90% of the benefit of this loophole on the personal income tax side goes to the richest 10% of income earners and 87% goes to the top 1%.[5] Corporations also pay tax on half of their capital gains. This provision was supposedly introduced to encourage sav-

ings and investment, but since it was expanded business investment as a share of the economy has declined. Under our plan the government would tax capital gains for individuals and businesses at the same rate as employment and other income, but would allow an adjustment for inflation. This would encourage longer-term productive investments rather than short-term speculation. There are also generous lifetime capital gains exemptions for farming, fishing, and small business that our plan preserves in the interest of maintaining family businesses. We further maintain the capital gains exemption for principal residences, as the family home is one of the few significant assets most Canadians have.

4. Put a lifetime limit on tax-free savings accounts (savings: $100 million, increasing to the billions of dollars in the future)

Tax-free savings accounts (TFSAs) were originally justified on the basis they would provide low-income individuals with a more tax-effective way to save for retirement than RRSPs. However, the benefits of TSFAs primarily go to people making higher incomes and their cost, in terms of foregone government revenues, will escalate to many billions of dollars annually unless total contributions are capped. The cumulative amount individuals can contribute to TFSAs was $46,500 in 2016. The AFB would put a lifetime cap of $50,000 on TFSAs to avoid a revenue sinkhole in the future and to ensure benefits aren't further concentrated among high-incomes earners.

5. Reduce the annual RRSP contribution limit to $20,000 and cancel pension income splitting

The AFB would enhance public retirement programs instead, including the Canada Pension Plan, Old Age Security, and the Guaranteed Income Supplement (see the Seniors and Retirement Security chapter).

6. Review and replace ineffective boutique tax credits (savings: $200 million a year)

Canada's tax system is riddled with so-called boutique tax credits for public transit, trades tools, search and rescue, volunteer firefighters, etc. Navigating these credits makes filling out annual tax forms much more complicated. Furthermore, they have generally not been effective in their intended objectives and are more likely to be used by higher-income families.[6]

7. Eliminate flow-through share (FTS) deductions and the mineral exploration tax credit (savings: $125 million a year)

These tax incentives are supposed to help boost exploration in the resource and energy industries, but there is little evidence they are working.[7] Nearly 80% of FTS investors are in the highest marginal tax bracket.[8]

8. Cancel the corporate meals and entertainment expense deduction (savings: $400 million a year)

Businesses are allowed to deduct half their meal and entertainment expenses, including the cost of season's tickets and private boxes at sports events. These loopholes are widely abused, according to one study of similar measures in the U.S.[9] The meal expense for long-distance truckers would be maintained.

9. Limit deductions for executive compensation (savings: $150 million a year)

Canadian corporations can deduct CEO and other executive compensation from their expenses. The average compensation of the top 100 Canadian CEOs was $9.5 million in 2015, 193 times what the average worker made that year.[10] The AFB adopts the U.S. model, where the deduction is limited to $1 million each for the CEO and other executives.

10. End fossil fuel subsidies (savings: as much as $1.5 billion a year)

While some fossil fuel subsidies are being phased out, new ones have been introduced and extended. Federal tax subsidies to the fossil fuel industries averaged $1.5 billion a year between 2013 and 2015.[11] (For more on subsidies, see the Environment and Climate Change chapter.)

Action: End corporate tax dodging and make corporations pay their fair share (revenue: $13.6 billion a year).

Corporations rely heavily on public services for their operations. These can include transportation infrastructure, utilities, education, training, health care, social services, law enforcement, and the justice system. High-quality public services are more important contributors to corporate productivity and competitiveness than low corporate taxes or labour costs. There is a lot more economic activity in countries with quality public services and higher corporate taxes than in countries with low corporate taxes and low-quality public services.

Canada has some of the lowest corporate tax rates among peer competitor countries, which has contributed to driving these rates down elsewhere.[12] Federal corporate tax rates were slashed almost in half between 2000 and 2008 — from 29.1% to 15% — and yet business investment as a share of the economy declined instead of increasing as it was supposed to. Over that time, corporations created few new jobs and made ever-higher record profits, amassing over $700 billion in surpluses and excess cash.[13]

While corporate profits take up record shares of the national income, there has been little increase in the share companies contribute through corporate income taxes. In addition, business taxes have been reduced and shifted onto households in other ways, with the elimination of most corporate capital taxes, a shift to value-added taxes, and reductions in business property taxes. Large corporations and investors have also benefited from weak tax rules and lax enforcement by shifting profits to tax havens and paying less tax.

Analysis commissioned by Canadians for Tax Fairness has found that 56 of the TSX 60's largest publicly traded companies in Canada had a total of 973 subsidiaries in recognized tax havens. Tax avoidance and evasion has been even more damaging for lower-income and developing countries in Africa and Asia, which desperately need revenues to provide better health, education, and other public services. The main way multinational corporations are able to legally avoid taxes is through “transfer pricing” and “profit shifting” — applying artificially high or low prices for goods or services between affiliated companies so their profits are concentrated in countries where they pay zero or negligible taxes.

The AFB increases the corporate federal tax rate from 15% to 21% and increases the small business rate to 15% to preserve proportionality between small and general corporate tax rates. This also maintains the tax rate’s consistency with the lower rate on personal income, and tackles the abuse of the CCPC regime by individual professionals, as described above. This measure, which would net the government $11 billion a year in new tax revenue, would leave the general federal corporate tax rate lower than it was in 2006 and considerably lower than the 34–35% statutory federal corporate rate in the United States.

In order to stop businesses and investors from simply moving more of their money into tax shelters, the AFB replaces Canada’s difficult-to-enforce “arms-length rule” with a unitary taxation regime that would apportion tax payments by multinational companies to different governments according to the amount of business they do in each jurisdiction. This is similar to how business revenue is apportioned between different provinces in Canada. More immediately, the following measures would have a significant effect on curbing tax avoidance:

- Require corporations to prove their offshore transactions have substantial economic purpose aside from reducing taxes owed. Private member’s bill C-621, introduced in the last Parliament by Murray Rankin, provides a good legislative example of how this could be done.[14] We estimate this measure would raise $400 million a year.
- Reinstate the restriction on how much corporations can deduct in interest payments to offshore subsidiaries for tax purposes, as the OECD recently recommended through the Base Erosion and Profit Shifting (BEPS) action plan. We recommend limiting the deductibility of interest to the entity’s share of the group’s consolidated net interest expense, apportioned by earnings (EBITDA), combined with a fixed cap of 10%.[15] This measure should raise at least $200 million annually in tax revenue.
- Apply a 1% withholding tax on Canadian assets held in tax havens. Investment by Canadian corporations in their top 10 favourite tax havens increased to a reported $270 billion in 2015, amounting to over a quarter of all Canadian direct investment abroad. Applying a 1% withholding tax on Canadian assets held in tax havens would generate over $2 billion a year.

Action: Tax foreign e-commerce companies to level the playing field (revenue: $1 billion a year).

E-commerce-based companies such as Netflix, Facebook, Amazon Prime, Google (YouTube), Amazon, Uber, and Airbnb, among others, are capturing a growing share of the Canadian market but pay little or no HST/GST or corporate income taxes. Because these firms have no physical presence in Canada they are not considered to be "carrying on business" here.[16] This policy needs to be updated to reflect changing business realities.

The foreign-owned e-commerce sector now has revenues of more than $30 billion a year. Google and Facebook together capture 64% of all Internet advertising dollars spent in Canada (over $2.4 billion annually) but pay little or no taxes here. Meanwhile, domestic broadcasters and media producers, including newspapers, have seen their advertising revenues plummet, leading to mass layoffs and an erosion of avenues for broad public discourse.[17]Companies like Netflix and other "over-the-top" media services are also not required to produce, broadcast, or contribute to Canadian content, contribute to the Canadian Media Fund, or levy taxes on their services.

The European Union, New Zealand, Australia, Norway, South Korea, Japan, Switzerland, and South Africa have modernized tax laws to respond to a changing e-commerce reality.[18] The OECD, in its BEPS action plan, "Addressing the Tax Challenges of the Digital Economy," has recommended ways governments can collect value-added taxes where a product is purchased to help level the playing field between foreign and domestic suppliers.[19]

The AFB will level the playing field in two ways. First, it makes sure all e-commerce companies with Canadian income above $500,000 (the small business threshold) pay corporate income tax on profits from products or services sold or rented in Canada, whether or not the company has a physical presence here. This would raise $600 million a year. Second, the AFB cancels the GST/HST tax exemption for e-commerce service companies that sell to Canadians. We estimate this would raise $400 million a year.

Action: Introduce a stronger and more progressive carbon tax (revenue neutral).

The Trudeau government says it wants to see a nationwide minimum national carbon price of $10 per tonne in 2018 increasing to $50 per tonne by 2022. This is similar to the national harmonized carbon tax proposed by the AFB, but it is too modest. The government's plan also does not mandate that the revenues should be used for progressive investments in complementary environmental measures or to support vulnerable people, industries, and communities affected by these changes.

The AFB plan introduces a national harmonized $30-per-tonne carbon tax starting July 1, 2017, but increasing by $10 per tonne a year until it reaches $50 per tonne in 2019. Where provinces do not have a broad-based carbon price in place at these levels, the federal government would apply one. Revenues generated through the carbon tax would be spent on a "green" tax refund — an annual cheque equivalent to $10 for every adult and $5 per child for every $1 per tonne in carbon tax (e.g., $300 per adult for a carbon tax of $30 per tonne). The remainder of the revenues would go to complementary investments in climate change mitigation and adaptation, green infrastructure, and to just transition measures to assist affected workers, communities, and industries. The AFB would also apply border tax adjustments to ensure our industries are not at a competitive disadvantage, and to put pressure on other countries to introduce similar measures (with exemptions for impoverished nations).

Action: Increase taxes on banks and finance (revenue: $5 billion a year).

Many experts consider the financial sector to have grown too big for the good of the economy. This has led to greater speculative activity, economic instability and crises, increased inequality, and poor allocation of resources. The financial sector also benefits from a preferential tax regime (e.g., exemption of most services from value-added taxes like the GST/HST), the relative ease with which companies can exploit tax havens, and guarantees of solvency in the event of a crisis through government bailouts of firms considered "too big to fail."

After many years, momentum is building again in Europe for broad-based financial transaction taxes (FTT). Such measures have existed for centuries in different forms and in different countries. For example, FTTs are actively adjusted in China and Taiwan to cool real estate or stock markets. The International Monetary Fund has also proposed a financial activities tax (FAT) on profits and remuneration in the financial industry as a way to apply a value-added tax to this sector. Quebec has had a version of a FAT in its special tax on remuneration in the financial industry. The AFB would either introduce a FTT in collaboration with the provinces, which have jurisdiction over securities regulation, or a FAT rate of 5% on profits and remuneration in the financial sector.

Action: Introduce wealth/ inheritance taxes and make income taxes more progressive (revenue: $4.8 billion a year).

Canada should have broader-based and more progressive wealth and inheritance taxes to combat persistent inequalities. The only wealth we tax now is property, which is regressive, since a home is usually the only asset of significant value for middle-income families. The IMF has estimated Canada could generate $12 billion annually from a tax of just 1% on the net wealth of the top 10% of households. Introducing a broad-based wealth tax like this would involve co-ordinated action.

In the interim the AFB introduces a minimum inheritance tax of 45% on estates valued above $5 million, similar to the estate tax in the U.S., which would net an estimated $2 billion annually in new revenues. The AFB also reverses the income tax cut introduced for the middle tax bracket (i.e., returns the rate to 22%), since the maximum benefits from this cut actually go to those with taxable incomes over $90,000 a year, which would produce revenues of $2.8 billion per year.

Notes

1 David Macdonald. (2016). *Out of the Shadows: Shining a light on Canada's unequal distribution of federal tax expenditures*. Ottawa: Canadian Centre for Policy Alternatives.

2 Liberal Party of Canada. (2015). *A New Plan for a Strong Middle Class*, election platform, p. 80.

3 Many of the revenue estimates are taken from Finance Canada's Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2016: http://www.fin.gc.ca/taxexp-depfisc/2016/taxexp1602-eng.asp#_Toc442180630.

4 Herbert J. Schuetze. (2016). "Income splitting among the self-employed." *Canadian Journal of Economics*, Vol. 39, No. 4.

5 Brian Murphy, Mike Veall, and Michael Wolfson. (2015). "Top-End Progressivity and Federal Tax Preferences in Canada: Estimates from Personal Income Tax Data." Canadian Tax Journal, Vol. 63, No. 3.

6 Neil Brooks. (2016). "The Case Against Boutique Tax Credits and Similar Tax Expenditures." Canadian Tax Journal, Vol. 65, No. 1. pp. 65–134.

7 Lindsay Tedds, "Why the mineral exploration tax credit is such a bad idea," Maclean's, September 2, 2015.

8 Department of Finance Canada. Tax Expenditures and Evaluations 2013, Part 2.

9 Richard Schmalbeck and Jay A. Soled. (2009). "Elimination of the Deduction for Business Entertainment Expenses." *Tax Notes*, May 11, 2009.

10 Hugh Mackenzie. (2017). *Throwing money at the problem*. Ottawa: Canadian Centre for Policy Alternatives.

11 "Unpacking Canada's Fossil Fuel Subsidies," a joint project of IISD and Global Subsidies Initiative: http://www.iisd.org/faq/ffs/canada/

12 "Competitive Alternatives: KPMG's guide to international business costs, 2016 edition": https://www.competitivealternatives.com/reports/compalt2016_execsum_en.pdf

13 Jordan Brennan. (2015). *Do Corporate Income tax Rate Reductions Accelerate Growth*. Ottawa: CCPA.

14 Rankin describes his private member's bill here: https://openparliament.ca/bills/41-2/C-621/

15 For details on this issue see the G20 submission to the U.K. parliament on behalf of the BEPS Monitoring Group: https://bepsmonitoringgroup.files.wordpress.com/2016/01/bmg-submission-to-uk-all-party-parliamentary-group.pdf

16 Canada Revenue Agency. Carrying on business in Canada, GST/HST Policy Statement P- 051R2, Date of Revision. April 29, 2005. This policy statement cancels P-051R1, dated March 8, 1999: http://www.cra-arc.gc.ca/E/pub/gl/p-051r2/p-051r2-e.html

17 John Anderson. (2016). *Over the Top Exemption*. Ottawa: CCPA, p. 11.

18 Ibid., pp. 18–21.

19 OECD. (2015). *Addressing the Tax Challenges of the Digital Economy, Action 1 - 2015 Final Report:* http://www.oecd.org/tax/addressing-the-tax-challenges-of-the-digital-economy-action-1-2015-final-report-9789264241046-en.htm

Agriculture

ALTERNATIVE FEDERAL BUDGET 2017 / AGRICULTURE

HIGH STAKES

- Climate change is having serious impacts on farmers. Droughts, floods, early frosts, new diseases, and pests bring increasing uncertainty.
- Canada's farmers are now carrying over $92 billion in debt. Corporate concentration means farmers keep less and less of the wealth they create. Many farmers need to work off-farm jobs to subsidize farm incomes.
- The average age of farmers is creeping upward as farmers live longer and delay retirement. If young farmers can't take over, Canada risks having its agriculture entirely in the hands of corporations and absentee landlords.

CLEAR CHOICES

- Create a national agricultural climate change mitigation program to help farmers reduce emissions and make their farms more resilient.
- Make farm incomes less precarious by rebuilding or repairing the institutions that give farmers more power in the marketplace.
- Create a new set of mechanisms and training programs to facilitate land transfer to new farmers without requiring them to take on crippling debt.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Farmers are a minority within the Canadian population, yet everyone in Canada relies on them for the food they eat every day. The centrality of food in our lives means that farming and agriculture are critical to Canada's future. The foundation of Canada's rural economy is the farmer's net income. The downward spiral of rural decline and depopulation can be turned around by implementing measures to ensure that farmers obtain a fair share of the wealth produced on the land. Farm income, climate change, farm debt, and the successful transition of the younger generation into farming are crucial challenges that the Alternative Federal Budget will address.

Climate Change

Farmers depend upon a predictable climate and favourable weather conditions to produce and earn a livelihood. Climate stability is required to successfully produce crops, raise livestock, and maintain healthy agroecosytems. Because agriculture currently contributes a significant amount of Canada's greenhouse gas emissions, the agricultural sector also presents an opportunity to significantly reduce carbon emissions through changing farming practices. Fiscal and program support for both adaptation and mitigation are required so that agriculture can play its part in preventing catastrophic climate change while maintaining adequate food production and decent livelihoods for farmers in increasingly uncertain times.

Unstable climate and unusual weather had a negative impact on farm incomes in many areas of Canada in 2016, for example:

- The prairies experienced erratic precipitation patterns, including a month of wet snow in October before the completion of harvest, a prolonged dry spell following seeding, and reduced yields and/or spoilage caused by intense rain. Additional costs were incurred to dry crops that were harvested in wet conditions.
- In British Columbia, Quebec, and Ontario drought hampered crop development, impaired pasture quality, and reduced hay yields. Access to water for stock watering and irrigation was restricted. Lower yields and lower prices reduced farm incomes, while higher feed prices and grazing fees added to the costs of livestock production.
- Parts of Atlantic Canada experienced severe drought. For example, Yarmouth County had its driest summer since 1880. Lower yields of hay, potatoes, vegetables, fruit, and blueberries combined with more expensive feed reduced farm incomes.

When all emissions from agriculture are accounted for, it becomes clear that energy-intensive inputs such as nitrogen fertilizer produced from natural gas, manufactured herbicides, pesticides, transportation, farm fuels, and electricity are all significant. In addition, there are the emissions caused by off-gassing of nitrogen fertilizers from soils and methane from livestock manure and digestion of feedstuffs that are allocated to agriculture under the Intergovernmental Panel on Climate Change's greenhouse gas accounting system. A comprehensive lifecycle analysis of greenhouse gas emissions from agriculture will provide numerous opportunities for reductions, many of which will also reduce costs for farmers.

Climate change means uncertainty for the agricultural sector. It is therefore essential that farms become more resilient. Diversification of production and soil improvement are key strategies. For example, practices that sequester atmospheric carbon in soils increase their ability to hold water, which helps farms better withstand both droughts and excessive moisture conditions. Diversification is an effective risk management strategy that lessens the impact of price volatility, crop failures, diseases, and pest problems.

Farm Debt

Farm debt continues to grow at an unsustainable rate. By 2015 Canada's total outstanding farm debt had risen to over $92 billion.[1] Total realized net farm income is less than one-tenth of this debt load. This means that farmers have little capacity to absorb higher costs. Even a small increase in interest rates would have a devastating effect, as many farmers would be unable to continue servicing their debts. Climate change continues to increase risks and expenses, making incomes more precarious and debt more onerous. Yet farmers do produce immense wealth every year. Most of that wealth is captured by powerful corporations that are able to control the prices of inputs such as seed, fertilizer, farm chemicals, fuel, and rail transportation. Prices paid for farm products are also controlled by a few large buyers: global grain companies, meat packers, and retailers. Meanwhile, land prices are increasingly influenced by farmland investment companies that collect high rents while speculating on land values. Farmers as individuals have very little power in the marketplace. Because of this, much of total farm debt is not due to investment in productive capacity but rather represents persistently insufficient margins due to others taking more than their fair share of the wealth farmers produce.

To address farm debt it is necessary to reinvest in the institutional structures that protect farmers' interests by countering the monopolistic power of global agribusiness and food corporations. The Canadian Grain Commission (CGC) has been stripped of important roles and funding during the last decade. This needs to be reversed. The railways have reduced service and failed to properly invest in the grain transportation system in spite of being entitled to healthy profits through the Maximum Revenue Entitlement (a revenue cap). The Canadian Wheat Board, the farmer-directed single-desk selling agency for Prairie wheat and barley, was dismantled under the direction of the previous federal government in 2012, resulting in billions of dollars leaving Canada's farm economy annually since then. In 2016, the previously privatized Port of Churchill was closed. This will hit farmers in northern Manitoba and Saskatchewan particularly hard because it will cost them more to transport their grain to southern ports. By ratifying CETA (the Canada-EU trade deal), the federal government weakened our supply management system by increasing the European Union's share of our cheese market by 18,500 tonnes,[2] reducing the size of Canada's domestic dairy market by an amount that could have supported 400 new entrant farmers.

Canada's agriculture research institutions have also suffered severe funding cutbacks and numerous closures in the past decade. The previous government eliminated over 500 agriculture research positions between 2012 and 2015. Valuable research institutions and field research stations were closed in every region, impairing Canada's ability to respond to emerging challenges. Public assets and roles were irresponsibly transferred to the private sector. The task of restoring Canada's public interest in scientific and technical capacity in agriculture is both large and urgent, and will require significant resources.

The Next Generation of Farmers

The average age of Canadian farmers is rising. Older farmers are delaying retirement, while younger people who want to farm are facing barriers that are increasingly difficult to overcome, such as precarious farm income prospects and a fraying rural social fabric. We are in the midst of a crisis in inter-generational transfer. Land is being acquired by farmland investment companies, consolidated into large holdings, and farmed by tenant farmers and hired labour instead of being transferred to younger farm families and new entrants. There is an urgent need for measures to assist young people to begin and continue farming successfully.

Measures to promote sustainable incomes for all farmers are needed to help young people choose farming as an economically viable career. Investment in rural community infrastructure is needed to support the quality of life of new farm families. Farmers who are starting out require mentorship and training as well as assistance in gaining access to land — particularly options for secure land tenure that do not involve crippling debts. Supply-managed sectors need to embrace the diversity of production methods that consumers want and younger farmers support by transferring quota to new entrants in ways that will help them become established. Canada has lost a lot of its fruit and vegetable production as a result of trade agreements that give advantages to processors using low-cost labour in other countries, yet climate change and political situations abroad are also making our supply of fruit and vegetables more precarious. We could mitigate these risks by supporting young farmers who are eager to produce more food for their urban neighbours.

AFB Actions

Invest in research and extension to create an economically viable, resilient, climate-friendly farm sector ($250 million/year).

Action: The AFB will establish an effective national agriculture extension program to ensure Canada's farmers have the tools they need to meet greenhouse gas reduction targets.

Result: Agriculture practices will be altered to reduce total life-cycle emissions and to increase farms' resilience to climate uncertainty while maintaining viable farmer livelihoods and needed food production. This will help to reduce emissions from livestock production and nitrogen fertilizer use, and will promote the adoption of low-input production methods, the use of effective methods to enhance soil carbon production, and on-farm energy conservation practices.

Action: The AFB will create additional programs to assist farms facing long-term problems related to climate change.
Result: Investing in greenhouse gas mitigation and climate adaptation strategies will reduce future demands on safety-net programs. For example, farms that experience repeated flooding may need assistance to relocate buildings and corrals to higher ground so they can continue farming and contributing to Canada's food system. The AFB's extension programs will help farms become more resilient over the long term.

Restore and rebuild the Canadian Grain Commission's capacity to fulfil its mandate: "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets" ($20 million).

Action: The AFB will restore the CGC's funding to pre-2012 levels and provide additional funds to support its ability to provide better oversight of the grain trade in the interests of farmers, with particular attention to grading and bond security.

Result: Grain companies will be disciplined to provide fair grades and prompt, full payment to farmers. Canada's reputation in export markets for high-quality grain, along with corresponding higher prices, will be recovered. A greater share of the value produced on Canadian farms will be returned to farmers, where it will support economic activity in their communities.

Rebuild Agriculture and Agri-Food Canada's scientific, technical and support staff capacity, which has been eroded as a result of retirements, lay offs, and lack of new hiring over the past decade ($100 million).

Action: The AFB will remedy the shortage of seasonal and permanent technical staff that is hampering progress at many AAFC facilities. The AFB will provide 100% public funding to the AAFC and universities to advance the non-commercial agronomic research and plant breeding needed to address climate change mitigation and adaptation in agriculture.

Result: Non-commercial research will no longer be starved of funds, and important non-commercial questions will be investigated so that innovations can be developed and applied through shared knowledge rather than purchased inputs.

Change the mandate of Farm Credit Canada to ensure its lending activities support the development of a diversified, climate-friendly agriculture sector and avoid contributing to land grabbing.

Action: The AFB will direct Farm Credit Canada to give priority to small- and medium-sized farms that produce food for domestic consumption, prohibit lending to farmland investment companies, and restrict its lending to farm-related businesses that are majority farmer-owned.

Result: The FCC's lending activities will support successful intergenerational transfer of farms by providing needed credit to new entrants investing to develop a larger range of enterprises using diverse farming practices and avoiding contradictory support for non-farmer-owned competing businesses.

Notes

1 Statistics Canada, CANSIM Table 002-0008 - Farm debt outstanding, classified by lender, http://www5.statcan.gc.ca/

2 Text of the Comprehensive Economic and Trade Agreement — Annex 2-A: Tariff elimination

Arts and Culture

ALTERNATIVE FEDERAL BUDGET 2017 / **ARTS AND CULTURE**

HIGH STAKES

- Although the government made good on its commitment to invest more in the arts with its 2016 budget, these investments are merely bringing funding levels back to what they were prior to cuts made in recent years.
- After years of underfunding, many arts facilities in Canada are showing their age, and new arts spaces that can deliver the type of programming and activities that Canadians want are lacking.
- Canadian society is more diverse than ever and the government must ensure fair and equitable access for all Canadians.

CLEAR CHOICES

- Maintain the doubling of the Canada Council for the Arts funding.
- Extend the Showcasing Canada Program beyond 2017 with annual installments of $25 million and invest a total of $1.5 billion over eight years in cultural infrastructure.
- Promote inclusion and equitable treatment of artists throughout the Digital Culture consultations.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

For generations, the arts and culture sector has allowed inspiration, national pride, and Canadian identity to flourish. Artists and arts organizations advance critical conversations about a wide range of topics, including societal, environmental, and political issues. Canada's artists and cultural workers have advanced Canadian artistic production and practice, which has been recognized on national and international stages.

The arts sector plays a key role in the prosperity of Canadian communities by creating jobs in many sectors. It is a significant employer, with roughly 630,000 workers in 2014.[1] For-profit creative and cultural industries, non-profit arts organizations, and arts entrepreneurs comprise 3.5% of Canada's work force. This is two-and-a-half times larger than the labour force in real estate (254,200), about double of that of the farming sector (339,400), and only slightly smaller than the trades (733,500).[2] Moreover, the arts and culture sector contributed $55 billion to Canada's gross domestic product (GDP) in 2014.[3]

For the first time in years, the federal government is seeing the cultural industries as engines of economic growth both at home and abroad, and is prioritizing the growth of the sector. The new government elected in 2015 made refreshing commitments to the arts and culture sector. The prime minister's public letter to the minister of Canadian Heritage identified a range of priorities.[4] The 2016 budget followed through on many of these objectives with a commitment of an additional $1.9 billion for the sector over the next five years. However, it should be noted that some of these investments are merely bringing funding levels back to what they were prior to cuts in recent years. It is imperative that the sector continues to advocate for and hold the government accountable to their commitments for Budget 2017.

The federal government also announced a $120-billion infrastructure plan in its 2016 budget. Now that culture is acknowledged as the fourth pillar of sustainable development (along with economic, environmental, and social sustainability[5]), full integration of arts and culture into the infrastructure plan makes sense. Many arts facilities in Canada were built as Centennial projects or during the boom of the 1970s and are showing their age. If they are to continue serving Canadians, some centres are in dire need of renovations, accessibility adaptations, retrofits to increase their energy efficiency, and equipment upgrades to keep up with Canada's innovative artists. Moreover, the kind of programming expected of cultural organizations today is different than when older infrastructures were built. Canadians now expect cultural facilities that can deliver a wide array of programming beyond presentation/exhibition, including a range of community engagement initiatives such as cafés, education programming, and public rental space. Many of today's arts and culture spaces must transform into community hubs in order to thrive. This needed shift calls for new and unique infrastructure investments by the federal government.

Inclusivity must continue to be at the core of how the arts sector operates. Canada's cultural community, in reflection of our national population, is very diverse, including Indigenous and racialized peoples, people of all abilities, official language minorities, and those who have been historically marginalized. Given these changes in Canadian communities, many presenters, artists, and audiences have noted the importance of understanding and engaging with all of these communities. The unprecedented demographic change Canadian society has experienced also offers a unique opportunity to enhance the way Canadians will contribute to Canada's socioeconomic growth. In 2010, Statistics Canada predicted that in 2017, racialized peoples will comprise 19%–23% of the Canadian population, and Indigenous peoples will comprise 4%. By 2021, racialized peoples will comprise 29%–32% of the Canadian population, or between 11 and 14 million people. This population will also have more youth under the age of 15 (36%). The Indigenous population is growing more quickly than the rest of the population; it is also much younger, and Indigenous youth will form a major part of Canada's future workforce. Finally, those whose first language is neither English nor French will increase to 29%–32% by 2031, up from 10% in 1981.[6]

Some 92% of Canadians believe that arts experiences are a valuable way of bringing together people from different languages and cultural traditions, and 87% of Canadians believe that arts and culture help us express and define what it means to be Canadian.[7] The government's approach to the arts and cultural sector to date is positive, supported with substantial reinvestments and new investments in the sector. Targeted investment in the 2017 budget will enable arts organizations to respond to the opportunities and challenges presented by Canada's changing demographics and advancements in technology.

Sustaining Artists, Arts Organizations, and Cultural Infrastructure

Jobs in the profit arts sector are created and sustained by three revenue streams: earned revenues (from admissions, product sales, fees, or royalties), contributed revenues (from individuals, corporations, or foundations), and government funding. While the ratios vary between artistic practices and regions, the federal government's cultural policy and spending priorities have a significant influence, for example, by developing new markets and venues, providing incentives for donations and sponsorships through the tax system or contribution-matching programs, or subsidizing particular aspects of cultural production.

The federal government's primary vehicle for sustaining the work of artists and arts organizations is the Canada Council for the Arts. This arm's-length agency has a 55-year track record of fostering the arts across the country. In 2014-15, the council awarded $155.1 million in grants and payments to artists and arts organizations in 1,953 communities across Canada through a highly competitive peer review process.[8]

In addition, the need for investment in arts infrastructure is felt by Canadians. A 2012 survey commissioned by Canadian Heritage found a significant gap between Canadians' appreciation of arts infrastructure and their perception of the quality of arts centres.[9] The Canada Cultural Spaces Fund, created in 2001 with an envelope of $30 million, has a proven track record in supporting small and mid-size arts infrastructure projects such as lighting upgrades, environmental control systems upgrades, accessibility improvements, and other capital improvements needed by arts organizations to remain relevant. The 2016 budget reasserted the essential role of the Canada Cultural Spaces Fund and allocated $168.2 million in additional funding to the program over two years. This will enable the program to support larger scale projects. However, considering the preparations necessary for mid-to large-scale capital projects, the short two-year timeline will significantly limit the eligibility to only shovel-ready projects in 2016. This would leave out many valuable and innovative development projects.

Strengthening Canada's Ties and Cultural Image Across the Globe

Artists and arts organizations are effective cultural ambassadors for Canada on the world stage, embodying Canada's diversity, innovation, and accomplishments. The federal government recognizes this, and has made a commitment to celebrate Canada's cultural stories with the world,[10] most recently with a commitment of $25 million to the *Showcasing Canada's Cultural Industries to the World* program.[11] The immense diversity of Canada's artistic efforts will undoubtedly connect us to the world as a remarkable mirror of our global population. Cultural promotion abroad has the potential to result in diversified revenue streams, jobs here at home, and growth and stability. Canadian artists, arts organizations, and trade and tourism sectors will benefit directly from these work opportunities and increased activity.

It is essential that the federal government, through the Department of Global Affairs Canada, support our global cultural presence through promotion in embassies, trade and business development, and international circulation of artists and their works. While the new *Showcasing Canada's Cultural Industries to the World* program addresses a long-standing request of the Canadian Arts Coalition, strong support for Canada's pluralistic cultural community's presence and engagement abroad is needed. It must include equity-seeking or marginalized artists in order to truly reflect the demographics of the nation. Further, this program needs to be extended and sustained beyond two years to build lasting relationships with international promoters, presenters, and curators; to secure exhibits and tours abroad; and to penetrate foreign markets.

Providing Digital Access to Canadian Cultural Content

Since the end of the Canadian Culture Online initiative a decade ago, Canada has only widened a cultural trade gap that sees far more foreign cultural content flowing in than going out. Foreign content can now be accessed online through the Internet, in movie theatres, as well as through new unregulated and ubiquitous service providers who are exempt from Canadian content regulations and contributions. In April 2016, the minister of Canadian Heritage launched the first phase of a conversation on how to strengthen the creation, discovery, and export of Canadian content in a digital world.[12] These digital culture consultations are an essential process between government, industry, and artists. Canadian artists such as YouTuber Lilly Singh, ballet dancer Guillaume Côté, singer Tanya Tagaq, film director Deepa Mehta, artist Rober Racine, and composer Mychael Danna are all digital content creators. But technologies must be made fully accessible to all, including artists with impairments who are disproportionately affected by the digital divide. Artists must be a part of the conversation and discussion of digital technologies, and artists and arts organizations must be consulted regularly.

AFB Actions

The AFB will support the federal government's initiatives with four prioritized areas for 2017.

Action: Maintain the updated Canada Council for the Arts funding announced in the 2016 federal budget.
Result: The Canada Council for the Arts' operating budget will double to $362 million by 2021, a total new investment of $550 million between 2016 and 2021.

Action: Extend the federal government's investment in the Showcasing Canada Program to annual installments of $25 million from 2017 to 2021.
Result: Artists and arts organizations across Canada can begin to build lasting relationships with international promoters, presenters, and curators, secure exhibits and tours abroad, and penetrate foreign markets.

Action: Increase and extend investments in cultural infrastructure to a total of $1.5 billion over eight years, via the Cultural Spaces Canada Fund and the bilateral agreements.
Result: Sustainable and accessible Canadian cultural spaces will allow for improved artistic programming and community engagement that includes large-scale and innovative in-depth projects.

Action: Promote inclusion and equitable treatment of artists throughout the digital culture consultations.
Result: Artists with varying backgrounds, disciplines, and abilities will be represented in consultations alongside government and industry leaders.

Notes

1 Statistics Canada, Provincial and Territorial Culture Indicators, 2010 to 2014, 2016. This figure was estimated using a product perspective. It considers the jobs related to the production of culture goods and/or services across the economy regardless of the producing industry, including non-cultural industries.

2 Hill Strategies Research Inc. (2014) *Statistical Profile of Artists and Cultural Workers in Canada, based on the 2011 National Household Survey and the Labour Force Survey*, p.13

3 Statistics Canada, Provincial and Territorial Culture Indicators, 2010 to 2014, 2016.This figure ($54.6 billion, more precisely) was estimated using a product perspective. It considers the production of culture goods and/or services across the economy regardless of the producing industry, including non-cultural industries. This Culture GDP is lower than the GDP of culture industries (GDP of both culture and non-culture goods and services) which is $61.7 billion.

4 Government of Canada. "Minister of Canadian Heritage Mandate Letter." Prime Minister of Canada, Justin Trudeau. November 2015. http://pm.gc.ca/eng/minister-canadian-heritage-mandate-letter#sthash.NeItxzzj.dpuf

5 Agenda 21 for Culture was adopted in 2004 by the world association of United Cities and Local Governments. It promotes policies and actions by cities and local governments for cultural development, and it posits culture as the fourth pillar of sustainable development. In Canada, the federal External Advisory Committee on Cities and Communities, led by former B.C. Premier Mike Harcourt came to similar conclusions. In 2006, the report From Restless Communities to Resilient Places: Building a Stronger Future for All Canadians states that "cultural sustainability ties together the other three dimensions, and is essential to community success."

6 Statistics Canada. (2010). *Projections of the Diversity of the Canadian Population, 2006 to 2031*, pp. 1–2. See also Jocelyn Harvey. (2003). *Creative Management in the Arts and Heritage: Sustaining and Renewing Professional Management for the 21st Century — A Proposed Action Plan for Creating Winning Conditions*, p. 17.

7 Canadian Heritage. *The Arts and Heritage in Canada — Access and Availability 2012*, prepared by Phoenix Strategic Perspectives.

8 Canada Council for the Arts. *Annual Report 2014-2015*, p. 12.

9 Phoenix Strategic Perspectives, The Arts and Heritage in Canada — Access and Availability 2012. Only half of the participants surveyed (53%) rated the quality of arts and culture facilities as positive and only 43% said the number of facilities in their community is good or very good.

10 Government of Canada. "Minister of Canadian Heritage Mandate Letter." Prime Minister of Canada, Justin Trudeau. November 2015. http://pm.gc.ca/eng/minister-canadian-heritage-mandate-letter#sthash.NeItxzzj.dpuf

11 Budget 2016, Growing the Middle Class, p.184.

12 Canadian Content in a Digital World: Focusing the Conversation: Consultation Paper. The Government of Canada, September 2016.

Child Care

ALTERNATIVE FEDERAL BUDGET 2017 / **CHILD CARE**

HIGH STAKES

- Child care is treated as a commodity, sold on a child care market, rather than provided as a public service.
- Child care fees are already high and are rising faster than inflation.
- There are only enough regulated child care spaces for 25% of children aged 0–5.
- Child care is marred by inconsistent quality, high turnover, and poor pay for staff.
- There is a lack of federal government leadership in planning, standard setting, and funding.
- Canada ranks last among economically advanced countries on child care.

