



GETTING THERE

AFB 2018



Alternative Federal Budget 2018





CCPA

CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

ISBN 978-1-77125-387-1

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
UNION

5	Introduction
10	Macroeconomic Policy
23	Fair and Progressive Taxation
30	Agriculture
35	Arts and Culture
40	Child Care
45	Defence
50	Employment Insurance
55	Environment and Climate Change
60	First Nations
64	Gender Equality
71	Health Care
77	Housing and Neighbourhoods
82	Immigration
91	Industrial Strategy and a Just Transition
95	Infrastructure and Cities
100	International Development
106	International Trade and Investment
112	Post-Secondary Education
118	Poverty
125	Public Services
131	Seniors and Retirement Security
137	Sustainable Development Goals (SDGs)
142	Water
148	Youth
153	Acknowledgements

Introduction

For more than two decades, the Alternative Federal Budget has provided a blueprint for sustainable and equitable growth in Canada.

When successive federal governments advocated austerity, we demanded new stimulative investment in social and economic infrastructure. When they said the private sector should deliver public goods, we recognized that some priorities — like expanded health care, housing and child care — could only be properly addressed by the government.

Where governments of all stripes have spent billions subsidizing fossil fuel production and export, the Alternative Budget pointed out it would be far more productive, and more beneficial in the long term, to fund a just transition to a zero-carbon future.¹ Where the mainstream media obsessed about the deficit, we urged governments to focus on the more important debt-to-GDP ratio and the multiplier effect that public investment would have on the economy.

Much has changed in the past decade. During the 2008-09 financial crisis, even pro-austerity governments were convinced of the power of debt-backed government stimulus. More recently, in the 2015 federal election, political parties won public support by promising to spend progressively on new social services and poverty-fighting programs — an approach now applauded by the International Monetary Fund.

In the international arena, the United Nations has set more ambitious goals for human development. These goals seek to end poverty, not just alleviate it, and to build a more equitable and sustainable future for everyone.

Because they apply equally to all countries, rich and poor, the Sustainable Development Goals represent an important shift from paternalism in development policy to the acknowledgment of shared responsibilities for fighting poverty and climate change. This year the Alternative Budget demonstrates

how its policies will move Canada toward fulfilling its commitment to these goals.

Our Alternative Budget's priorities are becoming political priorities, going mainstream. And the positive impacts on people's lives, from new spending and social programs introduced over the past two years, are starting to be measurable.

But what to do in times of apparent stability and even better-than-average growth? What should a federal government prioritize in the winter of 2018, with employment levels and GDP projections in their best shape in a decade?

The Alternative Federal Budget has a sustainable plan for the future. We demonstrate how we can face the challenges that lurk in the shadows of rising GDP numbers, and that, with the right policies in place, we can build a green economy that brings greater equality to Canadians.

Economic growth does nothing to prevent the slow unfolding of catastrophic climate change, particularly if our economy continues to rely heavily on high-emission resource industries. It is precisely in this period of relatively low unemployment that we should begin, in earnest, the just transition to a green jobs future.

This year's Alternative Budget accelerates the national carbon price increase to reach \$50 per tonne by 2020, moderating the impact on workers through rebates while investing the rest in training, apprenticeships and green infrastructure, including high-speed rail.

The current uncertainty around Canada's trade relations with its biggest export

market is a timely reminder that we need a better approach to trade. Canada's template free trade deals severely restrict what governments can do to regulate in the public interest and to direct investment toward more productive ventures.

Canada has become an exporter of raw resources and importer of higher-value-added products. The Alternative Budget moves Canada toward a trade and investment strategy that promotes sustainable development, public services and the health of Canada's democracy.

Investments in public services, on the other hand, create jobs in a sector that doesn't rise and fall with the fortunes of the United States. They also provide important respite to families struggling to look after children and aging parents, and care for those living with physical and mental health issues.

The Alternative Budget invests in better public services, including increasing health transfers to provinces and implementing a pharmacare program, so that no family has to choose between medication and food. It provides universal child care for the millions of families with working parents who face long wait lists and unaffordable fees.

Economic growth continues to disproportionately benefit those at the top end of the income spectrum, leading to extreme levels of inequality in Canada. Between 2015 and 2016, the average income earner saw a raise of a couple hundred dollars, while the top 100 highest-paid CEOs saw a pay bump of \$1 million.

Meanwhile, jobs in home care or child care rarely pay enough to move full-time workers in those occupations out of poverty. Alternative Budget investments will make sure a full-time paycheque in the care economy pays for rent and groceries.

Young workers face record-high student debt loads and a job market that delivers part-time and precarious work. The Alternative Budget would eliminate tuition fees, which will lead to a better educated and more prepared workforce for the future, and allow new workers to enter the economy without an unmanageable debt load.

The Alternative Budget would also modernize our employment insurance program to reflect the increasingly precarious nature of work — ensuring that workers in part-time or contract work are supported by our social safety net.

More sustainable and accessible infrastructure, including better public transit and more affordable housing, will help Canadians live better lives. However, transferring money to the private sector to build that infrastructure at interest rates of 7–9%, when the government could deliver the same renewal at interest rates of 0.8%, isn't innovative. It is foolish and wasteful.

The Alternative Budget would rebuild our cities and roads through public works, at the lowest possible financing rate, ensuring that Canadians don't pay a premium on infrastructure investments.

Innovation is an important component of growth and a source of new solutions to existing problems. However, the private sector is not the only source of innovation. The Alternative Budget would invest

in our public research institutions and our creative class, providing opportunities for Canada's brightest thinkers and creators to work without the restrictions generated by market driven interests.

Together these investments would create nearly a million new jobs by 2020, turning today's positive GDP and employment levels into a foundation for ongoing sustainable growth.

Canada draws great strength from its diversity — of peoples, cultures, identities and regions. Just as our diverse communities make unique contributions to society and the economy, they also face distinct challenges.

Farmers struggle with uncertain markets and high debt loads. The Alternative Budget would create a guaranteed basic income for new farmers, ensuring sustainable food production for the future and support for rural communities.

Canada's First Nations, Inuit and Métis communities are rebuilding in the wake of colonialism, residential schools and the endemic underfunding of education and social services. But Indigenous peoples continue to face discrimination in pay and employment. The Alternative Budget would invest \$9 billion in 2018-19 to make up for the loss in purchasing power created by decades of underfunding.

Women make up 47% of the labour force. In addition to this paid work, women perform an extra 10 hours a week of unpaid care work. The Alternative Budget would invest in affordable child care, which has been demonstrated in country after country to boost female labour force participation. It would

also institute pay equity legislation immediately — so that women’s labour is no longer discounted as a result of discrimination.

Older Canadians now experience increasing economic insecurity at the end of their working lives. Just one in four private sector workers have a workplace pension plan and the recent bankruptcy of Sears Canada is an unwelcome reminder of the instability of private sector pensions.

The Alternative Budget would expand the Canada Pension Plan replacement rate to 50% and increase the income exemption for the Guaranteed Income Supplement, ensuring greater security for an aging population and reducing senior poverty rates by 30%. Fifty-nine per cent of seniors lifted out of poverty by these changes are women.

Canada’s immigrant and racialized communities continue to face economic and social discrimination. The Alternative Budget would support immigrants with greater access to training and accreditation and ensure a path to citizenship for the most marginalized immigrant workers. The Alternative Budget would also implement a comprehensive Action Plan Against Racism to measure and redress the impact of racial discrimination.

Child poverty rates in Canada remain stubbornly high. The census shows us that 1.2 million children lived in poor families in 2015. The Alternative Budget would increase direct transfers to low-income families, including a new GST top-up, reducing child poverty rates by roughly a third. Adults would also see a reduction in their poverty rate of just over 10%. The result is that roughly 600,000 children and adults

would be lifted out of poverty by the Alternative Budget.

Not only are these investments important for creating a Canada that can weather this generation’s interrelated financial, environmental and inequality crises, they are themselves sustainable. For example, the International Monetary Fund has demonstrated that a universal child care program would pay for itself through the taxation and consumer spending of parents who can remain in the workforce.

Likewise, returning EI premiums to their previous level (rather than cutting them in times of prosperity, only to find the fund short in times of economic crisis) would allow the program to sustainably support workers at a lower entry level. With better EI support, workers are able to choose more stable and better paid jobs rather than taking the first one available to them. That, in turn, means a boost to wages, income and government revenues.

Reforming the tax system, so that the wealthy and corporations are no longer able to take advantage of unfair tax loopholes, would raise \$18 billion in additional revenue while making the tax system simpler and fairer. With the progressive tax reform policies that this budget advocates, families with incomes under \$250,000 would see a net benefit from the combined tax and program changes. For those with incomes over \$250,000, the net impact would be a mere 1% loss in income.

Better days may be upon us in 2018, but now would be the worst time to fall back on the old habits of deficit reduction, aus-

terity and an overreliance on the private sector for guiding new growth. We've seen where those plans lead us: eroded public services, growing inequality and inaction on climate change.

The current federal government has taken promising steps toward progressive reform. This year's Alternative Budget offers a blueprint to ensure we are using our tax dollars

wisely to build a sustainable, equitable and secure future for all Canadians.

Notes

1 Zero-carbon, meaning zero net carbon emissions, primarily via the gradual transition away from both fossil fuel production and use.

Macroeconomic Policy

The Canadian economy enjoyed a surprise jolt in 2017, with nominal growth topping 5.5% and real growth hitting 3.1%. In other good news, Canada's unemployment rate dropped to 5.7% in December, a level never before seen in the current data series, which dates back to 1976.

At the same time, average hourly wages only increased by 2.7% last year, with all of that growth occurring between September and December.¹ And over the course of 2017, inflation raised the price of goods by 1.9%, meaning workers were left with a real wage increase of only 0.8% for the year.²

Such a marginal increase in wages seems inconsistent with historically low levels of unemployment. Indeed, textbook models argue that when the labour market tightens, wages should rise.

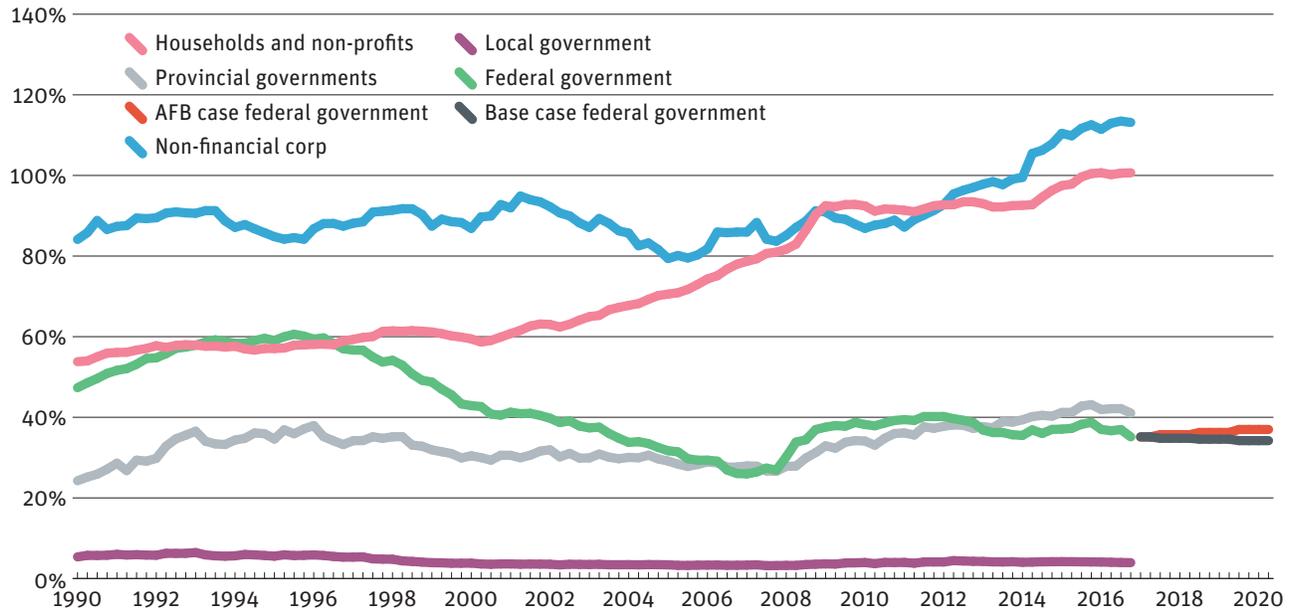
Likewise, while GDP growth and low unemployment are good news stories, Can-

ada's employment rate (the proportion of working-age Canadians with a job) has just hit 62%, well below its pre-crisis high of above 63.5%. This is largely due to there being relatively fewer young people looking for work (or currently working) than there were prior to the Great Recession — a problem in its own right.