CLEAR CHOICES

- Build a comprehensive system of public and non-profit child care services available to all children and families everywhere in Canada.
- Make parent fees affordable.
- Provide spaces for all, respecting families' diverse needs, and fully include children with disabilities.
- Ensure consistently high-quality programs led by well-qualified, well-compensated, and respected educators.
- Develop robust public policy and planning with substantial public funding.
- Take pride in building a child care system with a choice of affordable, quality options for all children whose families choose it.

POLICYALTERNATIVES.CA/AFB2017 **#AFB2017**

Background

"For Canadian families, high-quality, affordable child care is more than a convenience — it's a necessity."[1] These words, from the 2016 federal budget, followed the Liberal party's 2015 election pledge to work with "provinces, territories and Indigenous peoples to establish a National Framework on Early Learning and Child Care… that meets the needs of Canadian families, wherever they live."[2] They suggest the government is committed to the kind of broad-based — or universal — approach to child care Canadians have been missing for too long.

In 2008, Canada ranked last among peer nations on 10 early childhood education and care (ECEC) benchmarks.[3] The federal government had just cancelled the planned national child care program, with its substantial cash transfers to provinces and territories, and withdrawn from any role in improving child care provision across the country. It is disturbing but not surprising that, despite some promising initiatives in a number of provinces, child care across Canada remains unaffordable, unavailable, and inconsistent in quality.

A robust body of research confirms the superiority of a universal versus a targeted approach to child care, as detailed in an accompanying AFB technical paper, *Child care for all of us: Universal child care for Canadians by 2020*.[4]

First, vulnerable children can be found across all socioeconomic groups, so an approach that targets children based on family incomes (typical in Canada) misses the smaller proportion, "but often larger absolute number," of vulnerable children in middle- and upper-income groups.[5] A second related bonus of universal approaches is that they prevent social exclusion, and socio-economically "mixed" programs are more beneficial for vulnerable children than targeted programs.

Third, universal services "usually command broader and more sustainable public support and engender greater public concern for quality," according to a 2008 UNICEF report card. "Too often, services for the poor have meant poor services."[6]

Furthermore, access to child care is at least as much about parents' labour force participation and women's equality as it is about child development. The need and desire for quality child care is not confined to low-income families or even to those with vulnerable children, but is "critical to the economic security of families and, in particular, to the economic security of women."[7]

A Shared Framework for Early Education and Care

Early in 2016, the Canadian child care community developed a *Shared Framework for Building an Early Childhood Education and Care System for All*.[8] Essentially it is a blueprint for building the universal, high-quality, and comprehensive child care system we need. The framework calls for federal leadership and funding for child care, while recognizing the key roles of provinces, territories, and Indigenous communities in developing and implementing services that meet local needs. It affirms that "while there are many points of commonality in our shared vision, we recognize that Indigenous communities may choose unique approaches and content."

The Canadian child care movement defines universal child care as available, appropriate and affordable for all, inclusive, non-compulsory, varied, and not (necessarily) free.[9] The Child Care Advocacy Association of Canada (CCAAC) states: "At a minimum, universal systems provide access for all without discrimination based on income or other criteria. Effective universal systems also work to eliminate a range of social, ability-based, cultural, geographic, and other barriers to equitable access and participation."[10]

While calling on governments to play an important role in planning and policy, a comprehensive approach to ECEC envisions a variety of services delivered by public and non-profit providers, in various locations (centres, private homes, schools), over various time periods (e.g., part-day, full-day, and extended/non-standard hours).[11] Well-remunerated, well-trained, and well-supported early childhood educators are key to achieving quality service.[12]

Finally, a comprehensive system of universal, high-quality ECEC must be integrated with broader family policy improvements, such as enhanced parental leave and income support for parents, in order to meet the diversity of families' and children's needs at the local level.

Underpinning the principles of universality, high quality and comprensiveness are three interrelared "understandings" that are essential to achieving an evidence-based national framework.

First, Canada needs to move away from its current market-based approach to child care in which governments take limited responsibility for service development and public funding is primarily provided to parents through individual fee subsidies or tax breaks. Canada's weak showing on developed country ECEC ratings is largely explained by our lack of a publicly managed system.[13]

Second, building a comprehensive ECEC system requires a clear long-term vision, matched by sustained, adequate public funding, as the foundation on which public accountability can be built. The international minimum funding benchmark for countries striving to establish effective ECEC systems is 1% of GDP for children aged 0–5 years.[14] Canada needs to substantially ramp up its funding throughout the system-building process (which may take a decade) to meet even this low-end goal.[15]

Third, the federal government needs to confirm its leadership role, and the respective roles of the provinces and territories, in achieving a universal, high-quality, comprehensive system. In their election platform, the Liberals stated they "will not impose predetermined costs or models on other orders of government but work collaboratively with each of them on funding agreements."[16] This is consistent with the shared framework developed by child care advocates, which takes the position that "meeting the [federal] government's key objectives for families in all regions (accessibility, affordability, quality, inclusiveness) will require an overarching national approach" that nonetheless recognizes provincial-territorial jurisdiction over ECEC.[17]

In the absence of federal leadership, the provinces and territories have developed unique ECEC systems that share much in common. Despite exemplary features in some of those systems, most are generally less than effective.

For example, all provincial-territorial ECEC systems provide publicly funded and delivered kindergarten, as well as a combination of centre-based and home-based services, with both full-time and part-time options and family resource programs. Almost all jurisdictions rely largely on market-driven for-profit and non-profit services, with limited public base funding, and disburse most child care funding in the form of fee subsidies targeted to lower-income families.

All child care services except those in Quebec rely heavily on parent fees as the main source of revenue. These costs, which are often higher than university tuition fees, are increasing at rates that outpace inflation.[18] All child care services across Canada rely on a poorly remunerated, almost entirely female workforce and have education and training requirements that are generally lower than international benchmarks.

These structural similarities mean that, in practice, the challenges experienced by families on a daily basis are remarkably similar wherever they live. Child care is frequently not available where and when parents need it, and is affordable only for a minority of families. The quality of care, when parents do find a space, is often so low that it cannot reliably give children the best start in life.

And in all regions of Canada some groups — such as infants, children with disabilities, newcomers, rural communities, parents working nonstandard or part-time hours, and especially Indigenous families — are routinely left out of ECEC. Culturally appropriate early childhood services for Indigenous children on- and off-reserve are woefully underfunded and underdeveloped across Canada. It is thus not surprising that the Truth and Reconciliation Commission called for culturally appropriate Indigenous early childhood education as part of the healing and reconciliation process.

AFB Actions

The AFB begins to move Canada from its failed market-based approach to ECEC toward a comprehensive, publicly managed system of high-quality, universal care. Child care funding is currently part of an undifferentiated, 11-year, $21.9-billion Social Infrastructure Fund that includes housing, seniors' facilities, and cultural resources. A dedicated and sustained funding stream is needed to promote transparency and accountability and to monitor progress.

Action: Commit $600 million to a dedicated and sustained federal funding stream. While ECEC spending in year one is relatively modest, to allow time for effective federal-provincial-territorial-Indigenous planning and preparation, it will grow by $1 billion over each of the subsequent five years to achieve the minimum established benchmark of 1% of GDP. The program will be fine-tuned after five years.

Action: Consistent with the shared framework on a Canadian ECEC program, new funding will come with certain conditions. The government will provide $100 million to empower and resource Indigenous communities to begin to design, deliver, and govern ECEC systems and services that meet their needs and aspirations. It will also provide $500 million to provinces and territories that have committed to developing their own ECEC policy frameworks based on principles of universality, high quality, and comprehensiveness, and include the following elements:

- **Public plans** for developing integrated systems of ECEC that meet the care and early education needs of children and parents;
- **Public management** of the expansion of public and not-for-profit services under public authorities through public planning processes, including integration of existing community services into publicly managed systems;
- **Public funding** delivered directly to ECEC services and systems rather than through individual parent-payment measures (this will ensure high-quality, accessible services through predictable, sustained, dedicated funding);
- **Public reporting** in federal, provincial, and territorial legislatures on qual-

ity, access, and other elements in the ECEC system.

Action: Review and develop a plan for strengthening the federal-provincial-territorial approach to maternity/parental leave with respect to eligibility, flexibility, adequacy of benefits, special considerations (including children with disabilities), adoption and multiple births, and earmarked leave for a parent who is not the birth parent in a couple.

Notes

1 Department of Finance. (2016). *Federal budget. Growing the middle class*. Ottawa: Government of Canada. Online retrieved November 14 2016 http://www.budget.gc.ca/2016/docs/plan/budget2016-en.pdf, p. 101

2 Liberal Party of Canada. (2015). "Greater economic security for middle class families." Backgrounder. Liberal Party of Canada. Online retrieved December 23, 2016 https://www.liberal.ca/files/2015/09/Greater-economic-security-for-Canadian-families.pdf and http://www.liberal.ca/realchange/child-care/; The terms "early learning and child care" and "early childhood education and care (ECEC)" include centre-based child care, regulated home child care, preschools/nursery schools, and kindergarten. Here we use the terms child care, early learning and child care, and ECEC interchangeably, although we tend to describe our system-building aspirations as ECEC.

3 UNICEF. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries.* Innocenti Report Card 8. Florence, Italy: UNICEF Innocenti Research Centre.

4 Key aspects of this Technical Paper are incorporated into this chapter. Available online at https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/12/Child_Care_AFB2017_technical_paper.pdf

5 UNICEF. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries.* Innocenti Report Card 8. Florence, Italy: UNICEF Innocenti Research Centre, p. 18.

6 UNICEF. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries.* Innocenti Report Card 8. Florence, Italy: UNICEF Innocenti Research Centre, p. 17.

7 Liberal Party of Canada. (2015). "Greater economic security for middle class families." Backgrounder. Liberal Party of Canada. Online retrieved December 23, 2016 https://www.liberal.ca/files/2015/09/Greater-economic-security-for-Canadian-families.pdf

8 Child Care Advocacy Association of Canada, Canadian Child Care Federation, Childcare Resource and Research Unit and Campaign 2000. (2015). *Shared Framework for building an early childhood education and care system for all.* Online retrieved December 23, 2016 https://ccaacacpsge.files.wordpress.com/2016/01/sharedframework_jan2016.pdf

9 In early childhood programs the term "inclusion" is usually defined as fully welcoming and supporting children with disabilities together with all children. However, the term "social inclusion" is sometimes used more generally to mean the process of improving the terms for individuals and groups to take part in society. The Canadian child care community envisions an inclusive system that welcomes, nurtures, and respects families in all their diversities.

10 Child Care Advocacy Association of Canada. (2004). *From patchwork to framework. A child care strategy for Canada*. Ottawa, ON: Author

11 With regard to for-profit provision the prevailing position of the child care movement, based on the best available evidence, is that existing for-profit centres can continue to operate within a publicly funded system, provided they (along with other private providers such as non-profit and family child care services) meet public accountability requirements. However, for-profit services will not continue to expand because new public funds should be used to increase access to high-quality, affordable, public- and community-owned services, not private profits.

12 Bennett, J. (2008). *Review of the literature and current policy in the early childhood field*. UNICEF Innocenti Research Centre Working Paper. Online retrieved November 14, 2016 https://www.unicef-irc.org/publications/pdf/iwp_2008_01_final.pdf

13 Ferns, C. and Beach, J. (2015*). From child care market to child care system.* In Our schools, ourselves, Special Issue, Summer 2015. *Moving beyond baby steps: A child care plan for Canada.* Online retrieved November

14, 2016 https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2015/09/OS120_Summer2015_Child_Care_Market_to_Child_Care_System.pdf

14 UNICEF. (2008). *The child care transition: A league table of early childhood education and care in economically advanced countries.* Innocenti Report Card 8. Florence, Italy: UNICEF Innocenti Research Centre.

15 Child Care Briefing Note. (2006). *Early learning and child care: How does Canada measure up?International comparisons using data from Starting Strong II* (Organisation for Economic Co-operation and Development, 2006). Childcare Resource and Research Unit.

16 Liberal Party of Canada. (2015). "Greater economic security for middle class families." Backgrounder. Liberal Party of Canada. Online retrieved December 23, 2016 https://www.liberal.ca/files/2015/09/Greater-economic-security-for-Canadian-families.pdf

17 Child Care Advocacy Association of Canada, Canadian Child Care Federation, Childcare Resource and Research Unit and Campaign 2000 (2015). *Shared Framework for building an early childhood education and care system for all.* Online retrieved December 23, 2016 https://ccaacacpsge.files.wordpress.com/2016/01/sharedframework_jan2016.pdf

18 Macdonald, D. and Friendly, M. (2016). *A Growing Concern: 2016 Child Care Fees in Canada's Big Cities*. Canadian Centre for Policy Alternatives. Online retried December 23, 2016 https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/12/A_Growing_Concern.pdf

Defence

ALTERNATIVE FEDERAL BUDGET 2017 / DEFENCE

HIGH STAKES

- Canada lacks an up-to-date foreign policy framework to guide defence policy.
- Despite being the sixth largest military spender among the 28 member nations of NATO, Canada has about $40 billion worth of unfunded commitments for military equipment.
- The government's pledge to re-engage in UN peacekeeping and training lacks the necessary institutional and experiential underpinnings, given Canada's virtual absence in this field over the last 10 years.
- There are serious gaps in the Canadian regulation of armaments, making it difficult for Canada to meet treaty and other obligations under international law.
- NATO's reliance on nuclear weapons conflicts with Canada's nuclear disarmament obligations under the Nuclear Non-proliferation Treaty.

CLEAR CHOICES

- Make UN peacekeeping and sustainable peace a Canadian defence priority.
- Reject Canadian participation in costly, unproven weapons systems like the F-35 fighter jet and U.S. ballistic missile defence.
- Invest $5 million per year in in a world class international peace operations training centre for military, police, and civilians from Canada and around the world.
- Ensure that sales of Canadian-made weapons are consistent with the Arms Trade Treaty and Canada's own export control policy.
- Lead an initiative within NATO with the ultimate objective of ending the organization's reliance on nuclear weapons.

POLICYALTERNATIVES.CA/AFB2017 **#AFB2017**

Background[1]

2016 Defence Policy Review

A defence policy review should be guided by the priorities established by the Canadian government for its foreign policy and official development assistance (ODA) framework. The failure of the Liberal government to conduct such an overarching review, and the opaqueness of the public consultative dimension, raises serious questions about the utility of the review and its outputs.

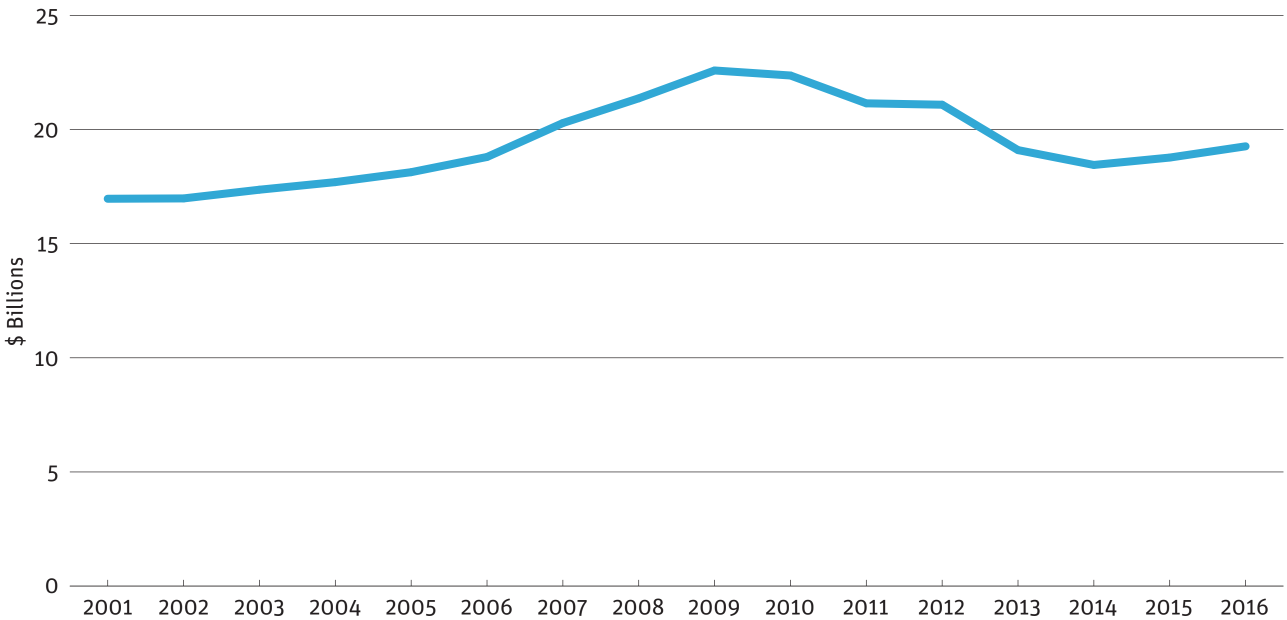
Procurement Abyss

Authorized DND spending is $19.3 billion in 2016-17, as shown in *Figure 10*. As of June 2015, deferred purchases of defence equipment amounted to over $40 billion in acquisition costs.[2] Eighteen months later that figure is largely unchanged. Given the size of the procurement funding deficit, it is hard to overstate the urgency of setting defence equipment priorities. However, Canada's modest national defence requirements — given the lack of any direct threat to Canadian territory, and shared defence of North America with the United States — makes this an eminently "doable" task.

UN Peacekeeping

As of July 31, 2016, Canada ranks 67th among contributors of uniformed personnel (po-

FIGURE 10 Canadian military spending (2000–16, $2016)



Source Compiled by author from Public Accounts, and, for the current year, the Main and Supplementary Estimates

lice and military) to UN peace operations.[3] This represents a slight increase from an all-time low ranking of 74th in March 2016, and contrasts sharply with Canada's past role as frequently the single largest contributor to UN peace operations.[4] The Canadian decline took place as UN peacekeeping mushroomed in size and complexity, now comprising a total of 100,851 uniformed personnel and an additional 16,471 civilians.[5]

There are now less than a quarter of the training activities there were a decade ago for UN peace operations.[6] Included in the training cuts was the closure, in November 2013, of the Pearson Peacekeeping Centre (PPC), a world class peacekeeping facility funded by the federal government for interdisciplinary training of military, police, and civilians from around the world. The complexities of modern peace operations require in-depth training and education. With UN peace operations at an all-time high, and the Canadian contribution dismally low, Canada is currently lagging far behind other nations in its readiness to train for and support UN operations.

In August 2016, Canada signalled its intention to commit up to 600 soldiers to a UN peacekeeping mission.[7] In September, they announced at the UN that Canada would host the 2017 United Nations peacekeeping conference, which is expected to bring together representatives from more than 30 countries. By mid-January 2017, despite "fact finding missions" to Africa and much media speculation, no specific mission had been identified.

Weapons Systems and International Law

It is essential that Canada's weapons choices and exports reflect binding international humanitarian and human rights law and the principles of the Geneva conventions. Canada must vigorously support the international control of weapons and a ban on "problem weapons groups" that cause indiscriminate or disproportionate harm to civilians. The following priorities in this respect should be key to Canadian defence policy.

- **Cluster munitions**: Although Canada is a party to the treaty banning cluster munitions, its domestic implementation legislation created a loophole that could see Canadian Forces personnel assisting allies currently outside the treaty (e.g., the U.S.) in their use of such weapons. This would be contrary to both the letter and the spirit of the treaty.
- **Lethal autonomous robotic weapons**: "Killer Robots" lack the human judgment and ability to understand context that is necessary for the use of force in accordance with international law, namely, the principles of proportionality, precaution, and distinction.
- **Armed drones**: There is currently no international control regime for armed unmanned aerial vehicles and other armed drones.
- **Arms export control policy**: The previous Conservative government signed a $15-billion arms deal with Saudi Arabia in 2014. But the Liberal government approved the bulk of the export permits in 2016, despite compelling evidence of gross human rights violations by the Saudi regime, at home and abroad. This situation underscores the urgent need for a tightening of, and greater scrutiny over, Canada's arms export control policy.

NATO and Nuclear Weapons

Canada is a non-nuclear-weapons state party to the Nuclear Non-proliferation Treaty (NPT) and therefore is obligated under its Article VI to pursue good faith negotiations with the goal of nuclear disarmament. At the same time, Canada is a member of a collective defence alliance, NATO, with a strategic doctrine of reliance on nuclear weapons for their alleged "deterrence" value. U.S. nuclear weapons modernization plans include upgraded "tactical" or "battlefield" nuclear weapons for NATO.[8] With tensions high and rising between Russia and NATO, and a U.S. president talking about a new nuclear arms race, some experts believe the threat of nuclear catastrophe is greater now than even during the Cold War.[9]

AFB Actions

By prioritizing UN-led peace and security operations, and working to curb and prohibit destabilizing weapons systems, Canada can enhance its sovereignty and security while contributing responsibly to global peacebuilding.

Action: Restore and expand the emphasis on war prevention and peaceful conflict

resolution, and give priority to strengthening the UN's rapid response capacities.
Result: Such a foreign policy focus will allow for a reorientation of Canadian defence policy to one of sustainable peace and common security.

Action: Base military equipment choices on Canada's modest national requirements and specialization in UN peace operations. Costly, unproven systems with no compelling Canadian need will be eschewed. Accordingly, the F-35 fighter jet will be rejected, saving at least $400 million a year, and Canada will not seek participation in the U.S. strategic ballistic missile defence system.[10]
Result: Canada will begin to reduce its massive defence procurement deficit while also contributing to strengthening UN peace operations and providing value at home for Canadian taxpayers.

Action: Invest $5 million per year in a world class international peace operations training centre for military, police, and civilian personnel from Canada and around the world.
Result: Canada will begin to rebuild its institutional knowledge of modern UN peace operations, prepare Canadian forces for UN deployments, and contribute to international capacity-building for UN peace operations.

Action: Commit to closing the loophole in Canada's domestic implementation legislation for the Cluster Munitions Treaty, to categorically prohibit any form of aid or assistance in the use of these banned weapons. Canada will declare a moratorium on the development and deployment of lethal, fully autonomous weapons systems and leverage Canadian expertise in artificial intelligence, robotics, engineering, international law, and other relevant areas to lead an international initiative to bring about a ban on this technology. The federal government will also mandate a broad public review of military export policy to ensure that sales of Canadian-made weapons abroad are consistent with the Arms Trade Treaty and Canada's own arms export policy.
Result: Canadian military procurement and arms export policies will more fully reflect stated Canadian policy and values and help expand the reach of, and respect for, international humanitarian and human rights law and the Geneva conventions.

Action: Mandate Canada to re-enter and revitalize the debate within NATO on the role of nuclear weapons with a view to agreeing their removal from Europe as a first step toward NATO adopting a deterrent posture that excludes nuclear weapons.
Result: Canada will tangibly contribute to moving the world back from the nuclear brink and begin a meaningful, comprehensive negotiation for nuclear disarmament.

Notes

1 This Chapter is based on a joint civil society submission to the federal government's defence policy review, entitled "A Shift to Sustainable Peace and Common Security," co-published in 2016 by the Rideau Institute and Group of 78: http://www.rideauinstitute.ca/2016/11/24/a-shift-to-sustainable-peace-and-common-security/

2 Michael Byers. (2015). *Smart Defence: Rebuilding Canada's Military*. Ottawa: Rideau Institute and Canadian Centre for Policy Alternatives. p. 11.

3 World Federalist Movement factsheet, July 2016: http://www.wfmcanada.org/wp-content/uploads/2016/10/peacekeeping-fact-sheet-2016-eversion1.pdf

4 A. Walter Dorn and Joshua Libben. (2016). *Unprepared for Peace? The Decline of Canadian Peacekeeping Training (and what to do about it)*, Ottawa: Rideau Institute and CCPA, p. 32.

5 United Nations peacekeeping factsheet, December 31, 2016: http://www.un.org/en/peacekeeping/resources/statistics/factsheet.shtml

6 Dorn and Libben, *op cit*., p. 6.

7 Althia Raj, "Harjit Sajjan Got 'Ahead Of Government' Revealing Africa Peacekeeping Details: Staffer," Huffington Post Canada, November 11, 2016.

8 See, for example, the December 2016 factsheet of the Arms Control Association: https://www.armscontrol.org/factsheets/USNuclearModernization.

9 Perry William J. (2005). *My Journey at the Nuclear Brink*. Stanford University Press.

10 Byers, *op cit*., p. 31. Where he recommends the purchase of the F/A Super Hornets instead. The Liberal government has announced its intention to purchase 18 Super Hornets for an undisclosed cost as a "stop-gap" measure pending a final decision on which plane to choose.

Employment Insurance

ALTERNATIVE FEDERAL BUDGET 2017 / EMPLOYMENT INSURANCE

HIGH STAKES

- 20% of jobs are part time and roughly 14% are contract or seasonal; it is hard for these workers to qualify for EI.
- The EI benefit rate is low — just 55% of earnings averaged over the previous six months.
- Nearly three-quarters of working fathers took paid parental leave in Quebec, compared to only 13% of working fathers outside Quebec.

CLEAR CHOICES

- Establish a uniform national eligibility requirement of 360 hours for regular benefits, and 300 hours for special benefits.
- Add a low-income supplement so that no regular or special benefits fall below $300/week.
- Add eight weeks of leave that can only be taken by a non-birthing parent.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

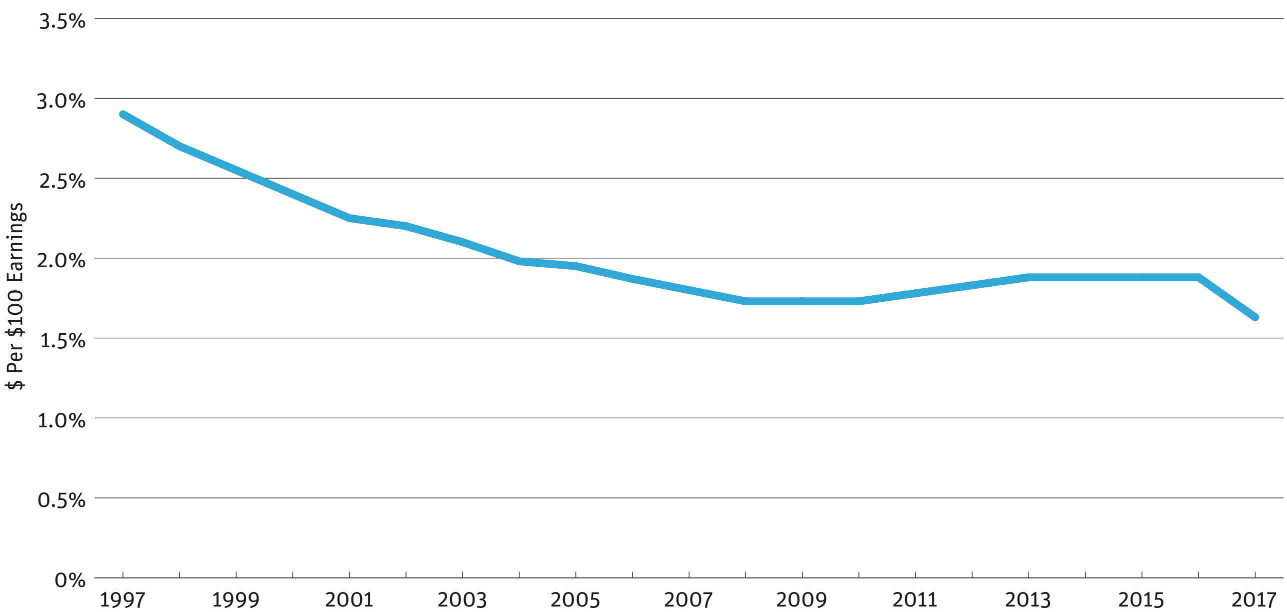
Employment insurance (EI) is a vital part of Canada's social safety net. Successive federal governments have made the program less equitable and harder to access, at the same time as our labour market has undergone major changes. A social insurance program should dampen the effects of labour market inequality, but the current design of EI actually amplifies inequality.

EI could be used to address precarious employment, support a just transition, or reduce inequality. Instead of doing any of these things, the federal government will be reducing premiums from 1.88% to 1.63%. This works out to a loss of about $4 billion per year in revenue for the EI fund over the next seven years.

Regular Benefits: Addressing Precarious Work and Inequality

EI is not keeping up with the realities of today's job market, in which 20% of jobs are part-time and roughly 14% are contract or seasonal. A key disadvantage of temporary and part-time employment is that when the job ends, workers are unlikely to qualify for EI. In the event they do qualify, it can be for as few as 14 weeks of benefits. Because of variations in hours worked from week to week, benefit rates can also be lower for

FIGURE 11 EI Premium Rate, 1997–2017



Source Canada Revenue Agency, http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/cnt-chrt-pf-eng.html

precarious workers — this is one way that EI amplifies labour market inequalities.

We know that racialized and Indigenous workers, workers with disabilities, and LGBTQ workers are all disproportionately represented in low-wage precarious work. EI should help level the playing field for these workers.

Access to Benefits: Hours Worked

Workers qualify for regular benefits based on the number of hours they have worked over the previous year and the local unemployment rate. Fewer hours are needed to qualify in regions with high unemployment rates, and claimants in those regions receive benefits for more weeks. In an average EI region with an unemployment rate of 7% to 8%, workers need at least 630 hours — about four months of full-time work — to qualify for EI. They are eligible for between 17 and 40 weeks of benefits depending on how long they've worked over the previous year.

This rule implies that the local unemployment rate is the most important factor for determining how hard it is for workers to find a new job. While that may have been mostly true at one time, it is no longer the case for precarious workers in urban areas. A pan-Canadian entrance requirement of 360 hours would level the playing field for precarious workers.

We want to acknowledge that a growing number of unemployed workers haven't contributed to EI over the past 12 months — they may be students, previously self-employed, unpaid interns, or returning from parental leave. These workers need to be able to access training through labour market agreements, which are funded through general revenue and not EI premiums.

Benefit Levels

As it stands, the basic parameters of Canada's EI system are insufficient. The benefit rate is low — just 55% of earnings averaged over the previous six months. Women still face a significant earnings gap in Canada, and so their EI benefits are also lower. Between 2006 and 2015, women's average weekly benefits were consistently about $60 lower than men's.[1]

One way to address this inequality is to set a minimum floor for benefits. While EI has a supplement for low-income families with children under 18, there is no supplement for those without children. EI has had higher replacement rates for lower-income workers in the past; it would not be out of place for a social insurance system to implement this kind of policy to lessen labour market inequalities.

Parental Benefits: Addressing Inequality

Child care and parental leave were hot topics during the 2015 election. In response, the Liberals promised to introduce more flexible parental benefits if they were elected. Their proposal had two options: parents could take the existing 35 weeks in smaller chunks over an 18-month period, or they could take leaves of up to 18 months with a lower weekly benefit level.

Neither of these options increases the total value of the benefits available to parents or does anything to improve access to benefits for parents who don't qualify under current rules, nor do they improve access to child care for parents who need it.

Access to Benefits: Hours Worked and Benefit Levels

Workers need 600 hours of insurable employment in the past year to access maternity, parental, and adoption benefits in most of Canada. Quebec has its own provincial plan and provides benefits to workers with more than $2,000 in labour market earnings — equivalent to about 186 hours of work at Quebec's current minimum wage of $10.75.

Many new parents are surprised to find out that they don't qualify for these benefits, especially recent graduates, self-employed workers, and part-time workers. As well, the low replacement rate makes taking parental leave unaffordable for low-income families.

Prior to the 1997 changes to unemployment insurance, parents needed the equivalent of 300 insurable hours of work to qualify for maternity or parental benefits. Lowering the entrance requirement to 300 hours and instituting a minimum benefit level would give new parents better access to benefits and make taking parental leave more affordable for families.

Addressing Gender Inequality

Looking at Quebec's experience gives us some clues about how to improve EI parental benefits. Research shows that Quebec fathers are far more likely to take parental leaves than fathers in the rest of Canada. In 2010, nearly three-quarters (72.5%) of working fathers took paid parental leave in Quebec, compared to only 13% of working fathers outside Quebec.[2]

A study found that an increase in the number of Quebec fathers taking leave had lasting effects on the division of unpaid labour within the home, resulting in more balance between unpaid and paid work responsibilities for opposite sex spouses.[3] Fathers who took parental leave spent more time doing unpaid work and their spouses spent more time in paid work.

Fairness for Migrant Workers

In 2012, Canada changed its regulations to expressly limit EI parental benefits only to those individuals who were authorized to remain in Canada at that time.[4] This meant that migrant workers (such as seasonal agricultural workers) who left Canada but were likely to return at the beginning of the next growing season no longer had access to parental benefits.

All other Canadian workers are eligible to receive parental benefits even if they leave the country. Only migrant workers are treated differently. This change was regressive — parental benefits were the only type of EI benefit that many migrant workers were able to access. As a result, most migrant workers are no longer eligible for *any* employment insurance benefits, even though they pay into the program with each paycheque. The AFB will reverse this mean-spirited change.

Just Transition: Training for a Green Industrial Revolution

We have a major opportunity to move unemployed, underemployed, and low-paid workers into better jobs as a part of a strategic response to meeting our climate change targets. We can expand access to EI training programs with a focus on labour adjustment and transition. That way, Canadian workers could benefit from the transition to a green economy by accessing new, green jobs created by public investment programs and sector strategies.

The labour market development agreements (LMDAs) between the federal government and the provinces and territories will be crucial in accomplishing this goal. The LMDAs transfer funds from the EI account to the provinces and territories for training programs for people who are EI contributors. The current LMDAs transfer $1.95 billion in funding annually to the provinces and territories for EI training programs. During the last federal election, the Liberals said they would increase the LMDA transfer by $500 million per year. The AFB strongly supports this commitment.

Access to a Fair Appeals Process

In the 2012 budget, the federal government made profound changes to the appeal process for employment insurance claims, abolishing the Board of Referees and instituting the Social Security Tribunal (SST). Previously, appeals were heard by local EI boards of referees, which had three part-time members: one appointed from each of labour and business by the respective EI commissioners, and a neutral chair appointed by the government. The EI board members were knowledgeable about local labour conditions as well as EI legislation and regulations, and delivered timely decisions, usually within 28 days.

The changes in 2012 were made with no consultation or notice to stakeholders. The result was a process that takes longer than ever, that is at odds with basic principles of procedural fairness, and that stacks the odds against unemployed workers.

The structure of the new SST appeal process is highly unusual, and deviates from accepted legal norms. Workers are required to submit all of their evidence and legal submissions at the first stage of the process, before they have even been informed of the case against them or given full disclosure of their file. Normally a person would have the chance to see the evidence against them so that they can respond in an informed way.

It also takes considerably longer to complete an appeal than it did under the former system. The SST's service standard is to deliver final decisions in 85% of cases within 90 days of the appeal being filed. This is on top of the time it took to get the original decision plus the time for reconsideration of the decision from the EI commission.

AFB Actions

Action: Leave premiums at $1.88 per $100 of earnings, up to the 2017 maximum insurable earnings of $51,300.

Result: Increased revenue of approximately $3.5 billion in 2017 for the EI Operating Account.

Action: Establish a uniform national eligibility requirement of 360 hours for regular benefits, and 300 hours for special benefits (returning to pre-1990 levels) and restore migrant workers' access to parental benefits. (Cost: $2 billion/year)
Result: An additional 250,000 workers will receive regular and special benefits.

Action: Add eight weeks of leave that can only be taken by a non-birthing parent. This leave is additional to maternity leave and parental leave, and would be available to adoptive parents and same-sex couples as well. (Cost: $600 million/year)
Result: An additional 155,000 parents could take parental leave.

Action: Add a low-income supplement so that no regular or special benefits fall below $300/week. (Cost: $900 million /year)
Result: Reduced inequality for low-income workers.

Action: Restore the Board of Referees appeal system for EI. The Social Security Tribunal introduced in the 2012 budget isn't working for workers, and has proven to be costly and inefficient.
Result: More justice for unemployed workers.

Notes

1 2012 and 2014/2015 EI Monitoring and Assessment Reports, Annex 2.2, found online: www.esdc.gc.ca/en/reports/ei/index.page

2 Findlay, L.C. and D.E. Kohen. (2012). "Leave practices of parents after the birth or adoption of young children," in Canadian Social Trends, Statistics Canada.

3 Patnaik, A. (2016). Reserving Time for Daddy: The Short and Long-Run Consequences of Fathers' Quotas Available at SSRN: http://ssrn.com/abstract=2475970

4 Employment Insurance Regulations, SOR/96-332, s. 55(4) <http://canlii.ca/t/52hlc> retrieved on 2016-01-26; New Release (December 6, 2012), at http://news.gc.ca/web/article-en.do?nid=711069

Environment and Climate Change

ALTERNATIVE FEDERAL BUDGET 2017 / ENVIRONMENT AND CLIMATE CHANGE

HIGH STAKES

- Climate change threatens the prosperity and well-being of all Canadians.
- The climate policy ambition of Canada's federal and provincial governments does not match the ambition of their climate targets.
- Clean energy presents an opportunity to reduce emissions while growing the economy.
- The international community has committed to ambitious climate action, although each country must do more to pull its weight.

CLEAR CHOICES

- Remove all direct and indirect subsidies for fossil fuel exploration, development, and transportation.
- Enforce a stringent national carbon pricing standard.
- Contribute Canada's fair share of global climate financing.
- Finance new renewable energy generation and energy efficiency improvements.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Reducing the amount of greenhouse gases (GHGs) we emit into the atmosphere is central to mitigating the worst effects of climate change. Canada has committed to deep GHG emission reductions in principle, but without ambitious domestic policy action Canada will continue to miss these targets. Canada must commit to implementing a comprehensive domestic climate action plan commensurate with its global ambitions for climate change mitigation and adaptation.