The federal government is projecting nominal GDP growth will fall back into the 3.5% range in 2019-20, and that unemployment levels will rise again in future years (*Table 1*). But these are not statements of fact so much as they are a sign of tempered ambitions.

As outlined in this year's Alternative Federal Budget, the government can play a critical role in turning one year of strong growth into many, and a year of high employment into a long-term trend.

FIGURE 1 Canadian debt-to-GDP ratios by sector



Source CANSIM 385-0032, 378-0121, 380-0063, Finance Canada Fall Economic Update and author's calculations.

Government, household and private sector debt

Against the backdrop of strong economic growth looms the massive debt the private sector has taken on to fund it. Non-financial corporations continue to hold record amounts of nominal debt, valued at 113% of GDP in 2017, the highest debt-to-GDP ratio ever recorded (*Figure 1*). The eye-popping indebtedness of the corporate sector could have had a silver lining had the money been invested in worker productivity. Unfortunately, it has been largely spent on mergers and acquisitions.³

Canadian households also added \$83 billion to their collective debt in the past year, bringing the total to \$2.2 trillion.⁴ If the household debt-to-GDP ratio is unmoved

from its 2016 high of 101%, it is only because it was held in check by this year's surprisingly strong GDP growth (see *Figure 1*).

The total government debt-to-GDP ratio (federal and provincial) has fallen slightly in the past year, likewise due to the strength of GDP growth and relatively stable debt levels. Since the Great Recession, federal debt as a share of GDP has also been stable while the provincial ratio has slowly inched upward, overtaking federal debt decisively in 2013.

Annual federal revenues, meanwhile, continue to fall as a share of GDP, despite personal tax increases in the past few years. The Fall Economic Statement (*Table 1*) projects revenue will hit 14.3% of GDP by 2020, similar to where it was in the early 2010s.

Prior to that, we have to go back to 1941 — two years into the Second World

War — to find federal revenues this low, illustrating the severity of the problem. Shortfalls and cutbacks will be endemic in this environment as there is less and less money to fund programs and properly serve a growing economy and a growing population.

As revenues continue to drop, so too do expenditures. Federal program spending is projected to fall significantly, from today's 14.2% of GDP to 13.8% in 2020-21 (*Table 1*). That may seem small on a percentage basis, but it is the equivalent of a \$9.5-billion spending cut. That is a lot of money that could be put to productive use providing benefits to Canadians.

The Alternative Federal Budget plan

Despite all that it accomplishes in its 22 chapters, the Alternative Budget's revenue and spending projections are not dramatically different from those of the government.

For example, by taxing people and activities differently, government revenues will increase under the AFB from 14.4% of GDP to somewhere in the range of 16% — less than what it was in most years between 1968 and 2000. A full fifth of that additional money is the result of higher employment levels: as more Canadians find good jobs, the taxes they pay will add \$10.1 billion to federal coffers annually by 2020-21 (*Table 2*).

At 16.8% of GDP (by 2020-21), AFB spending is likewise slightly higher than the government baseline of 13.8%, but again this is less than what it was from the 1970s to 1990s. New spending is largely, but not entirely, offset by new revenue, meaning the AFB will run a deficit peaking at 2.3% of GDP in 2018

(\$53 billion) and falling to 1.8% (\$45 billion) in year three. If that seems high, compare it to the more than \$80 billion per year that Canadian households have added in debt over the past decade, mostly to buy homes.

Deficits of any size obviously add to the national debt, but this is offset in the AFB by higher GDP growth spurred on by new spending commitments. And so while we expect the federal debt-to-GDP ratio to rise from 30.5% to 32.4% over three years, consider that in one year alone (2016) the corporate sector's debt as a share of GDP went up by the same percentage.

One of the major benefits of the AFB's program enhancements and new spending commitments is that they will increase employment. The AFB creates or maintains over 600,000 jobs at its peak (*Table 2*), which would enable Canada to lock in today's low unemployment rate of about 5% while boosting the employment rate back to where it stood prior to the Great Recession (e.g., closer to 63.5%).

Strong economic growth should lead to strong wage growth, despite last year's lackluster showing in this respect. While not incorporated in the employment model in *Table 2*, continued low unemployment and a higher employment rate generally should mean more Canadians see higher annual raises in the future.

Strong employment is only one of the bonuses of the AFB plan. Canadians will also benefit directly from the programs the AFB will enhance or create (*Table 3*). While the details of these programs are spelled out in subsequent chapters, here we examine more broadly their expected distributional

impacts. How are families across the income spectrum affected by our budget's tax and transfer changes, for example? And who would be the likely beneficiaries of expenditures on public programs?

Every AFB measure outlined in *Table 3* has been assigned a distribution across the income spectrum. For instance, pharmacare expenditures are distributed to match present expenditures on prescription drugs, and the benefits of lower tuition fees match the present distribution of who pays them. Where the tax system is directly changed, Statistics Canada's tax modelling software SPSD/M is used to estimate aggregate costs and the distribution of any changes.⁵ SPSD/M is also used to simulate the impact of tax or transfer changes on poverty rates.

The AFB is a budget for all of Canada, meaning the public services and programs it funds are enjoyed across the entire income spectrum. Pharmacare and lower tuition fees provide benefits to wealthier families, but also to those earning lower incomes. Older families, who also tend to have higher incomes, are more likely to have high prescription drug costs, which would be eliminated through universal pharmacare.

New First Nations spending and more affordable housing, on the other hand, provide more benefit, as a result of income distribution, to lower income deciles. And overall, the AFB's tax and transfer changes have a dramatic net impact on the incomes of people in the first three deciles, greatly improving the fairness of our federal tax system. Lower-income families see an average annual benefit of close to \$2,000, the equivalent of a 5–22% bump in income (*Figure 3*).

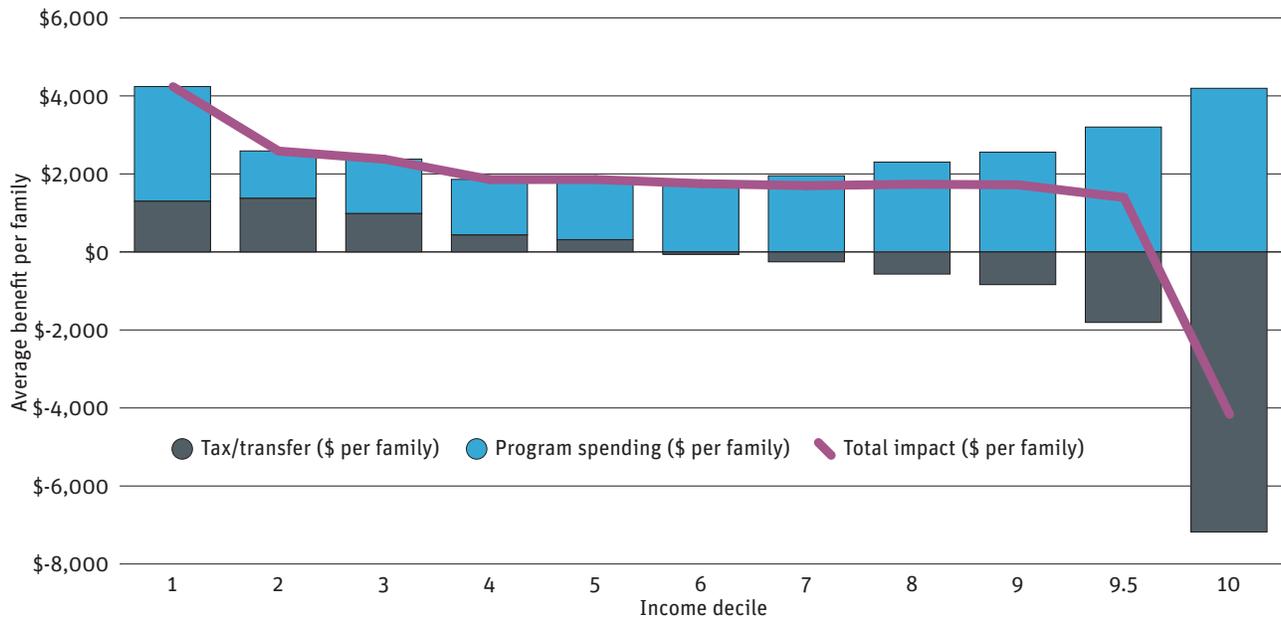
On the other end of the spectrum, Canada's highest-earning 5% of families — those making on average over \$249,000 a year — will see their tax bill go up by about 1.7% of their income once tax loopholes that currently disproportionately benefit wealthy families are closed. However, as just mentioned, these high-income families also benefit from new universal programs like pharmacare and child care, which will add the equivalent of 0.7% to their family incomes. The net result is that high-income Canadians are only slightly less well-off (incomes fall by about 1%) in the AFB plan.

Canadian families below the \$249,000 family income threshold are on average better off under the AFB once both the tax and transfer changes and the benefits from new program spending are considered. While families in the top 30% do pay more in taxes, this is more than offset by beneficial new programs. In fact, the net benefit resulting from tax changes and new programs is relatively even in dollar terms — in the \$2,000 range — across much of the income spectrum (see *Figure 2*).

The substantial new net transfers to lower-income families can also be evaluated based on how they would impact poverty rates. In this case, poverty is measured using the after-tax low-income measure (LIM-AT). As with other poverty-line analyses, here we examine only family cash income and ignore any additional benefits from the AFB's improved public services as just discussed (and as included in *Figure 2* and *Figure 3*).

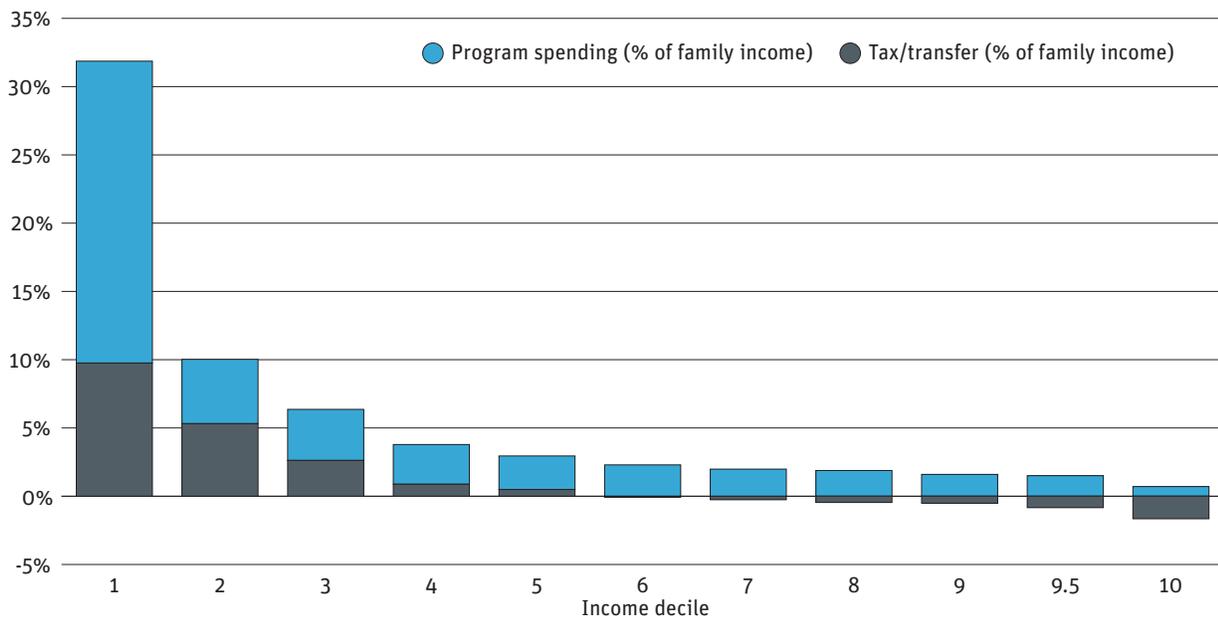
In *Figure 4* we can see that the AFB would lower poverty rates significantly for seniors and children. The improvements