The Pan-Canadian Framework on Clean Growth and Climate Change, announced by the government in December, is an unprecedented step forward insofar as it commits the federal and (most) provincial governments to a unified climate strategy for the first time. However, the policies outlined in the framework do not put Canada on a path to meeting its medium-term GHG emission reduction target of 30% below 2005 levels by 2030. To make matters worse, that modest target — a hangover from the previous Conservative government — does not reduce Canada's emissions as far as climate scientists say we must in order to do our part in avoiding catastrophic global climate change.

Meeting our GHG emission reduction commitments is a significant challenge, but it is also an opportunity. Among other major initiatives, achieving Canada's full renewable energy generation potential will significantly reduce emissions while spurring economic growth. Recent research demonstrates that renewable energy will be the largest source of new power generation capacity worldwide over the next five years, in part because the cost of renewable energy is now competitive with fossil fuels. The rapidly declining cost of clean technology means more wind turbines and solar panels on the ground. Any federal investment in renewable energy infrastructure will generate far more megawatts per dollar than it would have just a few years ago.

Canada has an abundance of diverse energy resources and more than enough clean energy potential to not only meet our needs but also to export clean power to an increasingly energy-hungry world. The shift to a resilient, decarbonized Canadian economy must be accelerated in 2017 to make up for lost ground. The AFB transitions toward a zero-carbon economy by supporting those energy resources that maintain a healthy environment, a stable climate, and a strong economy.

In addition to ensuring the future prosperity and well-being of Canadians, the federal government has an international responsibility to act on climate change. Under the December 2009 Copenhagen Accord, developed countries promised to provide three years of "fast start" climate financing with the end goal of mobilizing US$100 billion per year by 2020 to help developing countries respond to climate change. Canada's contribution to global climate finance is critical not only to support developing countries' mitigation and adaptation efforts, but also to show leadership and build trust in its international negotiations.

Climate change is a global collective action problem, so international trust and cooperation is essential for long-term success. It is promising that world leaders recognize the need for ambitious climate action. The Paris Agreement aspires to a global warming target of just 1.5 degrees Celsius above pre-industrial levels (with a firm target of two degrees), which would give the world a reasonable chance of avoiding catastrophic climate change.

However, missing from the Paris Agreement is a coherent framework that clearly states a peak year for emissions, a target date for a 100% renewable economy, or a carbon budget (i.e., a total amount of carbon we can "safely" use before exceeding the 1.5 degree threshold). Taken together, the GHG emission reduction targets submitted by each country, if met, would put the world on track for a temperature increase of three degrees Celsius or more by the end of the century.

AFB Actions

The AFB plan puts Canada on course to 100% renewable energy generation within 35 years (by 2050), which will help ensure Canada meets its national greenhouse gas reduction targets.

Action: Remove all federal government direct spending and production subsidies on carbon.

Over five years, all remaining federal tax credits, production subsidies, direct federal spending, and public financing provided for fossil fuels will be eliminated. This will save the government $1.5 billion annually by phasing-out the following measures:

- The Accelerated Capital Cost Allowance (ACCA) provided to liquefied natural gas projects ($9 million per year);
- Flow-through share deductions available to investors in coal, oil, and gas projects ($133 million per year);
- Exploration limited partnerships (amount unknown);
- Canadian Exploration Expenses (CEE) for coal mining ($148 million a year);
- Canadian Development Expenses (CDE) for oil and gas well or mining development ($1.018 billion per year);
- Canadian oil and gas property expenses (COPGE), which allow companies to claim 10% of the costs of acquiring oil and gas wells and rights ($36 million a year);
- Duty exemptions for imports of mobile offshore drilling units in the Atlantic and Arctic; and
- The Foreign Resource Expense (FRE) and Foreign Exploration and Development Expense (FEDE).

Action: Enforce a strong, harmonized carbon price in all Canadian jurisdictions.

A broad, economy-wide carbon price will help drive GHG emission reductions at the lowest cost. Although it is not, on its own, *sufficient* to meet Canada's climate goals, carbon pricing is the most *efficient* policy tool for reducing GHG emissions. Carbon pricing regimes are currently in place in British Columbia (since 2008), Quebec (2013), Ontario (2017), and Alberta (2017), with several other provinces promising to implement their own policies this year.

The new pan-Canadian climate framework includes a minimum national carbon price, which means all jurisdictions must implement a carbon tax or cap-and-trade system by 2018. This is certainly progress, but there are elements of the plan that should be stronger and others that require greater clarity — issues the AFB plan addresses.

First, a $10/tonne carbon price starting in 2018 means it will take many years before the carbon price starts to create significant emission reductions. Second, the carbon price floor ramps up by $10/tonne per year but only until 2022. In the absence of a plan to increase the carbon tax until 2030 or beyond, the federal government will have to be very aggressive with complementary policies — regulations, standards, and spending programs — to fill the gap and meet or beat the existing 2030 target.

In the AFB plan, the government creates a stronger national carbon pricing standard that enforces a common set of principles across provincial and territorial carbon pricing regimes. First, the new standard will require a stringent carbon price of $30/tonne by January 1, 2018, increasing by $10/tonne per year until 2030. The price must be applied broadly with no industrial sector exempt. Second, all carbon pricing revenues will be returned to provinces and territories, as in the current framework, but a portion of revenues from all carbon pricing regimes is redistributed to those most affected by the transition off fossil fuels. A portion of all carbon revenues will be allocated to help low-income families affected by energy poverty; to provide just transition plans and retraining for workers in the industries being phased-out; and to invest in clean technologies, energy efficiency programs, and adaptation measures.

A harmonized carbon price of at least $50/tonne of CO_2e (carbon dioxide equivalent) by 2020 will be enforced in all Canadian jurisdictions, thus providing all Canadian households and businesses in all sectors of the economy with the same incentive to reduce GHG emissions and switch to low-carbon energy sources (see the AFB Taxation chapter for more details). To address the potential competitiveness impacts on emissions-intensive and trade-exposed industries (e.g., steel, cement), the feasibility of border carbon adjustments, or other measures to level the playing field with international competitors not subject to a carbon price, will be studied.

Action: Contribute Canada's fair share of global climate financing.

Developing countries face significant challenges to reducing their emissions and are already suffering the greatest losses and damages due to climate change. Canada has committed to providing a total of $2.65 billion in climate financing by 2021, but that does not go far enough to support adaptation and mitigation activities in developing countries. The AFB raises that financing commitment to $1 billion per year. This will help less developed countries reduce their dependence on fossil fuels while building climate resilience. Reductions in GHG emissions are often much more efficiently accomplished in developing countries on a dollar-for-dollar basis compared to more developed economies, as GHG reductions are often possible with less technology and at a lower cost.

Action: Achieve Canada's full renewable energy generation potential and improve energy efficiency for Canadian homes.

The AFB renews funding of $1 billion annually to Natural Resources Canada for the Clean Energy Fund to finance renewable energy demonstration projects and fund renewable energy research, deployment, and transmission across the country. Funding for clean electricity generation, interconnection of provincial electricity grids, energy storage, the electrification of end uses, and community-scale renewable energy projects will grow the middle class, provide meaningful outcomes to benefit First Nation communities, strengthen Canada's economy, and make significant progress toward achieving Canada's GHG emission reduction targets.

The AFB plan seizes the opportunity to fund research organizations and initiatives across the country to make optimal use of Canada's diverse and abundant clean energy resources. These investments could support, among other possibilities, the study of solar power in Alberta, energy storage in Saskatchewan, and geothermal energy in British Columbia. Investing in renewable energy at the local level would not only help reduce Canada's greenhouse gas emissions, but also provide jobs and investment opportunities for Canadians in remote areas, and assist in the phase-out of fossil fuel–based electricity generation.

The AFB supports community-scale renewable energy projects by expanding access to federal grants for demonstration projects. The City of Vancouver's Neighbourhood Energy Utility provides a positive example and a useful model for federal-supported community energy initiatives. Low-carbon district energy in dense urban areas is just one area with great potential for emissions reductions paired with inclusive growth. In instances where funds can be directed to off-grid communities, renewable energy can reduce GHG emissions by significantly reducing the need to regularly burn diesel for power.

To complement small-scale renewable energy projects and leverage the growth of renewable energy in Canada, the AFB also invests in enhancing the interconnection of provincial electricity grids. Allowing responsibly developed hydropower resources in British Columbia and Manitoba to support a transition away from coal power in Alberta and Saskatchewan, for example, would accelerate the reduction of Canada's total GHG emissions, enhance economic productivity in the exporting provinces, and provide substantial public health and environmental benefits for hydroelectricity importers. Building and maintaining the infrastructure needed to support this exchange of electricity would create jobs, expand utilities' access to diverse energy markets, and enhance the security and sustainability of Canada's energy supply.

In addition to expanding the clean energy supply, the AFB helps reduce domestic energy demand through efficiency initiatives, allocating $400 million per year to re-establish an energy efficiency home retrofit program (modelled on the former ecoENERGY retrofit program). The program will initially prioritize northern communities and low-income housing and then expand to include multi-unit buildings and older structures. Re-establishing such a program will create jobs, reduce GHG emissions, and put money back into the pockets of Canadians — both at the time of reimbursement for renovations and for years to come as they reduce their energy consumption.

Action: Finance strategic, nationwide, multi-year conservation efforts in the following three areas:[1]

- Terrestrial protected areas, by expanding and better protecting our terrestrial protected areas system (cost: $145 million in 2017-18 and declining);
- Working landscapes, by expanding measures to conserve unique and ecologically significant wildlife habitat and to ensure ecological connectivity (cost: $123 million in 2017-18); and
- Oceans and fisheries, by fulfilling Canada's commitments to reach and exceed international marine protection targets,

and to ensure ocean health and sustainable fisheries (cost: $146 million a year).

Notes

1 See the Green Budget Coalition's *Recommendations for Budget 2017*, pages 24–36, for more details: http://greenbudget.ca/wp-content/uploads/2016/11/Green-Budget-Coalitions-final-Recommendations-for-Budget-2017-November-7-2016.pdf

First Nations

ALTERNATIVE FEDERAL BUDGET 2017 / FIRST NATIONS

HIGH STAKES

- Over 10,000 First Nations high school graduates can't access post-secondary education and children receive inferior education because of a long-standing funding cap.
- First Nations child and family services are not up to provincial standards because they don't receive adequate funding.
- Inferior housing, unsafe drinking water, and poor infrastructure are forcing First Nations people out of their own communities.
- 58 Indigenous languages are threatened with extinction.

CLEAR CHOICES

- Invest $141.6 million in post-secondary education for First Nations students and $653.2 million in K–12 education to lift schools to comparable provincial standards.
- Bring financial support to First Nations child and family services to fulfil all orders from the Canadian Human Rights Tribunal.
- Invest $1.9 billion in housing, water, and infrastructure in First Nations.
- Invest $153.4 million a year to support Indigenous language revitalization.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

The Federal Government has committed to implementing the *United Nations Declaration on the Rights of Indigenous Peoples* and all 94 Calls to Action of the Truth and Reconciliation Commission. While the 2016-17 federal budget provided welcome investments of $8.4 billion over five years, the funding that supports First Nations governments in providing core programs and services remains affected by historic underfunding. The prime minister's commitment to eliminate the 2% cap on annual funding increases for core First Nations programs and services clearly requires ongoing investments. The Assembly of First Nations calculates that the 2% cap, which has been in place since 1996, has resulted in a cumulative loss against inflation and population growth of $30 billion.

Over the course of 2016-17, Indigenous and Northern Affairs Canada did increase funding on K–12 education by 4.5% and on child and family services by just over 3%, finally exceeding the 2% cap in those areas. However, increases to support for the governance and administration of First Nations, operations and maintenance on capital projects, and income assistance all remain under 2% in this fiscal year.

After decades of inaction and neglect, the investments outlined in the following areas will go some of the way toward repairing the damage done, though it will not meet the entirety of that need. Nonetheless, these investments would go a long way to demonstrate the government's willingness to truly reset the relationship between Canada and First Nations.

Education

First Nations education received significant funding in the 2015-16 federal budget, but remains at a disadvantage compared to provincial systems. The average annual growth rate in education funding provincially has been 5%, which means that First Nations education had not been able to keep up with inflation and population growth for the past 20 years. A stable funding formula is needed in the longer term. Also needed are immediate investments to help catch up, to establish a new national, honourable partnership process between the government and First Nations, to develop new education systems, and to provide language and cultural programming.

Post-secondary education was left out of the 2015-16 budget and requires immediate funding to address the existing backlog of 10,000 First Nations graduates who are ready to move on to post-secondary studies but who lack access to funding to do so.

Child and Family Services

First Nations child and family services have become a national priority. Youth suicide, frequently linked to treatment in foster care, continues to be a crisis. The Truth and Reconciliation Commission's 2015 report prioritized child welfare, and in a landmark ruling the Canadian Human Rights Tribunal (CHRT) has made several orders regarding improvements to be made to services in this area. The federal government has committed to implementing the Calls to Action and is legally obliged to follow the orders of the CHRT.

Although the 2016 federal budget promised $634.8 million over five years, the $71 million invested in 2016-17 did not meet the levels of investment needed, nor will the commitment of $99 million meet that need, which is estimated at well over $200 million per year by Cindy Blackstock, executive director of the First Nations Child and Family Caring Society. In November of 2016, Parliament unanimously passed a motion for the federal government to invest an additional $155 million in First Nations child and family services, but this has yet to occur and legal battles continue.

High-priority issues such as an enhanced, prevention-focused approach for child and family services will require additional investments to close the gap in services between provincially funded child welfare systems and those provided by First Nations through federal funding.

First Nations also welcome the government's willingness to engage in dialogue toward transforming child and family services on a more fundamental level, addressing the issue of jurisdiction, and making progress in reducing the number of children taken into care while increasing the security and safety of all First Nations children.

Housing

Adequate housing is a basic human right and the foundation for success. First Nations scholastic achievement, employment, and health are negatively affected by overcrowding, mold, and other housing deficiencies. Without adequate funding, communities are unable to meet demand for new housing, causing people to move to urban areas. This out-migration increases homelessness, the loss of language, substance abuse, and family breakdown. There remains a significant need for new construction and renovation to relieve overcrowding, address deficiencies, and provide services.

A study commissioned by Indigenous and Northern Affairs Canada estimated that, between 2012 and 2036, there will be a housing shortfall of 99,581 units, an additional 5,836 replacement units required, and approximately 12,492 units requiring major repairs. Taking into account the investments made in the 2016 budget, the additional annual investment to meet these needs is $523 million in 2017-18 and $800 million annually afterward.

Water

Access to clean drinking water is a universal human right, recently affirmed by the United Nations, and Canada has a responsibility to ensure clean drinking water is accessible to all First Nations communities. However, First Nations water quality continues to be a national concern.

The federal government committed to eradicating all boil-water advisories on reserves within five years of its election, and the 2016 budget committed $1.8 billion over five years to support clean drinking water and the treatment of wastewater on reserves.

In 2011, a government study estimated the needs for First Nations water and wastewater facilities in 10 years at $4.7 billion, plus a projected operating and maintenance budget of $419 million per year. Additional costs relate to water distribution and wastewater collection systems. Even with the significant investment in the 2016 budget, it is estimated that additional funding of $300 million annually will be required.

Other Infrastructure

Other community infrastructure includes the following: elementary and secondary educational facilities; roads and bridges; fire halls and other fire protection facilities and equipment; electrical power generation and distribution; fuel systems; community and recreation facilities; band offices; flood and erosion protection; remediation of contaminated sites; and internet connectivity. The federal government is developing a 10-year infrastructure plan. First Nations are at the greatest disadvantage, both historically and currently, and require a share of that investment that is proportional to their infrastructure need. This need is estimated at just over $1.1 billion annually.

Languages

The 2016 budget invested $5 million in the Aboriginal Languages Initiative and promised that the government would work with

Indigenous peoples to identify how best to proceed in future years. The AFB submits that, in addition to the school-based immersion programs being discussed with the minister of Indigenous and Northern Affairs, investment is needed in community language revitalization, adult language revitalization, and language maintenance and dissemination. This investment is urgently needed due to the crisis facing Indigenous languages in Canada.

Language defines nationhood and every language matters. Languages are integral to the cultural continuity that has been identified as a key factor in preventing youth suicide.[1] It is unacceptable that there are an estimated 58 First Nations languages threatened with extinction. Without supports for Indigenous languages, entire nations and cultures are at risk. An investment of $153.3 million annually is needed.

Health Accords and First Nations

The health and wellness of many First Nations peoples and communities in Canada is in profound crisis. The data that does exist paints a shameful picture. In comparison to the general Canadian population, First Nations peoples: face higher rates of chronic and communicable diseases; have more limited access to healthy foods and employment opportunities; experience 5–7 year lower life expectancy; have an infant mortality rate that is about 1.5 times higher; and have a 5–6 times higher rate of suicides.

Despite chronically inadequate resources, First Nations communities are transforming their systems of health and wellness to better meet communities' needs based on wholistic and culturally-based worldviews. The renegotiation of the Health Accord, provides an opportunity for provinces, territories and the federal government to advance First Nations health with First Nations as full partners. The structure of the investments should be accountable to First Nations and must move away from siloed and short-term funding and towards sustainable and long-term funding that is responsive to and that is based on First Nations needs and priorities. (for more information on the Health Accords with the provinces see the Health Care chapter)

AFB Actions

Action: Invest $795 million annually in First Nations education, including $653.2 million for K–12 schools and $141.6 million for post-secondary students.
Result: Funding for First Nations schools will be comparable to that provided to other students in Canada, and 10,000 First Nation students will be able to enter post-secondary studies.

Action: Invest $155 million annually in First Nations child and family services.
Result: First Nations child welfare services will be brought closer to providing comparable levels of service to those of provincial child welfare systems.

Action: Invest $1.9 billion annually in housing, water, and other infrastructure for First Nation communities.

Result: Thousands of houses will be built, clean drinking water will be provided to more people, and roads will link First Nations to the rest of Canada.

Action: Invest $154 million annually in revitalization of First Nations languages.
Result: The extinction of 58 Indigenous languages will be prevented and fluency will increase in communities across the country.

Action: Invest $1.58 bil to support First Nations health systems. This investment will address the current health infrastructure backlog, provide new health services for children, expand the National Native Alcohol and Drug Abuse Program, and support First Nations health governance capacity all while building out community care, mental health and providing health care on a needs basis.
Result: First Nations people have access to the best health programs and services available in Canada.

Notes

1 Chandler, M.J. & Lalonde, C.E., "Cultural continuity as a moderator of suicide risk among Canada's First Nations." In Kirmayer, L. & Valaskakis, G. (Eds.), *Healing Traditions: The Mental Health of Aboriginal Peoples in Canada* (pp 221–248), University of British Columbia Press.

Gender Equality

ALTERNATIVE FEDERAL BUDGET 2017 / **GENDER EQUALITY**

HIGH STAKES

- Women make up 47% of the paid workforce in Canada, are more likely to have post-secondary training, and earn on average 30% less than men.
- Women perform more hours of unpaid work in the home and work more total hours (paid and unpaid) than men, make up 92% of those taking parental leave, and are 21 times more likely than men to cite caring for children as the reason they are in part-time work.
- Women are now more likely than men to be a victim of a violent crime. Spousal violence and sexual assault costs the economy an estimated $12.2 billion per year. The federal government spends about 1.6% of this amount ($189 million) to counter violence against women.

CLEAR CHOICES

- Develop a job creation strategy that invests equally in the sectors where men and women work.
- Close the gender wage gap by promoting transparency and tracking in salaries and wages, increasing wages in predominantly female-dominated sectors (e.g., care work), and raising the minimum wage.
- Invest in a national action plan to end violence against women and make this investment proportionate to the cost and consequences of sexual and domestic violence.

POLICYALTERNATIVES.CA/AFB2017 **#AFB2017**

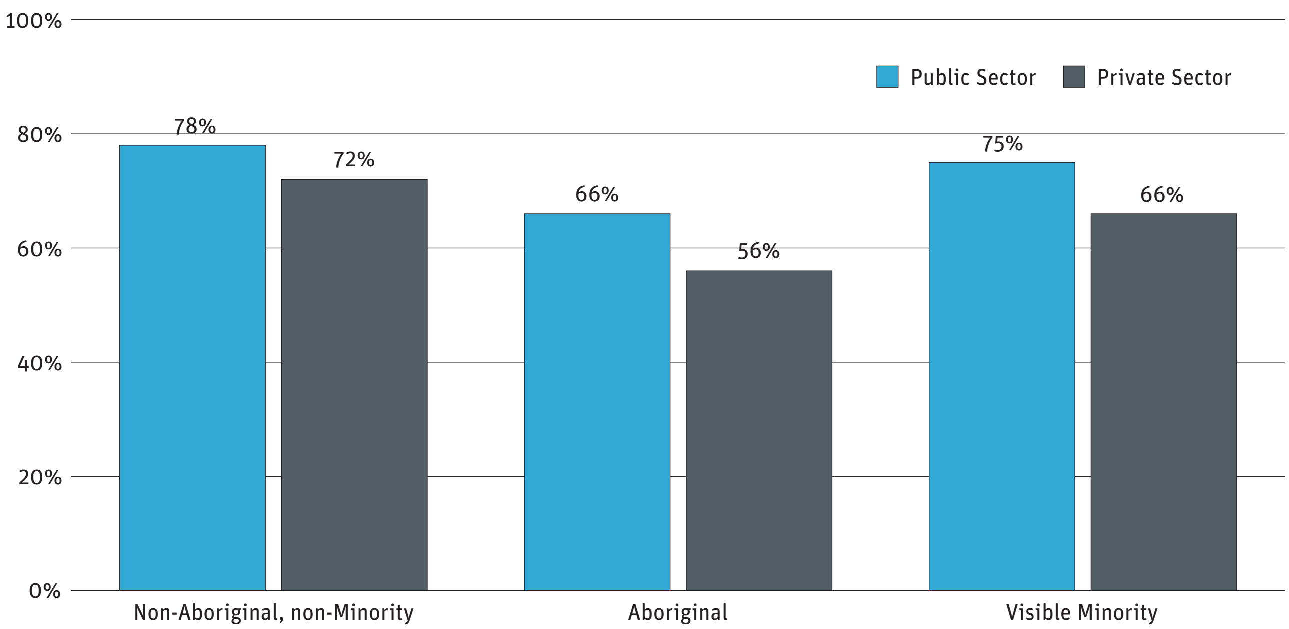
Background

Why is the International Monetary Fund asking about child care?[1] Because economists have begun to understand that women's labour, paid and unpaid, is essential to economic growth. More than that, after decades of inequality, Canadians need growth they can share in — growth that comes with an increase in jobs and wages. Women's employment is an essential part of making the shift to a more equal society.

Over the past three decades women have entered the Canadian labour force in ever-growing numbers.[2] During the same period male wages have struggled to keep pace with the cost of living. Women's employment earnings make an essential contribution to their own economic security and to that of their families. For many households those earnings are the difference between keeping up with the bills or going further into debt.

As a result of investments in higher education by provincial and federal governments, both men and women in the labour force are far more likely to have completed post-secondary education today than they were 30 years ago. Women in the labour force are now slightly more likely to have a university degree than their male counterparts.[3] In spite of this, employment rates for women lag behind those for men. Nearly a million women working part time do so involuntarily, reporting a lack of full-time

FIGURE 12 Women's earnings as a percetage of men's



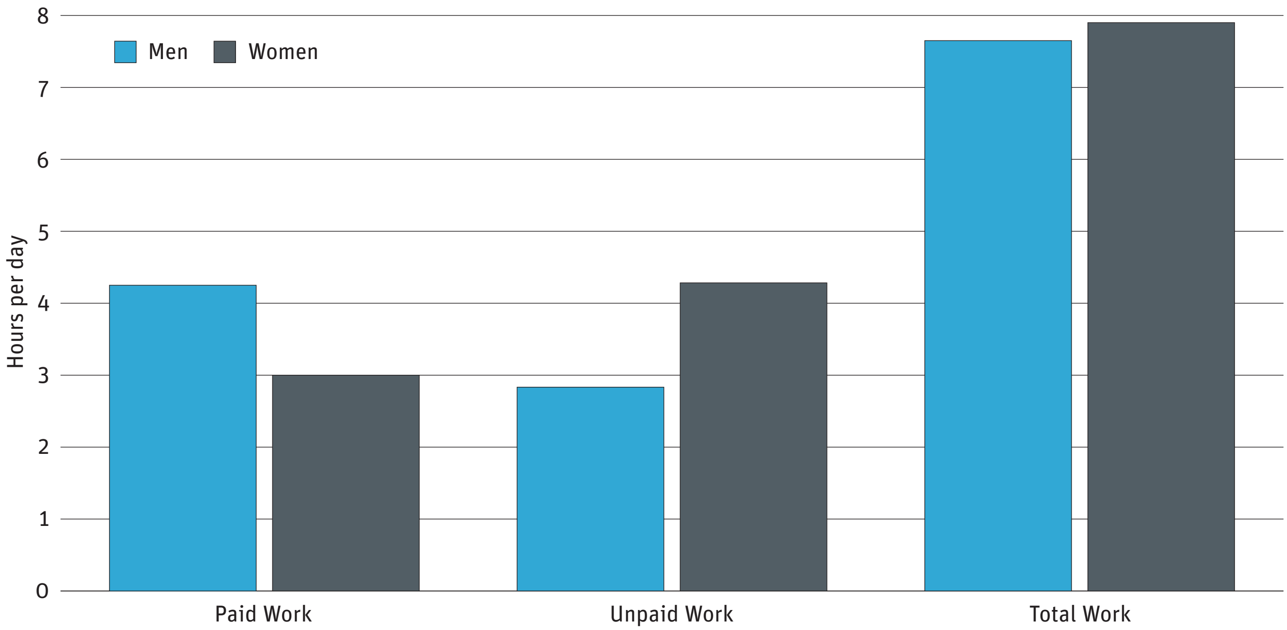
work and the need to care for children and their family as the reason.[4]

The current job stimulus efforts of the federal government are focused on predominantly male employment sectors. There is no question that Canada's aging physical infrastructure needs to be repaired and upgraded (and men need jobs). However, that investment needs to be paired with a parallel investment in predominantly female sectors to ensure the sustained growth and productivity of our economy. The OECD projects that narrowing the gap between men's and women's employment in Canada could contribute an additional $160 billion to GDP by 2030.[5]

More than one out of every five women working today works in health and social services.[6] It is one of the only sectors where women's employment has increased year on year over the past decade.[7] In contrast, women make up only a fraction of those employed in the sectors that will benefit from the government's infrastructure projects, and they actually lost jobs in the construction sector in 2015 (while men made gains).[8]

The federal government is promising a $3-billion investment in home care (over four years), which will certainly yield jobs for women. However, it is also committed to the previous Conservative government's 3% cap on annual increases to provincial health transfers.[9] This cap will likely limit job creation in the sector where women are most likely to be employed. While additional support for home care will be welcome, many of the jobs created by that investment would be low-paying without addi-

FIGURE 13 Time Use (Average Hours Per Day Over a Seven Day Week)



Source *General Social Survey: Time Use.* Ottawa, Statistics Canada, 2010.

tional government intervention on wages. The median take-home pay for a home care worker ($18,942 per year) falls below the poverty line.[10]

The sectors in which women work continue to pay less on average than the sectors in which men work, with some exceptions such as nursing. Even when men and women work in the same sector, in relatively equal numbers, women are paid less on average than men.[11] The wage gap in Canada actually widened in the years following the 2009 recession. Moreover, the gap in wages and employment expands for women with disabilities, Aboriginal women, racialized women, and immigrant women.

Simply increasing education and training levels would not be sufficient to close the gaps in income and employment. Women now outnumber men among university graduates, yet the gender gap in earnings persists among university-educated workers.

Addressing the gender wage gap is an important tool in stimulating wage growth across the labour market and creating more inclusive economic growth that meaningfully improves the lives of Canadians. The federal government recently announced its intention to table proactive pay equity legislation as recommended by a special parliamentary committee studying the issue. As important as this legislation would be, there are other complementary policy tools that will help close the gender gap in wages.

Affordable and available child care has had a positive effect on women's employment levels and on reducing the wage gap in similar high-income countries.[12] Parental leave of less than a year has a similarly positive effect on women's attachment to the labour force and their earnings. However, longer parental leaves have a negative impact on women's participation in the paid workforce, particularly for highly educated women.[13]

Proactive wage-setting policies, including collective bargaining, are another important tool in closing the gender wage gap. Women make up nearly two-thirds of all minimum-wage workers.[14] The occupations in which women are most likely to work include some of the lowest-paying jobs in Canada. For example, the median income of an early childhood educator ($17,703) or a home care worker ($18,942) falls below the poverty line.[15] A good example of proactive wage-setting policy is the decision by the Government of Ontario to increase wages for early childhood educators, 97% of whom are women.[16]

The wage and employment gaps also derive from the extra burden of unpaid care performed by women, who continue to do nearly four hours a day of extra home and child care work on top of their paid work.[17] This burden has been exacerbated by post-recession austerity measures, in particular cuts to care services.

As a result of Quebec's supplementary parental leave for fathers, introduced by the government in 2005, over 76% of men in the province take parental leave, compared to 26% of men in the rest of Canada.[18] The rebalancing of child care work in the home has the potential to lead employers to see the value of care work, triggering raises in the wages of child care and home care workers.

Social Policies

Women in Canada continue to face gender-specific challenges to their safety and well-being. Women are now more likely to be victims of violent crime than men. Rates of sexual assault against women are largely unchanged over the past two decades, while the incidence of other violent crimes has decreased. A million women report having experienced sexual or domestic violence in the past five years.[19] On any given day, more than 4,000 women and over 2,000 children will reside in a domestic violence shelter.[20] More than 500 women and children are turned away from shelters on a typical day, with overcrowding the primary reason.[21]

Rates of gender-based violence are significantly higher for Aboriginal women and girls. Aboriginal women in Canada experience three times the level of violent victimization as non-Aboriginal women, and young Aboriginal women make up 63% of those who report experiencing violent victimization.[22] The murder and disappearance of Aboriginal women and girls, an endemic problem in Canada, has received international attention and condemnation.

The current government is moving to form an inquiry into missing and murdered Aboriginal women and girls. It will not be the first. The government must learn from the mistakes of past inquiries; for example, by ensuring that Aboriginal families and communities are supported, both socially and financially, so they can meaningfully participate in, and indeed lead, the quest to find justice, and put an end to the violence experienced by Aboriginal women and girls.

Existing federal policy on violence against women is largely gender neutral, in spite of a surfeit of evidence concerning the need to address these forms of violence as based on gender. The grant program administered by Status of Women Canada is a rare exception. The federal department disperses between $14 and $15 million per year in grants and contributions to non-profit organizations to deliver a variety of services ranging from shelters to public education.[23] But the total budget for Status of Women Canada has averaged just $28–$33 million annually over the past decade. Recent reports by Justice Canada estimate the economic impact of violence against women at $12.2 billion annually.[24]

The current government has committed to putting in place a much-needed national strategy to address violence against women in Canada. A broad coalition of women's organizations, service providers, and researchers has produced a *Blueprint for a National Action Plan on Violence Against Women*, based on the best available research, the experience of service organizations and survivors, and similar action plans in countries like Australia.[25] The federal government must ensure the plan, to be effective, addresses both prevention and response. The government must also adequately fund the collection of data on rates of violence at the provincial and municipal level (something that does not currently occur) so we can assess the success and/or failure of current programs and policies where they are being enacted.

AFB Actions

Action: The AFB will invest in a national action plan to address violence against women (cost: $500 million a year), based on the *Blueprint for a National Action Plan*, that includes the following components:

- Funding for annual, detailed national surveys on violence against women;
- Support for an office to provide federal co-ordination;
- Increased funding for prevention programs;
- Increased funding for victim services, including long-term housing; and
- Funding to support uniform access to specialized social, legal, and health services, including domestic violence courts, sexual assault nurse examiners, and crisis centres.

Result: Levels of violence experienced by women will begin to decline and survivors of violence will receive adequate support.

Action: The AFB will increase funding for Status of Women Canada and restore its mandate to fund women's groups to conduct independent policy research (cost: $100 million a year).

Result: Federal government policies will benefit women and men more equally; decisions about funding for women's services will be based on research; and the organizations and communities who respond to the needs of women on a daily basis will be empowered to share their insights on programs and policies that work.

Action: The AFB will put in place a clear mechanism to ensure equal pay for work of equal value by repealing the Public Service Equitable Compensation Act, establishing proactive pay equity legislation, and implementing the recommendations of the 2004 Pay Equity Task Force (cost: $10 million a year).
Result: The gender wage gap will narrow, increasing women's economic security and providing increased economic activity as a result of higher wages.

Action: The AFB will put in place a job growth policy in sectors where women work, as well as in sectors where men work. This will mean investments in education, and health and social services, in keeping with investments in physical infrastructure projects.
Result: A more balanced sectoral strategy that ensures families and communities are less vulnerable to sectoral downturns, and increased economic security for women, including those otherwise most vulnerable to poverty.

Action: The AFB will ensure that family policies address the unequal burden of unpaid care work performed by women. It will make child care outside the home more readily affordable and available (see the AFB Child Care chapter) and institute a supplementary paternity leave allowance of eight weeks on the same terms as the Quebec parental insurance program (see the AFB Employment Insurance chapter).
Result: More equal levels of unpaid work will enable women to access full-time work more easily, and reduce their overrepresentation in low-paying shift work.

Notes

1 *IMF Country Report No. 16/146: Canada*. Washington D.C.: International Monetary Fund, 2016.

2 "CANSIM *Table 282-0002: Labour force survey estimates (LFS), by sex and detailed age group, annual." Ottawa:* Statistics Canada.

3 "CAN SIM Table 282-0004: Labour force survey estimates (LFS), by educational attainment, sex and age group, annual (persons unless otherwise noted)." Ottawa: Statistics Canada.

4 "CAN SIM Table 282-0014: Labour force survey estimates (LFS), part-time employment by reason for part-time work, sex and age group, annual (persons)." Ottawa: Statistics Canada.

5 OECD (2012). "Table I.A3.1. Projected average annual growth rate in GDP and GDP per capita in USD 2005 PPP, percentage, 2011–30." *Closing the Gender Gap: Act Now*. Paris: OECD Publishing.

6 "CANSIM Table 282-0012: Labour force survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex, annual." Ottawa: Statistics Canada.

7 "CANSIM Table 282-0012: Labour force survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex, annual." Ottawa: Statistics Canada.

8 Women made up 11.5% of constructions workers in 2015, down from 11.9% in 2014. "CANSIM Table 282-0012: Labour force survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex, annual." Ottawa: Statistics Canada.

9 Harris, Kathleen and Peter Zimonjic. "Health ministers wrap tense talks with no agreement on federal health funding." CBC News, Oct 18, 2016.

10 *National Household Survey 2011*. Ottawa: Statistics Canada.

11 See, for example, a recent study of the wage gap in the retail sector in Ontario: Coulter, Kendra et al (2016). *The Gender Wage Gap in Ontario's Retail Sector: Devaluing Women's Work and Women Workers*.

12 Plantenga, J. and C. Remery eds. (2006). *The Gender Pay Gap: Origins and Policy Responses: A comparative study of 30 European countries*. European Commission, Directorate.

13 Mandel, Hadas (2012). "Winners and Losers: The Consequences of Welfare State Policies for Gender Wage Inequality." *European Sociological Review*, vol. 28.2: 241–262.

14 Galarneau, Diane and Eric Fecteau (2014). "The ups and downs of minimum wage." Ottawa: Statistics Canada.

15 Median incomes from the *National Household Survey 2011*. Low income measure after tax for 2011 used ($20,912); source: "CANSIM Table 206-0091: Low income measures (LIMs) by income source and household size." Ottawa: Statistics Canada.

16 "Backgrounder: 2016 Wage Enhancement for Early Childhood Educators." Toronto: Government of Ontario, Ministry of Education, January 22, 2016.

17 *General Social Survey: Time Use*. Ottawa: Statistics Canada.

18 Leanne C. Findlay and Dafna E. Kohen (2012). "Leave practices of parents after the birth or adoption of young children." Ottawa: Statistics Canada.

19 *General Social Survey: Victimization, 2014*. Ottawa: Statistics Canada.

20 *Shelter Voices*. Ottawa: Canadian Network of Women's Shelters and Transition Houses, 2014.

21 Hutchins, Hope and Sara Beattie (2015). *Shelters for Abused Women 2014*. Ottawa: Statistics Canada.

22 Brennan, Shannon (2011). *Violent victimization of Aboriginal women in the Canadian provinces, 2009*. Ottawa: Statistics Canada.

23 *Status of Women Canada Departmental Performance Reports*. Ottawa: Status of Women Canada.

24 Hoddenbagh, Josh, Ting Zhang, and Susan Mcdonald (2014). *An Estimation Of The Economic Impact Of Violent Victimization In Canada, 2009*. Ottawa: Justice Canada. Zhang, Ting et al. *An Estimation of the Economic Impact of Spousal Violence in Canada, 2009*. Ottawa: Justice Canada.