FIGURE 2 AFB impact by economic family income deciles



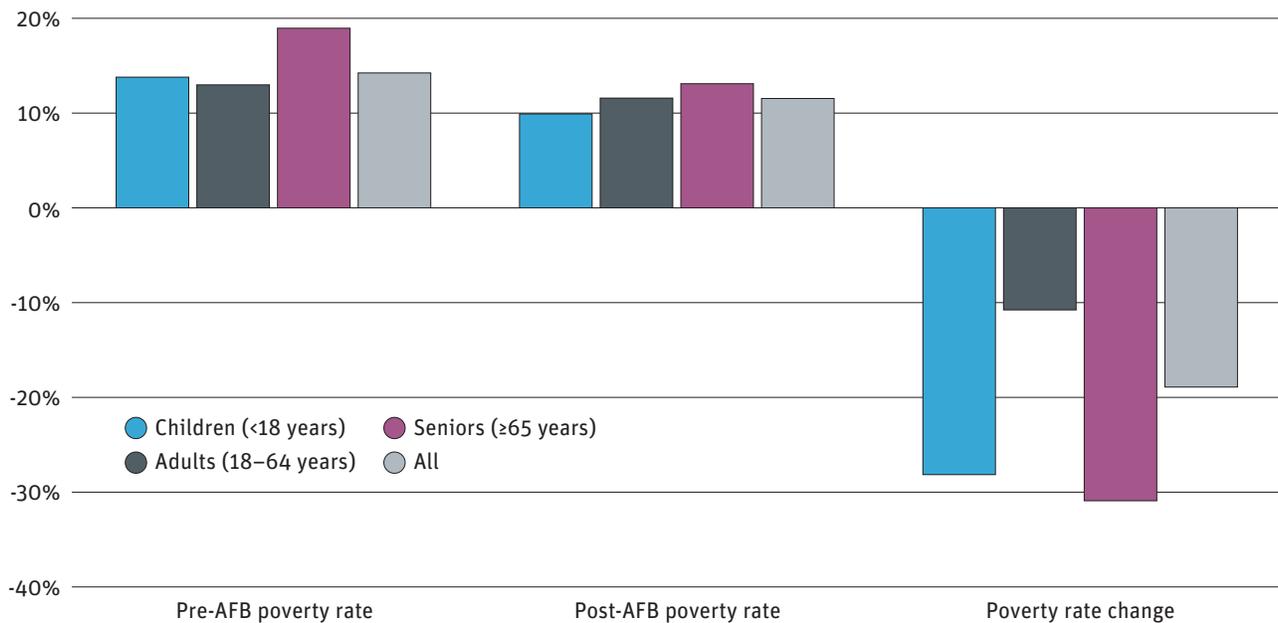
Source: SPSD/M 26.0 and author's calculations.

FIGURE 3 AFB impact by economic family income deciles



Source: SPSD/M 26.0 and author's calculations.

FIGURE 4 AFB poverty rate impacts by age group



Source: SPSD/M 26.0 and author's calculations, LIM-AT.

for the former are largely due to changes to the Guaranteed Income Supplement (GIS), which targets low-income seniors. A large number of seniors are currently living with incomes just below the poverty line, so a relatively small increase in the GIS would lift 31% of seniors out of poverty (59% of them women).

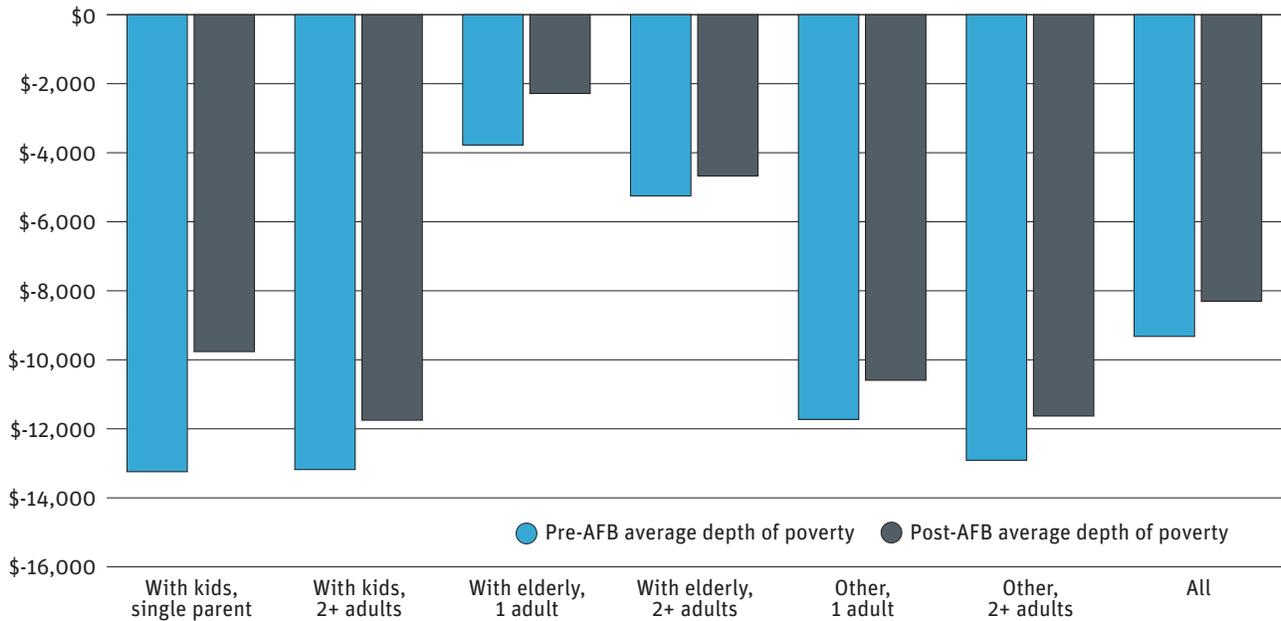
The child poverty rate is most impacted by the AFB's proposed GST top-up. For both children and seniors, the poverty rates are reduced by roughly one-third. Adults also see a reduction in their poverty rate of just over 10% (it is lower than for seniors or children simply because there are relatively more adults). The AFB lifts almost one million people in all age groups above the LIM-AT line.

For those Canadians who would remain below this line, even under the AFB plan, the depth of poverty is reduced across all family types. The improvement is most notable for single- or dual-parent families with children. There is also a notable reduction in poverty levels for single seniors, for whom the depth of poverty is already the lowest. The depth of poverty is reduced for non-senior adults without children, but by less than for other family types.

Summary of AFB program expenditures

The AFB measures listed in *Table 3* (and elaborated in subsequent chapters) tackle important challenges facing our country and promise to substantially improve the lives

FIGURE 5 AFB poverty depth impacts by family type



Source: SPSD/M 26.0 and author's calculations, LIM-AT.

of Canadians. As the analysis above shows, these measures are further supplemented by important distributional, employment and poverty impacts.

While the transfers to lower-income families result in important reductions in poverty levels, benefits are hardly restricted to the lower end of the income spectrum. Better employment prospects and improved programs would also benefit upper-income families — by sustaining GDP growth and furnishing the stable tax base that will pay for public services and programs today and into the future.

Notes

- 1 CANSIM 282-0071 December 2016 through Dec 2017 Average hourly wage rate for all employees.
- 2 CANSIM 326-0020 December 2016 through Dec 2017.
- 3 David Macdonald, *Addicted to Debt: Tracking Canada's rapid accumulation of private sector debt*, June 2017, Canadian Centre for Policy Alternatives.
- 4 CANSIM 378-0121 Q3 2016 to Q3 2017 (most recent data available at publication). Total financial liabilities for households and non-profit institutions serving households.
- 5 This analysis is based on Statistics Canada's Social Policy Simulation Database and Model 26.0. The assumptions and calculations underlying the simulation were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the author.

TABLE 1 Finance Canada's base case

Macroeconomic indicators (mil)	2017	2018	2019	2020
Nominal GDP	\$2,140,000	\$2,226,000	\$2,301,000	\$2,386,000
Real GDP growth	3.1%	2.1%	1.6%	1.7%
GDP inflation	2.4%	1.8%	1.8%	2.0%
Nominal GDP growth	5.5%	4.0%	3.4%	3.7%
Employment				
Participation rate	65.8%	66.0%	66.0%	65.8%
Labour force	19,767	20,037	20,238	20,378
Employed (000s)	18,640	18,775	18,963	19,074
Employment rate	62.0%	61.8%	61.8%	61.6%
Unemployed (000s)	1,127	1,262	1,275	1,304
Unemployment rate	5.7%	6.3%	6.3%	6.4%
Budgetary transactions (mil)				
	2017-18	2018-19	2019-20	2020-21
Revenues	\$309,200	\$320,100	\$330,300	\$342,300
Program spending	\$304,900	\$312,200	\$319,000	\$328,900
Debt service	\$24,200	\$26,600	\$28,700	\$30,200
Budget balance (surplus/deficit)	-\$19,900	-\$18,700	-\$17,400	-\$16,800
Closing debt (accumulated deficit)	\$652,800	\$671,500	\$688,900	\$705,700
Budgetary indicators as a percentage of GDP				
Revenues / GDP	14.4%	14.4%	14.4%	14.3%
Program spending / GDP	14.2%	14.0%	13.9%	13.8%
Budgetary balance / GDP	-0.9%	-0.8%	-0.8%	-0.7%
Debt / GDP	30.5%	30.2%	29.9%	29.6%

Source Finance Canada's 2017 Fall Economic Statement and authors' calculations.

TABLE 2 The Alternative Federal Budget case

	2017-18	2018-19	2019-20	2020-21
Nominal GDP	\$2,140,000	\$2,273,000	\$2,368,000	\$2,451,000
Nominal GDP growth	5.5%	6.2%	4.2%	3.5%
Revenues (mil)				
Base case	\$309,200	\$320,100	\$330,300	\$342,300
Net AFB revenue measures		\$40,200	\$43,200	\$45,200
Additional tax revenue due to higher GDP		\$5,600	\$9,200	\$10,200
Total	\$309,200	\$365,900	\$382,700	\$397,700
Program Spending (mil)				
Base case	\$304,900	\$312,200	\$319,000	\$328,900
Net AFB program measures		\$79,700	\$76,700	\$82,100
Total	\$304,900	\$391,900	\$395,700	\$411,000
Debt service	\$24,200	\$27,200	\$29,800	\$31,800
Budget balance (surplus/deficit)	-\$19,900	-\$53,200	-\$42,800	-\$45,100
Closing debt (accumulated deficit)	\$652,800	\$706,000	\$748,800	\$793,900
Budgetary indicators as percentage of GDP				
Revenue/GDP	14.4%	16.1%	16.2%	16.2%
Program spending/GDP	14.2%	17.2%	16.7%	16.8%
Budgetary balance/GDP	-0.9%	-2.3%	-1.8%	-1.8%
Debt/GDP	30.5%	31.1%	31.6%	32.4%
AFB Employment Impact				
	2017	2018	2019	2020
AFB jobs created (000s)		470	621	562
Population (000s)	30,059	30,359	30,663	30,970
Participation rate	65.8%	67.0%	67.5%	67.4%
Labour force (000s)	19,767	20,341	20,698	20,874
Employed (000s)	18,640	19,245	19,584	19,636
Employment rate	62.0%	63.4%	63.9%	63.4%
Unemployed (000s)	1,127	1,096	1,114	1,237
Unemployment rate	5.7%	5.4%	5.4%	5.9%

TABLE 3 AFB actions (all figures in \$M)

	2018-19	2019-20	2020-21
Agriculture			
Create basic income for young farmers	50	275	275
Restore Canadian Grain Commission funding	40	40	40
Arts & Culture			
Canada Arts Training Fund	10	10	10
Canada Arts Presentation Fund	30	30	30
Child Care			
Expand affordable child care	1,000	2,000	3,000
Defense			
International peacekeeping training centre	5	5	5
Cancel purchase of F-35s	(400)	(400)	(400)
Employment Insurance			
Increase EI premiums to \$1.88 per \$100 of insurable earnings	(3,500)	(3,500)	(3,500)
Establish uniform EI entry of 360 hours	2,000	2,000	2,000
Additional eight weeks of leave for non-birthing parents	600	600	600
Low-income supplement	900	900	900
Environment and Climate Change			
Cancel Accelerated Capital Cost Allowance on liquified natural gas	(9)	(9)	(9)
Cancel Canadian Development Expenses on oil, gas well and mining development	(1,018)	(1,018)	(1,018)
Cancel Canadian Exploration Expenses for coal mining	(148)	(148)	(148)
Cancel flow-through share deductions for coal, oil and gas projects	(133)	(133)	(133)
Cancel Canadian Oil And Gas Property Expense	(36)	(36)	(36)
Global climate financing	1,000	1,000	3,000
Re-establish home energy efficiency retrofit program	600	600	600
Retrofitting of multi-unit residential homes	2,000	2,000	2,000
Invest in environmental protection measures	467	467	467
Implement revised environmental protection laws	15	30	30
Invest in protection of fisheries and fish habitat	47	47	47
Invest in environmental data	55	55	55
First Nations			
Eliminate funding shortfall due to 2% funding cap since 1996	9,053	1,786	1,786
Invest in First Nations child and family services	84	87	87
First Nations housing investment	825	825	825

Clean drinking water on reserves	320	320	320
On-reserve infrastructure (roads, recreational facilities, fire halls, etc.)	1,765	1,765	1,765
Language revitalization	124	124	124
Gender Equality			
Increase funding for Status of Women Canada	100	100	100
National plan to address violence against women	500	500	500
Health Care			
Health Accord with 5.2% annual escalator	463	1,209	1,895
Recommission the Health Council of Canada	10	10	10
Build Indigenous health centres	30	10	10
National pharmacare	11,500	11,960	12,438
New long-term and residential care spaces	2,300	2,300	2,300
Dedicated mental health spending	100	100	150
Commission on regulation of currently illegal drugs	15		
Housing and Neighbourhoods			
Preserve existing social housing stock	1,000		
Investment in supportive housing	1,000	1,000	1,000
National Housing Benefit	1,500	1,500	1,500
Immigration			
Foreign credential recognition and training	100	100	100
Exempt refugees from repayment of resettlement costs	50	50	50
Reduce citizenship fees back to \$100	17	17	17
Reinstate Immigrant Settlement Services	50	50	50
Build Canada Action Plan Against Racism	20	20	20
Extend the CCB to children irrespective of immigration status	10	10	10
Remove excessive demand medical inadmissibility	27	27	27
Industrial Strategy and Just Transition			
National Decarbonization Strategy	50	50	50
Just Transition	100	100	100
Strategic Training Fund	100	150	250
Infrastructure and Cities			
Boost short-term public transit and transport electrification funding	2,000	2,000	2,000
Boost short-term green infrastructure funding	2,000	2,000	2,000
Low Carbon Economy Fund investments	1,500	1,500	1,500
National Community Development Agency	50	50	50

International Development

Increase Canada's international assistance envelope to 0.7% of GNI over 10 years	755	1,625	2,630
--	-----	-------	-------

Post-Secondary Education

Eliminate the federal tuition tax credit	(1,545)	(1,545)	(1,545)
Cancel the Canada Job Grant	(300)	(300)	(300)
Cancel RESP	(110)	(110)	(110)
Eliminate the student loan interest tax credit	(45)	(45)	(45)
Reduce the scientific research and experimental development credit by 0.8%	(12)	(25)	(25)
PSE Renewal Transfer	5,480	5,480	5,480
PSE Act	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
Establish a mandatory apprenticeship ratio for all federal infrastructure projects	505	505	505
Eliminate interest on student loans	283	283	283
Restore funding to tri-council funding agencies (SSHRC, NSERC and CIHR)	1,300	1,300	1,300
Funding for PSE 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	4,400	4,400	4,400
Disability tax credit	360	360	360

Public Services

Assess the budget cut impacts and restore programs where needed	500	2,000	2,000
Hire new payroll, IT and other staff to fix Phoenix pay issues	200	200	200

Seniors and Retirement Security

Limit RRSP contributions to \$22,000/year	(780)	(780)	(780)
Index OAS to average industrial wage growth	65	70	75
Increase the GIS top-up by \$1,000 for singles and couples while increasing the exemption by \$3,000	2,080	2,080	2,080
Exempt first \$1,500 of CPP income from GIS clawback	1,730	1,730	1,730

Taxation

Eliminate stock option deduction	(700)	(700)	(700)
Equalize capital gains treatment (personal)	(5,500)	(5,500)	(5,500)
Equalize capital gains treatment (corporate)	(5,500)	(5,500)	(5,500)

Lifetime cap on principal residence exemption	(1,500)	(1,500)	(1,500)
Lifetime cap on TFSA contributions at \$50,000	(120)	(130)	(140)
Cancel boutique tax credits (home buyers, firefighters, teachers)	(170)	(170)	(170)
Eliminate corporate meals and entertainment expense	(400)	(400)	(400)
Economic substance test for offshore subsidiaries	(400)	(400)	(400)
Cap interest payments to offshore subsidiaries	(200)	(200)	(200)
Tax havens withholding tax	(2,000)	(2,000)	(2,000)
Tax foreign e-commerce companies operating in Canada	(600)	(600)	(600)
End GST/HST exemption for foreign e-commerce companies	(500)	(500)	(500)
Increase corporate income taxes from 15% to 21%	(6,000)	(7,500)	(9,000)
Small business tax rate to 15%	(1,270)	(2,625)	(3,015)
Carbon tax at \$50/tonne by Jan 1, 2020	(1,000)	(1,000)	(1,000)
Financial activities tax	(5,000)	(5,100)	(5,202)
Inheritance tax on estates worth \$5 million (and up)	(2,000)	(2,000)	(2,000)
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 and mining developments	50	50	50
Assess environmental impact of tar sands	30	30	
Reinstate cut water programs at Environment and Climate Change Canada, and Fisheries and Oceans Canada	60	60	60
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			
Review income security and labour statutes	4	3	0
Youth labour market planning board	30	30	30
Workforce Renewal Fund	100	100	100
Renewal of federally funded internships	300	300	300
Statistics Canada tracking of unpaid internships and NEET	2	2	2
Proactive Labour Code enforcement	20	20	20
Total AFB expenditure changes	79,673	76,694	82,063
Total AFB revenue changes	(40,196)	(43,174)	(45,176)

Fair and Progressive Taxation



ALTERNATIVE
FEDERAL BUDGET
2018

TAXATION

SITUATION

- Our tax system has become overly complex and riddled with expensive loopholes that worsen inequalities.
- The federal government is losing up to an estimated \$48 billion to tax evasion and aggressive avoidance, while Canadian companies have over \$250 billion publicly reported in tax havens.
- Multinational e-commerce firms are not paying their fair share of taxes, which puts domestic competitors at a disadvantage.
- Canada's low corporate tax rate has encouraged cash-hoarding and speculation, not new economic growth.
- Canadian tax breaks for the fossil fuel sector and the low carbon tax rate will not incentivize the transition to a greener economy.

DESTINATION

- Eliminate regressive tax loopholes that benefit almost exclusively high-income earners.
- Monitor and crack down on corporate tax dodging, in part through new reporting requirements for offshore subsidiaries of Canadian firms.
- Tax services provided by non-Canadian e-commerce firms to level the playing field and recoup foregone government revenues.
- Raise the corporate tax rate to 21% (in line with the proposed U.S. level) and create a new financial transactions tax to curb excessive speculation.
- Introduce a national \$30/tonne carbon tax in 2018, to grow to \$50/tonne in 2020, and invest part of the revenues in just-transition measures.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Progressive tax reform in Canada could easily generate the additional revenues the federal government will need to enhance Canada's public services and social infrastructure as proposed in the Alternative Federal Budget. A fairer tax regime would also help reverse growing inequalities while strengthening the Canadian economy.

Our tax system has become too complex. There are too many different rates for different sources of income, too many loopholes for high-income earners and corporations. This may benefit tax accountants and law-

yers and the people who can afford to hire them — Canada's richest 10% get a discount of more than \$20,000 on their taxes due to unfair loopholes — but for most people tax complexity is just irritating.¹

Canada's myriad tax expenditures are also extremely costly to the government. Hundreds of billions of dollars are spent annually on tax breaks for capital gains, stock option deductions, fossil fuel production, etc., with no apparent benefits to the economy. Let's face it: jobs and income growth have been, and for the most part remain, extremely sluggish since the 2008 financial crisis.

The 2015 Liberal election platform promised to conduct “an overdue and wide-ranging review” of Canada’s tax expenditures, “with the core objective being to look for opportunities to reduce tax benefits that unfairly help those with individual incomes in excess of \$200,000 per year.”² The Liberals clearly suggested that capping the stock option deduction and addressing abuse of private corporations by high-income earners would be part of it.

Since then, the Trudeau government has taken some positive steps on tax reform: it cancelled some of the previous Conservative government’s most egregious tax breaks, closed some loopholes, increased the capacity of the Canada Revenue Agency to address tax evasion, added another top tax bracket of 33% on incomes over \$200,000, introduced the Canada Child Benefit and improved the Working Income Tax Benefit. But these changes, while welcome, need to be put in perspective.

A higher tax bracket can be undone if other tax loopholes for high-income earners—like the ability of professionals to incorporate so their income is taxed at the much lower small business rate—remain available. Even higher up the income chain, large corporations, and especially those which structure themselves as digital service providers, can still too easily avoid taxes by establishing themselves in tax havens and low-tax jurisdictions, putting local businesses at a significant disadvantage.

At the other end of the pay scale, while the government’s improvements to tax benefits for low-income earners are positive, many people are either unaware that these

benefits exist or do not file their taxes every year (and therefore can’t make use of them). Not enough effort is being made to help disadvantaged groups, particularly in Indigenous communities, access the tax benefits they are entitled to.

To date, Finance Canada’s review of tax expenditures has been a purely internal affair. The government still hasn’t taken steps on stock options, and an attempt to address abusive tax avoidance by Canadian-controlled private corporations (CCPCs), while well-intentioned, was badly managed, resulting in enormous opposition that diluted the final proposals.

It’s a shame, because Canada’s Parliamentary Budget Officer estimates that federal revenues from the proposed CCPC tax reforms (i.e., public money saved by closing this loophole) would generate an immediate \$1 billion annually, growing to upwards of \$6 billion a year over the longer term.³ That money could be used to build more social housing stock, pay for upgrades to Canada’s aging water infrastructure, or top-up funding for Indigenous education, among any number of the government’s priorities—or our priorities in this AFB.

AFB Actions

The following straightforward tax measures are intended to generate significant revenues for public services, broaden the tax base, promote economic growth, increase equality and make tax filing easier for Canadians.

Action: Make tax time simpler.

Canadian families spend too much time in front of tax accountants (or computer applications) just to file their taxes — at an estimated total cost of \$4 billion a year. The process is especially challenging for lower-income and marginalized people, many of whom don't even bother filing and therefore miss out on tax benefits to which they may be entitled.

The AFB would provide Canadians with the option of having the Canada Revenue Agency (CRA) prepare their tax returns, a service other countries such as Norway have offered for many years.⁴ Though the exact costs of such a program in Canada are not calculated, the AFB assumes they would be largely, if not totally, defrayed by efficiency-based savings.

Action: Close unfair and ineffective tax loopholes.