25 *A Blueprint for Canada's National Action Plan (NAP) on Violence Against Women and Girls*. http://endvaw.ca/our-work/blueprint-for-canadas-national-action-plan-on-violence-against-women

Health Care

ALTERNATIVE FEDERAL BUDGET 2017 / HEALTH CARE

HIGH STAKES

- The federal government is negotiating one-off agreements on health care funding with the provinces.
- Our current fee-for-service payment model is susceptible to billing abuse and drives the "one problem per visit" policies of many family doctors.
- Your postal code or socioeconomic status determines whether you receive necessary medication.
- Provincial governments have been discharging patients from hospitals to long-term care to save money.
- One in five Canadians experience a mental health issue a year, which costs the economy more than of $50 billion annually.

CLEAR CHOICES

- Ensure that all health care in Canada is consistent with the principles of the Canada Health Act
- Create a health accord that delivers stable, predictable, realistic, and long-term funding.
- Expand primary health care teams paid to keep patients well.
- Implement a universal, national pharmacare plan.
- Cover home and long-term care under the Canada Health Act.
- Create a national mental health strategy and program linked to the Canada Health Act.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

In a public opinion poll conducted just before the 2016 federal budget, Canadians picked "spending more on health care" as their top priority for the new government.[1] The Liberals had promised during the 2015 election campaign to make improvements to home care, palliative care, prescription drugs, the Canada Health Transfer, and the Health Accord. The budget itself, however, made no real commitment to strengthening the public health care system, containing only a scattered collection of smaller funding initiatives. The decline in federal leadership on public healthcare, and the downloading of costs to people who are ill, continues without substantial change.

At 15.1% of GDP, overall federal spending is at one of its lowest rates in the past 65 years, and only slightly higher than 2014-15's all-time low level of 14.2%.[2] Still, the government indicated in the budget it would be maintaining the previous government's reduction in the Canada Health Transfer (CHT) to the provinces. "Starting in 2017-18," it said, "the CHT will grow in line with a three-year moving average of nominal GDP growth, with funding guaranteed to increase by at least 3.0% year."[3] The 2004 Health Accord included a fixed 6% escalator to compensate for drastic cuts to federal health transfers in the 1990s.

The Parliamentary Budget Officer (PBO) and the Council of the Federation have stated the cut to the CHT will amount to at least $36 billion in 10 years, or the equivalent of the entire CHT in 2016.[4] Other estimates put the shortfall from GDP-based increases to health transfers at $43.5 billion over the first eight years alone.[5] The provincial and territorial governments believe the loss could be as high as $60 billion over the next decade.[6] Under any scenario, the sustainability of public health care is threatened. Nearly 40% of most provincial budgets go to health spending. And while half of this would at one time have come from the federal government, today federal transfers make up a fifth of provincial spending.[7] While provincial and territorial governments have contained costs in recent years by deferring capital investments, this is unsustainable in the long-term and will lead to increased expenditures in the future at the cost of reduced operating expenses.[8]

A 3% increase to the CHT, as planned, would shift an increasing burden of nearly $1.1 billion annually onto the provinces.[9] In late 2016, provincial and territorial finance and health ministers declined a federal offer of a CHT escalator of 3.5% and about $11.5 billion over 10 years for home care and mental health, which would decrease the federal share of health funding from 23% today to 20% in the future.[10] (For comparison, the federal government wants to spend $186 billion on infrastructure over the next 11 years.) The federal government refused to accept a counteroffer from the provinces of a 5.2% escalator — the minimum needed for Ontario to continue to offer its current basket of public health services, according to the province's Financial Accountability Office — in exchange for provincial commitments to spend on mutual priorities, and walked away from the negotiations.

Over a year into their first term as government, the Liberal party has done little to change the overall course of health care funding from that of the preceding government. In 2016, Fall Economic Statement by the Liberal minister of finance, healthcare was disturbingly absent from any meaningful discussion in the document. What is clear is that the impasse between the different levels of government mirrors historical debates regarding the federal government's role in vertical and horizontal fiscal imbalances. Jurisdictional and financial responsibilities are a tenuous relationship in our federation, but they are responsibilities that should fundamentally guided by improving the health of the Canadians.

Since then, the government has pursued a divide-and-conquer strategy, signing bilateral health agreements with New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Saskatchewan, Yukon, Northwest Territories, Nunavut, British Columbia, and Saskatchewan. These provinces and territories will receive the CHT on a 3% escalator, or the rate of growth in nominal GDP (the Harper government's proposal), but with additional money for home care and mental health. If another province is able to negotiate a better deal it will be applied in other jurisdictions as well. If nothing changes, the federal government will impose a similar 3% CHT to the remaining jurisdiction on April 1, 2017, and may or may not provide the addition mental health and home care funding.

New Brunswick will receive a $230 million deal that included funding dedicated to home care and mental health, but this side deal is around $649 million less than what would have been transferred if the 6% CHT escalator was maintained. Nova Scotia will receive $157 million for home care and $130.8 million for mental health. Newfoundland will receive $87.7 million for home care and $73 million for mental health.[11] Prince Edward Island will receive $24.6 million for home care and $20.5 for mental health initiatives. Saskatchewan will receive $190.3 million for home care and $158.5 million for mental health services, the province stated it has received a special agreement for one or two year in regards to its private MRI clinics which violate the CHA.[12] The federal position is it has not put its position aside regarding private user-pay MRI clinics but is willing to work with the province to insure the CHA is upheld.[13] Regardless of the secret agreement on MRIs, the federal government should be proactively enforcing the CHA and stopping violations and not cutting side deals that allow illegal activities to continue. The three territories will get an additional $36.1 million in new financial funding for mental health and home care over the next 10 years, beginning in the 2017-18 fiscal year. British Columbia will receive an additional $1.4 billion over 10 years home care and mental health care initiatives.[14] While these bilateral deals are significant, it is worth remembering that the four provinces holding out for a more sufficient deal represent the vast majority of Canada's population (more than 70%).

Pre–2017 budget discussions about the future of medicare remain inundated with buzzwords like "health transformation," "less bureaucracy," "efficiency," "innovation," and other empty signifiers. Furthermore, the government has presented a false dichotomy between external economic forces and the health of Canadians that reinforces an artificial and deterministic narrative about universal health care being unsustainable. This spurious framing leads to distorted trade-offs between the universality of well-being and cost containment when, in fact, the publicly funded portion of health care has remained stable as a percentage of GDP for over 30 years. The costs that are out of control are outside the medicare umbrella: pharmaceutical drugs, home care, physiotherapy costs, etc. The problem of cost containment is therefore political, not economic.

AFB Actions

A Robust Health Accord

The federal share of national (provincial and territorial) health expenditures remains below the funding floor of 25% called for by the Romanow commission. With the current funding formula, this share of federal funding will be reduced to 14.3% by 2037.[15] In Canada, lagging behind most countries in Europe, only 71% of health expenditures are financed under the public system.[16] Conversely, the private health sector in Canada has now grown to nearly a third (29%) of total health expenditures.[17]

Action: Renegotiate a 10-year Health Accord with a minimum 6% escalator to increase the federal share of health spending while enforcing the CHA.

Result: Increased funding will open the policy door to expand medicare to include pharmacare, home care, long-term care, mental health, dental care, and rehabilitation services. A more solid Health Accord will also reinforce health promotion/prevention and other public health programs that require federal and provincial leadership. We need less political gamesmanship regarding issues like homecare and mental health; these two issues are indeed important, and for that reason should not be proposed with 'sunset funding' but should be included in the Health Accord. It is intellectually dishonest to pit health accord funding against funding for these initiatives, and will be detrimental to the overall health of the nation. At the same time, the provinces and territories need to be amenable to areas where more accountability can be achieved and stop turning a blind eye to violations of the CHA. The federal government is within their right to demand accountability, and attach strings to funding. But, these strings needs to be negotiated and in place to include public delivery of care for the best outcomes of all patients—not political promises.

Primary Health Care

Investing and advancing the use of primary health care (PHC) is critical to ensuring continuity of care across the health care system.[18] As a first point of contact, PHC ensures short-term health issues are resolved and chronic conditions are managed through working with community-based teams of health professionals. Effective PHC is also needed to develop long-term strategies to improve health outcomes at the individual and population levels.[19]

As PHC reform promotes interdisciplinary team-based care to improve accessibility and comprehensiveness of care, it will change the way physicians are reimbursed.[20] Our current fee-for-service payment model is susceptible to billing abuse and arguably drives the "one problem per visit" policies adopted by a number of family doctors.[21] There are now more than 82,000 physicians in Canada; total payments to physicians increased by 4% from the previous year to reach $25 billion in 2014–15.[22]

Action: Direct part of the new Health Accord funding to continue the transition to PHC, as opposed to piecemeal bilateral agreements, building on best practices from the 2007 Primary Health Transition Fund.[23]

Pharmacare

Among countries with a universal national public health care plan, Canada is the only one whose plan does not include prescription drug coverage. As a result, Canadians spent over $30 billion in 2016 to fill over 600 million prescriptions.[24] No other component of Canadian health care has increased in cost as quickly as drug costs.[25] In 2015, patented drugs accounted for 61.8% of total drug sales in Canada, earning $15.2 billion for the brand-name pharmaceutical sector.[26]

In our fragmented and inefficient system there are 19 publicly funded drug plans (10 provincial, three territorial, six federal).[27] Eligibility, coverage, and benefit payment schemes vary in each of these programs. Your jurisdiction of residence or socioeconomic status should not dictate if you receive necessary medication. Of all other OECD countries, only the United States and Poland have a lower percentage of drug costs paid for by public programs, and Canada is second only to the U.S. in the use of private drug insurance.[28]

Approximately 3.5 million Canadians lack even basic drug coverage.[29] Around one in four Canadian families fail to take needed medication as prescribed due to high costs.[30] It is believed that 6.5% of hospital admissions in Canada are the result of non-adherence to medications, which itself adds an estimated $7–9 billion per year to health care costs.[31] Canada has wasted $62 billion dollars over the last 10 years by not implementing a universal pharmacare program.[32]

Action: Allocate $2 billion, plus 10% of private expenditures on prescription drugs ($1.39 billion), in 2017-18 toward a national pharmacare plan (total expenditure: $3.39 billion). In 2018-19, the AFB will increase the allocation by 13% for a total expenditure of $3.83 billion. In 2019-20, this amount will increase by 20% to $4.59 billion. Future savings will offset the program's startup costs.[33]

Home Care and Long-term Care

The Romanow commission pointed out nearly 15 years ago that it made no sense to exclude home care from medicare. Still outside the Act, provincial governments have been discharging patients from acute-care in hospitals (which are covered under the Act) to save money. Patients are transferred to unorganized, privately-funded, for-profit providers. While the Liberal government has pledged to invest about $11.5 billion over 10 years for home care and mental health, there have been no commitments to guarantee these services would be included under the Act and that an overarching national strategy would be implemented. Further, details remain missing on if the earmarked billion for home care infrastructure would entail public or private investments.

The AFB would amend the CHA to include both home care and long-term care. Provinces will need to comply with the criteria of the Act in order to receive new federal funding transfers for these services. Further, the AFB aims for a total expenditure for home care at 2% of GDP. This would put Canada in line with northern European countries. Provinces that participate in a national home care program will see federal contributions of up to 40% to jurisdictions in compliance with the CHA. The AFB will invest $2.3 billion in long-term and residential care to enable hospitals to move Alternate Level of Care (ALC) patients currently in acute care beds to a more appropriate setting.[34]

Mental Health

From medicare's beginnings an inequity between physical and mental health coverage has ignored the important links between psychological, social, and biological health. As a result, we know that one in five people in Canada (close to seven million people) experience a mental health problem or illness, costing the economy more than $50 billion (more than 2% of GDP) annually.[35] Spending on mental health makes up only 7% of all public spending on health in Canada, below the 10–13% reached by similar countries including the U.K. and New Zealand.[36] It is estimated that 9% of GDP (close to $800 million in Canada's case) is the minimum level of public investment required to improve access to a range of mental health programs and services, and get better health outcomes.[37]

The federal government has historically avoided responsibility for mental health, leading to major gaps in public coverage and inequalities in access to services. Treatment received is largely decided based on employment benefits (often capped or limited in range) or income levels, not evidence-based best practices.[38] Furthermore, mental health problems are even greater than physical health problems for people at lower income levels.[39] Our current fee-for-service model of medicare generally covers hospital stays, specialists, or doctors, but excludes psychologists, counselling, other therapists, and community non-profit agency support. Provincial and territorial coverage is generally limited and haphazard.

Action: Implement a mental health program based on the widely hailed U.K. initiative, which trained 3,500 new mental health professionals, and incorporated into the CHA accountability process.[40] Mental health promotion and the treatment of mental illnesses must be timely, continuous, collaborative, culturally safe and appropriate, and integrated across the life cycle (from children to seniors).[41] Dedicated mental health funding needs to be part of the enhanced Health Accord proposed by the AFB (cost: $350 million over three years).[42,43]

Notes

1 Andrew Russell. "What are the top priorities of Canadians ahead of the federal budget." Global News, March 21, 2016.

2 Armine Yalnizyan. "What regime change means in Budget 2016," Behind the Numbers blog post: http://behindthenumbers.ca/2016/03/22/what-regime-change-means-in-budget-2016/

3 budget documents

4 Canadian Health Coalition brief on the Health Accord: http://www.healthcoalition.ca/health-accord-brief/

5 Hugh Mackenzie. (2015). *The Canada Health Transfer Disconnect: An aging population, rising health care costs and a shrinking federal role in funding.* Ottawa: Canadian Federation of Nurses Unions.

6 Gregory Marchildon. (2016). "Bilateral Health Agreements between the Federal and Provincial/ Territorial Governments in Canada." IRPP Insight: http://irpp.org/wp-content/uploads/2016/12/insight-no13.pdf

7 Canadian Institute for Health Information. (2015). National Health Expenditure Trends, 1975 to 2015.

8 Institute of Fiscal Studies and Democracy, "CHT Conundrum: Ontario Case Study", Winter 2017.

9 Bill Curry. "Provinces irate over health funding talks with Morneau." Globe and Mail, December 18, 2016.

10 The Canadian Press. "Provinces take aim at health care 'ultimatum'." December 18, 2017.

11 "Health accord side deals bad for Canada, say doctors." CMAJ. January 5, 2017. http://cmajnews.com/2017/01/05/health-accord-side-deals-bad-for-canada-say-doctors-cmaj-109-5381/

12 A Wherry, and Susan Lunn, "Saskatchewan and federal government reach deal on health care: Separate agreement made on province's private MRI clinics." January 17, 2017. http://www.cbc.ca/news/politics/saskatchewan-health-care-mris-1.3939611

13 Fraser, D.C. "Feds say they aren't putting MRI issue aside for a year as province suggests." January 18, 2017.

http://leaderpost.com/storyline/feds-say-they-arent-putting-mri-issue-aside-for-a-year-as-province-suggests

14 Andrea Woo, "British Columbia reaches 10 year health-care funding deal", The Globe and Mail, February 17th, 2017.

15 Stéphane Levert. (2013). *Sustainability of the Canadian Health Care System and Impact of the 2014 Revision to the Canada Health Transfer*. Canadian Institute of Actuaries; Society of Actuaries.

16 Alex Hemingway. "The biggest source of waste in Canadian health care? The private, for-profit sector." Policy Note blog post, November 21, 2016: http://www.policynote.ca/the-biggest-source-of-waste-in-canadian-health-care-the-private-for-profit-sector/#.WDeeEbtm_GC.twitter

17 Canadian Institute for Health Information. (2015). National Health Expenditure Trends, 1975 to 2015.

18 Health Council of Canada. (2005). *Primary Health Care*: A background paper to accompany Health Care Renewal In Canada: Accelerating Change.

19 David Price, Elizabeth Baker, Brian Golden, and Rosemary Hannam. (2015). *Patient Care Groups: A new model of population based primary care for Ontario*. A report on behalf of the Primary Health Care Expert Advisory Committee.

20 Canadian Foundation for Healthcare Improvement factsheet, January 1, 2010: http://www.cfhi-fcass.ca/SearchResultsNews/10-01-01/13b5e8bb-e7c2-4544-8da5-b1aa5d9e38db.aspx#ii

21 Ibid.

22 Canadian Institute for Health Information. "More doctors, but average payments to physicians virtually unchanged," a factsheet: https://www.cihi.ca/en/spending-and-health-workforce/health-workforce/more-doctors-but-average-payments-to-physicians

23 Health Canada. (2007). Primary Health Transition Fund: Summary of Initiatives: Final Edition.

24 Canadian Pharmacists Association. (2016). "Pharmacy in Canada."

25 S.G. Morgan, D. Martin, M.A. Gagnon, B. Mintzes, and J. Lexchin. (2016). *Pharmacare 2020: The Future of Drug Coverage in Canada*. Pharmaceutical Policy Research Collaboration.

26 Patented Medicine Price Review Board. (2015). Annual Report 2014.

27 Michael Butler. A Prescription for Better Medicine: Why Canadians Need a National Pharmacare Program. Ottawa: Council of Canadians.

28 Elizabeth Church. "Canada among Top Pharmaceutical Spenders on OECD List." *The Globe and Mail*. November 4, 2015.

29 Julie White. (2016). *A National Public Drug Plan For All*. Ottawa: Canadian Health Coalition.

30 Angus Reid Institute. (2015). "Prescription Drug Access and Affordability an Issue for Nearly a Quarter of All Canadian Households."

31 Monika Dutt. (2016). Parliamentary submission to HESA on pharmacare. Canadian Doctors for Medicare.

32 Hugh Mackenzie. (2016). *Down the Drain: How Canada Has Wasted $62 Billion Health Care Dollars without Pharmacare*. Ottawa: Canadian Federation of Nurses Unions.

33 Marc-André Gagnon. (2014). *A roadmap to a rational pharmacare policy in Canada*. Ottawa: The Canadian Federation of Nurses Union.

34 Canadian Centre for Policy Alternatives. (2016). *Alternative Federal Budget: It's Time to Move On*. Ottawa.

35 P. Smetanin, D. Stiff, C. Briante, C. Adair, S. Ahmad, and M. Khan. (2011). *The life and economic impact of major mental illnesses in Canada: 2011 to 2041*. RiskAnalytica, on behalf of the Mental Health Commission of Canada.

36 Bruce Doern and Christopher Stoney, eds. (2016). How Ottawa Spends: The Trudeau Liberals in Power. Ottawa: Carleton University's School of Public Policy and Administration.

37 Canadian Alliance on Mental Illness and Mental Health. (2016). Mental Health Now! Advancing the Mental Health of Canadians: The Federal Role.

38 E. Anderssen. "We have the evidence...Why aren't we providing evidence-based care?" *The Globe and Mail*. May 22, 2015.

39 Statistics Canada. (2013). Canadian Community Health Survey, 2012: Annual Component. Ottawa.

40 Keith Dobson. (2016). *Clinical Psychology in Canada: Challenges and Opportunities*. Canadian Psychology, Vol. 57, No.3.

41 Canadian Alliance on Mental Illness and Mental Health. (2016). Mental Health Now! Advancing the Mental Health of Canadians: The Federal Role.

42 Canadian Mental Health Association. Open letter on the Health Accord. November 10, 2016: http://www.cmha.ca/news/open-letter-mental-health-accord/#.WHRJtVMrLIV

43 Keith Dobson. (2016)., *Clinical Psychology in Canada: Challenges and Opportunities*., Canadian Psychology August 2016, Vol., 57, No. (3.)

Housing and Neighbourhoods

ALTERNATIVE FEDERAL BUDGET 2017 / HOUSING AND NEIGHBOURHOODS

HIGH STAKES

- Over the past 25 years, the federal government has played an increasingly limited role in creating affordable housing, and Canada's current proportion of social housing units is far below the OECD average.
- Hundreds of thousands of low-income families are on waiting lists for subsidized housing. Some become homeless while they wait.
- Vulnerable subpopulations are at risk because they lack supportive housing.
- Indigenous people who are in core housing need or homeless are overrepresented compared to the rest of Canada.

CLEAR CHOICES

- Invest $1 billion annually to preserve existing social housing units.
- Permanently increase funding for the Investment in Affordable Housing program by an additional $1 billion annually.
- Provide $1 billion annually for supportive housing, focusing on the most vulnerable sections of the population.
- Invest in on-reserve housing.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

A strong federal government role in creating affordable housing is vital for multiple reasons. First, low-income households (particularly households relying on social assistance) simply can't afford the monthly rent required of most types of housing on the private market. Second, high-growth areas of cities (especially new suburbs) can't rely on private developers to create apartment units needed by workers (who in turn are needed by those same communities, especially in the service sector). Third, it's important that non-profit entities own and operate housing, as non-profit ownership keeps rent levels down over the long term and creates public assets in the process.[1] Finally, when it comes to vulnerable subpopulations (including persons with mental health problems, persons living with HIV/AIDS, and seniors), non-profit entities are effective at creating buildings that can foster community development.

From the 1960s until the late 1980s, Canada's federal government played a very active role in creating housing for both low-income and middle-income households.[2] Always in partnership with the private sector, the federal government typically cost-shared the development of new housing units with provincial and territorial governments. Tenants were in turn charged an amount they were deemed able to afford — typically 30% of their gross monthly income. As a result, as many as 25,000 new subsidized housing units were created across Canada each year. Low-income households who sought subsidized housing often received it within months, and very few individuals were homeless compared to today.[3]

In the early 1990s, with the onset of neoliberalism,[4] the government withdrew from housing (with the exception of on-reserve housing). Although the government got back into the housing game in 2001 when it started to build some subsidized units through the Affordable Housing Initiative (now known as the Investment in Affordable Housing program), its role in creating new subsidized housing units remains much less pronounced today than it was in the 1970s and 1980s.

In recent years real estate speculation and the growing drive for investment has driven a perception, within both the public and government, that housing is a commodity. Today, wait lists for subsidized housing are growing and thousands of Canadians spend each night in emergency shelters.[5]

There is a strong push to base the National Housing Strategy on Canada's international human rights obligations through which the federal government will provide leadership on the right to housing. The National Housing Strategy should have specific targets, timelines, and reporting mechanisms to ensure accountability. Input from those with a lived experience of poverty is also critical.

In the current federal government's first budget, housing made a comeback — although a modest one compared to the 1970s and 1980s. The Trudeau government announced $1.3 billion in new federal funding for housing for 2016-17, and $956 million for 2017-18. That's an average of just over $1 billion in new federal funding per year over a two-year period. Although this is a respectable start, this year's' AFB will go well beyond the current federal government's spending levels for housing. It will spend $3 billion on new funding, creating jobs in the process and making those investments permanent annual funding. While $3 billion in new spending may sound ambitious to some, it would merely bring us back to the levels of housing creation we had in the early 1980s. In relation to the rest of the OECD, Canada would move from being a laggard to a leader.

How a Shortage of Affordable Housing Affects Canadians

Research on affordable housing and homelessness tell us four important things. First, inadequate housing has a profound impact on the lives of children: a considerable number of babies are born to women experiencing homelessness in Canada each year[6] and a family's housing situation has a major impact on whether children are taken into the care of child welfare officials.[7] Second, people experiencing homelessness have considerably more physical and mental health problems than the general population.[8] Third, it is typically cheaper for governments to keep a person in subsidized housing than it is for that person to remain homeless.[9] Fourth, most homeless people, once provided with adequate housing, will remain housed.[10]

Housing for Indigenous Peoples

The Department of Indian and Northern Affairs Canada[11] first developed its on-reserve housing subsidy program in the 1960s, providing capital grants for both the construction of new units and the renovation of existing units. However, it provided no funding for maintenance once new units were built. In the 1970s, the Canada Mortgage and Housing Corporation initiated a new on-reserve housing program called the Non-Profit Rental Housing Program, which provided band councils with loan financing and subsidies to build and operate housing.[12]

Most of the units designated as off-reserve housing for Indigenous households were built via one of two programs between 1973 and 1993.[13] Housing in communities of fewer than 2,500 fell under the Rural and Native Housing Program,[14] while housing in communities of more than 2,500 fell under the Urban Native Non-Profit Housing Program. The former was not exclusively targeted to Indigenous peoples, while the latter was. The federal funding provided under the Urban Native program is to help operate the units each year and to help pay mortgages. Most of the funding agreements spanned between 25 and 50 years. When the funding agreements end (some have already started to expire), most of these units will be non-viable — the ongoing costs to operate them will be more than the rent that tenants currently residing in them are able to pay. While the issue of expiring operating agreements is a concern for Canada's social housing sector in general, it is an especially serious concern for units created under the Urban Native program because these units typically house lower-income tenants (and therefore require a deeper ongoing subsidy).[15]

As of 2011, 19% of Indigenous households living off-reserve and almost 34% of Inuit households were in what is called "core housing need".[16] In contrast, the figure for Canada as a whole was just over 12%.[17] When it comes to absolute homelessness (i.e., people staying either in emergency shelters or outside), Indigenous peoples are vastly overrepresented in Canada's cities.[18]

AFB Actions

Preserve existing social housing stock.

Action: The AFB will provide $1 billion to provinces and territories to help maintain existing social housing units.
Result: On average, $100,000 will preserve an existing unit over a 25-year period. Put differently, this investment will preserve 10,000 units and give them 25 years of additional life. Three types of units are especially vulnerable to expiring agreements: units created under the Urban Native program, public housing units, and units in northern areas of Canada. We assume no cost-matching from provincial/territorial governments.

Expand and redesign the Investment in Affordable Housing Program.

Action: The AFB will invest $1 billion in the IAH program, over and above current spending levels. The program will be redesigned so that all units created under it remain affordable over at least a 25-year period (rather than the current 10-year requirement).
Result: Between 10,000 and 15,000 new units of housing will be created annually. A $100,000 capital grant from the federal government combined with $100,000 in matching funds from the provincial/territorial government will create one unit of affordable housing for a very low-income person. Some of the housing created in this program will involve "income mix" (i.e., housing for both low- and mid-income households in the same building). A unit for a mid-income household would require just a $50,000 capital subsidy from the federal government (assuming a matching provincial/territorial contribution). Priority will be given to northern regions of Canada, especially Nunavut, where building costs are higher.

Invest in supportive housing.

Action: The AFB will invest $1 billion in new spending specifically on supportive housing (including professional support staff) for vulnerable populations.
Result: 5,000 new units of housing will be created annually. The federal government would provide capital grants of $200,000 per unit. A strong focus should be placed on Indigenous peoples living off-reserve, women, LGBTQ2S populations, people with physical disabilities, and seniors. Provincial and territorial governments would be expected to pay for ongoing professional support staff.

Renew investment in on-reserve housing.

Action: The AFB will make substantial investments in on-reserve housing and will direct Indigenous Affairs and Northern Development Canada to consult on a nation-to-nation basis in discussing the details. Strong emphasis will be placed on cultural appropriateness and environmental sustainability. See the First Nations chapter for further details.

Notes

1 Falvo, N. (2016, November 5). *The privatization of social housing* [web log post]. Retrieved from Progressive Economics Forum website: http://www.progressive-economics.ca/2011/11/05/the-privatization-of-social-housing/

2 Pomeroy, S., & Falvo, N. (2013). *Housing policy in Canada under the Harper regime*. Retrieved from Focus Consulting website: http://www.focus-consult.com/wp-content/uploads/2014/07/PomeroyFalvoThe-Harper-Years-ENHR-with-table.pdf

3 Falvo, N. (2009). *Homelessness, program responses and an assessment of Toronto's Streets to Homes program*. Retrieved from Canadian Policy Research Network's website: http://www.cprn.org/doc.cfm?l=en&doc=1979

4 Stanford, J. (2014). Canada's transformation under neoliberalism. Retrieved from *Canadian Dimension* website: https://canadiandimension.com/articles/view/canadas

5 Adamo, A., Klodawsky, F., Aubry, T., & Hwang, S. (2016). *Ending homelessness in Canada: A study of 10-year plans in 4 Canadian cities*. Retrieved from St. Michael's Hospital website: http://www.stmichaelshospital.com/pdf/news/20161010.pdf

6 Bernstein, J. (2013). Creating a system to record the number of children born to under-housed mothers in Toronto. Retrieved from Homeless Hub website: http://www.homelesshub.ca/resource/creating-system-record-number-children-born-under-housed-mothers-toronto?_ga=1.32319800.766122723.1470164260

7 Chau, S., Fitzpatrick, A., Hulchanski, J. D., Leslie, B., & and Schatia, D. (2009). Chapter 1.3: One in five...Housing as a factor in the admission of children to care. In J. David Hulchanski, Philippa Campsie, Shirley Chau, Stephen Hwang and Emily Paradis (eds.) *Finding Home: Policy Options for Addressing Homelessness in Canada*. Toronto: Cities Centre, University of Toronto.

8 Khandor, E., Mason, K., & Cowan, L. (2007). *The street health report 2007*. Retrieved from Street Health website: http://www.streethealth.ca/downloads/the-street-health-report-2007.pdf

9 Gaetz, S. (2012). *The real cost of homelessness: Can we save money by doing the right thing?* Retrieved from Homeless Hub website: http://homelesshub.ca/sites/default/files/costofhomelessness_paper21092012.pdf

10 Falvo, N. (2014, April 24). 10 'take aways' from the final report of the At Home/Chez Soi study [Web log post]. Retrieved from Homeless Hub website: http://www.homelesshub.ca/blog/10-%E2%80%98take-aways%E2%80%99-final-report-homechez-soi-study

11 This department has gone through multiple name changes in the past several decades. Today, it is known as Indigenous and Northern Affairs Canada.

12 Devine, G. (2004). Chapter 23: Aboriginal Housing in Canada. In J. D. Hulchanski, & M. Shapcott (Eds.), *Finding room: Policy options for a Canadian rental housing strategy* (pp. 343–356). Toronto: Centre for Urban and Community Studies, University of Toronto.

13 National Aboriginal Housing Association. (2009). *A time for action: A national plan to address aboriginal housing*. Retrieved from National Aboriginal Housing Association website: http://www.aboriginalhousing.org

14 Approximately two-thirds of units created under the Rural and Native Housing Program are now home ownership units (National Aboriginal Housing Association. [2009]. *A time for action: A national plan to address aboriginal housing*. Retrieved from National Aboriginal Housing Association website: http://www.aboriginalhousing.org).

15 National Aboriginal Housing Association. (2009). A time for action: A national plan to address aboriginal housing. Retrieved from National Aboriginal Housing Association website: http://www.aboriginalhousing.org

16 A household is said to be in "core housing need" in Canada when it is either forced to pay more than 30% of income on housing, lives in housing requiring major repairs, or lives in housing with too few bedrooms given the size of the household.

17 Canada Mortgage and Housing Corporation. (2014). *Canadian housing observer 2014*. Retrieved from http://www.cmhc-schl.gc.ca/en/corp/about/cahoob/

18 Belanger, Y. D., Head, G. W., & Awosoga, O. (2012). *Assessing urban aboriginal housing and homelessness in Canada*. Retrieved from Homeless Hub website: http://www.homelesshub.ca/library/assessing-urban-aboriginal-housing-and-homelessness-in-canada-54375.aspx

Immigration

ALTERNATIVE FEDERAL BUDGET 2017 / IMMIGRATION

HIGH STAKES

- The 2009 unemployment rate for established immigrants rose 7.9% compared with a 6.4% increase for people born in Canada.
- Racialized immigrant women earn only 48.7% of what non-racialized immigrant men earn; racialized women as a whole earn 56.5% of what white men earn.
- Citizenship fees increased from $100 to $530 in 2014/15.
- An average of 450–500 people are in immigration detention at any given time.
- Fourteen immigration detainees have died while in Canada Border Services Agency care since 2000.

CLEAR CHOICES

- Invest in foreign credential recognition programs.
- End transportation loans for refugees, restore health coverage for refugee claimants, and abolish the Designated Countries of Origin.
- Eliminate the minimum income requirement for all family-class sponsorships.
- Reduce citizenship fees and ensure swift implementation of Bill C-6.
- Give all migrant workers currently in Canada access to permanent residence.
- Place a moratorium on all removals until reforms are in place.

POLICYALTERNATIVES.CA/AFB2017 **#AFB2017**

Background

Given Canada's declining birth rate and aging population, immigrants will make up nearly all new entrants into the labour market and will soon be the key driving force of Canada's economy. A significant proportion of immigrants are racialized, and the majority of Canada's racialized population was born outside of Canada.[1] Based on current demographic trends, by 2031 29–32% of Canadians will belong to a visible minority.[2]

Statistics show a strong correlation between racialization and poorer outcomes in income, employment, housing, and health, as well as the intersection between race and immigration status.

Persistent, Growing Disparities

The labour market experience of immigrants, particularly racialized immigrants, is worse than that of Canadian-born workers.[3] Racialized Canadians and immigrants are over-represented in low-paid and precarious employment. The situation has grown worse over the last decade and systemic inequalities have become deeply entrenched.[4]

The chronic underemployment of skilled immigrants in Canada and strong correlation between racialization and the growing wage gap in the labour market is well documented.[5] Initiatives such as Bridging Training and the Foreign Credentials Loan program that support re-training, re-qualifying, and licensing in Canada can bring some benefits to individual program participants.[6] However, addressing the systemic barriers that prevent immigrants from accessing jobs and employment income at a level that is consistent with their skills, education, and experience will require targeted policy measures, such as full and consistent implementation of employment equity, including through instruments such as community benefits agreements.

Refugees

In July 2015 the Federal Court ruled that denying applicants from designated countries of origin (DCO) the right to appeal violated their rights under the *Canadian Charter of Rights and Freedoms*.[7] The current government has said that it will give claimants the right to appeal and have an expert human rights panel determine the DCO list. But the DCO scheme problematically creates a two-tier refugee determination system that discriminates between refugee claimants based on their nationality (i.e., their country of origin).[8] DCO claimants face more restrictions and get fewer benefits, making it more difficult to have their claim recognized. Most vulnerable are refugee claimants fleeing persecution based on their gender, gender identity, and sexual orientation.

Canada charges government and privately sponsored refugees transportation and medical costs in the form of a loan for up to $10,000 per family plus interest, and is the only resettlement country that does this.[9] Repayment must begin 30 days after arrival, a period when many refugees have limited income. Some have used the child tax benefit for repayment.[10] The government waived transportation costs for only the 25,000 Syrian refugees who arrived in Canada between November 2015 and February 2016. All refugees should be exempt.[11]

A change to the Canada Social Transfer in December 2014 allows provinces and territories to impose minimum residency requirements on certain groups of individuals based on their immigration or refugee status, such as refugee claimants. The government should swiftly reverse this change.[12]

Family Sponsorship

Restrictions on the sponsorship of parents and grandparents (PGP) were introduced in 2014, including the following: a sponsoring family must have income at least 30% above the poverty line; doubling the sponsorship period to 20 years; and capping applications at 5,000 a year.[13] Although the new government doubled the cap to 10,000, demand continues to exceed the quota. The government has said that the persistent backlog and processing delays are due to limited resources. Since all prospective immigrants must pay an application fee (which is essentially a user fee), all collected funds should be allocated for the use of the applicants by applying them to processing costs. At the time of writing, the government announced a lottery for PGP sponsorship, 17 days before new applications are due. PGP is now the only category of immigration that is subject to this process.

Citizenship

Citizenship fees increased in 2014-15 from $100 to $530, creating a significant barrier to citizenship for low-income immigrants. Government data shows a subsequent sharp decline in citizenship application numbers.[14] The current government has not reversed the fee increase.

The previous government increased the residency requirement to qualify for citizenship and significantly expanded the group of individuals who must meet language and knowledge requirements.[15] Applicants were required to declare intent to reside in Canada after becoming a citizen and the government was empowered to revoke citizenship on the basis of misrepresentation should they leave Canada. Most critically, this change created two-tier citizenship by giving new powers to the Minister to strip citizenship from dual citizens in cases of 'treason" or "terrorism," including for convictions outside of Canada. The law can be applied retroactively, and allows the government to revoke citizenship even if convictions were given by countries with questionable legitimacy. The current government plans to reverse some of these changes through Bill C-6, which at the time of writing was near the final stages of becoming law.

Migrant Workers

Temporary Foreign Workers Program (TFWP)

Canada's economic immigration policy excludes low-skilled and semi-skilled workers and instead recruits these workers in large numbers through the TFWP, which has grown exponentially over the last decade to become an ongoing source of cheap labour. The TFWP's main source countries are in the global south, and workers are predominantly racialized.

Lack of job mobility and little or no access to permanent residence has left workers highly vulnerable to abuse and exploitation. They are among the lowest paid, similar to workers in the Seasonal Agricultural Workers Program and Live-in Caregiver Program. Changes to the TFWP that were introduced by the previous government in 2014 have made things even worse for workers. Enforcement of employer compliance has been poor, and the present complaints-driven system has left exploited workers with little recourse.

Recommendations from a 2016 Parliamentary Standing Committee review of the TFWP primarily reinforced the temporary nature of the program and strongly favoured employers. Some of the encouraging recommendations from the review include open work permits (with some limitations), multiple-entry work visas, and an end to the "four-in-four-out" rule, which stops workers from staying beyond four years and prohibits their return for another four. The latter has now been implemented.

Live-In Caregiver Program (LCP)

Most LCP workers are racialized women from the global south. Changes to the LCP implemented by the previous government in 2014 removed the guaranteed pathway to permanent residence while introducing higher language requirements, a cap on the number of permanent residence applications, and new Labour Market Impact Assessment (LMIA) requirements for employers as well as a new fee. Between January and March 2015, 90% of employer LMIA applications were rejected, reducing the number of available caregiver jobs.[16]

In addition to these new barriers there remain long-standing concerns about the program, primarily the isolation of workers and their vulnerability to abuse and exploitation. The backlog in processing caregiver applications for permanent residence has persisted for many years and has grown, causing lengthy separation and considerable hardship and distress for workers and their families.[17]

Between January 2014 and June 2016 the Canada Border Services Agency pursued 40 investigations under "Project Guardian," an initiative that collected tips and complaints about alleged program infractions by LCP workers. The investigations led to a number of workers being detained and deported.[18] Workers' concerns about their vulnerability and abuse and exploitation by employers and recruiters have not been addressed.