Closing unfair and ineffective tax loopholes (or tax expenditures), while making the tax system simpler and fairer, could raise \$18 billion in additional revenue — all without raising taxes for the vast majority (90%) of Canadians. The following expenditures are top candidates for elimination or restriction.

- **Stock option deduction:** This federal tax expenditure allows corporate executives and others to pay tax on their stock option compensation at half the rate that the rest of us pay on our working income. Over 90% of the benefit of this loophole goes to the top 1% of tax filers — those who make more than \$250,000 a year.

The AFB eliminates the deduction (savings: \$700 million a year).⁵

- **Capital gains:** Individuals and corporations who profit from the sale of investments or assets pay tax at half the rate of tax on employment income. The AFB maintains the existing lifetime capital gains exemptions for farms, fisheries and small business, but would tax personal and corporate income from capital gains at the same rate as employment income after adjusting for inflation. Allowing for an inflation adjustment would still provide some tax deferral benefit to investors but encourage longer-term investments rather than speculation. The AFB would also introduce a \$500,000 lifetime capital gains exemption for gains from selling a primary residence, which would remove some of the incentive for real estate speculation and help reduce wealth inequality (savings: \$12.5 billion).⁶
- **Tax-free savings accounts:** The cost of foregone revenues from TFSAs has grown from \$250 million in 2012 to over \$1 billion in 2017. The AFB sets a lifetime TFSA contribution limit of \$50,000 to avoid a federal revenue sinkhole down the line (savings: **\$120 million** a year initially, increasing into the billions of dollars in the future).
- **Registered retirement savings plans:** The AFB reduces the annual RRSP contribution limit to \$22,000 but makes significant improvements to the Canada Pension Plan (see the Seniors and Retirement Security Chapter).

- **Boutique tax credits:** Canada’s tax system became riddled with so-called boutique tax credits. These activity-specific breaks make filling out annual tax forms much more complex and are generally not effective in their intended objectives. Recent federal budgets have eliminated several of these credits, but there are still more that should be cancelled including the first-time home buyers, volunteer emergency/firefighter and teacher supplies tax credits (savings: \$170 million a year).
- **Corporate meals and entertainment expense deduction:** Businesses can deduct half their meal and entertainment expenses, including the cost of season’s tickets and private boxes at sports events. The AFB cancels this widely abused tax break while maintaining the meal expense deduction for long-distance truckers (savings: \$400 million a year).⁷
- **Fossil fuel subsidies:** The AFB eliminates all federal subsidies for fossil fuel sectors (see the Environment and Climate Change chapter).

Action: Stop offshore tax dodging.

The Conference Board of Canada estimates Canada loses as much as \$47 billion every year to tax evasion.⁸ Some of this loss is from domestic tax avoidance, but billions of dollars are also being parked in international tax havens. The CRA should calculate and report on this “tax gap,” as Senator Percy Downe proposes in his Fairness for All Canadian Taxpayers Act.

Two-thirds of federal revenue loss related to tax haven abuse is likely the result of companies trying to avoid paying corporate taxes. A study commissioned by Canadians for Tax Fairness found that 56 of the 60 major companies listed on the TSX have more than 1,000 subsidiaries in tax havens.⁹ While ending this abuse of the tax system will require international co-operation, there are several measures Canada could take now to recoup some of the lost revenues.

- First, the AFB would require that companies demonstrate the economic substance of their offshore subsidiary for them to be recognized as separate corporate entities for tax purposes. In other words, corporations would have to demonstrate their subsidiaries are carrying out actual economic activity such as production or sales. Bill C-362, introduced in June 2017 by Victoria, B.C. MP Murray Rankin, provides a good legislative example of how this could be done (revenue: \$400 million a year).¹⁰
- Second, the AFB puts a cap on interest payments to offshore subsidiaries as recommended by the OECD in its Base Erosion and Profit Shifting (BEPS) action plan. The U.K. government introduced such a measure its 2016 budget, though at 30% the cap is far too high to be very effective. We recommend a group ratio rule limiting the deductibility of interest to the entity’s share of the group’s consolidated net interest expense apportioned by earnings (EBITDA). If this measure is combined with a fixed cap,

that cap should be set at 10% (revenue: \$200 million a year).¹¹

- Finally, the AFB applies a 1% withholding tax on Canadian assets held in tax havens, which amounted to an estimated \$261 billion in 2016, or one-quarter of all Canadian direct foreign investment abroad (revenue: over \$2 billion a year).

Action: Fairly tax foreign-based e-commerce companies.

E-commerce companies such as Netflix, Google/YouTube, Amazon, Facebook, Uber and Airbnb are capturing a huge and growing share of the Canadian market but pay little or no taxes. They have been exempted from paying taxes because they have no physical presence in Canada and therefore are deemed not to be “carrying on business” here.¹² The foreign-based e-commerce sector takes in more than \$20 billion a year from sales in Canada, with Google and Facebook alone capturing 64% of all internet advertising dollars (over \$3.5 billion).

The European Union, New Zealand, Australia, Norway, South Korea, Japan, Switzerland and South Africa have modernized tax laws to respond to this changing e-commerce reality.¹³ The OECD has recommended governments collect value-added taxes where the service product (e.g., a Netflix account, or Airbnb’s cut of online rentals) is purchased, which would help level the playing field between foreign and domestic suppliers.¹⁴

While the 2017 federal budget included a requirement that ride-sharing businesses like Uber and Lyft pay the GST, this is on a self-reported basis and does not apply to

other foreign digital economy players. Failure to update our tax policy creates unfair competition, causes significant job losses in journalism, media and the cultural sectors, threatens the vitality of Canadian culture and squanders the opportunity to raise hundreds of million dollars in revenue for both federal and provincial governments.

The AFB requires all e-commerce companies with Canadian income above a certain threshold to pay corporate income tax on profits from products or services sold or rented in Canada (estimated revenues: up to \$600 million a year federally). The AFB also requires e-commerce firms in Canada to collect and remit GST/HST and PST (estimated revenues: \$500 million a year for the federal government).

Action: Increase corporate tax rates.

Deep corporate tax cuts over the past 16 years have failed to stimulate higher investment and economic growth. Instead they’ve led to corporate cash surpluses of over \$700 billion. This “dead money,” which could be productively invested, is instead fuelling potentially destabilizing speculation and leading to intense pressure for governments to privatize public services, including through public-private partnerships (P3s) and the Canada Infrastructure Bank.

The AFB would gradually increase the federal corporate income tax rate from 15% to 21%, slightly lower than it was in 2006 but similar to the 21% rate proposed in the United States. The small business tax rate will be increased to 15% to preserve proportionality with the corporate rate, be consistent with the lower rate on personal in-

come, and reduce tax avoidance by those channelling personal income through private corporations. We would also limit the amount that corporations can deduct for any single salary in total compensation to \$1 million annually (total revenues generated: \$12 billion).

Action: Introduce a higher and more progressive carbon tax.

The federal government plans to have a national carbon price of \$10 per tonne in place by July 1, and to increase it by \$10 a year to \$50 per tonne in 2022. As in past years, the AFB goes further than this, introducing a \$30/tonne carbon tax on July 1 and increasing it by \$10/tonne annually until it reaches \$50 per tonne in 2020. Unlike the current Liberal government's plan, a substantial share of the revenues from the AFB carbon tax would go to a "green" tax refund — an annual cheque worth \$10 for every adult and \$5 per child for every \$1/tonne in carbon tax (e.g., \$300 per adult for a carbon tax of \$30 per tonne).

The remainder of the revenues from the AFB carbon tax would go to complementary investments in climate change mitigation and adaptation, and measures to assist affected workers, communities and industries (see Industrial Strategy and a Just Transition chapter). The AFB also applies border tax adjustments (with exemptions for goods from impoverished nations) to ensure Canadian-based industry is not at a competitive disadvantage, and to put pressure on other countries to introduce similar climate measures (net revenues: \$1 billion).

Action: Increase taxes on banks and finance.

Ten years after the financial crisis, the financial sector has regained its losses and, apparently, its hubris. The underlying factors that led to the crash — "too big to fail" companies chasing high returns through risky financial products — remain largely in place. Meanwhile, the financial sector still benefits from preferential taxes (most financial services in Canada are exempted from value-added taxes such as the GST/HST), the easy exploitation of tax havens, and government's implicit guarantee of a bailout in the event of another crisis.¹⁵

In the last U.S. election, Democrats supported a "financial transactions tax on Wall Street to curb excessive speculation and high-frequency trading."¹⁶ European nations including Germany and France are moving ahead with a FTT as a means of curbing excessive speculation and raising revenues, and the tax exists in different forms in many other countries, including China and Taiwan.

The International Monetary Fund has also proposed a financial activities tax (FAT), a kind of value-added tax on profits and remuneration in the financial industry akin to the one Quebec has had in place for some time. The AFB would either introduce a FAT rate of 5% on profits and remuneration in the financial sector or a FTT in collaboration with the provinces (revenues: \$5 billion).

Action: Introduce wealth (inheritance) taxes.

Wealth inequality in Canada is more extreme than income inequality. But our only tax tied to wealth is the regressive property tax, which targets the only asset (our homes)

of significant value to most middle-income families. The IMF has estimated that Canada could generate \$12 billion annually from a new tax of just 1% (similar to property tax rates) on the net wealth of the top 10% of households. The AFB introduces such a wealth tax, along with a minimum inheritance tax of 45% on estates valued over \$5 million, similar to the estate tax in the U.S. (revenues: \$2 billion).

Notes

1 David Macdonald. (2017). Preferential Treatment: The History and Cost of Tax Exemptions, Credits and Loopholes in Canada. Canadian Centre for Policy Alternatives: <https://www.policyalternatives.ca/publications/reports/preferential-treatment>.

2 Liberal Party of Canada. (2015). Real Change: A New Plan for a Strong Middle Class: <https://www.liberal.ca/wp-content/uploads/2015/10/New-plan-for-a-strong-middle-class.pdf>.

3 Office of the Parliamentary Budget Officer. (2017). Analysis of Changes to the Taxation of Corporate Passive Investment Income: http://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2017/Analysis%20Changes%20CPII/Taxation%20of%20CPII_EN.pdf.

4 See the Norwegian government's FAQ here: <https://www.skatteetaten.no/en/International-pages/If-you-work-in-Norway-you-need-to/Norwegian-employer/Norwegian-employer/Articles/Tax-return/>.

5 Many of the revenue estimates are taken from Finance Canada, *Report on Federal Tax Expenditures - Concepts, Estimates and Evaluations 2017*: <https://www.fin.gc.ca/taxexp-defpisc/2017/taxexp17-eng.asp>.

6 David Macdonald, *Preferential Treatment*, Canadian Centre for Policy Alternatives, May 2017, https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2017/05/Preferential_Treatment.pdf.

7 Richard Schmalbeck and Jay A. Soled, *Elimination of the Deduction for Business Entertainment Expenses* http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2733&context=faculty_scholarship.

8 Dave Seglins, "CRA not tracking billions in potential taxes lost each year," CBC News, November 7, 2017: <http://www.cbc.ca/news/business/paradise-papers-tax-gap-1.4384532>.

9 Canadians for Tax Fairness, *Bay Street and Tax Havens: Curbing Corporate Canada's Tax Addiction*, November 2017. <http://www.taxfairness.ca/en/news/canada%E2%80%99s-top-60-public-companies-have-over-1000-tax-haven-subsidiaries-or-related-companies-o>.

10 House of Commons of Canada, *Bill C-362, An Act to amend the Income Tax Act (economic substance)*. <http://www.parl.ca/DocumentViewer/en/42-1/bill/C-362/first-reading>.

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

12 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>.

13 *Ibid.*, pp. 18–21.

14 Organization for Economic Cooperation and Development, *Addressing the Tax Challenges of the Digital Economy, Action 1 2015 Final Report*. Base Erosion and Profit Shifting Project. <http://www.oecd.org/tax/addressing-the-tax-challenges-of-the-digital-economy-action-1-2015-final-report-9789264241046-en.htm>.