The government must allow all migrant workers currently in Canada access to permanent residence, and allow future workers to gain permanent residence on arrival.

Enforcement

Detention

According to the Canada Border Services Agency (CBSA), an average 450–500 people are detained at any given time under the *Immigration and Refugee Protection Act*. A total of 14 detainees have died in CBSA care since 2000, yet CBSA has released very few details about the deaths.[19]

In its 2015 review of Canada's compliance with the International Convention on Civil and Political Rights, the UN Human Rights Committee expressed grave concerns about indefinite detention for migrants, mandatory detention of those who enter Canada through "irregular" means, and insufficient medical support for detainees with mental health conditions held in provincial jails.[20]

In August 2016 the government announced a $138 million fund to upgrade immigration detention centres across Canada and hold stakeholder consultations, with the goal of making detention a last resort. No reform proposals have been released at the time of writing.

Removals

Thousands of people (including hundreds of children) are removed from Canada every year on the grounds that they are irregular migrants or failed refugees. Tens of thousands of others are on CBSA's removal watch-list, many of them from the global south. The top five countries of removal between 2015 and 2016 were the United States, China, Hungary, Mexico, and India.

There is an urgent need to review and reform the detention and removals system. A flawed refugee determination system and an inhumane immigration system have led to the removal from Canada of people who risk persecution and other forms of hardship in their country of origin. The creation of the DCO refugee class along with the restrictions on many claimants' access to Pre-Removal

Risk Assessment and the Humanitarian and Compassionate application process have only made the situation worse. Also at risk are migrant workers who have become out-of-status for a variety of reasons, including workplace injuries.

Immigrant Settlement Services

Federal funding for immigrant and refugee settlement services was cut over the last few years as part of the previous government's austerity measures. Provincial/territorial funding allocation is determined by a three-year rolling average of immigrant arrivals. Regions that saw a drop in arrivals experienced a further cut.

The current federal government provided $325 million over six years for Syrian refugee resettlement. However, this new funding served only to offset previous funding cuts in many regions, leaving them with service loads that are increasing faster than federal resources.

AFB Actions

- Invest in foreign credentials recognition support programs and provincially driven initiatives such as bridging training; ensure full and consistent implementation of employment equity to include racialized immigrants, including community benefits agreements. (Cost: $100 million/year)
- Reverse changes to the Canada Social Transfer so that provinces and territories cannot impose minimum residency requirements; end transportation loans for all refugees; immediately restore Interim Federal Health coverage for refugee claimants awaiting their eligibility hearing; and abolish the Designated Countries of Origin. (Cost: $50 million/year)
- Eliminate the 30% above the poverty line minimum income requirement for all family class sponsorship.
- Reduce citizenship fees; ensure swift passage and implementation of Bill C-6.
- Reform the immigrant settlement funding formula that uses only a three-year rolling average of landings to determine regional funding allocation annually.
- Give all migrant workers currently in Canada access to permanent residence, and allow future workers to gain permanent residence on arrival; increase program monitoring and enforcement of employer compliance in all migrant worker programs; and bar CBSA from targeting migrant workers for enforcement action based on allegations of infractions from employers and recruiters.
- Place a moratorium on all removals until reforms to the refugee determination system and the immigration system are in place; review and reform the detention system, including ending all child detentions, ending indefinite detention, and finding alternatives to detention.

Notes

1 Immigration and Ethnocultural Diversity in Canada. Statistics Canada. https://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-010-x/99-010-x2011001-eng.cfm

2 Canada Year Book 2011. Statistics Canada. http://www.statcan.gc.ca/pub/11-402-x/2011000/chap/imm/imm-eng.htm

3 Block, Sheila, Grace-Edward Galabuzi and Alexandra Weiss (2014). The Colour Coded Labour Market By the Numbers: A National Household Survey Analysis. Toronto: Wellesley Institute

4 Statistics Canada (2014). Study: Difference in earnings between the less and more highly educated immigrants entering Canada, 1984 to 2007. http://www.statcan.gc.ca/daily-quotidien/140529/dq140529c-eng.htm

5 Block, Sheila, and Grace-Edward Galabuzi. (2011). *Canada's Colour Coded Labour Market: The Gap for Racialized Workers*. Toronto: Wellesley Institute.

6 Parkouda, Michelle, Beeksma, Janneka and Kwansah, Janet. Measuring Returns: Valuing Investments in Internationally Educated Nurses. Conference Board of Canada, September 9, 2015.

7 The Constitution Act, 1982, Schedule B to the Canada Act 1982 (UK), 1982, c 11

8 http://www.carl-acaadr.ca/our-work/issues/DCO#Primer

9 http://www.ctvnews.ca/canada/canada-only-country-to-charge-refugees-interest-on-travel-loans-advocates-1.2559686

10 http://www.theglobeandmail.com/news/british-columbia/canada-alone-in-charging-interest-to-refugees-on-travel-loans/article26345150/

11 Canadian Council for Refugees. End the burden of transportation loans. http://ccrweb.ca/en/transportation-loans

12 Statutes of Canada 2014 — Chapter 39. December 2014. http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&DocId=6836481&File=9

13 http://news.gc.ca/web/article-en.do?nid=813369

14 Griffith, Andrew. "The impact of citizenship fees on naturalization" in Policy Options. October 12, 2016. IRPP.

15 http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6684615

16 http://www.thestar.com/news/immigration/**2015**/05/16/low-acceptance-and-backlog-stifles-foreign-nanny-program.html

17 Submissions to the temporary foreign workers review. June 2016. Caregivers Action Centre. http://caregiversactioncentre.org/wp-content/uploads/2016/06/Caregivers-Brief-to-HUMA.pdf

18 http://rabble.ca/news/2016/03/project-guardian-raids-on-caregivers-leads-to-calls-immigration-reform

19 http://www.cbc.ca/radio/thecurrent/the-current-for-march-21-2016-1.3500358/deaths-in-cbsa-custody-renew-calls-for-immigration-detention-reform-1.3500441

20 United Nations Human Rights Committee's Concluding Observations on the Sixth Periodic Report of Canada, CCPR/C/CAN?CO/6, August 13, 2015

Infrastructure and Cities

ALTERNATIVE FEDERAL BUDGET 2017 / INFRASTRUCTURE AND CITIES

HIGH STAKES

- Replacing Canada's aged infrastructure will cost an estimated $171.8 billion.
- Between the 1990s and 2000s, federal and provincial transfers to municipal governments shrank from 26% of city revenues to only 16%.
- The recently announced Canada Infrastructure Bank could burden cities with an additional $6.2 billion in financing costs on new and replacement infrastructure, and tie municipal governments to a failed P3 model that emphasizes private profit over community benefits.

CLEAR CHOICES

- Create a stable, sufficient, and long-term local infrastructure transfer of $5.4 billion a year to be administered by a new National Community Development Agency.
- Develop a federal Community Economic Development (CED) policy framework to promote inclusive, sustainable, and resilient Canadian communities in partnership with non-profits, co-operatives and other social enterprises.
- Establish a federal Neighbourhood Revitalization Program, and Neighbourhood Renewal Corporations, that can manage the impacts of local development on employment, training, education, safety, crime prevention, housing, physical improvements, recreation, and other factors.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

The backbone of Canada's current municipal infrastructure system was built between 1950 and 1980, but cities have been starved of cash ever since. Cuts in federal and provincial transfers and the downloading of responsibilities to local governments have led to decay. Less money for cities means less money for services such as public transit, police and fire departments, libraries, water and sanitation services, and community centers. The added costs associated with aging infrastructure — the total national replacement cost of infrastructure is estimated to be $171.8 billion — deplete municipal resources, making it even harder for cities to meet the day-to-day needs of their residents.[1]

At the same time, Canadian municipalities are restricted in how they raise revenues. Unlike in other countries, local governments here cannot levy income or sales taxes but rely mostly on property taxes and user fees instead. As regressive forms of revenue generation these measures disproportionately affect vulnerable populations.[2] Property tax rates in some provinces, for example, are among the highest in the world.[3] In contrast, most major U.S. cities levy income and/or sales taxes, and many European cities rely heavily on income taxes. Municipalities in other countries also receive more reasonable transfers from upper levels of government.

In the early 1990s, transfers from Canada's federal and provincial governments provided 26% of local government revenues. By 2000, cuts to both sources of revenue had reduced that amount to only 16%. During this period of low investment the population of Canadian cities grew by almost three million.[4] Local governments, especially in Ontario, increased property taxes, user fees, and service charges while reducing public services, and delaying investment in and maintenance of infrastructure. Community organizations and community-based projects had trouble maintaining existing levels of support. Transfers to municipalities continued to shrink even though federal and provincial governments ran surpluses and cut taxes to businesses and higher-income earners.

Federal and provincial governments have increased the money they give to local governments in recent years in response to pressure from civil society, the recession, and some major structural issues related to vital bridges and roads. At the federal level, the 2007 Building Canada Plan and the 2013 New Building Canada Plan offered municipalities stable, long-term revenue not enjoyed since transfers were cut in the mid-1990s. These funds were an improvement, but they did not fully remedy long-standing problems.

Promises were back-loaded and ultimately inadequate. And even with new spending commitments expenditures as a percentage of GDP were scheduled to start dropping again. Additionally, the federal government failed to address the flaws in the funding structure itself. Grants were still approved using a non-transparent, application-based process that discourages a co-ordinated approach, leads to accusations of unfairness, and emphasizes high-profile projects over functionality.

The much bigger problem with recent federal funding changes is that the government missed an opportunity to put in place more efficient low-carbon infrastructure such as public transit. Instead, we got a lot of spending on roads and bridges that perpetuate carbon-intensive activities.

Current Issues

Investment Welcome, but the Pace Is too Slow

Infrastructure investment was a key Liberal policy plank during the 2015 election campaign and remains a top priority for the Liberal government. The 2016 federal budget and subsequent fall economic statement laid out plans to invest $95 billion in infrastructure projects before 2028. This is a reasonable objective with symbolic bonuses: the investment entrenches the importance of greater infrastructure spending, even if the government incurs a deficit, as a long-term federal priority whose gains will far outweigh small debt financing costs.

But it's important to recognize we are coming out of an extended period of neglect. As the proverb says, the best time to plant a tree was 20 years ago; the second best time is now. Much of the announced investment is intangible because it set to take place outside of the government's current four-year mandate. The economy in underperforming now, interest rates are at historically low levels now, and it takes time to reap rewards from investments made today. The urgency is even greater when you factor in the extra effort required to move away from the current fossil-fuelled paradigm to a greener, more climate-friendly economy. As such, in the interest of getting the most value out of significant federal investment, more of the committed funds should be spent over the next three years.

Flawed Funding Formula

The government has chosen to attach specific levels of funding to categories of infrastructure including public transit, green infrastructure, social infrastructure, and trade and transportation. While these are all valid national priorities, the criteria for project selection, and subsidization levels per project, are opaque and thus potentially politicized, adding an unnecessary layer of complexity and undermining the predictability of the application process. The government's funding formula could work against the long-term co-ordination of infrastructure projects, discourage cities from advancing projects that fit best with their own priorities, and ultimately result in less overall value for the public.

The Canadian Infrastructure Bank: Failure by Design

The Canadian Infrastructure Bank was announced in late 2016 as a pillar of the government's infrastructure investment strategy. The new bank will operate as an arm's length entity and identify lucrative infrastructure projects to be paid for by government in partnership with large private institutional investors. The optics are great, since most of the money will come from the private sector while the government can take credit for getting the projects built. By calling the vessel a bank, and partnering with the private sector, it also gives the appearance of efficiency and prudent stewardship of public money.

In reality, the initiative is a thinly veiled repackaging of old ideas that have repeatedly failed — public-private partnerships (P3s) by a different name. Higher costs, higher user fees, lower wages, compromised worker rights, and higher executive compensation are recurring features of the P3 model. It turns public services into private profits in a way that is completely unfair to taxpayers, who are ultimately on the hook for any mistakes or miscalculations, while profiteers are insulated from any real risk. A 2014 report by the Ontario auditor general claims the provincial government is spending billions of dollars more than it needs to on infrastructure because of high financing costs on P3 projects.

Likewise, municipal projects financed with help from the new federal infrastructure bank will be significantly more expensive, since private institutional investors will be seeking returns in the range of 7–9%. The federal government, on the other hand, can borrow money at a current rate of about 1.9%. Instead of extending this low preferential rate to municipalities, the government's investment bank could saddle municipalities with an additional $6.2 billion in financing costs — the result of having to pay back the $20 billion private portion of available infrastructure money at a 7–9% rate of return. Ultimately the public will be accountable for these additional costs, either in the form of higher taxes or user fees.

Community Economic Development

Community leaders understand that unemployment, urban and rural decline, income inequality, poverty, social exclusion, and environmental degradation can only be effectively addressed by community-led strategies that take a multifaceted and integrated approach. The Community Economic Development (CED) model creates economic opportunities while enhancing social and environmental conditions. Through social enterprises, co-operatives, and other community organizations, Canadians are working together to strengthen local economies while providing access to child care services, housing, local food, training, skill development opportunities, and much needed services in a way that empowers marginalized groups. Governments have an important role to play in supporting CED given the significant resources, capacities, and policy levers at their disposal.

AFB Actions

Community Infrastructure Transfer

Action: Create a stable, sufficient and long-term local infrastructure transfer worth $5.4 billion a year. The transfer will be administered by a new National Community Development Agency made up of representatives from all levels of government and tasked with removing obstacles to the smooth transmission of public resources, including through the following measures:

- Developing mutually agreed upon, streamlined project approval criteria incorporating transparency, new reporting mechanisms, and independent fund-specific auditing;
- Identifying common goals across provinces and providing specialized services to municipalities;
- Developing and co-ordinating a National Transit Strategy and a National Sustainable Municipal Asset Management Plan;
- Creating an ongoing outreach strategy to promote codevelopment of public policy with all levels of government, stakeholders, and civil society partners;
- Developing and co-ordinating a National Brownfield Redevelopment Strategy to bring former industrial sites back to productive community and economic use; and
- Assisting municipalities in the development and implementation of Community Climate Change Strategies.

Result: Greater co-operation on local issues through a National Community Development Agency, and increased funding in a Community Infrastructure Transfer, will finally address the systemic shortcomings of today's funding formula, which relies on annual allowances and the approval of projects based on short-term political goals.

Supporting Community Enterprise

a) Social purchasing

Action: Adopt a social procurement policy including the implementation of social value weighting in all federal requests for proposals and contracts.

Result: Community enterprises operated by non-profits, co-operatives, and micro-enterprises dedicated to engaging vulnerable populations in the workforce create wealth and respond to the needs of rural and urban communities. Contrary to popular misconceptions, community enterprises have a higher survival rate than traditional small- to medium-sized enterprises (SMEs) while offering an unparalleled financial and social return on investment. Better accounting for the social, environmental, and economic impact of government spending, through social value weighting, will increase benefits to vulnerable communities and individuals, creating accessible education and job opportunities for communities traditionally at the margins or excluded from the economy.

Action: Include community benefit agreements in federal development projects, as proposed in Bill C-227, a private member's bill currently before the House of Commons.

Result: Community benefits agreements are another practical tool for engaging with community enterprises on development projects while generating local social and economic opportunities. Bill C-227 gives the federal minister of public works and government services the authority to require an assessment of community benefits from bidders on federal contracts.

b) Access to existing business support

Action: Expand the capacity of and access to existing SME services through the Canadian Business Network and other federal business development programs. This should be coupled with education about the programs for government officials to ensure a level playing field for alternative forms of incorporation. (Cost: $10 million per year for five years.)

Result: Although more than 90% of federal SME support programs can, under legislation and regulations, serve non-profits and hybrid business models (e.g., social enterprises), access to those programs is typically limited by current practices, culture, and mandates. All forms of incorporation, including not-for-profit, social enterprise, and co-operatives, should have equal access to existing government-supported business development tools, including business skills capacity building opportunities and advisory services, appropriate grant funding, and a full range of capital tools.

c. Access to capital

Action: Provide a tax credit of 30% on Community Economic Development Investment Funds (CEDIFs) to accelerate their development across Canada. (Cost: $15 million per year for five years.)

Result: Canadians often want to invest in small, locally owned businesses because of the positive social and environmental (in addition to financial) returns. Billions of dollars invested in RRSPs, however, send most Canadians' retirement savings out of their province, providing no benefit to the local economy. CEDIFs create an affordable way for people to invest in their own communities, and for local small business to access capital. Nova Scotia led the way in 1999 and, as a result, has seen the establishment of 48 CEDIFs, the mobilization of 7,500 investors, and a contribution of more than $56 million in assets. Similar funds exist in Manitoba, Prince Edward Island, and New Brunswick, but federal tax incentives could see them spread to all provinces.

CED Policy Framework and Lens

Action: Develop and implement a federal CED policy framework to be modelled on the one introduced by the Manitoba government. The framework will include a CED lens — a series of questions to help departments assess the degree to which they are incorporating CED principles into government initiatives.
Result: CED principles, such as local skills development and local employment, will be incorporated into government initiatives to better respond to the economic, social, and environmental needs of communities. A federal CED policy framework will promote inclusive, sustainable, and resilient Canadian communities.

Neighbourhood Revitalization Program and Fund

Action: Establish a federal Neighbourhood Revitalization Program and Fund to support a CED approach in targeted urban and rural communities in need of physical, social, economic, and cultural revitalization. (Cost: $100 million per year for five years.)
Result: Modelled on Manitoba's Neighbourhoods Alive!, the federal revitalization program and fund will consider the impacts of local development on employment, training, education, safety, crime prevention, housing, physical improvements, recreation, and more. Locally governed democratic Neighbourhood Renewal Corporations in targeted communities will co-ordinate ongoing revitalization efforts. Flexible funding programs will enable community-based organizations to leverage additional non-government resources for innovative initiatives that take a CED approach to addressing community-prioritized challenges. NRCs will help local community organizations develop proposals and apply for funding to support projects consistent with the neighbourhood's five-year revitalization plan.

Notes

1 Federation of Canadian Municipalities. (2012). Canadian Infrastructure Report Card.

2 Lower-income households pay a much higher share of their income on increased user fees for public services, or property taxes on owned or rented property.

3 Kyle Pomerleau and Andrew Lundeen (2014). International Tax Competitiveness Index. Washington: Tax Foundation.

4 Statistics Canada. 2011 National Census. "Population, urban and rural, by province and territory."

International Development

ALTERNATIVE FEDERAL BUDGET 2017 / INTERNATIONAL DEVELOPMENT

HIGH STAKES

- Achieving the United Nations' Sustainable Development Goals demands that Canada transform its approach to global development co-operation.
- In 2016-17, Canada invested about 0.27% of gross national income in international development assistance — below average and far from the 0.7% goal.
- The multidimensional nature of poverty and inequality means that Canadian aid must be implemented in more integrated and complex ways.
- Canada's last aid effectiveness action plan concluded in 2011, with no new plan adopted to succeed it.

CLEAR CHOICES

- Launch a funded plan to align government policies with the Sustainable Development Goals, both in Canada and abroad.
- Gradually increase our international development assistance to 0.41% of gross national income by 2021-22, and aim for 0.7 % within a decade.
- Target Canada's international aid to the poorest and most vulnerable, particularly for women and girls.
- Establish a new development effectiveness action plan with targets in line with those set out in the Busan Partnership for Effective Development Co-operation.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

A Changing Global Context

The adoption of the United Nations' 2030 Agenda for Sustainable Development (Agenda 2030) and Sustainable Development Goals (SDGs) in 2015 represented a landmark achievement in establishing a truly global approach to sustainable development.[1] These new goals are universal in nature, applying to all countries. Countries like Canada will be required to examine their own sustainable development challenges — domestically as well as internationally.

The year 2015 also marked the advancement of global action on climate change, following on the adoption of the Paris Agreement[2] (see the Environment and Climate Change chapter[3]).

The World Humanitarian Summit in May 2016 drew global attention to the urgent need for collective action to address growing humanitarian need. We are in the midst of the greatest displacement crisis ever recorded, with some 65 million people having been forced from their homes in recent years.[4] Over 218 million people each year are affected by disasters, costing the global economy more than $300 billion annually.[5]

A recent UN report showed a $15 billion gap between available financing for humanitarian assistance and global human need.[6]

The Need for a National Vision

The government's International Assistance Review (IAR) represents a timely opportunity for a fresh take on global development cooperation, as Canada aligns its actions with Agenda 2030. Civil society's strengths in program delivery, policy, advocacy, and public engagement will complement the political will and resources that the federal government can invest in the right mix of policies and programs. Government, civil society organizations, and other stakeholders must engage in a long-term partnership to implement a comprehensive human rights framework to guide Canadian development cooperation over the next five years and enhance Canada's contribution to a fairer, safer, and more sustainable world.[7]

This vision for a strong development and humanitarian assistance policy requires a strong financial commitment. Canada will need to reverse the trend of recent years that has seen its international assistance budget decline to historically low levels.[8] Right now, Canada allocates about 0.27% of its gross national income (GNI) to development cooperation and humanitarian assistance,[9] falling below the average of its peer group in the G7, Organization for Economic Cooperation and Development (OECD), and other western liberal democracies.[10] Without substantial increases, this government risks having the worst record in Canadian history in international assistance investment. The longstanding international target of reaching 0.7% of GNI dedicated to official development assistance (ODA) is Canadian-made, originally advanced by former prime minister Lester B. Pearson. Parliament has reiterated this target commitment several times over the last 15 years, under both Conservative and Liberal governments. It has been endorsed by three different parliamentary committees and by the House of Commons as a whole.[11] It's time for Canada to make good on its word and begin moving gradually and consistently toward the 0.7% target.

Time for Strategic Focus

Some degree of focus is necessary for development assistance to have a significant impact, especially for a country with a modest ODA budget. Countries of focus, of which Canada currently has 25, are one means of allocating international assistance. However, the geography of poverty has shifted in recent years. The increasingly multidimensional nature of poverty and inequality, across and within national borders, means that Canadian development assistance must be focused in more complex ways as well.[12]

Tackling poverty now requires us to not just address extreme poverty but to address the needs of all those living below national poverty lines. Many experts estimate that three-quarters of the world's poor live in middle-income countries.[13] Furthermore, inequality is getting worse between and within countries.[14] Above all, Canada's focus should be on poor people, not on poor countries. The principal purposes of Canada's ODA, as defined by the *ODA Accountability Act,*[15] are to reduce poverty, promote international human rights, and respond to the voices of the poor. We should therefore be seeking to assist those living in poverty and the most vulnerable regardless of where they live: women and girls; people with disabilities; Indigenous peoples; the urban and rural poor; and people who are discriminated against because of their caste, religion, ethnicity, or age. This focus is consistent with the minister's mandate to focus on reducing poverty and inequality,[16] and with the newly created Office of Human Rights, Freedoms and Inclusion.[17] It is also in line with the core goal of Agenda 2030: to leave no one behind.

Canadian ODA should also be aligned with the priorities of our partners in developing countries. Alignment with developing country priorities, democratic ownership of these priorities, and harmonization of efforts among donors have been recognized over the past 15 years as key determinants of effective aid delivery.[18] In 2012, Canada allowed its aid effectiveness action plan to conclude without developing a new one. We need a new action plan with clear targets in line with those set out in the Busan Partnership for Effective Development Cooperation and in subsequent outcomes of the High Level Meetings of the Global Partnership for Effective Development Cooperation in Mexico and Nairobi.

Finally, a focus on specific countries or themes should not be to the exclusion of evolving human needs. There should always be some flexibility to account for the unanticipated. By supporting the existing in-country partnerships that Canadian civil society organizations have with predictable and responsive funding, the Canadian government can maintain Canadian access, expertise, and relationships in countries beyond its official countries of focus. Such partnerships allow for greater adaptability when geopolitical realities change. A diversified portfolio of tools and approaches will make our international assistance efforts more effective. Accordingly, Canada's work with civil society partners should aim to be as flexible and responsive as possible, in keeping with the government's civil society partnership policy.[19]

AFB Actions

Launch a comprehensive alignment of government policy with Canada's expressed priorities and plan for realizing the Sustainable Development Goals (SDGs).

Actions:

- The prime minister will establish an inter-ministerial committee to realize Canada's plan for its SDG priorities, including measuring progress; it will report directly to him, coordinated by the Privy Council Office.
- The government will establish a multi-stakeholder national commission to foster a whole-of-society approach to implementing Canada's plan for realizing the SDGs. The commission will engage with all three levels of government, in-

digenous authorities, civil society, the private sector, and Canadians.

- The above committee and national commission will work together to generate a comprehensive Canadian SDG action plan and funding framework, drawing inspiration from the Federal Sustainable Development Strategy and the International Assistance Review.

Result: A clear and coherent whole-of-government policy and funding framework for meeting and measuring Canada's SDG commitments at home and abroad.

Create a 10-year timetable for gradually and predictably increasing the International Assistance Envelope towards the target of 0.7% of Gross National Income (GNI).

Actions:

- The AFB will set a timetable to predictably grow the IAE to 0.7% of GNI within 10 years by increasing Canada's IAE by 16% annually, from $4.8 billion in 2016-17 to $5.5 billion in 2017-18; $6.4 billion in 2018-19; and $7.4 billion in 2019-20.[20] This represents new spending of $760 million, $1.6 billion and $2.7 billion in the first three years. This "fiscal escalator" will put Canada back on track by generating predictable annual increases in the aid budget, doubling the aid envelope to put Canada above the OECD donor country average performance ratio (0.41%) by 2021-22, and allowing partner countries to absorb the increases effectively and in accordance with their own priorities. This additional funding will be accompanied by new, flexible, diverse and responsive funding mechanisms to support the government's work with a variety of civil society partners.

Result: More predictable funding over the coming years that matches Canada's political ambitions for global development cooperation with a longer-term financial framework for reaching the international target of 0.7% of GNI.

Establish a new development effectiveness action plan.

Action: The AFB will establish a new plan with clear targets in line with Busan Partnership for Effective Development Cooperation and its accompanying monitoring framework.

Result: Funds for development cooperation will be used more effectively and will therefore have more impact.

Set clear additional targets to focus Canada's international assistance on the poorest and most vulnerable, in particular women and girls, situated within clearly articulated national plans and strategies that are developed in a manner consistent with democratic country ownership and reflect country priorities, needs, and context.

Actions:

- As of 2017-18, 50% of Canada's aid envelope will be dedicated to least developed and low-income countries (LDCs and LICs) and fragile states. In the next four years, or by 2021, 0.15% of GNI will be dedicated to development cooperation for LDCs.[21] The AFB will also initiate a process of making Canada one of the top three bilateral donors in at least half of Canada's countries of focus by the end of this government's first mandate.[22]
- As part of a comprehensive feminist approach, we will quadruple our investment in women's rights organizations by 2020 — from $5.2 million to $20.8 million. We will invest in a full range of sexual and reproductive health and rights services, and ensure that 20% of all aid investments have a principal focus on advancing gender equality and women's empowerment.[23]

Result: By focusing on the people most in need, wherever they live, and responding to country-defined priorities, Canada will help realize the Agenda 2030 ambition of leaving no one behind.

Increase the baseline budget for humanitarian assistance.

Action: Canada's response to humanitarian crises is a crucial component of our international assistance. As the IAE grows under the AFB a larger proportion will be allocated to increasing the baseline budget for humanitarian assistance (prevention, response, relief, and recovery).

Result: The baseline humanitarian budget will be brought into line with its typical year-end proportion within the IAE, and allow more long-term, timely, predictable, and effective funding for humanitarian action.

Notes

1 United Nations. (2015). T*ransforming our world: the 2030 Agenda for Sustainable Development*. New York: United Nations.

2 United Nations. (2015). *Adoption of the Paris Agreement*. New York: United Nations.

3 AFB 2017 confirms that the government's international climate financing initiatives will be new climate funding, additional to the existing aid budget.

4 UNHCR. "Figures at a Glance," UNHCR. 2016. http://www.unhcr.org/figures-at-a-glance.html.

5 ReliefWeb. "The human cost of natural disasters 2015: a global perspective." Report summary, March 2015. http://reliefweb.int/report/world/human-cost-natural-disasters-2015-global-perspective.

6 ReliefWeb. "High-Level Panel on Humanitarian Financing Report to the Secretary-General: Too important to fail — addressing the humanitarian financing gap," http://reliefweb.int/report/world/high-level-panel-humanitarian-financing-report-secretary-general-too-important-fail.

7 For further details on what this looks like, see CCIC. *Cooperative Leadership: Canada's contribution to a fairer, more sustainable, and safer world*. July 2016. http://www.ccic.ca/_files/en/what_we_do/2016_08-11_CCIC-IAR_submission_EN.pdf.

8 CCIC. "Update on Canadian Official Development Assistance: Canada's aid takes one step forward one step back," Issue Update. October 2016. http://www.ccic.ca/_files/en/what_we_do/2016_10_Brief_Update_Canadian_ODA.pdf.

9 Ibid.

10 Greenhill, Robert and Megan Mcquillan. "Assessing Canada's Global Engagement Gap." Global Canada. October 6, 2015. https://www.opencanada.org/features/canadas-global-engagement-gap/.

11 Paul, Jennifer and Marcus Pistor. (2009). *In Brief: Official Development Assistance Spending*. Ottawa: Library of Parliament, PRB 07-10E, http://www.lop.parl.gc.ca/content/lop/researchpublications/prb0710-e.pdf.

12 CCIC. "Focus with Purpose," Submission to House of Commons Standing Committee on Foreign Affairs and International Development Study on Countries of Focus, May 31, 2016. http://www.ccic.ca/_files/en/what_we_do/2016_05_31_Focus_with_Purpose_FAAE.pdf

13 See for instance: Andy Sumner. (2012). *Where Do the World's Poor Live? A New Update*. IDS Working Paper 393, Institute of Development Studies.

14 See Hickel, Jason. (Hickel, "Global inequality may be much worse than we think," *The Guardian*, 8 April 2016, http://www.theguardian.com/global-development-professionals-network/2016/apr/08/global-inequality-may-be-much-worse-than-we-think

15 Global Affairs Canada. "The Official Development Assistance Accountability Act." 2015. http://www.international.gc.ca/development-developpement/partners-partenaires/bt-oa/odaaa-lrmado.aspx?lang=eng.

16 Prime Minister of Canada. "Minister of International Development and La Francophonie Mandate Letter." 2015. http://pm.gc.ca/eng/minister-international-development-and-la-francophonie-mandate-letter.

17 Global Affairs Canada. "Reinvigorating Canada's human rights agenda." Press Release. May 17 2016. http://www.international.gc.ca/media/aff/news-communiques/2016/05/17a.aspx?lang=eng&pedisable=true.

18 See notably OECD. (2005). The Paris Declaration on Aid Effectiveness; OECD. (2008). The Accra Agenda for Action. OECD (2011). Busan Partnership for Effective Development Cooperation. http://www.oecd.org/dac/effectiveness/34428351.pdf.

19 Global Affairs Canada. "International Development and Humanitarian Assistance Civil Society Partnership Policy." 2015. http://www.international.gc.ca/development-developpement/cs-policy-politique-sc.aspx?lang=eng.

20 Reilly-King, Fraser and Aniket Bhushan. "Getting to 0.7: Three Scenarios for Canada." Canadian International Development Platform. October 18, 2016. http://cidpnsi.ca/getting-to-0-7-three-scenarios-for-canada/.

21 The Government of Canada currently allocates around 0.09% of GNI to LDCs. This transition can be achieved within the context of an expanded IAE as per above.

22 OECD data indicate that an additional investment of $59 mn could make Canada a top-three donor in half (13) of its countries of focus, based on 2014 contribution levels. See CCIC. (2016). "Smart, Transparent, and Impactful Aid: Submission to Consultations on Budget 2016." February 2016, p. 3.http://www.ccic.ca/_files/en/what_we_do/2016_02_16_Brief_Budget_2016.pdf.

23 Ibid.

Post-Secondary Education

ALTERNATIVE FEDERAL BUDGET 2017 / POST-SECONDARY EDUCATION

HIGH STAKES

- Tuition revenue going to colleges and universities has tripled since the massive cuts to federal spending in 1996.
- Public student debt in Canada reached $28 billion in 2012 (its highest level ever), which does not account for private debt.
- Despite Canada's treaty obligations, over 10,000 Indigenous students are on a waiting list for post-secondary training.
- Public spending on training and skilled trades apprenticeships in Canada sits at the bottom of the industrialized world.

CLEAR CHOICES

- Restore federal funding for post-secondary education (PSE) and establish appropriate standards through a federal PSE Act.
- Eliminate tuition fees for all PSE students in all PSE programs.
- Lift the cap on federal funding for Indigenous PSE learners and ensure existing waiting lists are emptied.
- Invest in skilled trades apprenticeships and adult education, and help unemployed Canadians who are ineligible for employment insurance.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

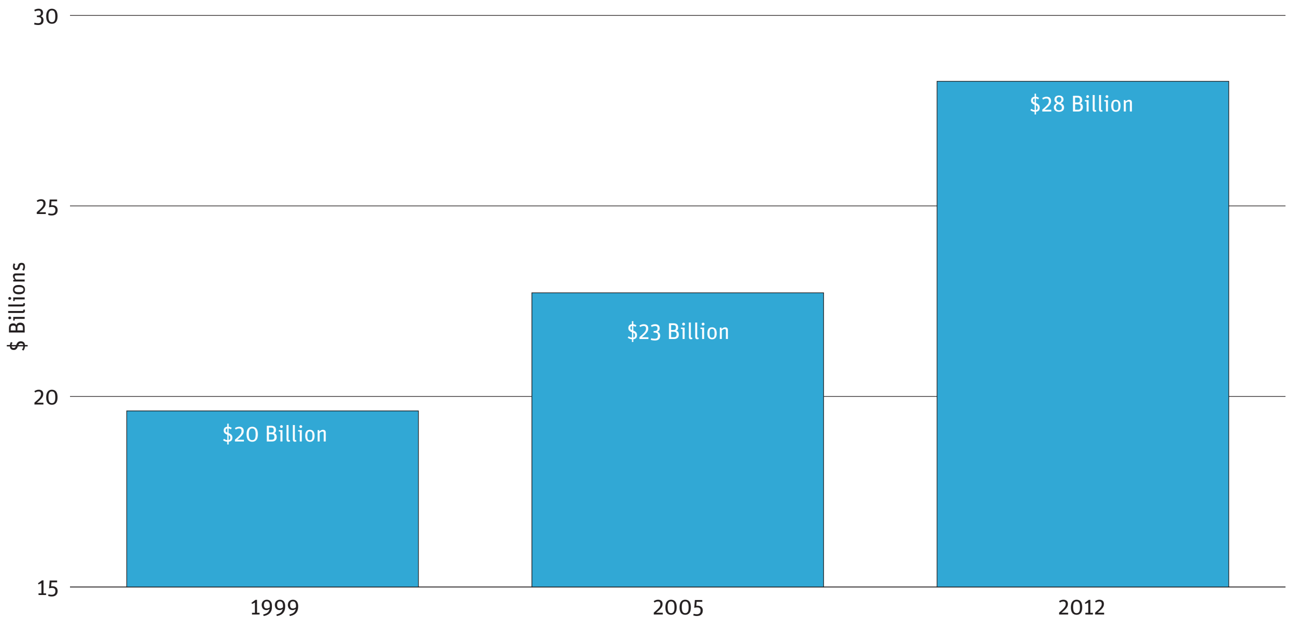
Background

There was a time in Canada when tuition fees were modest or fully subsidized, when campus workers — cleaners, food service workers, maintenance and skilled trades, support staff, and academic workers — enjoyed decent wages and access to full-time jobs. That era ended in the 1990s when tax cuts and austerity took precedence over the delivery of quality public services like education.[1]

Today post-secondary education (PSE) of some kind — whether continuing/adult education, a skilled trade certification through apprenticeship, a college diploma, or a university degree — is a requirement in 70% of job openings. For the precariously employed, vying for the remaining 30% of jobs, PSE offers a pathway to a better future.[2] That's why we must treat PSE as an essential service accessible to all, regardless of one's ability to pay.

Building on proposals from last year, the 2017 Alternative Federal Budget sets a new approach in federal PSE policy. To reverse decades of neglect, it creates a Post-Secondary Education Renewal Transfer that will, among other things, eliminate PSE tuition fees, increase funding for training and apprenticeships, and ease the burden of

FIGURE 14 Public student loan debt (federal and provincial), 1999–2012



Source Statistics Canada, *Survey of Financial Security*, 2014.

paying down student loans. The AFB also re-establishes national standards in PSE through legislation modelled on the Canada Health Act.

Current Issues

Tuition Fees, Student Aid, and Debt

Canadian colleges and universities have doubled or tripled tuition fee revenues since 2001, saddling graduates with unprecedented levels of debt (see *Figure 5*). The catalyst came in 1996, when the Chrétien government made historic cuts to federal PSE transfers worth $2.29 billion (an 18% reduction), which facilitated dramatic tuition increases over the next two decades, particularly for international students and those enrolled in professional programs (see *Table 1*).