15 Toby Sanger, *Fair Shares: How Banks, Brokers and the Financial Industry Can Pay Fairer Taxes*, Canadian Centre for Policy Alternatives, 2011: <https://www.policyalternatives.ca/publications/reports/fair-shares>.

16 Nick Baker and John Voskuhl, "Democrats Back a Trading Tax, Say Speediest Traders a Threat," Bloomberg, July 1, 2016: <https://www.bloombergquint.com/politics/2016/07/01/democrats-endorse-a-trading-tax-call-speediest-traders-a-threat>.

Agriculture



ALTERNATIVE
FEDERAL BUDGET
2018

AGRICULTURE

SITUATION

- Canada's farms could be entirely in the hands of corporations and absentee landlords within 20 years.
- Trade deals have left Canada with fewer farmers, more imported food, fewer local food processors and generally greater foreign ownership in agriculture.
- Climate change is having serious impacts on farming through droughts, floods, early frosts, and new diseases and pests, increasing price volatility and uncertainty.

DESTINATION

- Create a guaranteed basic income for new farmers and facilitate farm transfers to the next generation.
- Rebuild domestic, regional and local agricultural and food markets, and add production and processing capacity.
- Adopt "triple win" low-carbon-emission production that improves farm-family livelihoods, builds soil carbon and increases the resilience of farms.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Farmers are a minority within the Canadian population, yet everyone in Canada relies on them for the food they eat every day. Farming and agriculture are therefore critical to Canada's future.

The foundation of Canada's rural economy is farmers' net income. When returns to farming are sufficient, money is spent in towns and cities in a wide range of local enterprises, which supports farming and community life and provides tax dollars to fund infrastructure and public services. The downward spiral of rural decline and depopulation can be turned around by implementing measures to ensure that farm-

ers obtain a fair share of the wealth produced on the land.

The Alternative Federal Budget seeks to reorient agricultural investment away from export promotion and into rebuilding food system capacity within Canada, ensure that our agriculture sector is a genuine part of the climate change solution, and support the next generation's ability to succeed in farming.

Meeting the rural demographic challenge

The average age of farmers in Canada is now 55 and rising as older farmers delay retirement.¹ Most farmers do not have someone

lined up to take over when they retire, and only 8% have a written succession plan.² Today, farmers constitute only 1.6% of the Canadian population.³ The number of farms has gone down and the average farm size has increased. Younger people who wish to farm face large financial barriers to entry, precarious farm income prospects and a fraying rural social fabric.

Declining farm profitability has led to this crisis in intergenerational transfer. When too few younger people can afford to farm, land is acquired by farmland investment companies, consolidated into large holdings, and farmed by tenant farmers and hired labour instead. A lack of new farmers leads to lost skills, creates obstacles to innovation, and poses a threat to Canada's food sovereignty. There is an urgent need for measures to help young and new farmers from diverse backgrounds enter all sectors of agriculture so they can farm successfully and contribute to a more resilient and just food system.

Income stability is the single biggest challenge to new farmers as they start their new business or take over an existing farm operation. A guaranteed basic income would allow young farmers to bridge the seasonal income gap and reduce their vulnerability to price and market volatility during the crucial years of establishment. A modest guaranteed basic income would allow them to invest farm proceeds in their operation, helping them develop viable businesses that provide a consistent cash flow to spend in their communities — so that more money circulates through the local rural economy.

Rebuilding our agricultural foundation

Since the Canada-U.S. Free Trade Agreement came into force in 1989, Canada's food and agriculture imports have increased faster than like exports. At the same time, Canadian ownership of major agriculture and food processing sectors has plummeted and, in areas such as beef and malting barley, disappeared altogether. Since 1988, 20% of Canadian farms have vanished, farm input costs have gone up and inflation-adjusted commodity prices have dropped.

The farmer sees an ever-shrinking proportion of the consumer's grocery dollar. Canadians are consuming more food that is not grown or raised by Canadian farmers, not processed by Canadian workers. We are exporting high-volume, low-priced bulk commodities such as canola, wheat, soybeans and lentils, and importing higher-value prepared foods, bakery products, wine, fruits and vegetables.

Canada has lost significant 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 Canada's supply of fruit and vegetables more precarious. Our food system is not only becoming more export-dependent, it is losing its diversity and complexity.

Instead of correcting course, the 2017 federal budget committed to dramatically increase food exports. For Canada's bulk commodities to gain market share internationally, our agriculture system will need

to reduce the cost of production by offloading costs onto the least powerful. The predictable result will be even fewer farmers, higher greenhouse gas emissions from agriculture, fewer workers, and less protection for our soil, air and water.

Increasing the scale of processing facilities creates longer distances between the farm and the plant — or concentration of production close to processing facilities — and longer distribution chains to deliver food to consumers. Increased scale would also increase the system's brittleness, adding risk in the face of inevitable economic and climate stresses. The very infrastructure needed to supersize our exports would simultaneously create roadblocks for the development of more localized food systems that would deliver prosperity to rural communities.

Climate change

Agriculture is vulnerable to climate change. Adequate production depends on getting the right amounts of sun and rain at the right times. As greenhouse gas (GHG) emissions go up, the atmosphere retains more heat and can hold more moisture, changing the global water cycle. More of our precipitation comes from intense storms, tornados and plough winds become more common, and jet stream patterns are altered, causing droughts in some areas and extended cool, wet weather in others. Crop yields, soil and water quality, livestock health, farm building repairs and maintenance of rural infrastructure are all affected by this new and uncertain reality.

Because agriculture currently contributes a significant amount of Canada's GHGs, there is an opportunity to significantly reduce carbon emissions through changing farming practices. Our first priority needs to be a major reduction in emissions to avoid disaster. To do this, Canada needs to implement measures that help farmers adapt to climate change while they reduce emissions. Fiscal and program support for both adaptation and mitigation are required so agriculture can play its part in preventing catastrophic climate change while maintaining adequate food production and decent farmer livelihoods into the increasingly uncertain climate future.

While agriculture is responsible for significant GHGs, emission intensity varies among different farm types and methods of production. Canada's national GHG inventory assigns emissions to the sector of the economy that is responsible for most of each source. Thus, only emissions due to animal production, manure management and agricultural soils are counted as "agricultural" while emissions from diesel fuel are assigned to the transportation sector.

However, 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 and other inputs, transportation, and farm fuels and electricity, are all significant. Reducing these inputs and/or replacing them with lower-GHG alternatives would reduce agriculture's contribution to climate change.

Mitigation measures must simultaneously promote adaptation and resilience. Diversifi-

cation of production and soil improvement are key strategies. If farmers produce a range of products and incorporate natural buffers into the farm landscape they will be better able to survive unpredictable climatic conditions, extreme weather events and erratic market conditions. Farmers manage millions of acres of land in Canada and, with the right support, can make a huge contribution to global efforts by building soil organic carbon.

Climate adaptation for agriculture also requires off-farm action. Today's food system uses more than 10 calories of fossil fuel energy to produce one calorie of food energy. Farmers can improve this ratio by reducing their reliance on fossil fuels for food production, but their efforts must go hand in hand with changes in the transportation, distribution, storage and consumption of food.

AFB Actions

Action: Create a basic income support program for farmers with at least two but not more than 10 years of experience farming. An initial \$50 million will set up the program with on-going costs of \$275 million a year thereafter.

Result: The total number of farmers in Canada will increase, their average age will go down, intergenerational knowledge transfer will occur and rural communities across the country will gain population.

Action: Direct Farm Credit Canada (FCC) to prioritize lending to small- and medium-sized farms, to lend to farm-related businesses only if they are majority farmer-owned,

and to stop lending to farmland investment companies.

Result: The lending activities of FCC 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.

Action: Invest in local and regional food processing, storage, transportation and distribution infrastructure, and in capacity-building (e.g., training), giving priority to those operating under community-based and local co-operative ownership. The AFB will fund this by shifting existing corporate, export-oriented Canadian Agricultural Partnership grants to local food systems.

Result: Community-based food systems will provide employment and markets for workers and farmers, retaining agricultural wealth and promoting economic activity through the multiplier effect.

Action: Restore the Canadian Grain Commission's funding to pre-2012 levels and provide additional funds to support its ability to better oversee the grain trade in the interests of farmers, e.g., through grading, bond security, producer cars and the reinstatement of inward inspection (cost: \$40 million a year).

Result: Grain companies will be disciplined to provide fair grades, correct weights and prompt, full payment to farmers. Canada's reputation for high-quality grain (that earns premium prices) will be recovered, resulting in a greater share of the value produced on Canadian farms being returned to the farm-

ers where it will support economic activity in their communities.

Action: Establish an effective, national agricultural extension program to help farmers develop low-input production methods and strategies. The AFB will fund this by re-allocating funding presently devoted to corporate driven agriculture such as research into GMO, big data and precision agriculture.

Result: Agricultural practices will be altered to reduce total lifecycle GHG emissions and increase farm resilience to climate uncertainty while maintaining viable farmer livelihoods and needed food production.

Notes

1 CANSIM Table 004-0017: Census of Agriculture, number of farm operators by sex, age and paid non-farm work. Ottawa: Statistics Canada.

2 CANSIM Table 004-0245: Census of Agriculture, farms reporting a written succession plan for the operation. Ottawa: Statistics Canada.

3 CANSIM Table 051-0005: Estimates of Population. Ottawa: Statistics Canada. "CANSIM Table 004-0017: Census of Agriculture, number of farm operators by sex, age and paid non-farm work." Ottawa: Statistics Canada.

Arts and Culture



ALTERNATIVE
FEDERAL BUDGET
2018

ARTS AND
CULTURE

SITUATION

- Canada's investments in arts and culture help sustain a vibrant sector that generates more than \$54 billion in economic activity, or 3% of Canada's GDP in 2014.
- A recent federal investment agreement with Netflix runs counter to domestic cultural policies and reinforces the U.S. company's unfair tax advantage over Canadian competitors.
- Mitigating the exploitation of artists by third parties (e.g., the illegitimate copying and resale of their work) would improve artists' economic outcomes, particularly those from historically disadvantaged groups.

DESTINATION

- Increase funding for both the Canada Arts Training Fund and the Canada Arts Presentation Fund.
- Re-examine the Netflix deal so that foreign investment agreements do not establish separate cultural or taxation policies for foreign competitors.
- Implement artists' resale rights, clarify fair dealing provisions in the Copyright Act, and establish an interdepartmental task force to ensure a living wage and build an opt-in pension plan for active professional artists.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Investments by government in arts and culture are an essential part of a healthy creative ecology. Art engages our common humanity; culture connects us to one another. Public funding for both pursuits gives creators the latitude to better reflect and reinforce Canadian values. The creative sector also generates a lot of economic activity — \$54.6 billion in 2014, or 3% of Canadian GDP — and keeps about 630,000 people employed (3.5% of the workforce).

In other words, the return on investment of adequate arts and culture funding is significant and easily quantifiable. But there are other societal, cultural and economic

benefits that must also be taken into account in federal policy-making.

The Canadian Arts Training Fund (CATF), for example, supports nationally and internationally recognized pre-professional arts training institutions, which in turn support emerging artists at a critical stage in their careers. Adding \$10 million to the CATF's base funding (i.e., increasing the amount to \$32 million annually) over the next five years would help ensure the success of Canada's next generation of artists for many decades to come. This money would also address the glaring need for additional support for cultural institutions within Indigenous, racialized and other marginalized communities.

Likewise, the Canada Arts Presentation Fund (CAPF) helps animate hundreds of communities, with important economic spinoff benefits. A \$30-million top-up to the fund's base amount (bringing it to \$62 million annually) would improve access for Canadians, strengthen local economies and address historic inequities faced by Indigenous, racialized and marginalized communities. Introducing an international component to the CAPF would also improve international market access for Canadian artists, non-profit arts organizations and presenters, further complementing the fund's essential role in preparing product for export through Canada's Cultural Export Strategy.

As a final, but by no means last, example of the multiplier potential of arts and culture funding, the federal government should raise the annual cap on the endowment incentives component of the Canada Cultural Investment Fund (CCIF), from its current \$2 million to \$3 million annually, which would help established organizations raise additional capital with the benefit of matching funds. Endowments can help organizations become more self-reliant and reduce their emphasis on operating grants, freeing resources for those who need it most.

These programs are an essential part of the arts infrastructure – the mines and pipelines of the arts sector. The supply of raw materials (talent) as well as distribution systems (presenters) must keep pace with creation and production. Enhancing these programs, which are currently up for renewal at the Department of Canadian Heritage, in step with doubling the budget of the Canada Council for the Arts, would make sure

the national and regional arts and cultural sectors can remain responsive to changing demographics and tastes.

Creative Canada

Nearly 70 years have passed since the Massey-Lévesque Commission laid out a plan for Canadian arts and culture. In that time, Canada has developed a complex network of support mechanisms, levers and incentives, through legislation and regulation, to enhance Canada's cultural sectors.

While consultations in the first half of the Trudeau government's mandate have produced a visionary plan called Creative Canada, to bring arts and culture policy into the 21st century, this remains very much a work in progress and is not without controversial elements.

For example, there is a need to level the playing field in Canada between newer foreign entrants offering online access to arts and culture and their Canadian competitors. But the government has so far chosen to pursue investment agreements with foreign internet giants, which should be short-term and temporary, as they are generally not enforceable.

In the case of a recently announced deal with Netflix, these agreements run counter to existing domestic policy. Under that deal, Netflix will avoid having to collect taxes on the internet services it sells to Canadians (as similar Canadian service providers must) or abide by Canadian content rules applied to domestic broadcasters.

Such exceptions to the rules exacerbate the digital divide between foreign internet

giants and their domestic competitors, notably in this case by providing an unfair tax break (see the Fair and Progressive Taxation chapter). Canada should co-operate in multilateral efforts (e.g., at the OECD) to ensure fair taxation in the borderless digital economy.

At home the government must insist on discoverability. Easy access to Canadian content across broadcast and online mediums, both domestic and based in other countries, is not only important to Indigenous and francophone artists, but for the continuity of a plurality of distinct Canadian identities.

Creative Canada references upcoming reviews of the Copyright Act and the Broadcasting Act, among other legislation, which will inevitably affect different constituencies in different ways, necessitating close consultation with the public and stakeholders.

With respect to copyright, Canada should join the 93 countries that have agreed to implement artists' resale rights (ARR), which, as the name suggests, guarantee income to artists for the resale of their work. For example, Inuit art is often bought at a bargain basement price when compared to its resale value outside the country. ARRs help mitigate this type of exploitation.

Digitization also poses a real threat to creative professionals' ability to monetize their ideas, while the fair dealing provisions in existing Canadian law require clarification. When reviewing the Broadcasting Act, content development contributions and Canadian content rules must be reviewed, as well as spectrum auction levies.

Investments in the Canada Council for the Arts, the CBC/Radio-Canada, Telefilm

Canada, and museums and heritage, among other institutions, are critical to the creative sector. This government's support is welcome and comes at a critical time, as Canada adapts to new demographic realities and identity dynamics. To ensure cohesion in a country of many diversities, differing approaches are needed for specific cultural segments and niches.

Ongoing dialogue with the public and the arts and cultural sectors will be critical to our success as we evolve the Canadian project. Protecting and promoting our cultural sovereignty will ensure the continuation of our creative capacities as well as the dynamism that underpins our continued success at home and on the world stage.

Equity and solidarity

A major benefit of expanding support for Canada's cultural voices lies in its capacity to reinforce policies related to reconciliation and immigration. While Canada stands out globally in this respect, more needs to be done to ensure a more equitable cultural landscape within our borders.

The 2016 census demonstrated again the important and growing place of Canada's diverse racialized communities within the Canadian population. Funding for our national and international arts and culture scenes must adapt and grow accordingly.

Most glaringly, reconciliation with Canada's Indigenous peoples requires the recognition and reversal of centuries of cultural genocide. This might involve, for example, a multi-generational project, co-created with Inuit, Métis and First Nations, to ensure lan-

guage and cultural preservation and revitalization, which would foster a better overall understanding of Indigeneity as a living, breathing, necessary part of Canada's cultural landscape.

In general, however, we should see the arts and culture as transformative tools for helping to share Indigenous cultures with both Indigenous and non-Indigenous Canadians, on Indigenous peoples' terms, and in a way that is respectful of Indigenous cultural sovereignty.

While the diversification of Canadian arts and culture is inching forward, the transparent monitoring and evaluation of sector demographics, and more pluralist casting and other cultural practices, continue to elude us. We don't have a good picture of gender, linguistic, racialized, disabled and ethnocultural diversity among Canadian creators, managers, support teams, and so on. We don't know why some art forms are slower to change or what the barriers to change are. Equity cannot be achieved without transparency in this regard.

Toward that end, we can do better at collecting and analyzing statistics to adapt funding mechanisms and create a more even playing field in line with Canada's evolving demographics. If we are promoting Indigenous, racialized, linguistic, cultural and creative pluralism, investments should better reflect this direction. Providing across-the-board relative increases (when possible and even merited) may be a regressive policy in the current context. Instead, artists and arts organizations that adapt and evolve should be rewarded accordingly for moving with cultural currents.

AFB Actions

Canada's robust and dynamic culture is worth celebrating, in part thanks to the investments and policies of successive Canadian governments over the last 75 years. But if we are to ensure sociocultural cohesion, all peoples must see themselves reflected in the nation's stories and arts, on our stages as well as on our screens. A more equitable arts and culture landscape can only sustain and enhance Canada's domestic and international presence in arts and culture.

Action: Invest an additional \$10 million per year over the next five years in the Canada Arts Training Fund and \$30 million per year in the Canada Arts Presentation Fund. Ensure an adequate part of this new funding goes to supporting arts practices within Indigenous, racialized, differently abled and other historically marginalized communities.

Result: The Canadian government's investments in arts and culture will continue to sustain and grow a vibrant sector and underpin economic activity that adds \$54.6 billion to Canadian GDP, all while strengthening engagement with diverse Indigenous, linguistic and racialized communities.

Action: Continue to hold comprehensive public consultations on the Creative Canada agenda.

Result: Creative Canada becomes a catalyst for renewal in the cultural sector by involving key stakeholders in the evolution of Canada's arts and culture legislation and regulation. In turn, a new framework for arts and culture will better support Canada's adaptation to a plurality of cultural identity ex-

pressions, digitization, media consolidation and the proliferation of new platforms.

Action: Re-examine the Netflix deal, and in general the one-on-one agreement approach to regulating global internet giants, to ensure a level playing field and encourage competition.

Result: Domestic taxation and cultural policies are not evaded by side-deals with foreign competitors.

Action: Establish an interdepartmental task force, with representation from the arts and culture sectors, to explore ways to ensure a living wage standard for active professional artists and to develop an opt-in pension plan.

Result: The outlook for hundreds of thousands of hard-working Canadians in the creative sector will improve, strengthening purchasing power and quality of life.

Action: Implement artists' resale rights (ARR) and clarify Canada's fair dealing provisions during the upcoming review of the Copyright Act.

Result: Fewer artists will be exploited by third parties through the resale and illegitimate copying of their work.

Action: Establish metrics and milestones to monitor and evaluate the flow of invest-

ments, the evolution of artistic practices and the diversification of cultural expressions on our stages and screens, ensuring future investments better reflect Canadian demographics and diverse cultural contexts, including all aspects of human resources in the field (artists, staff, boards, volunteers, etc.). This effort will involve key departments and agencies (Canadian Heritage, Canada Council for the Arts, Statistics Canada, etc.) in consultation with the field and using data collected through existing centralized systems.

Result: Arts and culture will evolve in a more responsive way to meet growing demands for increasingly diverse cultural expressions. The cultural sector will adapt to better reflect Canada's many peoples, particularly Indigenous and racialized groups, as well as other minorities that are currently underrepresented. This change will become evident as persistent inequities in funding and artists' incomes are redressed, and as public performances, publications and exhibits better reflect contemporary Canada and the plurality of cultural expressions that make Canada one of the most diverse places in the world.

Child Care



ALTERNATIVE
FEDERAL BUDGET
2018

CHILD
CARE

SITUATION

- Recent federal child care initiatives, although positive, will not reduce fees for most parents.
- Most comparable countries spend at least 1% of GDP on child care; Canada spends 0.3%.
- Child care fees for parents are prohibitively high and increasing, sometimes faster than inflation.

DESTINATION

- Over 10 years, through conditional federal transfers to the provinces, ensure affordable child care for all parents.
- Increase federal child care funding by \$1 billion annually until the 1% benchmark is met.
- Ensure that funding goes directly to public and not-for-profit providers to reduce fees, not to fee/tax subsidies.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Canada's largely market-based approach to child care is failing children, women, families, employers and the economy. Parent fees in most of Canada are very high relative to other advanced economies and they are increasing, in some cases faster than inflation.

The 2016 and 2017 federal budgets committed a cumulative \$7.5 billion for early learning and child care (ELCC) over 11 fiscal periods beginning in 2017. The multi-year funding schedule provides for an average annual allocation in each of the first five years of just under \$540 million. It is structured so that a decade from now the feder-

al government will be spending only \$870 million on child care annually.¹

The bulk of these funds will be transferred to provinces/territories for their separate initiatives in ELCC, including capital expenditures. A much smaller amount, still not announced, will fund Indigenous child care initiatives. Additionally, \$95 million from these funds is earmarked for developing a child care data strategy and \$100 million will be spent directly by the federal government on ELCC "innovation."²

To put this federal commitment to child care in perspective, the accepted international benchmark for a country's annual public spending on ELCC is a minimum of 1% of GDP for children aged 0–5, which a num-

ber of OECD countries have exceeded.³ It has been estimated that Canada's public spending on ELCC is less than 0.3% of GDP. Thus, Canada has been deemed the lowest spender among peer wealthy countries a number of times.⁴

In June 2017, the federal government announced a Multilateral Early Learning and Child Care Framework that sets very broad spending parameters.⁵ The framework claims to adhere to the principles of accessibility, affordability, quality, flexibility and inclusivity, but these principles are not operationalized. It does not set goals, objectives, targets or timetables, nor does it identify initial benchmarks on which to calculate metrics. The framework does not set requirements with respect to public or parliamentary accountability beyond the public posting of action plans and progress reports.

The child care framework states that federal funds will go toward "local, regional and system priorities that have an impact on families more in need, such as lower-income families, Indigenous families, lone-parent families, families in under-served communities, those working non-standard hours, and or families with children with varying abilities."⁶ Evidence suggests a much better system would aim to make child care accessible to all children, including those of middle class working parents.⁷ Furthermore, the government's targeted approach does not address women's issues of economic security or equality, and was not subjected to the scrutiny of gender-based budgeting.

While the federal government's re-entry into ELCC after an absence of more than a decade is important, funding and policy

developments to date are inadequate for building the kind of child care system that would simultaneously grow the economy, increase labour productivity, fulfil commitments to women's equality, provide much-needed support to all families, and offer all children the full benefit of high-quality, inclusive early childhood education and care.

A better framework

The federal government's child care framework and bilateral funding agreements with provinces/territories fail to live up to the Canadian child care community's blueprint for better child care.⁸ The collaboratively developed Shared Framework for Building an Early Childhood Education and Child Care System for All calls for a break with the current market-based, parent-funded approach, in which governments take minimal responsibility for funding, planning and provision. Without a fundamental change in government policy and funding, the current crisis in child care will only worsen.

Parent fees, already prohibitively expensive, are growing and there is a serious shortage of high-quality licensed child care services in Canada. In all regions, some groups — such as infants, children with disabilities, newcomers, rural communities, and parents working or studying part-time or nonstandard hours — are routinely left out completely.

Real reform and progress require the federal government to assert a leadership role and rely on the best available evidence in building a comprehensive system of child care that is accessible, affordable, of high

quality and inclusive. While recognizing provincial and territorial jurisdiction over ELCC, the federal government must increase its funding commitment substantially over time. Federal transfers for child care should come with conditions, similar to what is now in place for health care.