These numbers understate the consequences of high tuition fees and student debt for marginalized groups such as students with disabilities, racialized students, queer or trans students, or Indigenous students, who are more likely to come from low-income households.[3] The data also do not capture debt from private student loans or lines of credit, which many turn to for help, given inadequate student financial aid. Heavily marketed (and tax-sponsored) registered education savings plans (RESPs) are used primarily by upper-income earners and are therefore of little general use.[4]

Almost 60% of public student financial aid comes from the Canada Student Loans Program (CSLP) while the balance is deliv-

TABLE 1 Tuition fees at various PSE institutions (2016-17)

Institution	Domestic Tuition	International Tuition
Dalhousie University — Dentistry	$22,700	$48,080
Seneca College — Aviation Technology	$18,214	$71,723
University of Ottawa — Common Law	$26,560	$68,200
McMaster University — Medicine	$27,532	$95,955
University of Manitoba — Asper MBA	$29,602	$42,524
University of British Columbia — B.Ed.	$11,332	48,958.20

Source Tuition fee schedules from named institutions.

ered through employment insurance (for apprenticeship training), provincial programs, and bursaries or scholarships available at PSE institutions. The bulk of student aid is loan-based, which discriminates against those unable to pay for PSE costs up front.

In 2013-14, the last year for which data is available, the CSLP provided loans to 491,444 students, and modest grants to 410,184 low- and middle-income students.[5] This represented about 28% of enrolled students in 2013-14, leaving the vast majority with unmet financial needs.[6] Of particular concern, graduate students who do not qualify for the CSLP's Canada Student Grants, and international students on travel visas, are not eligible for either public or private financial aid.

The CSLP also has a Repayment Assistance Program (RAP) that was used by over 234,000 CSLP debtholders in 2013-14 (almost a third of all debtholders that year). The RAP absorbs interest payments on CSLP debt, and even reduces principal for borrowers on RAP for 60 consecutive months or 10 years after graduation. At 15 years after graduation, CSLP debt is forgiven.[7] To qualify for modest RAP support, borrowers must earn less than $25,000 a year — a poverty-level income that makes it difficult to repay debt. Still, as a policy tool for debt reduction, the RAP should be expanded given the scope of unemployment and underemployment, particularly among young workers.

As a final note, it is inexcusable that the CSLP earned over $580 million in interest on student loans in 2013-14.[8] The CSLP must follow the lead of provinces that have eliminated interest fees on student loans, and shift to a grant-based system that allows students to focus on their studies without having to work one or more part-time jobs.[9]

Indigenous Students

Free access to post-secondary education is a treaty right for Indigenous people in Canada; the federal government has a moral and legal responsibility to uphold this commitment. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which status First Nations and Inuit students receive financial support from the federal government. In 2016, the Assembly of First Nations (AFN) estimated there was a backlog of 10,000 Indigenous students waiting for PSSSP funding.[10] During the 2015 election campaign, future prime minister Justin Trudeau promised to lift the 2% cap on federal transfers to the PSSP and invest an additional $50 million in the program. The government must follow through on this crucial promise, and ideally meet the more realistic target of $424.8 million set by the AFN to address the backlog.

Apprenticeships, Skills-based Training, and Continuing Education

Canada spends less on skills training and active labour market measures than most of the industrialized world.[11] (The 2016 federal budget began to address this by increasing funding to provincial and territorial labour market development agreements and the Canada Job Fund agreements, and making new investments in apprenticeship training.) Likewise, according to the OECD, 40% of employed Canadians do not have the literacy and essential skills to do their jobs properly or succeed in today's knowledge- and technology-rich economy.[12] Low literacy levels are contributing to Canada's dismal innovation record, preventing many people from accessing decent jobs.[13]

In the past, Citizenship and Immigration Canada made important contributions to literacy and essential skills training. However, federal austerity has undermined this commitment to adult education, notably in language and literacy programs, starting with a $53-million cut in 2010.[14] As a result, provinces have cut funding for English as an additional language (EAL) in PSE institutions, and tuition fees are now assessed for EAL programs that were once available without up-front cost.[15]

Precarious Work and Executive Compensation in PSE

Canada's 400,000+ PSE workers are being asked to do more with less. Studies indicate a third of undergraduate teaching is done by contract instructors, many of them surviving on subsistence wages.[16] Maintenance and skilled trades workers also report a sharp rise in temporary, contracted-out employment, and the same is true for cleaners and food service workers.[17] A recent study put the cost of deferred maintenance on university campuses at $8.4 billion in 2014.[18] Meanwhile, austerity is never applied at the top, to the salaries of campus executives, who typically make double or sometimes quadruple the salaries of provincial premiers.

PSE Research and Scholarships

The federal government's current innovation agenda suggests PSE research will continue to be informed by the short-term interests of the private sector and, as a result, prioritize commercializable research.[19] The private sector is also increasingly relying on public PSE infrastructure for research and development. According to the World Economic Forum's 2014 annual report, Canada has fallen from 22nd to 27th in the world for private sector spending on research in the last five years.[20]

In 2014, of the 4,535 doctoral students that applied for SSHRC funding, only 580 were successful.[21] More investment in Canada Graduate Scholarships is needed to support graduate-level research that is instrumental in driving innovation and building a foundation for economic and social development. For faculty researchers, less than one in four SSHRC applicants received funding in 2014 despite another 40% of them being deemed eligible by peer review.[22]

AFB Actions

The AFB establishes a new policy framework for PSE that expands access to high-quality, publicly funded training and education. The framework addresses decades of neglect by introducing two new public policy instruments: the PSE Renewal Transfer (PSE-RT) and the Canada PSE Act.

Action: Eliminate the federal tuition tax credit, Canada Job Grant, RESP tax credit, and student loan interest tax credit, and reduce the scientific research and experimental development tax credit, to help fund a new PSE Renewal Transfer (cost: $10.06 billion). The government will also appoint a parliamentary task force to investigate the following:

- Introducing a "decent work" standard that PSE institutions must meet to qualify for PSE-RT funding; the standard will include a $15 minimum wage, and a maximum wage tied to the income of the provincial or territorial premier where a PSE institution is based;
- The existence or extent of reserve funds and/or sizeable investments held by PSE institutions, and whether these are in compliance with the AFB's proposed PSE Act (see below);
- The feasibility of an employer training levy modelled on what exists in Quebec, where employers with payrolls in excess of $1,000,000 are required to invest a minimum of 1% of operating revenues in training for workers (or remit the same amount to a third party managed by an entity empowered by the state).

Result: The PSE-RT will allow the government to make the following improvements to the affordability and accessibility of PSE:

- Federal PSE transfers to provinces and territories will be restored to 1996 levels accounting for enrolment growth and inflation. PSE-RT funding will be separated from the existing Canada Social Transfer and available for provinces, territories, and PSE institutions in compliance with our proposed PSE Act (cost: $5.48 billion**).**
- Tuition fees for all PSE students, in all programs, will be eliminated through an ongoing transfer based on 1996 (pre–budget cuts) funding levels. The federal government bears responsibility for a 50% share of the cost; to qualify for these funds, provincial or territorial authorities must commit to matching their share of this cost and observing the PSE Act (cost: $3.59 billion).

- New money for apprenticeships and skilled trades will improve labour market information (cost: $15 million), create a federal Labour Market Partners Forum (cost: $50 million over 10 years), help unemployed Canadians who do not qualify for EI access training programs (cost: $300 million), strengthen union-based apprenticeship training (cost: $125 million), and harmonize provincial-territorial apprenticeship training and certification requirements (cost: $15 million). The federal government will also establish a mandatory apprenticeship ratio for all federal infrastructure projects and maintenance contracts (total cost: $505 million).

- Interest on loans through the CSLP will be eliminated, and the provision of Stage 2 assistance extended for all CSLP borrowers five years after graduation. Part-time students (like full-time students) will not be required to pay back CSLP debt until six months after they graduate. Graduate students will also be able to qualify for grants available through the CSLP (cost: $283 million).

- Tri-council granting agencies for PSE research will have their budgets restored to 2007-08 levels, but funds will be distributed evenly across the tri-council funding agencies (SSHRC, NSERC, and CIHR). An additional 1,250 students will be eligible for Canada Graduate Scholarships at a value of $20,000 per scholarship (cost: $146 million).

- Citizenship and Immigration Canada will restore training for EAL to be continued in perpetuity as a dedicated PSE-RT item in compliance with the PSE Act. This funding will be linked to the Consumer Price Index going forward (cost: $53 million).

Action: Introduce a Canada PSE Act, modelled on the Canada Health Act, to ensure the provinces and territories comply with following core principles:

- **Universality:** Prospective students should have a full range of PSE options and our system must strive for parity of esteem between all forms of PSE learning.

- **Accessibility:** All components of our PSE system must be available to learners without up-front cost. Our PSE system must be financed through progressive taxation, not arbitrary fees. In this context, student financial assistance must strive to eliminate all barriers to learning (not just tuition fees) so that students can focus on their studies.

- **Comprehensiveness:** Canada should be able to offer high-quality learning in all geographic regions. To ensure appropriate use of PSE funding, provinces and territories must also observe a decent work standard for all campus workers.

- **Public administration:** To receive public funding PSE institutions must be operated by a public authority on a not-for-profit basis. They must also practice democratic governance with adequate voting rights for all campus stakeholders.

- **Freedom of expression:** To receive PSE-RT funding PSE institutions must uphold the right to freedom of expression at all levels subject to reasonable limits established by human rights codes and related statutes. Publicly funded PSE research must also be driven by curiosity and analytical skill, not outside interests attempting to leverage the use of public resources for private benefit.

Notes

1 See: Richard Swift, ed., The Great Revenue Robbery: How to Stop the Tax Cut Scam and Save Canada (Toronto: Between the Lines, 2013); Canadian Federation of Students (CFS), Time to Think BIG: The Case For Free Tuition (Ottawa: October 2016).

2 Darcy Hango and Sébastien Larochelle-Côté. "Overqualification, Skills, and Job Satisfaction." Ottawa: Statistics Canada, September 14, 2016; Association of Canadian Colleges. Canada's Demographic and Advanced Skills Crisis: People Without Jobs, Jobs Without People, August 2010, p.1.

3 Canadian Federation of Students. Time to Think BIG, pp. 5–6.

4 Kevin Milligan. "The RESP is Bad Tax Policy and Even Worse Education Policy." The Globe and Mail, March 11, 2008; "Tax Preferences for RESP Saving: Are RESPS Effective?" C.D. Howe Institute, November 2002.

5 Figures cited from: Employment and Social Development Canada (ESDC). "Canada Student Loans Program: Annual Report, 2013-2014." Ottawa: 2016. While Canada Student Grant amounts were increased by 50% in the 2016 federal budget (a good measure), this still represents a minor portion of available CSLP assistance relative to loans.

6 Statistics Canada. CANSIM 477-0019, November 2015.

7 ESDC. "Canada Student Loans Program: Annual Report, 2013-2014," pp. 14–16. It is also worth noting that the RAP was introduced after considerable pressure from the CFS, which made an effective public case to support student debt holders at a time of financial crisis.

8 Ibid., p. 22.

9 CFS. "Student Employment: Eroding Academic Success," fall 2013.

10 Assembly of First Nations. 2017 Pre-Budget Submission.

11 OECD. "Public Expenditure and Participant Stocks on Labour Market Programs." (Online Comparative Database), July 7, 2016.

12 Janet Lane and T. Scott Murray. "Smarten Up: It's Time to Build Essential Skills." Canada West Foundation. Calgary: June 2015.

13 Statistics Canada. "Skills in Canada: First Results from the Programme for the International Assessment of Adult Competencies." Catalogue no. 89-555-X. Ottawa: Councils of Ministers of Education, 2013.

14 CBC News. "Immigrant Settlement Funds Cut for Ontario," December 23, 2010.

15 Federation of Post-Secondary Educators of British Columbia. "FPSE Calls for a Renewed Funding Commitment to English as an Additional Language Programs," November 18, 2015; Suzanne Smythe and Shauna Butterwick. "Cuts to Basic Adult Education Would Make it Harder to Escape Poverty." Vancouver: CCPA, February 25, 2015; CBC News. "Yukon College Cuts Enhanced Language Training Program," December 13, 2015.

16 Cynthia Field and Glen A. Jones. "A Survey of Sessional Faculty in Ontario Publicly-Funded Universities." Centre for the Study of Canadian and International Higher Education, April 2016; Ira Basen. "Most University Students Now Taught by Poorly Paid Part-Timers." CBC News, September 7, 2014; Mary Wiens. "More Contract Work in Post-Secondary Education - A Former Bastion of Secure Work." CBC News, March 5, 2015.

17 CUPE National (Research Department). "Sector Profile: Post-Secondary," June 11, 2015.

18 Canadian Association of University Business Officers. "Deferred Maintenance at Canadian Universities: An Update," May 2014.

19 Industry Canada, "Positioning Canada to Lead: An Inclusive Innovation Agenda" (June 2016).

20 World Economic Forum, "Global Competitiveness Report, 2013-2014" (2013).

21 NGC, "2017 Pre-Budget Submission".

22 CCR, "2017 Pre-Budget Submission".

Poverty

ALTERNATIVE FEDERAL BUDGET 2017 / POVERTY

HIGH STAKES

- The national poverty rate in 2014 was 13%, based on the low-income measure after tax (LIM-AT), and 11.3%, based on the market basket measure (MBM), or the equivalent of between 3.9 and 4.5 million Canadians.
- An estimated 863,492 Canadians relied on food banks in March 2016, 28% more than before the 2008 recession.
- About 35,000 Canadians are homeless on any given night, and over 235,000 experience some form of homelessness during the year.
- There are gaps in the federal government's discussion paper and consultation process to decide what policies a Canada-wide poverty reduction plan should include.

CLEAR CHOICES

- Reduce Canada's poverty rate by 50% within four years and by 75% within a decade.
- Introduce a $4-billion-a-year transfer to the provinces and territories to boost social assistance benefits and achieve clear poverty reduction targets.
- Create a GST credit top-up focused on low-income Canadians to lift 560,000 people out of poverty, half of them children.
- Re-establish a federal minimum wage of $15 per hour, indexed to inflation, covering all workers under federal jurisdiction.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Too often, the public feels resigned to the presence of poverty and inequality in our society. We have come to see poverty, homelessness, and hunger as the new normal. But there is nothing inevitable about poverty and homelessness in a society as wealthy as ours. The policies needed to make a dramatic difference are known, and other countries setting clear targets and timelines are achieving results. Finland and Denmark, for example, saw poverty rates fall below 5% after both pledging to eradicate child poverty. Canada's child poverty rate is three-and-a-half times higher.[1]

In its first year, the new federal Liberal government instituted two key poverty-reducing policy changes recommended in past Alternative Federal Budgets: a new Canada Child Benefit (CCB), which should reduce child poverty by 14%, and a 10% increase to the Guaranteed Income Supplement (GIS) top-up for poor single seniors, which we estimate will reduce seniors poverty by 5%. Other promised initiatives are still to come, including more action on Indigenous poverty and improvements to employment insurance access and benefits. But it is good to see this government takes the issue of poverty more seriously than its predecessors.

In October 2016, the minister of families, children and social development, Jean-Yves Duclos, announced he would spend 2017 consulting with Canadians on the development of a Canada-wide poverty reduction plan.[2] A discussion paper released for the occasion displays a solid understanding of the scope, sources, dimensions and consequences of poverty in Canada. The willingness of the government to consult publicly on firm poverty reduction targets, and to be accountable for meeting them, is welcome. But several concerns remain with the process and the likelihood it will produce the policy change Canada needs.

For example, will the government hear from low-income people themselves during the consultations — and how long will the process take? Many of the actions that will quickly lower poverty rates are already well known; they could be implemented in this year's budget rather than wait until the end of a lengthy consultative process. On the substance of the plan, while the federal government has shown it is prepared to boost the incomes of families with children and some seniors in poverty (via the CCB and GIS), by reproducing a narrative of the "deserving" and "undeserving" poor we risk leaving out many people in need of assistance.

The government's discussion paper recognizes that poverty is about more than income. It acknowledges Canada will also need to make improvements to other types of social support, like post-secondary education and secure housing, that enhance affordability, quality of life, and economic security. However, the paper is short on details. Noticeably absent is any meaningful action on a much-needed national child care program. Additionally, the paper uses the low-income cut-off (LICO) as its measure of poverty. But, as discussed below, one would be hard-pressed to find an economist outside of government who still recommends this as an accurate indicator.

The new government has also promised to tackle inequality. But its tax measures to date leave much to be desired. For example, the new tax bracket on those making over $200,000 a year is welcome. But combined with a cut to the third federal tax bracket the government has merely shuffled income within the top 20% of earners.[3] More fundamentally, the new government seems not to appreciate that to truly tackle income inequality, policies are needed that address the *pre-distribution* of income, i.e., how society shares income prior to its modest redistribution through the tax and transfer system. This will require federal action on the minimum wage and measures to boost unionization as means of increasing the relative bargaining power of workers.[4]

While the depth of poverty is primarily a story of inadequate provincial social assistance, the breadth of poverty is equally a low-wage story. Most of the poor in Canada are not on social assistance. Millions of Canadians struggle with underemployment and precarious work. Employment insurance benefits now reach fewer than four in 10 unemployed workers, a level not seen since 1944.[5] The provincial social assistance system is a shadow of what it was during the early 1990s. The purchasing power of welfare benefit rates has plummeted and new rules have made assistance harder to get.[6]

Those facing job loss, the loss of a spouse, the loss of good health, or old age find that the social safety net meant to catch them has been shredded.

The good news is that every province and territory in Canada except for British Columbia now has a poverty reduction plan in place or in development.[7] But cities, provinces, and territories need a federal partner to effectively tackle poverty—as they do for child care, housing, health care and post-secondary education. The Government of Canada has lead responsibility for poverty among Indigenous people and seniors. It is the primary jurisdiction that can reduce disparities among poor children, recent immigrants, and people with disabilities. And key income supports (the CCB, GIS, CPP, GST credit, and EI) are in the hands of the federal government.

Poverty by the Numbers

An estimated 863,492 individuals relied on food banks across Canada in March 2016, 28% more people than before the recession hit in 2008.[8] Food insecurity has risen dramatically since 2008 as well, with 12.5% of people in Canada experiencing some level of food insecurity in 2013.[9] Homelessness remains at crisis levels. Nearly one in five Canadian households experience severe housing affordability problems, about 35,000 Canadians are homeless on any given night, and over 235,000 distinct individuals experience some form of homelessness during the year, all of which can be attributed to "the withdrawal of the federal government's investment in affordable housing and pan-Canadian cuts to welfare beginning in the 1980s."[10]

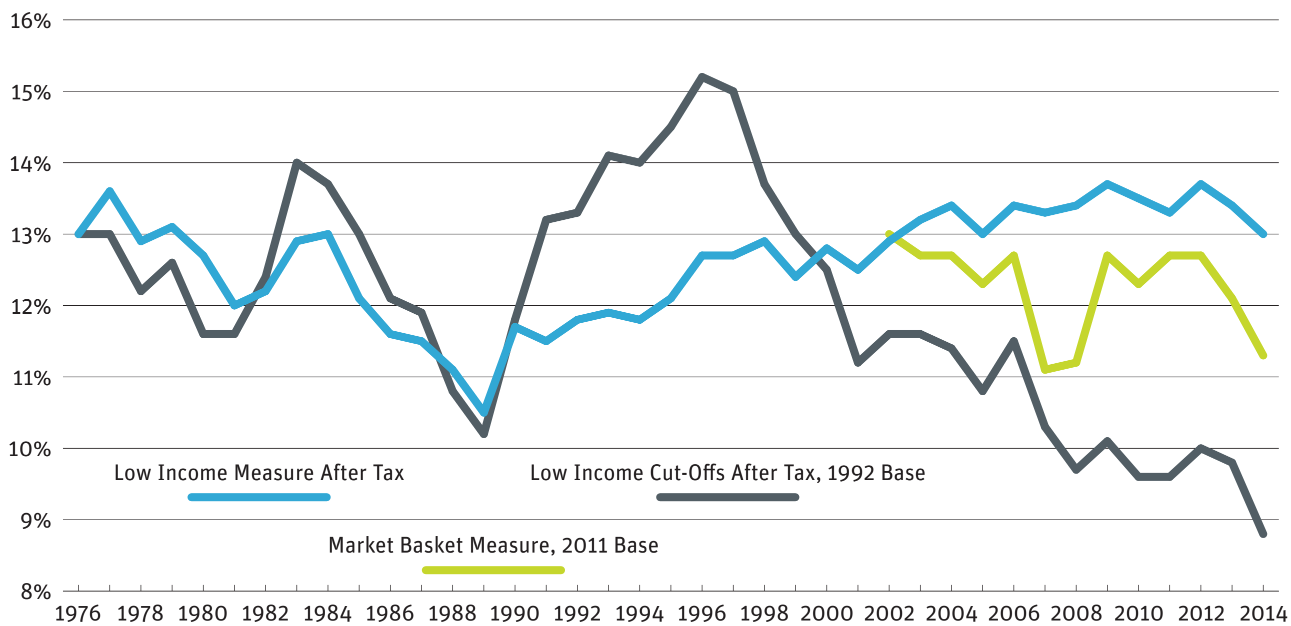
By any measure, there was a rise in poverty rates in Canada immediately following the onset of the 2008 recession. Whether or not these rates have returned to pre-recession levels, however, depends on the measure used. The low-income cut-off (LICO), for many years the most commonly used poverty line, has not been re-based since 1992, making it an increasingly unreliable and inaccurate metric (e.g., the LICO has failed to keep up with the rising cost of housing as a share of household budgets). For this reason, our tracking of poverty rates henceforth relies upon the more accurate low-income measure (LIM) and market basket measure (MBM).

As shown in the chart below, the national poverty rate in 2014 (the last year for which we have data) was 13%, based on the LIM, while it was 11.3% using the MBM. That translates to between 3.9 and 4.5 million Canadians living in poverty.

According to the latest national *Child Poverty Report Card*, more than 1.3 million children (18.5%) lived in poverty in 2014, up from 15.8% in 1989, the year the House of Commons passed its ill-fated resolution seeking to end child poverty by the year 2000.[11] A higher child poverty rate was accompanied by a greater proportion of poor families with children that had at least one parent working full time, all year (37% in 2011, compared to 33% in 1989).[12]

The situation is much worse for Indigenous children. The poverty rate for status First Nations children, for example, is a staggering 51%, rising to 60% if restricted to chil-

FIGURE 15 Percentage of Persons in Low Income in Canada, 1976–2014



Source Statistics Canada, CANSIM Table 206-0041

dren on reserves.[13] Poverty rates are also higher for recent immigrants, Indigenous people generally, racialized people, senior women, single parents, and people with disabilities. We will have to wait until 2018 for up-to-date census information on the experience of poverty by ethnicity or immigration status. Based on the 2011 National Household Survey, however, and using the LIM-AT as our measure of poverty, the following incidence of poverty emerges:[14]

- Immigrants: 18.3% (versus non-immigrants: 13.6%)
- Non-permanent residents: 38.1%
- Visible minority: 21.5% (versus non-visible minority: 13.3%)
- Aboriginal identity: 25.3% (versus non-Aboriginal identity: 14.5%)
- Men: 11.9% (versus women: 13.3%)
- Men over 65: 9.1% (versus women over 65: 14.4%)
- Lone-parent families: 34% (versus two-parent families with two earners: 5.1%; and two-parent families with one earner: 22.0%)
- Adults with disabilities have rates 10% higher that those without.

AFB Actions

On Canada's 150th anniversary as a federation, it is appropriate for the federal government to reprise its historic role as partner, with the provinces and territories, to develop and implement a comprehensive federal action plan to end poverty for all Canadians and significantly close the income gap. Toward this end, the AFB adopts the following indicators, targets, and timelines.

- Reduce Canada's poverty rate by 50% within four years, and by 75% within a decade (based on the MBM and LIM).
- Ensure the poverty rate for children and youth under 18, lone-parent households, single senior women, Indigenous people, people with disabilities, recent immigrants, and racialized people also declines by 50% in four years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations.
- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line.
- Within 10 years, ensure there is sufficient stock of quality, supported, and affordable housing for all Canadians.
- Within two years, reduce by half the number of Canadians who report both hunger and food insecurity.

To achieve these targets, the AFB takes action in the following key policy areas.

- Establish a human rights framework by which the federal government will provide leadership on poverty and inequality issues. Any plan will be grounded in legislation that includes targets and timetables to eradicate poverty, accountability and reporting mechanisms, and input from those with a lived experience of poverty.
- Introduce a new federal transfer payment to the provinces and territories tied to helping them achieve their poverty reduction targets. This transfer will be worth $4 billion a year over and above the costs associated with the federal measures outlined below. The intent of the transfer is to ensure that the lion's share of these funds helps provinces improve social assistance and disability benefit rates and eligibility. There are no strings attached to the transfer in its first year. In subsequent years, however, only provinces and territories that increase income assistance benefits and show progress on a number of other outcome indicators will continue to receive federal support.
- Provide adequate and accessible income support through the following measures:
    - Legislate minimum national standards for provincial income assistance, tied to the Canada Social Transfer, to ensure welfare is accessible and adequate.
    - Index the new Canada Child Benefit (CCB) to inflation right away instead of waiting until 2020 (at a cost of $700 million a year and rising). Ensure the CCB fully reaches Indigenous children (the current requirement that recipient families fill out tax returns means the CCB is missing many First Nations children on reserves) and

the children of recent immigrants without regularized status.

- Increase the GIS top-up for low-income seniors by $1,000 a year for couples and singles (cost of $1.9 billion a year, see the Seniors and Retirement Security chapter).
- Increase the monthly benefit rates for CPP disability, expand the definition of disability, and loosen the contribution requirements (no direct cost to the federal government).[16]
- Create a GST credit top-up of $1,800 per adult and child targeted to those below the poverty line. The claw back will have a rate of 15% excluding the first $2,500 of income. This new top-up, costing $5.4 billion, represents the largest expenditure in our poverty reduction action plan, and will go to *all* low-income people regardless of family type.
- The combined impact of all AFB programs will be to cut child and seniors' poverty by a third and adult poverty by 15%. A million Canadians would be lifted out of poverty dropping the LIM-AT poverty rate from 13% to 10% in 2017.[17]

- Improve the earnings and working conditions of those in the low-wage workforce through the following measures.
  - Re-establish a federal minimum wage of $15 per hour, indexed to inflation, covering all workers under federal jurisdiction.
  - Commit that federal government contracts will go only to Living Wage employers.[18]
  - Revise temporary foreign worker programs so that migrant workers can seek and obtain landed immigrant status, without nomination by employers, and assure all those who come to Canada for work are granted full labour rights and protections upon arrival (see the Immigration chapter).
- Tackle homelessness and expand the social and co-op housing stock (see the Housing and Neighbourhoods chapter).
- Provide universal, publicly funded child care, increasing the number of regulated spaces and capping fees (see the Early Childhood Education and Child Care chapter).
- Provide support for training and education, and initiate a green infrastructure and green jobs plan, with a special focus on apprenticeships for economically marginalized populations (see the Post-Secondary Education and Sectoral Development chapters).

Notes

1 Organization for Economic Co-operation and Development, OECD Family Data Base, Table Co2.2 Child Poverty (includes family poverty). Data up to 2013. See: http://www.oecd.org/social/family/database.htm

2 In his mandate letter to Duclos of December 2015, Prime Minister Justin Trudeau asked the minister to lead the development of an inter-ministerial federal poverty reduction strategy that "will align with and support existing provincial and municipal poverty reduction strategies."

3 David Macdonald. "Liberal election platform shifts the chips for the rich, takes a pass on the middle class," Behind the Numbers blog post, May 5, 2016.

4 Florence Jaumotte and Carolina Osorio Buitron. (2015). *Inequality and Labour Market Institutions*. International Monetary Fund.

5 Armine Yalnizyan. "Proportion of Unemployed Canadians in Receipt of Jobless Benefits, 1942 to July 2014" (https://twitter.com/ArmineYalnizyan/status/512602190360633344), an update of her chart in 2009 report, *Exposed: Revealing Truths About Canada's Recession,* Ottawa: Canadian Centre for Policy Alternatives.

6 For a full review of provincial social assistance rates and eligibility rules, see: Anne Tweddle, Ken Battle, and Sherri Torjman. (2016). *Canada Social Report: Welfare In Canada, 2015*, Toronto: Caledon Institute of Social Policy.

7 The Caledon Institute of Social Policy has produced a helpful summary of all the poverty reduction plans in Canada along with their outcomes: http://www.canadasocialreport.ca/PovertyReductionStrategies/

8 *Hungercount 2016*. Toronto: Food Banks Canada.

9 V. Tarasuk, A. Mitchell, and N. Dachner. (2015). *Household food insecurity in Canada, 2013*. Toronto: Research to Identify Policy Options to Reduce Food Insecurity (PROOF). Retrieved from: http://nutritionalsciences.lamp.utoronto.ca/wp-content/uploads/2015/10/foodinsecurity2013.pdf

10 Stephen Gaetz, Tanya Gulliver and Tim Richter. (2014). *The State of Homelessness in Canada 2014*. The Homeless Hub and Canadian Alliance to End Homelessness.

11 This is measured by the after-tax LIM using custom T1FF (a different source than the Statistics Canada data we use for the charts above). See *A Roadmap to End Child and Family Poverty: 2016 Report Card on Child and Family Poverty* (2016). Toronto: Campaign 2000.

12 Campaign 2000. (2013). *Canada's Real Economic Action Plan Begins with Poverty Eradication: 2013 Report Card on Child and Family Poverty*. Toronto: Family Service Toronto. Campaign 2000 has not been able to update the data on the number of children with parents in the paid labour force due to discontinued surveys at Statistics Canada. The restoration of the long-form census should rectify this soon.

13 David Macdonald and Daniel Wilson. (2016). *Shameful Neglect: Indigenous Child Poverty in Canada*. Ottawa: Canadian Centre for Policy Alternatives.

14 Statistics Canada. Table 202-0802 - Persons in low-income families, annual, CANSIM (database); Statistics Canada. Table 202-0804 - Persons in low-income, by economic family type, annual, CANSIM (database).

15 Canadian Human Rights Commission, "Report on Equality Rights of People with Disabilities", (2012) pg 28-31

16 The CPP disability program could do much more to reduce poverty among people with disabilities. As it stands, monthly benefit rates are too low (averaging $934 per month), the definition of disability is too restrictive (only 15–32% of those who self-identify as having a "severe" disability qualify — see Human Resources and Skills Development Canada [2011], *Summative Evaluation of the Canada Pension Plan Disability Program: Final Report*. pp. ii, 19), the contribution requirements are too onerous (given the rise of precarious work), and people who temporarily drop out of the labour market due to a disability (as with many women who take time out of the labour market to raise their kids) risk being left out of the current expansion of CPP benefits.

17 See the Macroeconomics chapter.

18 Employers who have been officially certified as paying the living wage for families, as calculated by living wage campaigns across Canada. For background, see Tim Richards, et al. (2008). *Working for a Living Wage*. Vancouver: Canadian Centre for Policy Alternatives. Or visit: http://livingwagecanada.ca/

Public Services

ALTERNATIVE FEDERAL BUDGET 2017 / PUBLIC SERVICES

HIGH STAKES

- Canada's population has increased by 43% since 1983, but federal public service employment has only increased 3%.
- Some 24,000 jobs have been lost since public service cuts in 2010. Many of these lost jobs need to be recovered if service levels are to be improved.
- Full-time employment in the federal government is decreasing while term employment has increased by 9.3%, casual employment by 8.3%, and student employment by 6.0%.
- Every $20 billion of currently proposed P3 infrastructure bank funding would result in an additional $6.2 billion in interest costs.

CLEAR CHOICES

- Hire a sufficient number of public service employees to provide quality service and enforcement capacity.
- Create more permanent employment opportunities in the federal public service.
- Create an infrastructure bank that is funded through public borrowing, not P3s.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Reversing Public Service Cuts

The population of Canada grew from 25.3 million in 1983 to 36.2 million in 2016, an increase of 43%. Meanwhile, the number of federal public servants increased from 250,882 in 1983 to 258,979 in 2016, an increase of only 3.1%.[1] From 1983 to 2015, Canada's real gross domestic product (GDP) increased by 120.8%, while real federal program spending only increased by 52.6%. The public service must grow if citizen demand is going to be met.

Over the last six years, the federal public service workforce has been devastated by direct cuts and outsourcing. Although the 2016 budget promised increased spending on the public service, it hasn't kicked in yet. Fewer than 2,000 workers were hired between April of 2015 and 2016. This number is quite small compared to the 24,000 jobs cut since 2010 by the former government.[2]

The current government has an ambitious program, but it will be impossible to implement without additional resources. This is evident in some key departments. For example, the government has made significant commitments to defence, peacekeeping, the environment, and employment. Treasury Board statistics show that, as of April 2016, National Defence had only re-employed 343 workers, despite cuts that saw 4,337 jobs eliminated since 2010. Environment Climate Change Canada has eliminated 1,103 jobs since 2010, 120 of those jobs since 2015 alone. Despite the new Liberal government's commitment to do something about climate change, the department had not created any new jobs as of April of 2016.

Despite a stubborn unemployment rate that refuses to go much lower than 7% Employment and Social Development Canada had only restored about 605 of the 3,600 jobs cut by the former government as of March 2016. The 2016 budget instigated an Employment Insurance quality of services review, but the outcome of the review, which recommended increased staffing, have yet to be seen. The government's own discussion document for this consultation shows that, in the 2005-06 fiscal year, 6.3 million calls were answered by agents at Service Canada call centres, 5 million callers were told to call back, and half a million callers hung up while waiting. Ten years later, the statistics are much worse: only 3.4 million calls answered by agents, 10.3 million callers told to call back, and 1.1 million callers hung up after waiting too long.[3] The government simply has not hired enough people to do the work.

The same inertia is evident in regulatory enforcement. For example, the 2016 budget provided $38.5 million over two years to improve food inspection activities, but inspector staffing has not increased. As of November 2016, in Western Canada only one meat-processing shift in a 24-hour period was scheduled for inspection.[4]

But the negative results of inadequate staffing can be most clearly observed in the problems associated with the Phoenix pay system. The government conflated the requirement for technological change with opportunities to cut staff, with the former government cutting over 1,000 compensation advisor jobs before the new pay system was even operational. When problems with the new system became too obvious to ignore, the government had to begin rehiring the trained staff it had previously laid off to help fix the problems. The current government admits that the decision to create savings by cutting people was a mistake in this instance.[5]

New technology is important and can help public service workers to do their jobs, but it is not a replacement for the people who provide services. The 2016 budget announced that the government planned to consolidate human resources management, financial management, and information management platforms into one enterprise-wide system called the "Back Office Transformation initiative." In doing so it must improve services — not eliminate jobs.

Overall, government compensation costs have declined by 1.3% or $120 million compared to last year. This is partly because the government is employing a precarious workforce. The number of full-time government employees is decreasing. At the same time, term employment has increased 9.3%, casual employment by 8.3%, and student employment by 6.0%.[6] The Public Service Commission reports that in 2015-16 there were 4,533 indeterminate workers hired overall, not counting departures and retirements. Over the same time there were 32,370 workers hired to fill jobs on a term, casual, or student basis.[7]

These statistics do not capture the growing use of contract employees who are hired through temporary staffing agencies. The government doesn't keep track of these numbers except at a macro level. The Professional Services budget line in the estimates for the 2016-17 fiscal year, which outlines this type of employment cost, was estimated at $10.9 billion. When departments were asked to report on their use of contract employees, most departments advised Parliament that they "didn't capture that information."[8] Precarious employment particularly impacts women and young people.

Privatization and Outsourcing

Both the government's Economic and Fiscal Update and its Advisory Council on Economic Growth have recommended that public services be funded by private-sector investors. The current government has also maintained privatization proposals that the previous government initiated.

For example, National Defence's "Sustainment Initiative" plans to transfer the support and maintenance of the military to the private sector. One of the goals for this privatization initiative, according to leaked documents, is to make the defence industry more "profitable, innovative, and competitive."[9] This initiative appears to be modelled after UK Defence Private Funding Initiatives (PFI), which are estimated to have cost that country £50 billion in annual public payments over their lifetime, even though the original capital value for these projects was only £9 billion.[10] The current, publicly supported system is criticized because it arbitrarily restricts profit, but we must question why taxpayers should be asked to subsidize private profits.

The government's fall 2016 Economic and Fiscal Update proposed the creation of an Infrastructure Development Bank that would invest $35 billion in public money to leverage private-sector funding to finance $200 billion for building new "revenue-generating" infrastructure. New infrastructure is required and will have a positive impact on GDP and job growth, and the concept of an infrastructure bank is sound. However, the government's plan would allow the private sector to propose the scope of the new projects — allowing it to finance and operate them too. This privatization scheme is also eerily similar to those in the UK, where private, for-profit public service providers have replaced much of the public sector and, like the big banks in 2008, have become too large to fail.

Recent Canadian government studies have called for the privatization of existing public infrastructure like airports.[11] Although this might be an easy way to increase government revenue, it is not in the public interest. For example, airport privatization would likely lead to regressive user fees and tolls.

A Canadian infrastructure bank should be funded through government borrowing and tax dollars. Proposals for the National Infrastructure Bank in the U.S.[12] and the European Investment Bank[13] could serve as models. It would be funded from direct federal borrowing and possibly contributions from other levels of government, who would also be bank shareholders. This initial pool of equity would provide the bank with leverage to issue bonds and borrow from private sources.

Infrastructure funding should not be dependent on how much profit the private sector can accumulate from the public. Institutional investors are not providing money for free. Most of them expect a 7–9% rate of return, whereas the government can currently borrow money over 30-year terms at a 1.9% rate.[14] The government's current plan for a privately funded infrastructure bank would cost an estimated $6.2 billion more for every $20 billion in capital than if it were publicly funded.[15] Auditor General reports in many provinces have outlined the excessive public costs and lack of accountability with private-sector infrastructure approaches.[16]

Accountability

Accountable government is essential to democratic governance. A government isn't democratic simply because it is elected every four or five years — it must be judged by how and what it does during that time.

Employees must be able to alert the government and other parts of the public service about instances of mismanagement and financial irregularity. The government recognizes this, but to date has done very little to change its accountability structure. Countless systemic barriers remain in place and whistleblowers are still punished even when they act in the public interest. The Office of the Public Sector Integrity Commissioner was created to investigate abuses in 2007. Although existing whistleblowing legislation is very good in some ways, its mandate is very limited, and whistleblowers still lack the necessary protections against punitive retaliation. Review of the legislation is overdue.

The current government appears to be reversing some of the overt politicization that occurred within the public service during the tenure of the former government. In its latest fiscal update, the government announced some measures to protect the independence of Statistics Canada and the Parliamentary Budget Office. However, to date, the proposed measures do not go far enough.

The former government eliminated Government Consulting Services and Audit Services Canada, preferring instead to resort to more expensive private-sector alternatives for consulting and auditing services. These two organizations, which were more accountable to Canadians while remaining profitable, should be reinstituted.

Despite the change in government, the internal structures that allowed the politicization of the public service during last several years remain in place. Phoenix and similar problems in other jurisdictions are exaggerated by what appears to be a reluctance to speak truth to power. Persuasive arguments for a transparent, binding moral contract or a "Charter of Public Service" between the public service, ministers, and parliament in support of the values of a professional, non-partisan public service must be seriously considered.[17] In addition, structures need to be created to allow public service employees and their representatives at all levels to have a meaningful, constructive, and alternative voice in work processes that impact the work they do.

AFB Actions

Action: Analyze all federal government services to ensure that there are sufficient public servants in place to provide quality service and enforcement capacity to Canadians.

Action: Encourage the creation of permanent employment opportunities in the federal public service unless a strong case for casual employment can be otherwise demonstrated.

Action: Create a public infrastructure investment bank funded through public borrowing, not public-private partnerships. Funding currently directed to the P3 Canada fund and PPP Canada Inc. will be redirected to the infrastructure bank and other public organizations that support and provide expertise to other levels of government.

Action: Re-create internal public service organizations like Government Consulting Services and Audit Services Canada to provide cost-effective, unbiased consulting and auditing services to the federal public service, eliminating wasteful contracting expenditures.

Action: Create a binding structure for consulting with employees and their representatives on the details and operability of all workplace change initiatives. No significant change will occur until the results of consultation with the workers who do the work are thoroughly investigated and considered.

Action: Review the moral contract between the government and public service employees at all levels with a view to ensuring long-term, honest, and informed dialogue within government departments and organizations that is rigorous enough to withstand changes in government.

Action: Review the Public Service Integrity Commission mandate and processes and identify measures to address white-collar crime involving government contracting.

Notes

1 Government of Canada Demographic profile of the federal public service 2015 http://www.tbs-sct.gc.ca/psm-fpfm/modernizing-modernisation/stats/demo15-eng.asp including authors calculations with updated numbers.

2 Government of Canada Demographic profile of the federal public service 2015 http://www.tbs-sct.gc.ca/psm-fpfm/modernizing-modernisation/stats/ssa-pop-eng.asp

3 Employment Insurance Quality Review Discussion Paper p. 11.

4 Johnson, Kelsey Philpott looking into meat inspection cutbacks, ipolitics, Nov 1, 2016

5 Aiello, Rachel. Phoenix We Have a Problem, The Hill Times Nov 7 16

6 Parliamentary Budget Officer Expenditure Monitor 2016-17 Q1 2.1 Operating pp 7–8

7 Public Service Commission of Canada 2015-16 Annual report p.10

8 ORDER/ADDRESS OF THE HOUSE OF COMMONS Q-89 by “Ms. Finley (Haldimand-Norfolk) April 7, 2016)

9 Sustainment Initiative Communication Strategies, KPMG, December 2015, p.15

10 Dando, Chris, Privatization in UK Defence — A Trade Union Response, 2015

11 The Canadian Transportation Act Review (commonly known as the Emerson report) http://www.tc.gc.ca/eng/ctareview2014/canada-transportation-act-review.html see also Campion-Smith, Bruce Ottawa eyes airport sell-off to raise infrastructure cash Toronto Star July 3 2016 https://www.thestar.com/news/canada/2016/07/03/ottawa-eyes-airport-sell-off-to-raise-infrastructure-cash.html

12 Galston, William A. and Davis Koron Setting Priorities, Meeting Needs : The Case for a National Infrastructure Bank, Brookings, Dec. 2012 https://www.brookings.edu/wp-content/uploads/2016/06/1213_infrastructure_galston_davis.pdf

13 http://www.eib.org/index.htm

14 Sanger, Toby Banking on Privatization? Progressive Economics Forum Oct 31,2016

15 Macdonald, David Federal Infrastructure Bank Loans will Come At a Higher Cost CCPA Nov 2016 http://behindthenumbers.ca/2016/11/02/federal-infrastructure-bank-loans-will-come-higher-cost/

16 Sanger, Toby Ontario Audit Throws Cold Water on Federal Provincial Love Affair with P3s, CCPA Feb 2015 https://www.policyalternatives.ca/publications/monitor/ontario-audit-throws-cold-water-federal-provincial-love-affair-p3s#sthash.t1pZGKbD.dpuf

17 For a discussion on what this might look like, see Ralph Heintzman's Renewal of the Federal Public Service, Canada 2020, June 2014

Sector Development Policy

ALTERNATIVE FEDERAL BUDGET 2017 / SECTOR DEVELOPMENT POLICY

HIGH STAKES

- Recent economic development in Canada has focused on raw resource extraction with few additional value-added jobs.
- Key sectors of our economy, like manufacturing, have been devastated with little active management to mitigate the losses
- For workers and communities who rely on fossil fuel industries, climate action could spell the loss of well-paying jobs and key employers.

CLEAR CHOICES

- Enhance investment, job creation, and output, and lower carbon emissions, in strategic sectors.
- Establish a Green Development Bank that will allocate credit to innovative projects in targeted sectors of the economy.
- Establish a system of sector development councils.
- Establish a just transition program for workers affected by climate action.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

The goal of sector development policy is to incentivize investment, job creation, production, and exports in strategically important and carbon-sensitive sectors of the economy. This means fostering a more desirable sectoral mix of output and employment, with a stronger presence for industrially dynamic, high-wage, innovation-intensive, export-oriented sectors.

The successful state-led industrialization experience of several Asian and Latin American economies in recent decades suggests that innovative, productivity-enhancing growth does not necessarily occur spontaneously as a result of market forces. Rather, it should be nurtured by active policy interventions. The toolbox used by these other countries is diverse and creative, including targeted subsidies, strategic trade interventions, active industrial strategies in high-tech industries, domestic procurement strategies, and even public ownership of key firms. These approaches have been more effective in promoting innovation, industrial development, and export success than Canada's *laissez-faire* approach.

While on one level the embrace of carbon-mitigating public policy poses a threat to Canada's industrial base it can also be viewed as an opportunity. The shift to a low-carbon economy will entail significant new public and private sector investment, the development and diffusion of new technologies and skill sets, and the expansion of clean technology industries and non-emitting and renewable energy power sources.

To help ensure that carbon-mitigating policies (see the Environment and Climate Change chapter) are beneficial, the Alternative Federal Budget incorporates the principle of "just transition," which is recognized by the International Labour Organization and is explicitly referenced in the Paris Agreement.[1] Industrial restructuring can create large-scale unemployment as well as increases in poverty and social dislocation. For workers and communities who rely on fossil fuel industries, climate action could spell the loss of well-paying jobs and key employers. From the history of mill closures in Canada we know the impact of restructuring on families can be devastating, with increases in addiction, domestic violence, divorce, and loss of property values, and ripple effects through communities affecting small businesses and other functions.

A just transition is meant to mitigate or avoid these adverse consequences through a variety of measures, including labour market impact assessments, retraining, skills upgrading, income support, relocation assistance, pension bridging, and employment insurance flexibility, among others. When developing a just transition strategy there is no one-size-fits-all approach to all sectors.

AFB Actions

Establish a system of sector development councils

The federal government will work with other stakeholders including provincial governments, labour organizations, industry associations, businesses, and universities and colleges to establish a network of sector development councils. These councils will be established for goods- and services-producing industries that demonstrate the following characteristics: technological innovation, productivity growth, higher-than-average incomes, export intensity, and climate-ecological impact.

The councils will identify opportunities to stimulate investment and employment in Canada, develop and mobilize Canadian technology (especially emergent clean technology developed in educational institutions for broader commercial applications), invest in sustainable products and practices, and expand exports. In this way the councils would constitute the first step in rebuilding Canada's broader national capacity for sector development planning, including skills training and workforce development.

Each council will come up with a medium-range plan for developing its sector, including the commitment to a low-carbon economy and just transition, with a list of actionable items and targets. The sector development council system will be supported with an annual operating budget of $50 million to support the councils' work, commission research, and perform other infrastructural tasks. Actionable policy initiatives that arise from their recommendations would be financed through other policy vehicles, including those listed below.

Establish a Green Development Bank (GDB)

To finance sector development strategies, including proposals developed by sector development councils, the federal government will capitalize a new publicly owned Green Development Bank (GDB). The bank will have the power to create credit and allocate it to innovative projects in targeted sectors of the economy. It will also be authorized to take equity stakes in firms or projects with strategic value. The goal of the GDB is different from that of the infrastructure bank envisioned in the AFB Public Services chapter, which is to reduce borrowing costs and increase funding for cities that require loans for infrastructure projects.

The use of publicly owned development banks has proven effective in sector development initiatives elsewhere. Canada's GDB will be modelled on the publicly owned German bank KfW (Kreditanstalt für Wiederaufbau), which was founded in 1948 and has been hailed by financial professionals as one of the safest banks in the world. The GDB would evaluate and fund potential projects on the basis of broader criteria (e.g., an integrated social cost-benefit and environmental analysis) than would normally be considered by private investors.

The GDB would have the mandate to cover its cost of capital on a net break-even basis (across its portfolio of investments). The fair value of those investments will be reflected on the asset side of the government's balance sheet, hence the bank's initial capitalization of $2 billion will be recorded as an investment by government, not a current expense. With interest rates on very-long-run government bonds at record lows, this is an excellent moment to establish the GDB. The stockpile of idle cash held by Canadian corporations on their balance sheet is approaching $500 billion.[2] GDB investments will help address the continuing failure of private enterprise to reinvest their surplus cash flow in job-creating Canadian projects, and provide credit at more affordable rates or fund projects that otherwise won't get private sector financing.

Enhance investment, job creation, and output, and lower carbon emission, in strategic sectors

The sector development councils will begin the medium-term task of developing comprehensive strategies for strategic sectors. In some sectors immediate measures can be taken. The councils will also work to insure that historically underrepresented groups (women, Indigenous people, racialized people, etc.) are provided opportunities in these sectors. Measures will be funded through a $450-million annual budget allotment supporting sector development initiatives (as well as through debt and equity investments funded through the GDB). Several immediate initiatives will be pursued in the following sectors.

National automotive strategy

The federal government has already established a $500-million five-year allotment to support investments in strategic automotive manufacturing facilities. However, this money is not being spent because of restrictive terms and the lack of an appropriate encompassing policy framework (including supportive trade and procurement policies). In our plan, the government will work with industry, provincial governments, and Canada's scientific and innovation stakeholders to implement a comprehensive and consistent auto strategy, including co-investments for major new projects in auto assembly and auto parts. The focus of the strategy will be to foster an auto industry geared toward electric vehicles (EV) and other high-fuel-economy technologies, including by supporting innovation and associated EV infrastructure. This will entail co-operation and synchronization with trades schools and labour unions to cultivate a new generation of skilled workers. It will also involve co-ordination with the broader infrastructure transfer outlined in the AFB chapter on Cities and Communities.

Aerospace

Canada's aerospace industry is a leading spender on research and development and more than carries its weight in terms of international trade, high-tech innovation (including more fuel-efficient airplanes and micro-robotics with neurosurgical applications), and high-quality employment. Continued Canadian production and innovation must be fostered and encouraged through strategic support for new technology and product programs, procurement and offset provisions relating to large government purchases in the aerospace and defense sector, and consolidated funding for Canadian space and satellite programs. Government will need to work more strategically and in active partnership with Canadian aerospace producers to identify and develop the key products and innovations necessary to support high-skilled workers and a low-carbon future.

Public transit equipment

Overdue investments in public transportation systems are boosting the demand for buses, subway cars, and other specialty transportation equipment. An integrated federal-provincial strategy will be developed to maximize the potential for new transit projects (partly funded through federal programs) to utilize Canadian-made low-carbon transportation equipment. This will require the preservation of domestic procurement authority in international trade agreements. In the railway industry, booming traffic and strengthened safety standards will motivate enormous investments in the next generation of accident-resistant rolling stock in coming years. The federal government, through its regulatory powers in transportation, can elicit commitments from railways for strong Canadian content in those new capital purchases.

Oil and gas

It would seem a contradiction to intentionally develop an industry responsible for one-quarter of Canada's carbon emissions while simultaneously trying to reduce emissions. However, there does not need to be a linear relationship between oil and gas employment and GDP, on the one hand, and oil and gas–associated emissions, on the other. As part of a comprehensive climate strategy, public investment in the power grid of major energy-producing provinces such as Alberta, Saskatchewan, and Newfoundland and Labrador will facilitate the shift away from coal-generated electricity in favour of hydropower. By increasing the connectivity of Canada's east-west grid for non-emitting power sources the emissions associated with oil and gas extraction, transformation, and transportation will be significantly reduced. Targeted investments in new technologies to detect and monitor fugitive emissions (at wellhead, at processing facilities, and in pipelines), and in newly mandated flaring techniques, will significantly reduce the methane emissions associated with oil and natural gas development.

Green energy manufacturing

Current initiatives in energy policy hold great potential to stimulate the Canadian manufacture of components for solar, wind, and other green energy systems. Federal policy can complement and support these initiatives with a refundable investment tax credit for new capital and tooling in green energy manufacturing, and support for skills development for new "green collar" jobs.

Forestry

The forestry and wood/paper industries suffered immense damage in recent years, due partly to the effects of an overvalued currency, the pine beetle infestation, and the severe downturn in U.S. residential construction that followed the 2008 financial crisis. The industry is poised for a significant rebound as the Canadian dollar returns to historic levels and as the U.S. economy recovers. Support for the industry's sustainable recovery will be provided through a continuation and expansion of the Forest Industry Transformation Program. For example, measures will be taken to enhance technology upgrades, encourage the production of value-added forestry, wood, and paper products, pursue more energy conservation, cogeneration and other sustainable practices, and foster the new skills required for sustainable forestry and forestry products production.

Establish a just transition program

Just transition is an approach to environmental policy-making developed by the labour movement that aims to minimize the impact of environmental policies on workers in affected industries and communities, and to involve workers in decisions about their livelihoods. Underlying the concept of just transition is the principle that the costs of environmental adjustments should be shared across society rather than shouldered alone by those most impacted by them.

The resource sector includes both renewable resources like forestry and non-renewable ones like mining and natural gas. There are key differences between these sectors, and we should be careful not to use one-size-fits-all policy approaches. But in general a just transition is framed by the following broad parameters.

Just transition fund

A standalone fund in support of the measures listed here will be created from revenue from the forestry, mining, and oil and gas industries and/or an enhanced carbon tax. Changes to royalty regimes for non-renewable resources could be an important source of finance as well.

Advanced skills training programs

A process for long-range, collaborative planning for labour market adjustment must meet both economic and environmental/climate needs. The financial responsibility for training and the up-skilling of current workers should be shared between government, labour, and employers. Stronger government involvement in funding training programs, leading to a recognized credential, is needed.

Investing in apprenticeships

Many industrialized countries have incorporated some variation of a training levy coupled with an exemption for those employers who make a commitment to training. Quebec is a notable example in the Canadian context, with a 1% training levy on payroll tax for companies who do not train employees at a level equal to 1% of their payroll.

Income security

Workers transitioning from one workplace to another will require a secure source of income for a certain period of time, whether during unemployment or training. The Canadian Labour Congress supports the call to protect income from one to four years, with continued qualification for employment insurance and the Canada Pension Plan/Quebec Pension Plan (CPP/QPP), where employment income is less than what it was in the lost job or where there is no alternative work. In addition, further improvements are needed to CPP to ensure that older workers can retire with dignity and retire earlier with no significant loss of benefits (see Seniors and Retirement Security chapter).

Worker and family support

A just transition strategy will need to look beyond narrow skills development to include things like counselling services. Since many families depend on dual incomes, just transition should take into account the challenges faced when one person loses their job but the other does not.

Notes

1 ILO. 2015. *Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All*. Geneva: International Labour Organization.

2 CANSIM 378-0121.

Seniors and Retirement Security

ALTERNATIVE FEDERAL BUDGET 2017 / SENIORS AND RETIREMENT SECURITY

HIGH STAKES

- Only 38% of workers belonged to a pension plan in 2015, down from 46% in 1977. In other words, 11.7 million working Canadians had no workplace pension plan.
- Just one in four private sector workers has a pension plan.
- In 2004, 71% of private sector pension plan holders had a defined benefit plan, the most dependable kind; in 2015, only 45% of pension holders were so lucky.
- Seniors' poverty rates tripled between 1995 and 2014, from 3.9% to 12.5%.
- Old age security (OAS) benefits are indexed to inflation, not wage growth (which rises faster), meaning they become relatively smaller over time.

CLEAR CHOICES

- Expand the Canada Pension Plan replacement rate to 50%.
- Boost annual incomes for the poorest senior singles and couples by $1,000 a year while extending the income exemption.
- Index OAS benefits to the average wage and salary.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Though opinions differ on the well-being of today's seniors, there is considerable agreement that, after decades of improvement in retirement security in Canada, growing financial insecurity looms on the horizon. From 1976 to 1995, the median after-tax income of senior families grew steadily as transfers from the Canada Pension Plan (CPP), old age security (OAS), and the guaranteed income supplement (GIS) increased.[1] During this period, seniors began to close the gap with non-senior families, mainly because the median after-tax income of younger families fell. Since 1995, however, this gap has widened as income growth for senior families slowed. Government transfers have grown only slightly in this period and market income (employment earnings and private retirement income) has become the main source of income gains for senior families. The percentage of persons aged 65 and over with family income lower than half the adjusted median household income climbed from a historic low of 3.9% in 1995 to 12.5% in 2014.[2]

While too many seniors today struggle to make ends meet, retirement insecurity is likely to worsen in the future. The percentage of paid workers in Canada with a registered pension plan at work has fallen from 46% in 1977 to below 38% at the beginning of 2015.[3] The increase in temporary, casual, and contract jobs with no benefits means that a growing number of workers cannot expect to have a pension at work in the future. For many Canadians without a workplace pension plan, private retirement savings are insufficient to prevent a sharp decline in living standards in retirement.[4] There is nearly $1 trillion worth of unused contribution room in registered retirement savings plans (RRSPs), about $40,000 for each Canadian not currently maxing out their contributions. Unused tax-free savings account (TFSA) contribution room is also growing.[5]

Among the minority of workers covered by a workplace pension plan the number belonging to secure, predictable defined-benefit (DB) plans has been in near continual decline since 2005.[6] Prolonged, exceptionally low interest rates, uneven investment returns, and increasing longevity have raised the cost and risk of such plans for employers, many of which, especially global firms, no longer sponsor them for employees. As a result of falling pension plan coverage and other forces, as many as half of middle-income baby-boomer households can expect a significant drop in living standards in retirement.[7] Still, several positive pension reforms were achieved in 2016. The 2016 federal budget increased the GIS top-up, paid to the lowest-income single seniors, by $947 per year, representing a 10% increase in the total GIS maximum benefit. This will benefit some 900,000 vulnerable seniors across Canada.[8]

Last year's budget also cancelled planned increases in the eligibility age for OAS, GIS, and allowance benefits, all imposed by the previous Conservative government. These programs are the foundation of Canada's retirement income system, providing a secure annual income to 95% of Canadian seniors aged 65 and older.[9] OAS and GIS benefits depend on residency and income, rather than participation in paid employment, and are particularly important to women and low-income seniors. In fiscal year 2015-16, transfer payments through the OAS program totaled $45.5 billion, an amount nearly equal to the Canada Health Transfer and Canada Social Transfer combined.[10]

The increase in OAS and GIS eligibility from 65 to 67 would have negatively impacted low-income seniors, especially women, who rely disproportionately on these benefits. Cancelling the increase in the eligibility age for OAS will add about 1 million more beneficiaries to the program by 2030, and about 185,000 more GIS and allowance beneficiaries that same year. Both changes will increase total OAS program spending by $11.6 billion in 2030, a modest increase equal to 0.33% of GDP.[11]

Old age security is indexed to inflation, which means the benefits it pays out will likely lag behind earned incomes, as real wages generally grow faster over time. OAS benefits are projected to fall from about 19% of the average wage in 1966 to as little as 7.5% in 2076.[12] The Liberal government's promise to index OAS benefits to a seniors' index based on a basket of seniors' consumption goods, instead of the Consumer Price Index, will not prevent this relative decline.

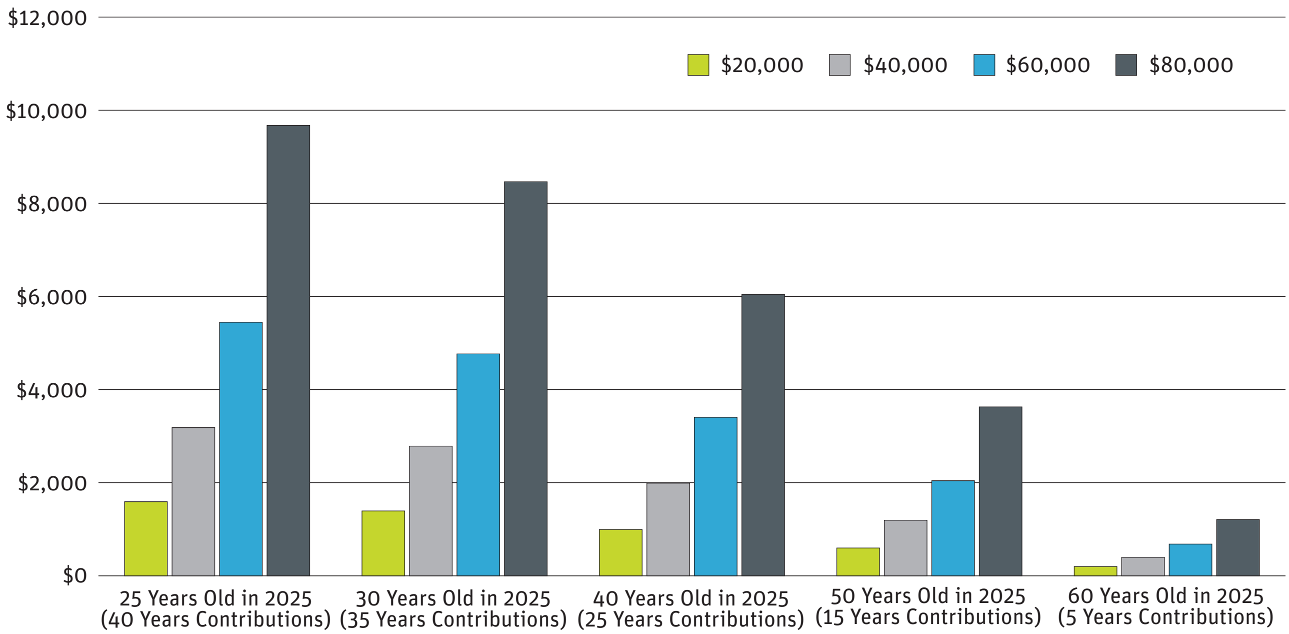
Canada's compulsory earnings-based pension, the Canada Pension Plan (CPP), remains stably funded. The Chief Actuary of Canada projects the combined employer-employee contribution rate of 9.9% is sufficient to fund the plan at least through the year 2090.[13] Virtually all workers in Canada participate in the CPP (or Quebec Pension Plan in that province): it is fully portable, inexpensive, and delivers a secure, predictable monthly benefit in retirement, protected against inflation, for the remainder of a retired worker's life. The CPP is publicly administered on a not-for-profit basis, with average annual costs that are a fraction of the average cost of saving for retirement through mutual funds (RRSPs, tax-free savings accounts, and registered retirement income funds).[14]

In June 2016, the federal finance minister and all provinces with the exception of Quebec reached agreement on a modest enhancement of the Canada Pension Plan. The CPP retirement benefit rate, frozen at 25% of average lifetime pensionable earnings throughout the 50-year history of the plan, will gradually rise to 33.3% in 2023, beginning in 2019.[15] In addition, over a two-year period beginning in 2024, the range of earnings to which the new 33.3% benefit rate will apply will rise by 14% (from $55,300 to $63,000 in 2017 dollars). This enhancement will have a noticeable albeit modest impact on the CPP retirement benefit of workers and the self-employed. Higher-income earners and workers aged 25 or younger in 2025 will see the greatest benefit, although older workers contributing at the increased rate for even a few years before retiring will see a slight improvement in their CPP benefits (see *Figure 16*).

Canadians with above-average employment earnings will also benefit from the fact additional CPP contributions will be tax-deductible. Low-income earners will be able to take advantage of an enhanced Working Income Tax Benefit (WITB). The WITB is a refundable tax credit aimed at boosting the earnings of low-income workers. In order to reduce the impact of higher CPP contributions on low-earners, the WITB phase-in rate will increase slightly, the maximum benefit will rise, and the reduction rate will be reduced marginally so the benefit phases out completely at a higher income. For workers with earnings under $20,000 a year the WITB enhancement will fully offset the additional CPP contributions.[16]

In a significant drawback, the government's legislation expanding the CPP did not extend the child-rearing and disability dropout provisions contained in the existing CPP benefit to the enhanced benefit. In 1977, the Liberal government of Pierre Trudeau allowed parents (predominantly women) leaving paid work to raise children under the age of seven to "drop out" months of little or no income from the calculation of their retirement benefit. At the same time, one could exclude years of CPP disability benefits from the existing calculation of overall CPP benefits. These dropouts were not included in the enhanced benefit, which means, for instance, that the gap between men's and women's average retirement

FIGURE 16 Additional CPP Benefit by Age and Income of Contributor (2016 Dollars)



Source Author's calculations

benefits will persist longer into the future, and could conceivably increase.

A second serious concern is that the GIS clawback will significantly reduce the income gains of higher CPP benefits for low-income workers. Currently, as income from CPP and other sources grows, the GIS clawback imposes severe reductions in the GIS benefits of low- and modest-income seniors. From the first dollar of monthly income, the maximum GIS benefit is reduced by 50 cents for every dollar of income from CPP, private pensions, employment insurance, rental income, and employment and self-employment income above $3,500. This is in addition to any reduction to the GIS top-up, which is reduced by 25 cents for every dollar of income in excess of $2,000 for GIS single recipients, and $4,000 of combined income for couples. Many provincial income top-ups and benefits and even municipal seniors support programs are geared to GIS eligibility, raising the spectre of further losses if higher CPP income results in disentitlement to GIS.

The federal and provincial finance ministers have committed to review the GIS clawback on CPP survivor benefits, a monthly benefit paid to the surviving spouse or common-law partner and dependent children of a deceased contributor. Like all CPP income, survivor benefits are included as income when calculating GIS benefits.

In 1997, the CPP death benefit amounted to six months of retirement benefits, to a maximum of $3,850, adjusted upward annually in line with wage growth. That year the death benefit was reduced by over 30%

to $2,500 and frozen so that its real value would diminish over time.

In October 2016, the Liberal government also introduced legislation creating a framework for single-employer target-benefit (TB) pension plans in the federal private sector and for Crown corporations. As a sponsor of a DB plan an employer is legally obligated to fund the benefits so that pensions can be paid in retirement. Already-earned pensions from past service are legally protected and cannot be retroactively reduced. Under a TB plan arrangement the legal obligation on employers is removed, and past and future service benefits can be reduced, including retirees' pensions. The Liberal government's new legislation would also allow the conversion of DB benefits to contingent TB benefits, including past service. This effectively allows employers to renege on past pension promises and shifts pension risks — for both past and future service — entirely onto plan members both active and retired.

AFB Actions

Revenue-enhancing measures

- Cancel legislation permitting retroactive conversion of accrued DB pension benefits to target-benefit pension benefits.
- Cap RRSP contributions, which disproportionately benefit high-income earners (at a federal cost of $16 billion), at $20,000, a level that will affect only those making $110,000 or more a year (savings to government: $1.0 billion a year).
- Eliminate pension income splitting, the benefits of which go overwhelmingly to the top 10% of income earners (savings to government: $1.3 billion a year).[17]

Re-indexing old age security

- Index OAS to the average industrial wage and salary instead of the CPI all-items index to ensure the flat retirement benefit keeps up with earned incomes (cost: $60 million in 2017-18, $65 million in 2018-19, and $70 million in 2019-20).[18]

Increasing the GIS top-up

- Increase the incomes of the lowest-income single seniors by $1,000 and senior couples by $1,000 a year by boosting the GIS top-up.
- Extend the GIS top-up income exemption by an additional $3,000 for single seniors and $3,000 for senior couples.
- Exempt CPP survivor benefits from the calculation of income for the purposes of determining GIS eligibility, and subsequently review the GIS clawback in order to moderate or eliminate the impact of the clawback on other sources of income (total cost for all three measures: $1.99 billion a year).

Enhancing the Canada Pension Plan

- Convene discussions with provincial and federal ministers aimed at increasing the CPP replacement rate from 33.3% to 50% of earnings up to 114% of the year's maximum pensionable earnings.

- Extend the child-rearing and disability dropouts to this enhanced retirement benefit.
- Restore the CPP death benefit to the level it would have reached in 2017 had it not been reduced and frozen in 1997, and re-index the benefit to growth in average wages.

Notes

1 Statistics Canada. (2016). *Seniors' income from 1976 to 2014: Four decades, two stories*. Canadian Megatrends.

2 Statistics Canada, CANSIM table 206-0041.

3 Statistics Canada, *Pension Plans in Canada Survey*.

4 Richard Shillington. (2016). *An Analysis of the Economic Circumstances of Canadian Seniors*. Broadbent Institute.

5 Statistics Canada, CANSIM table 111-0040; Jonathan Rhys Kesselman. (2015). "Tax-Free Savings Accounts: Expanding, Restricting, or Refining?" *Canadian Tax Journal*. 63:4.

6 Statistics Canada, CANSIM table 280-0008.

7 Michael C. Wolfson. (2011). *Projecting the Adequacy of Canadians' Retirement Incomes: Current Prospects and Possible Reform Options*. Institute for Research on Public Policy study No. 17. Also see Richard Shillington. (2016). *An Analysis of the Economic Circumstances of Canadian Seniors*. Broadbent Institute.

8 Government of Canada. (2016). *Budget 2016: Growing the Middle Class*. Ottawa: Queen's Printer.

9 Statistics Canada, CANSIM table 111-0035.

10 Receiver General for Canada. (2016). *Public Accounts of Canada, 2016: Volume 2*. Ottawa: Minister of Public Services and Procurement.

11 Office of the Chief Actuary. (2016). *Actuarial Report (13th) Supplementing the Actuarial Report on the Old Age Security Program as at 31 December 2012*. Ottawa: Office of the Superintendent of Financial Institutions Canada.

12 Vettese, *op.cit*.

13 Office of the Chief Actuary. (2016). *Actuarial Report (27th) on the Canada Pension Plan as at 31 December 2015*. Ottawa: Office of the Superintendent of Financial Institutions Canada.

14 Keith Ambachtsheer. (2015). "Yes, Public Pensions are Cheaper." *Benefits Canada*.

15 Department of Finance. (2016). *Backgrounder: Canada Pension Plan (CPP) Enhancement*.

16 Department of Finance analysis.

17 Department of Finance. (2016). Report on Federal Tax Expenditures: Concepts, Estimates, and Evaluations. Ottawa: Department of Finance Canada; Macdonald, David. (2016). *Out of the Shadows: Shining a light on Canada's unequal distribution of federal tax expenditures*. Ottawa: Canadian Centre for Policy Alternatives.

18 Wage data from Statistics Canada CANSIM table 281-0063 and CPI from CANSIM 326-0020.

Trade: International Trade and Investment

ALTERNATIVE FEDERAL BUDGET 2017 / TRADE POLICY

HIGH STAKES

- Canada's current model of trade and investment liberalization has contributed to slow growth, rising inequality, and overdependence on the volatile resource sector.
- New trade and investment agreements under consideration — notably with the European Union and, through the Trans-Pacific Partnership, with Asia-Pacific nations — would heighten these structural problems and offer very few new economic opportunities for Canadian exporters.
- Successful investor–state dispute settlement claims against Canada related to resource management and environmental policy continue to highlight the absurdity of giving foreign corporations extra-legal rights to challenge public interest decisions before unaccountable private tribunals.

CLEAR CHOICES

- Establish a new trade mandate grounded in the principles of social, economic, and climate justice.
- Reform the trade negotiation process so the public interest is represented at every stage of negotiations.
- Reject the investor–state dispute settlement model that provides special rights to foreign investors to challenge government regulations.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

In 2015, exports of goods and services (primarily to the United States) made up 31% of Canada's GDP, and in total Canada's trade flows are valued at more than $1 trillion.[1] Canada's dependence on trade is no accident. For decades — and especially since the 1990s — the federal government has promoted international economic integration through free trade agreements (FTAs) and foreign investor protection agreements (FIPAs) that are ostensibly intended to encourage cross-border commerce for the benefit of Canadians.[2]

Despite these apparently impressive numbers, the post-NAFTA era of trade and investment liberalization has been characterized by slower economic growth, increased wealth and income inequality, greater corporate concentration, and the entrenchment of Canada's environmentally destructive fossil fuel sector at the expense of manufacturing and other industries.[3] Canada now imports more than it exports and sends more money overseas than it receives in foreign investment. Canada's current account deficit was $65.7 billion in 2015. Put another way, trade and investment flows are actually acting as a *drag* on the Canadian economy on the order of 3% of GDP.

To make matters worse, among Canada's main exports are crude oil, metal ores, and other raw or semi-processed commodities, while Canada's main imports are electronics and other value-added manufactured goods. Instead of leveraging our natural resource wealth to sustainable, inclusive economic development, Canada remains stubbornly entrenched in a resource-based economic model that does not protect good jobs or create many new ones. Simultaneously, our deep dependence on fossil fuel exports and related investment undermines Canada's ability to meet our international climate change commitments (see the Environment chapter).

Beyond these standard economic indicators, Canada's trade agenda undermines the goal of shared prosperity in at least four ways.[4] First, international economic negotiations are conducted in secret but with close involvement from industry lobbyists. Second, trade and investment agreements increasingly spill into regulatory areas only loosely related to trade, such as intellectual property rights and government procurement. Third, these agreements typically give extraordinary rights to foreign corporations to sue governments for public interest regulations that hurt private investments. Fourth, these agreements lack meaningful protections for workers, the environment, or Indigenous rights.

Global faith in the contemporary free trade model waned noticeably in 2016. The U.K. Brexit vote and the election of Donald Trump in the U.S. highlighted widespread dissatisfaction with international agreements perceived to have benefited foreign corporations and investors at the expense of workers. Economists and journalists confronted the reality that free trade has, in fact, made many people worse off.[5] Even Prime Minister Trudeau, in a recent about-face, acknowledged "globalization doesn't seem to be working for the middle class, for ordinary people."[6] In spite of this rhetoric, at the policy level Canada is ignoring the warning signs and is holding the course on free trade.

President Trump has vowed to renegotiate or withdraw from NAFTA, but the practical outcome is unlikely to be a good one for Canada or for workers in any of the three countries. Congressional Republicans may seize the opportunity to push for the same harmful provisions contained in the wayward Trans-Pacific Partnership. Despite these risks, the Trudeau government has already telegraphed its openness to a NAFTA renegotiation, a move decried by opposition politicians on both sides.[7]

Canada-European Union Comprehensive Economic and Trade Agreement

After a decade of contentious negotiations, and in the face of huge public protests, Canada and the European Union signed the Comprehensive Economic and Trade Agreement (CETA) on October 30, 2016. The final 1,598-page text, which was first released in February 2016, was supplemented by a Canada–EU "joint interpretive declaration," released in mid-October, that clarified some of the deal's most contentious provisions without actually changing the terms of the agreement itself.[8]

Bill C-30, implementing legislation for CETA in Canada, was, at the time of writing, being debated in the Senate. The European Parliament voted to ratify CETA at a plenary session in February. All 28 EU member states must also ratify CETA in their national parliaments before the *full* agreement can come into force — which could take another two to five years, even if significant political opposition is overcome. In the meantime, *most* of the agreement will enter into force on a provisional basis once it is passed in the Canadian and European Parliaments.

Among other issues, CETA precludes the use of local preferences (i.e., "buy local" rules) in government procurement contracts, including at the provincial and municipal level. CETA's so-called ratchet and standstill clauses for services and investment threaten to lock in liberalization, including privatization, in all sectors that have not been explicitly carved out by negotiators. CETA also extends pharmaceutical patent terms, which will delay the availability of generic drugs in Canada at significant expense to consumers and the public health care system.[9]

These costs are unlikely to be offset by newfound economic opportunities. New research from the Global Development and Environment Institute at Tufts University projects that CETA will put downward pressure on wages, leading to reduced average incomes, increased unemployment, and greater socioeconomic inequality in Canada and the EU.[10]

One important element of CETA that will not be applied on a provisional basis is its Investment Court System (ICS), which includes some procedural reforms to traditional investor–state dispute settlement (ISDS) as found in NAFTA and other Canadian agreements. Under NAFTA's ISDS system, Canada has been sued more times than either Mexico or the U.S. and has paid out hundreds of millions of dollars in compensation and legal fees. Canada recently lost two disturbing cases involving an environmental assessment that turned down a massive quarry in the ecologically sensitive Bay of Fundy (the Bilcon case), and a moratorium on offshore wind farms on the Great Lakes (the Windstream case).

Though the ICS envisioned in CETA imposes stricter conflict-of-interest rules on arbitrators and provides for the future inclusion of an appeals process, the EU agreement's investment chapter still affords — and even expands — fundamentally unbalanced rights to foreign investors, exposing a broad range of public interest measures to challenge and potential fines.[11]

The Trans-Pacific Partnership

The U.S.-led Trans-Pacific Partnership was signed on February 4, 2016 and each of the 12 participating countries has until February 2018 to ratify the deal. However, U.S. President Donald Trump has withdrawn the U.S. from the TPP. Since the TPP's coming into force is ultimately contingent on the United States, other parties to the agreement, including Canada, have little incentive to push ahead. The TPP, in its current form, appears to be dead.

Canadians are better off without the TPP. The deal would deepen and widen Canada's exposure to investor–state dispute settlement cases, extend and entrench intellectual property rights that reduce access to medicines, restrict Internet freedom, and stifle technological innovation in Canada. The TPP would create new challenges for key Canadian industries, especially the automotive and dairy sectors, where tens of thousands of jobs are put directly at risk. Contractions in those sectors would be felt in related areas, such as the steel industry, which employs 22,000 people in Canada and receives a third of its demand from the Canadian auto industry. Furthermore, the agreement would expand corporate rights to import migrant workers in a largely deregulated manner while failing to introduce strong, enforceable labour rights.[12]

Like CETA, the supposed economic benefits of TPP ratification are meagre and unlikely to be shared with most Canadians. At least one study predicts net job losses and reduced incomes in Canada as a result of the deal.[13] In Canada, a House of Commons trade committee has been studying the TPP for more than a year but has yet to make any recommendations to Parliament.

Trade in Services Agreement

Although less well known than CETA or the TPP, the Trade in Services Agreement (TISA) will likely be the next global battleground for trade and investment policy. Technically, TISA is not a "free trade" agreement at all, as it contains no provisions for the movement of goods. Instead, it is aimed at radically deeper services liberalization and deregulation among the 23 governments (including the EU) negotiating the deal.

Based on leaked drafts, TISA could go deeper than previous deals in areas such as "regulatory co-operation," a euphemism for imposing corporate-friendly regulatory models on member countries.[14] The secrecy, and undue corporate influence, surrounding the development of such binding regulatory templates is a major concern for public interest regulators. Under TISA, Canadian governments may face additional pressures to deregulate and liberalize sensitive sectors such as energy, environmental, and financial services.

TISA negotiators missed a December deadline to conclude the talks, in part because of uncertainty related to the new U.S. administration. If and when the text is completed it must be signed by each of the 23 negotiating parties before it can proceed to domestic ratification. The entire process could take several more years.

AFB Actions

Action: Establish a new trade and investment mandate for Global Affairs Canada based on the principles of social, economic, and climate justice.

Result: Trade policy will strive to stimulate inclusive economic growth and the creation of good jobs while safeguarding governments' ability to regulate for environmental and consumer protection, among other public priorities. Trade agreements will raise environmental and social standards to the highest common denominator and be compatible with Canada's international climate change commitments.

Action: Global Affairs Canada will develop a new approach and process for negotiating international trade and investment treaties based on the principles of transparency, inclusivity, and accountability.
Result: The input of corporate lobbyists and other private sector actors will no longer be valued above that from labour unions, environmental organizations, Indigenous groups, and other public interest actors in the determination of trade policy priorities. Parliament and the Canadian public will be able to review draft texts and openly debate the merits of potential new agreements before they are signed, ensuring a more balanced outcome.

Action: Remove investor–state dispute settlement mechanisms from existing trade and investment treaties, including NAFTA, and cease negotiating this provision, which interferes with governments' right to regulate in the public interest, in all future trade deals.
Result: Foreign investors will no longer have special rights — beyond those granted to individuals under Canadian law — to challenge public interest policies, regulations, or other decisions that undermine their investments in Canada. Canadian energy and mining firms will likewise lose the ability to bully or punish foreign governments when controversial or environmentally dangerous extractive projects are rejected.

Notes

1 See Global Affairs Canada. *Canada's State of Trade: Trade and Investment Update — 2016*. Minister of Public Works and Government Services Canada, 2016.

2 Global Affairs Canada. "Foreign Investment Promotion and Protection Agreements (FIPAS)." Government of Canada. Last modified June 9, 2016.

3 Jordan Brennan. *Ascent of Giants: NAFTA, Corporate Power and the Growing Income Gap*, Canadian Centre for Policy Alternatives. February 2015.

4 These patterns are explored in more detail in the 2016 edition of the CCPA *Alternative Federal Budget*. For a deeper critique of the global neoliberal trade and investment framework, see Stephen Gill and A. Claire Cutler, eds. *New Constitutionalism and World Order*. Cambridge University Press, 2014.

5 David H. Autor, David Dorn and Gordon H. Hanson. "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade." *National Bureau of Economic Research Working Paper* No. 21906, January 2016.

6 Ashifa Kassam and Laurence Mathieu-Léger. "Justin Trudeau: 'Globalisation isn't working for ordinary people'." *The Guardian*, December 15, 2016.

7 Andrea Hopkins. "Canada opposition scorns PM move to negotiate trade with Trump." *Reuters*, November 16, 2016.

8 Scott Sinclair. "Flimsy CETA declaration leaves public services, water policy vulnerable in Canada-EU deal." *Behind the Numbers*, October 14, 2016.

9 For a complete breakdown of CETA's potential implications, see Scott Sinclair, Stuart Trew, and Hadrian Mertins-Kirkwood, eds. *Making Sense of the CETA: An analysis of the final text of the Canada–European Union Comprehensive Economic and Trade Agreement*. Canadian Centre for Policy Alternatives, September 2014.

10 Pierre Kohler and Servaas Storm. "CETA Without Blinders: How Cutting 'Trade Costs and More' Will Cause Unemployment, Inequality and Welfare Losses." *Global Development and Environment Institute Working Paper 16-03*. Tufts University, September 2016.

11 Pia Eberhardt. *The zombie ISDS: Rebranded as ICS, rights for corporations to sue states refuse to die*. Corporate Europe Observatory, March 2016.

12 For a thorough investigation of these and other concerns in the TPP, see Scott Sinclair and Stuart Trew, eds.

The Trans-Pacific Partnership: A Citizen's Guide. James Lorimer & Company Ltd., 2016.

13 Jeronim Capaldo, Alex Izurieta, and Jomo Kwame Sundaram. "Trading Down: Unemployment, Inequality and Other Risks of the Trans-Pacific Partnership Agreement." *Global Development and Environment Institute Working Paper 16-01*. Tufts University, January 2016.

14 Global Justice Now & Attac Norway. *A blueprint for global privatisation: Why we need to stop the Trade in Services Agreement*. August 2016.

Water

ALTERNATIVE FEDERAL BUDGET 2017 / **WATER**

HIGH STAKES

- There were 158 drinking water advisories in First Nation communities in fall 2016.
- 99% of lakes and rivers in Canada are not protected by the Navigation Protection Act from potentially harmful activities.
- The proposed Energy East pipeline alone, of several new pipeline projects under consideration, puts 2,963 waterways at risk.
- 205 billion litres of raw sewage was flushed into waterways in Canada in 2015.

CLEAR CHOICES

- Strengthen water and wastewater infrastructure in municipalities and First Nations.
- Fund robust environmental assessments and strong water science and research.
- Safeguard the Great Lakes, groundwater, and other freshwater sources.
- Create a National Public Water and Wastewater Fund to replace poor infrastructure.

POLICYALTERNATIVES.CA/AFB2017 **#AFB2017**

Background

Canada needs to put water protection and water justice at the heart of all policies and practices affecting water sources and services. The government could take a step in that direction by recognizing water as a human right, a shared commons, and a public trust.

The notion of the "commons" asserts that water is a common heritage to be shared, protected, managed, and enjoyed by all. A commons framework requires a shift in water governance to prioritize the human right to water, Indigenous water rights, and public participation in the decision-making process. Public trust principles require governments to protect water sources for communities' reasonable use, and to make private use subservient to community rights.

Beginning in 2010, the United Nations passed several resolutions recognizing the human right to water and sanitation. These intentions were asserted again in the 2015 Sustainable Development Goals. The UN Human Rights Council has called on governments to develop comprehensive plans and strategies for water management, assess the implementation of these plans of action, ensure affordable water services for everyone, and create accountability mechanisms and legal remedies.

The Canadian government recognized the human right to water and sanitation at the 2012 UN Conference on Sustainable Development, but it has yet to take action to make these rights meaningful. If "Canada is back" on the international stage, as the Prime Minister has stated, now is the time to implement the human rights to water and sanitation with federal legislation and adequate funding.

Current Issues

Drinking Water in Indigenous Communities

Prime Minister Trudeau promised during the 2015 election campaign to end boil water advisories on First Nations within five years of forming a Liberal government. There were 158 drinking water advisories on 111 First Nations in fall 2016.[1] There are routinely over 100 water advisories in effect, with some communities having lived under advisories for nearly 20 years.[2] The Safe Drinking Water for First Nations Act sets high standards for water quality but fails to allocate enough funding to meet them. In 2011, a government study estimated that $889 million is needed every year for First Nations water and wastewater facilities including projected operating and maintenance. (For further details see the First Nations chapter.)

Public Water and Wastewater Infrastructure

According to the 2016 Canadian Infrastructure Report Card, one-third of Canada's municipal infrastructure is at risk of rapid deterioration, 36% of wastewater infrastructure is rated in fair to poor condition, and 29% of drinking water infrastructure is in fair to very poor condition.[3] The total replacement value of water, wastewater, and stormwater assets is $575 billion, according to the same report. The Federation of Canadian Municipalities (FCM) estimates the cost of replacing systems graded "poor" or "very poor" to be about $61 billion.[4] The Liberal government committed $2 billion over four years for its new Clean Water and Wastewater Fund.

Over 205 billion litres of raw sewage was flushed into waterways in Canada in 2015.[5] The federal government has introduced stricter wastewater standards, but again these did not come with adequate funds for municipalities. The FCM calculates that the regulations will cost at least $20 billion for plant upgrades alone. The federal government should be working with provincial governments to harmonize reporting requirements, with the goal of reducing the cost of administering regulations.

Sustaining Water Sources through Science, Research and Regulation

The previous Conservative government clawed back much-needed legislation and funding for water and environmental protection during its nine years in power. For example, as a result of reforms to the Navigable Waters Protection Act (now the Navigation Protection Act), 99% of lakes and rivers are unprotected from activities that restrict their navigability. The Fisheries Act was also gutted by the previous government in such a way that it no longer protects fish and fish habitat. The Canadian Environmental Assessment Act (CEAA) was weakened to the point that 3,000 environmental assessments were cancelled in 2012, and many oil and gas and other projects no longer trigger environmental assessments.

Last summer, six federal ministers whose mandates include water announced they would review legislation that was substantially weakened by the Conservative government. The reviews focused on the National Energy Board, the CEAA, the Fisheries Act and the Navigation Protection Act (NPA). The government created two expert panels to examine how the National Energy Board and the federal environmental assessment process approve projects, an effort that included public consultations on the CEAA. Two standing committees — on transport, infrastructure and communities, and on fisheries and oceans — reviewed the NPA and the Fisheries Act respectively. The expert panels and standing committees planned to table their recommendations to the federal government in early 2017.

Starting in 2016-17, the federal government allocated $14.2 million over four years to the Canadian Environmental Assessment Agency, and $197.1 million over five years to Fisheries and Oceans Canada to increase ocean and freshwater science, monitoring, and research activities. This money included $1.7 million over two years for the Experimental Lakes Area. However, departmental reports on plans and priorities show the trend set by the Conservative government of gutting funding for water programs at Environment and Climate Change Canada and at Fisheries and Oceans Canada, as well as for Transport Canada's Navigation Protection Program, will continue in 2017 and beyond.

Protecting Watersheds From Extreme Energy Projects

Extreme energy projects are defined as such because they require more water, energy, and effort to realize, and are more destructive to watersheds, the environment, and surrounding communities, than conventional energy development.[6] The extraction of extreme energy, such as fracked gas and tar sands oil, and their transportation via pipeline, rail and ships, leave municipalities and Indigenous communities vulnerable to potentially high clean-up and health care costs.

For fracking, these costs include drinking water contamination, poor air quality, earthquakes, health risks, and increased greenhouse gas emissions. Atlantic provinces have placed moratoria on fracking, but governments in Western Canada continue to endorse the risky practice. There are up to 20 proposals to build liquefied fracked gas (LFG) plants along the coast of British Columbia, which would see supertankers transport fracked gas for export.

The Conservative government's legislative changes to the NPA and CEAA eliminated and/or scaled back reviews of major pipeline projects such as TransCanada's Energy East pipeline, Kinder Morgan's Trans Mountain expansion in B.C., and Enbridge's Line 9 reversal in Ontario and Quebec. These pipelines would transport tar sands bitumen or fracked oil, exacerbating climate change and putting water, food, and public health at risk. The Energy East pipeline crosses 2,963 waterways, but Transport Canada will not assess its impacts on navigable waterways because the current NPA exempts pipelines.

Despite promising to protect freshwater and oceans, the Liberal government has approved extreme energy projects like the Site C dam in B.C., the Pacific NorthWest LFG terminal, the NOVA Gas Transmission Ltd. fracked gas pipeline (owned by TransCanada) and the Trans Mountain pipeline, signaling little change from the previous government's extractivist policies.

There is a significant lack of independent scientific data on the consequences of diluted bitumen spills in water, including how the oil reacts in waterways and the challenges involved in cleaning it up. The government must fulfil its commitment to ban tankers on B.C.'s north coast as well as LFG tankers on the Pacific coast. Extreme energy projects like the Alberta Clipper pipeline, owned by Enbridge, and unconventional oil shipments in the Great Lakes–St. Lawrence River Basin must also be banned.[7]

It is a myth that communities need to choose between water protection and jobs — we can have both. Mining, oil and gas, and logging sectors made up only 1.6% of jobs in Canada in 2015. Creating one million sustainable climate jobs and ensuring a just transition for workers currently employed in the extractive sectors would not only protect waterways, but also grow Canada's economy in sustainable way for future generations.

Water Withdrawals, Bulk Water Exports and Trade Agreements

Although Canada holds nearly 20% of the world's freshwater, only 1% of it is renewable in that the water is replenished by rain or snowfall. Each year Canada exports 59.9 Bm^3 of virtual water (the amount of water used to produce or process a good or a service). That amount would fill the Rogers Centre in Toronto to the brim approximately 37.5 thousand times. Canada is the second highest net virtual water exporter in the world.[8]

Bottled water companies such as Nestlé directly withdraw from freshwater supplies, including groundwater aquifers, which are the main drinking water source for one-third of Canadian communities. A 2015 study published in *Nature Geoscience* found that only 6% of groundwater around the world is renewable.[9] Recent droughts in Ontario, British Columbia, and Alberta have financial impacts on farmers and the fishing industry and provide strong incentive to protect local watersheds.

In the past, right-wing think tanks in the United States and Canada have made proposals to export bulk water from Manitoba and Quebec. The federal government must ban all bulk water and bottled water exports, as these projects are tremendously costly, require vast amounts of energy, and pose serious threats to watersheds.

Water in its natural state is excluded from Canada's existing trade agreements. However, when water is commodified — when it is turned into a tradeable good or service — these agreements kick in, providing companies and individual investors with strong tools to undermine policy affecting private water-related projects (e.g., wastewater treatment or bottled water plants). For example, Lone Pine Resources is suing Canada, under the investor–state dispute process in NAFTA, in response to Quebec's moratorium on fracking in the St. Lawrence River — a decision made, in part, to protect water.

In 2011, Canada settled another NAFTA claim with AbitibiBowater (now Resolute Forest Products) in which the company a claimed proprietary right to the water used at its former paper mill in Newfoundland and Labrador. Provincial law only granted water-taking rights to the company on the condition they were used to operate the mill. When AbitibiBowater shut down the mill, those rights should have expired. In settling the NAFTA claim, however, the Canadian government may have implicitly recognized the company's private right to water.

By excluding water from trade agreements, and eliminating this lopsided investment protection system (see the AFB Trade chapter), the government could avert threats to water sources in Canada and avoid costly NAFTA challenges. The government must also protect the rights of municipalities, provinces, and territories to regulate water takings, and create new public monopolies for the delivery of water services and sanitation, without having to worry about trade and investment challenges.[10]

AFB Actions

Strengthen public and community water and wastewater infrastructure

- Create a National Public Water and Wastewater Fund to replace poor infrastructure (cost: $6.5 billion a year for six years, $2.5 billion a year in year seven and beyond).
- Implement the Wastewater Systems Effluent Regulation (cost: $1 billion a year over 20 years).
- Commit $100 million annually for water infrastructure in small municipalities.
- Commit $75 million annually for ongoing water operator training, public sector certification, and conservation programs.

Support and fund environmental impact assessments

- Conduct assessments of all energy and mining projects; include community consultations and seek free, prior and informed consent of Indigenous communities in the process (cost: $50 million).
- Conduct an in-depth and independent study of the effects of tar sands development on the environment and health (cost: $30 million).
- Reinstate federal funding for water programs at the departments of Environment and Climate Change Canada, Fisheries and Oceans, and Transport Canada (cost: $50 million).

Ensure the safety and sustainability of freshwater in Canada

- Implement a comprehensive action plan to protect the Great Lakes (cost: $500 million in year one and $950 million a year in each of the following four years).
- Establish water quality and quantity monitoring frameworks; increase the number of monitoring stations, train staff in water monitoring, and create a new water minister position (cost: $327.5 million over three years).
- Commit $3 million toward a groundwater protection plan and $1 million to complete a review of virtual water exports from Canada.

Notes

1 Health Canada. "Drinking Water and Wastewater." Ottawa. Online at http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#adv; First Nations Health Authority. "Drinking Water Advisories." Online at http://www.fnha.ca/what-we-do/environmental-health.

2 Health Canada. "First Nations and Inuit Health: Drinking Water and Waste Water." Ottawa Online at http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#s2d

3 Informing the Future: 2016 Canadian Infrastructure Report Card. Canadian Infrastructure. http://www.canadainfrastructure.ca/en/index.html

4 Ibid.

5 Elizabeth Thompson. "Billions of litres of raw sewage, untreated waste water pouring into Canadian waterways," CBC, December 12, 2016.

6 Informing the Future: 2016 Canadian Infrastructure Report Card

7 Carol Linnitt. "Why is Trudeau Backtracking On B.C.'s Oil Tanker Ban? These 86 Meetings with Enbridge Might Help Explain." DeSmog Canada, October 20, 2016.

8 Nabeela Rahman, Maude Barlow, and Meera Karunananthan. (2011). "Leaky Exports: A Portrait of the Virtual Water Trade in Canada." Ottawa: Council of Canadians.

9 Emily Chung. "Most groundwater is effectively a non-renewable resource, study finds." CBC News, November 15, 2015.

10 Scott Sinclair. (2015). "NAFTA Chapter 11 Investor-State Disputes to January 1, 2015." Ottawa: Canadian Centre for Policy Alternatives.

Youth

ALTERNATIVE FEDERAL BUDGET 2017 / YOUTH

HIGH STAKES

- There are now more Canadians aged 55–64 than those aged 15–24.
- The youth (aged 15–24) unemployment rate in December 2016 was 12.6%.
- Unpaid internships not associated with degree completion are illegal in many parts of Canada, yet an estimated 100,000 to 300,000 young people are working at internships for no pay across the country.

CLEAR CHOICES

- Create a Youth Labour Market Planning Board.
- Ensure that federally funded public works projects hire young workers.
- Enforce federal regulations restricting unpaid internships and create 20,000 six-month paid internship positions with not-for-profit organizations.

POLICYALTERNATIVES.CA/AFB2017 #AFB2017

Background

Canada's population is rapidly aging, with the median age rising markedly from 27.1 years in 1974 to 40.2 years in 2013.[2] There are more than seven million Canadians between the ages of 15 and 29.[3] In contrast, over 9.5 million Canadians are 55 or older — a quarter of the population. Our social and economic policy often fails to address the complex needs, desires, and challenges of young people. In light of the ongoing shift in demographics, especially with the boomer cohort retiring, now is the time to focus on youth employment and, most importantly, income and economic security.

The economy and labour market young Canadians encounter when they begin looking for work is one that demands "flexibility" on the part of workers and — because it relies increasingly on part-time, short-term, and even unpaid labour — offers workers little long-term security in return.[44] This shifting political economy of work in Canada is an explicit choice made by government. It has affected young people's ability to make a living and engage in full civic participation. This is having profound effects on our social fabric.

Labour market regulation and policy have not been updated to reflect the rise of precarious work targeting youth (i.e., contract jobs, unpaid internships, etc.), the erosion of employment security, or the retrenchment of the social welfare system. Social policy is also lagging. Family and child care policy, for example, does not reflect the changing lives and livelihoods of young Canadians and their families, which are increasingly characterized by "delayed transitions" and reliance on two earners. Many of those earners hold multiple jobs and service student debts while also paying for child care and housing.[5]

With the average house costing $481,944 in Canada in 2016,[6] young adults are also squeezed by dramatic increases in home prices. They earn lower wages and have higher debts than their parents did at the same age, despite having more education. Yet government spending on supports for young families is a fraction of that on supports for older Canadians.[7] Most young Canadians are unable to set aside an adequate portion of their earnings for retirement, periods of unemployment, and other future costs, but the policy that shapes pensions and social assistance fails to reflect these difficulties.[8]

Further complicating the issue is the diversity of young people's pathways, needs, and challenges. Canadian society includes young people from rural areas and low-income families, those who leave school early, Aboriginal youth, newcomer youths, young people with disabilities, young parents, LGBTQ youth, racialized youth, homeless youth, and unemployed youth. In our current economic structure, each of these groups faces different barriers to secure, stable, and meaningful lives. Disproportionately marginalized, they often lack the social, financial, political, and cultural capital to overcome barriers to employment, civic participation, economic security, family and personal stability, and tertiary education. This diversity demands either a litany of targeted programs or one overarching and very inclusive policy approach. The AFB's recommendations lean toward the latter.

Too often, policy decisions are not taken with any recognition of how a policy's impact will play out across the age spectrum. There is a lack of intergenerational equity in Canadian public policy right now, and a degree of intergenerational fracturing appears to be taking hold within the national discourse and official politics. The AFB sees intergenerational equity as a necessary lens for analyzing policy decisions. This approach presents an opportunity to craft innovative solutions to pressing problems such as housing, health care, and child care.

The AFB takes the position that the most pressing policy issue for young Canadians in 2017 is the ongoing erosion of income and employment security arising from the growth of precarious work, uncertain economic conditions, and poor labour market prospects for young workers. This is a broad issue that encompasses the many more concrete challenges that dominate policy discussions — primarily debt, unemployment, underemployment, and non-participation in the formal economy or labour market. Single young adults, couples, and young families alike are dealing with an untenable mix of rising costs of living and decreasing or volatile long-term earnings. This combination impedes their ability to save money, participate fully in civic life, socially reproduce, find work in rewarding vocations, and care for others.

Precarity in the labour market is much more than an issue of young people's ability to make ends meet; it is a strain on the social fabric that casts a direct burden on our communities and government. Precarious work has been linked to anger, anxiety, alienation, openness to antisocial currents, and a rise in mental health issues among youth.[9] The policies recommended here are intended to increase income and employment security, fighting precarious and unpaid work by addressing the mismatch between the current Employment Insurance (EI) program structure, active labour market programs, and the lives of young workers.

Young Canadians are over-represented in jobs lacking permanence, benefits, and stability. Moreover, recent declines in the youth unemployment rate have been traced to young people dropping out of the labour market rather than finding employment.[10] This trend is especially problematic given the fact that many critical and expensive moments in the life course — such as forming relationships, starting a family, tertiary education, and home-buying — all typically occur in the early stages adulthood.

In the 1980s, during another high point in youth unemployment (when it surpassed 20%), the federal government introduced several measures under the umbrella of a "youth employment initiative." These included wage subsidies for employment-disadvantaged young people, funding for community projects with a youth focus, and youth units at Canada Employment Centres.[11] While a Youth Employment Strategy with a similar basic structure has survived, no significant adjustments have been made to respond to the current rate of youth unemployment, the rise of precarious work, and the effects of these shifts on young people's security and wellbeing. Also lacking are national strategies focused on young workers from marginalized and equity-seeking groups.

One continuing threat to young people's economic security is the substantial rise and spread of unpaid internships. Unpaid internships have been appearing in federally-regulated employers with alarming regularity and are often not connected to any future paid work with the same employer or tertiary education program.[12] Unpaid internships that are not associated with degree completion are illegal in many parts of Canada, as these jobs violate minimum-wage rates and employment standards. The legality of unpaid internships notwithstanding, the morality of expanding opportunities for unpaid work while actual paid opportunities dwindle is questionable. Unpaid interns are still not adequately covered under the *Canada Labour Code*, which covers federally-regulated employers, and often they do not receive the same benefits and security afforded to paid employees. The current government has not taken any action to adequately protect interns under the *Canada Labour Code* or enact proper enforcement strategies since coming in to power.

AFB Actions

The AFB will introduce a Young Workers Initiative. To acknowledge the protraction of the so-called transition to adulthood, youth will be defined as people aged 15–34. The Young Workers Initiative will include the following actions.

Action: Create a *Youth Labour Market (YLM) Planning Board*. Working with relevant sectoral development councils (see the Sectoral Development chapter), the YLM Planning Board will ensure that jobs have people and people have jobs, and that employers take on more of the responsibility for training employees. It will coordinate via Statistics Canada and/or directly gather quantitative data on job openings, labour market characteristics, unpaid internships, and placement rates of universities, and qualitative data on the labour market experiences of young people. A key component of this activity will be providing additional federal funding to Statistics Canada so that it can monitor unpaid internships on a monthly basis via additional questions in the Labour Force Survey.

Result: With the causes identified, appropriate responses to wage-suppression and precariousness in the Canadian labour market will be developed. (Cost: $30 million.)

Action: Introduce a 1% training tax where all businesses with payrolls greater than $250,000 will be required to invest the equivalent of 1% of their payroll in training for young employees.[13]. Those who fail to meet that amount will be required to pay the difference into the national fund for the Young Workers Initiative.

Result: Businesses that invest in training their employees will be more likely to retain those employees on a full-time, permanent basis.

Action: Create public works projects for young workers. All federally funded infrastructure projects will reserve, at minimum, one-quarter of the jobs they create for young workers. A minimum of one-tenth of the jobs these projects create will be reserved for young workers from historically marginalized and equity-seeking groups.

Action: Renew federal-funded internships. The federal government will provide funding to not-for-profit organizations for 20,000 six-month paid internships on an annual basis. (Cost: $300 million.)

Action: Direct Statistics Canada to begin collecting data related to unpaid internships, unpaid labour, and volunteerism. (Cost: $1 million.)

Result: Provide the government with a more accurate picture of how much unpaid labour is being provided within the economy and labour market.

Action: Direct Statistics Canada to begin collecting data on the number of people not in education, employment, or training ("NEET"). (Cost: $1 million.)

Result: The NEET category is of serious concern and needs additional study. Monthly tracking will provide the government with data about the size, composition, and length of stay in the NEET category.

Action: Implement reforms to the *Canada Labour Code* to protect young workers in precarious employment, including the following (Cost: $10 million):

- *Employment standards protections for students, trainees, and interns*: the 2015 amendments related to unpaid internships under Part III of the *Canada Labour Code* passed by the previous government must be immediately undone. The *Canada Labour Code* should be amended to specifically prohibit unpaid internships and unpaid trainees, and to cover interns, trainees, and students under all provisions granting protections related to labour standards under Part III of the *Canada Labour Code*;
- *Workers' compensation coverage for students, trainees, and interns:* Amend section 239.1 of the *Canada Labour Code* so that federally regulated employers must provide students, interns, trainees, or learners who are absent from work due to work-related illness or injury with wage replacement, payable at an equivalent rate to that provided for under the applicable worker's compensation legislation in the worker's province of permanent residence. The equivalent rate would be no less than the hourly average industrial wage.
- *Proactive enforcement:* The federal government, in partnership with its provincial counterparts, will develop proactive enforcement plans to identify employers that use unpaid interns and penalize any practices that are illegal under an amended *Canada Labour Code*. It will also establish regional units within the Labour Program dedicated to proactive inspections and enforcement of the *Canada Labour Code*.

Notes

1 Sagan, Aleksandra. (2013). "Unpaid Internships Exploit 'Vulnerable Generation.'" CBC News. July 02, 2013. Online at: http://www.cbc.ca/news/canada/unpaidinternships-exploit-vulnerable-generation-1.1332839

2 "CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual." Ottawa: Statistics Canada.

3 "CANSIM Table 051-0042: Estimates Of Population, By Marital Status or Legal Marital Status, Age, and Sex for July 1, Canada, provinces and territories" Ottawa: Statistics Canada.

4 Vosko, Leah F. (2009). Managing the Margins: Gender, Citizenship, and the International Regulation of Precarious Employment. Oxford: Oxford University Press.

5 Beaujot, Roderic. (2004). Delayed Life Transitions: Trends and Implications. Ottawa: Vanier Institute of the Family; Clark, Wayne (2007). Delayed Transitions of Young Adults. Ottawa: Statistics Canada; See also the Generation Squeeze campaign at www.gensqueeze.ca for many fact sheets detailing the rising costs and declining incomes of young Canadians.

6 "National Average Price Map." Ottawa: Canadian Real Estate Association.

7 Carrick, Rob. "2012 vs. 1984: Young adults really do have it harder today." The Globe and Mail. May 7, 2012. See also: www.gensqueeze.ca.

8 "80 Per Cent of Young Canadians Concerned About Their Ability to Save for Retirement." BMO Financial Group, 2013.

9 Standing, Guy (2012). *The Precariat*. New York: Bloomsbury Press.

10 Standing, 2012. Cf. Latouche, Serge. (2014). *Farewell to Growth*. London: Polity Press; Klein, Naomi (2014). *This Changes Everything: Capitalism Vs. The Climate*. Toronto: Random House.

11 On historical trends in youth unemployment, see "Youth unemployment high, but lower than in most of 1990s." Labour Force Survey: 2011 Year-End Review. Ottawa: Statistics Canada. For the Youth Employment Strategy (YES), see http://actionplan.gc.ca/en/initiative/enhancing-youth-employment-strategy. For an evaluation of the YES program from 1997–2002, see Human Resources and Skills Development Canada. (2004). "Youth Employment Strategy (YES) 1997–2002: Summary of Recent Summative Evaluation Results." Online at http://www.hrsdc.gc.ca/eng/publications_resources/evaluation/2007/sp_ah_211_05_04e/page01.shtml. On economic transformations in Canada and globally since 1980, see Vosko, 2009.

12 Tomlinson, Kathy. (2013). "Bell accused of breaking labour law with unpaid interns." CBC News. June 24, 2013. Online at http://www.cbc.ca/news/canada/british-columbia/bell-accused-of-breaking-labour-lawwith-unpaid-interns-1.1356277

13 See Zizys, Tom. (2014). Better Work: The Path to Good Jobs is Through Employers. Toronto: Metcalf Foundation.

Acknowledgements

The AFB starts from a set of social justice values — human dignity and freedom, fairness, equality, environmental sustainability and the public good — embraced by representatives of a broad spectrum of civil society organizations: labour, environment, anti-poverty, legal clinics, faith-based, students, teachers, education and health care, arts, cultural, social development, child development, international development, women, disability, Indigenous.

The AFB would like to acknowledge the very valuable financial assistance provided by the Canadian Labour Congress, Unifor, the Canadian Union of Public Employees, the National Union of Public and General Employees, and the Public Service Alliance of Canada.

This document was prepared thanks to the generous volunteer contributions of many people. Those contributions may or may not reflect the views of their organizations. They include:

Lynell Anderson (Child Care Advocacy Association of Canada), **Bilan Arte** (Canadian Federation of Students), **Morna Ballantyne** (Child Care Advocacy Association of Canada), **Gary R.S. Barron** (Westman Centre for Real Estate Studies, University of Calgary), **Kirsten Bernas** (Canadian Community Economic Development Network), **Michèle Biss** (Canada Without Poverty), **Joe Boughner** (Association of Canadian Financial Officers), **Lesley Bramhill** (Canadian Arts Coalition), **Jordan Brennan** (Unifor), **Michael Butler** (Council of Canadians), **Ryan Campbell** (Professional Institute of the Public Service of Canada), **Amy Casipullai** (Ontario Council of Agencies Serving Immigrants), **Daniel Cayley-Daoust** (Council of Canadians), **Gavin Charles** (Canadian Council for International Co-operation), **Gerald Chipeur** (Miller Thomson), **Tony Clarke** (The Polaris Institute), **Eve-Lyne Couturier** (l'Institut de recherche et d'informations socio-économiques), **Graham Cox** (Canadian Union of Pub-

lic Employees), **Katie-Sue Derejko** (Katrime Integrated Health), **Roxanne Dubois** (Communication, Energy and Paperworkers Union of Canada), **Judy Duncan** (Acorn Canada), **Jackie Esmonde** (Income Security Advocacy Centre), **Nick Falvo** (Calgary Homeless Foundation), **Leilani Farha** (Canada Without Poverty), **Sid Frankel** (Campaign 2000: End Child and Family Poverty in Canada), **Martha Friendly** (Childcare Resource and Research Unit), **Colleen Fuller** (PharmaWatch), **Avvy Go** (Metro Toronto Chinese & Southeast Asian Legal Clinic), **Tam Goossen** (Urban Alliance on Race Relations), **Joe Gunn** (Citizens for Public Justice), **Liyu Guo** (Campaign 2000: End Child and Family Poverty in Canada), **Joel Harden** (Canadian Federation of Students), **Guillaume Hébert** (l'Institut de recherche et d'informations socio-économiques), **James Hicks** (Council of Canadians with Disabilities), **Cathy Holtslander** (National Farmers Union), **Megan Hooft** (Canada Without Poverty), **Dennis Howlett** (Canadians for Tax Fairness), **Blanche Israel** (Proscenium Translation), **Andrew Jackson** (Broadbent Institute), **Shaker Jamal** (United Steelworkers), **Karin Jordan** (Canadian Union of Public Employees), **Anita Khanna** (Campaign 2000: End Child and Family Poverty in Canada), **Elizabeth Kwan** (Canadian Labour Congress), **Jennefer Laidley** (Income Security Advocacy Centre), **Andrew Langille** (Youth and Work), **Keith Lowe** (CCPA Manitoba), **Mike Luff** (Canadian Labour Congress), **Emma Lui** (Council of Canadians), **Angella MacEwen** (Canadian Labour Congress), **Peggy Mason** (The Rideau Institute), **Jessica McCormick** (Canadian Federation of Students), **Sarah McCue** (Canadian Federation of Students), **Bob McGahey** (Canadian Teachers' Federation), **Hilary Moore** (National Farmers Union), **Anil Naidoo** (Canadian Nurses Union), **Michael Nicin** (Canadian Association of Retired Persons), **Emily Norgang** (Canadian Labour Congress), **Tahnee Prior Robert Ramsay** (Canadian Union of Public Employees), **Fraser Reilly-King** (Canadian Council for International Co-operation), **Chris Roberts** (Canadian Labour Congress), **Bill Robinson** (Rideau Institute), **David Robinson** (Canadian Association of University Teachers), **Madeline Rodriguez** (Association of Canadian Financial Officers), **Toby Sanger** (Canadian Union of Public Employees), **Paul Shaker** (Civicplan), **Jim Stanford** (Unifor), **Steven Staples** (Public Response), **John Sylvestre** (Centre for Research on Educational and Community Services, University of Ottawa), **Kaylie Tiessen** (Unifor), **Erin Tomkins** (Assembly of First Nations), **Brian Tomlinson** (AidWatch Canada), **Pat Van Horne** (United Steelworkers), **Andrew Van Iterson** (Green Budget Coalition), **Mariaye Vickery** (Art Gallery of Greater Victoria), **Howie West** (Public Service Alliance of Canada), **Dan Wilson** (Assembly of First Nations).

The dedicated staff, volunteers, and research associates at the Canadian Centre for Policy Alternatives, as always, pull the AFB project together with no deficit of enthusiasm, generosity and good humour: Peter Bleyer, Simon Enoch, Lynne Fernandez, Kerri-Anne Finn, Alex Hemingway, Trish Hennessy, Iglika Ivanova, Kaley Kennedy, Seth Klein, Marc Lee, Katie Loftus, Molly McCracken,

David Macdonald, Mackenzie Macleod, Kate McInturff, Hadrian Mertins-Kirkwood, Tim Scarth, Erika Shaker, Scott Sinclair, Stuart Trew, Emily Turk, and Armine Yalnizyan.

Special thanks to this year's fall intern Robin Shaban.