A key condition on federal funding should be that provincial/territorial action plans are aimed at moving to more publicly managed child care systems, and that expansion is limited to not-for-profit and public operations. Increased funding would give the federal government more leverage to require that provinces and territories dispense with their parent-fee/subsidy systems, which are rooted in obsolete policies that do little to increase child care supply or affordability, or to meet the needs of low-income families.

Increased public funding for the operation of regulated services (as in Quebec) combined with geared-to-income fees will improve affordability for all parents and make it possible to begin to address inequities, improve the quality of care, and tackle the serious child care workforce challenges that now exist.

Economic arguments for policy change

A 2017 International Monetary Fund (IMF) study makes yet another economic argument for increasing federal spending on early childhood education and child care, and notes that Canada's current policies are a barrier to women's employment.⁹ Significantly, the IMF researchers explained:

one of the considerations that a couple with children makes is whether additional family income that the mother earns would pay off the costs of child care. While she stays at home, the couple need not send their children to a child care center. However, once the mother starts working, unless they have somebody (such as other relatives) to take care of their child or children free of charge, the couple must leave the children at a child care center and pay fees. The mother also needs to pay income taxes, and the family might lose some benefits as a result of its higher income.

The IMF analysis found that for almost all income groups in almost all provinces the additional income mothers earn from being in the paid labour force is either insufficient or just sufficient enough to offset the costs of child care and the loss of family-related tax benefits. The report notes that the structure of the Canada Child Benefit does not provide incentives for women to enter the workforce. As the quotation above describes, couple-families with one parent not working are likely to have less income than the same couple would have if both were employed.

The IMF researchers proposed a new federal government funding program to help provinces/territories reduce parent fees by an average of 40%. According to their analysis, the cost of such a program would be approximately \$8 billion a year. If Canada's 150,000 stay-at-home mothers with high educational attainment, and who live with a spouse or partner, were to take ad-

vantage of the lower fees, enter the paid work force and start paying taxes, it would raise Canadian GDP by 2%, “which would in turn raise federal income tax revenues by about \$8 billion, fully compensating the cost of the program. In other words, the program would be fully financed in a federal government perspective.”

Canada’s international commitments to care

As strong as the economic case is for generously funded child care, there are other compelling arguments for a more robust federal framework in Canada.

As signatory to both the United Nations Convention on the Rights of the Child (CRC) and the Convention on the Elimination of Discrimination Against Women (CEDAW), Canada has a duty to ensure that the rights of all children to high-quality early childhood education and child care are realized and safeguarded — regardless of where they live or their family’s economic status.

The federal government also has a duty to ensure that women’s rights to equality and economic security, which are known to be associated with access to high-quality child care, are also realized and safeguarded. Official UN committees on women’s and children’s rights have repeatedly called out Canada for the lack of access to affordable, high-quality child care.

In a similar vein, the shared framework developed by Canada’s child care community acknowledges the importance of Indigenous self-determination with respect to the design, delivery and governance of ELCC

systems and services that meet their needs and aspirations. The framework notes that the Truth and Reconciliation Commission “has called on federal, provincial, territorial and Indigenous governments to develop culturally appropriate early childhood education programs for Indigenous families as a part of healing and reconciliation.”

AFB Actions

Action: Commit \$1 billion in the 2018-19 fiscal year to be transferred to provinces/territories/Indigenous communities to begin building a comprehensive ELCC system. This amount will grow by \$1 billion per year until total spending on ELCC reaches the minimum established international benchmark of 1% of GDP.

Action: Earmark a portion of the 2018-19 federal ELCC budget for implementing the Indigenous-led framework agreement on early learning and child care, which is currently under negotiation.

Action: Make federal ELCC transfer payments (outside of those set aside for Indigenous services) conditional on provinces/territories agreeing to develop systems based on the principles of universality, high quality and comprehensiveness, and which include the following elements:

- **Public plans** for developing integrated systems of ELCC that meet the care and early education needs of children and parents;

- **Public management** of the expansion of public and not-for-profit ELCC services under public authorities through public planning processes, including integration of existing community services into publicly managed systems;
- **Public funding** delivered directly to ELCC services and systems rather than through individual parent-payment measures, such as fee subsidies and tax rebates/credits, to ensure that high-quality services employing a decently remunerated workforce are accessible to all families through predictable, sustained, dedicated funding; and
- **Public reporting** in federal, provincial and territorial legislatures on quality, access, affordability and other elements in the ELCC system.

Action: Develop a plan within the next 12 months to strengthen 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 (see the Employment Insurance chapter).

Notes

1 As child care operating budgets are recurring, not one-time-only, public child care funding needs to be considered on an annual, not cumulative, basis.

2 Employment and Social Development Canada, *Better for Our Families and Our Children: Early Learning and Child Care in Budget 2017*, Speech by the Minister. https://www.canada.ca/en/employment-social-development/news/2017/03/better_for_our_familiesandourchildrenearlylearningandchildcarein.html.

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 *Early learning and child care: How does Canada measure up? International comparisons using data from Starting Strong II*. (2006) BRIEFING NOTE. Toronto: Childcare Resource and Research Unit.

5 Employment and Social Development Canada. *Multilateral Early Learning and Child Care Framework*. Ottawa: Government of Canada. <https://www.canada.ca/en/employment-social-development/programs/early-learning-child-care/reports/2017-multilateral-framework.html>.

6 Ibid.

7 Canadian Centre for Policy Alternatives, *Child care for all of us: Universal child care for Canadians by 2020*. Alternative Federal Budget Technical Paper. (2016). https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2016/12/Child_Care_AFB2017_technical_paper.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*. https://timeforchildcare.ca/wp-content/uploads/2017/11/sharedframework_jan2016.pdf.

9 B. Petersson, R. Mariscal and K. Ishi. (2017). *Women Are Key for Future Growth: Evidence from Canada*. International Monetary Fund <http://www.imf.org/en/Publications/WP/Issues/2017/07/19/Women-Are-Key-for-Future-Growth-Evidence-from-Canada-45047>.

Defence



ALTERNATIVE
FEDERAL BUDGET
2018

DEFENCE

SITUATION

- Canada lacks an up-to-date framework to guide defence policy.
- Canada is the sixth largest military spender in NATO and the 16th largest in the world.
- DND wants to increase defence spending by 70% over the next 10 years.
- Canada hasn't re-engaged in UN peacekeeping; if and when we do, we lack the modern training and experience for the job.
- Canadian regulation of armaments is inadequate to meet our obligations under international law.
- NATO's reliance on nuclear weapons conflicts with Canada's disarmament obligations under the Nuclear Non-proliferation Treaty.

DESTINATION

- Make UN peacekeeping and sustainable peace the Canadian defence priority.
- Reduce the defence budget to a level that DND can actually spend (i.e., without the funding lapsing).
- Reject the F-35 fighter jet and Canadian participation in the American ballistic missile defence boondoggle.
- Invest \$5 million a year in a world class international peace operations training centre.
- Ensure that Canadian military procurement and arms exports are consistent with international law.
- Lead an initiative within NATO to end its reliance on nuclear weapons.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

The 2017 defence policy review

A defence policy review should be guided by the priorities established by the Canadian government for its foreign policy and international development policy framework. Instead, the Liberal government chose a narrowly focused review that resulted in a document more akin to a set of procurement guidelines than a considered defence policy.

A procurement bonanza

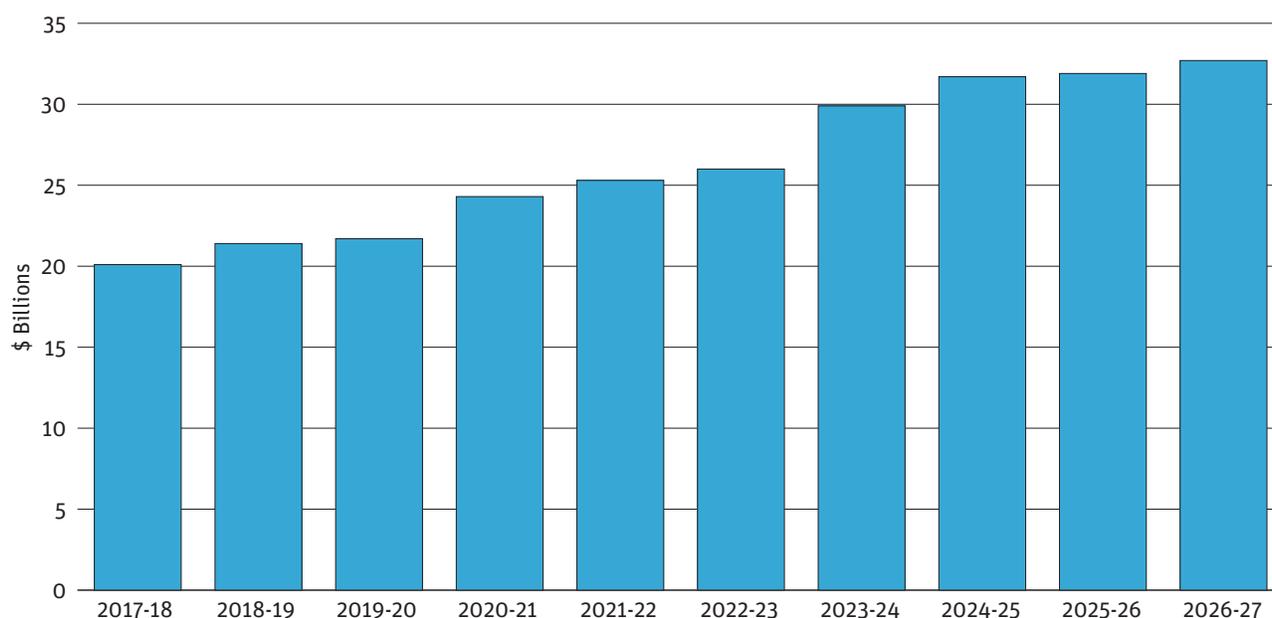
Despite an outstanding \$40 billion in unfunded commitments for military equipment, the government simply avoided making the

hard choices it needs to on procurement. It even increased the number of fighter jets DND would be purchasing — from a total of 65 under the former Conservative government to a whopping 88 in the new defence policy.¹ Given the lack of any direct threat to Canadian territory, and Canada's shared defence of North America with the U.S., setting realistic equipment priorities should not be so complicated.

UN peacekeeping

As of July 31, 2017, Canada ranks 71st among contributors of uniformed personnel (police and military) to UN peace operations.² That's lower than the 10-year average of the Harp-

FIGURE 6 Defence funding, 2017-18 to 2026-27



Source Strong, *Secure, Engaged: Canada's Defence Policy*, National Defence, 2017, p. 43.

er government and contrasts sharply with our frequent past role as the single largest contributor to UN peacekeeping. The Canadian decline took place as UN peacekeeping mushroomed in size and complexity, to the point where operations now comprise a total of 92,867 military, police and civilian personnel.³

Less than a quarter of the training activities Canada engaged in a decade ago toward UN peace operations exist today.⁴ Included in the training cuts was the closure in November 2013 of the Pearson Peacekeeping Centre (PPC), a world class peacekeeping facility funded by Canada for interdisciplinary training of military, police and civilians from around the world.

The complexities of modern peace operations require in-depth training and educa-

tion. 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.

At the 2017 UN Peacekeeping Defence Ministerial in Vancouver, Canada failed to deliver on its long overdue commitment to provide up to 600 military and 150 police personnel for UN peace operations.⁵ Instead, Canada pledged specialized equipment and up to 200 personnel on a “case by case” basis, together with measures to increase the proportion of women deployed in UN peace operations and support for a set of non-binding principles on reducing recruitment and use of child soldiers.⁶

Weapons systems and international law

Canadian weapons choices must reflect binding international humanitarian and human rights law and the principles of the Geneva Conventions. Canada must therefore vigorously support the international control of weapons and a ban on “problem weapons groups” that cause indiscriminate or disproportionate harm to civilians.

The new defence policy was an opportunity to reinforce Canadian support for rigorous international controls. Instead, it fails to remedy current problems while introducing significant new dangers.

- **Cluster munitions:** Although Canada is party to the treaty banning cluster munitions, our 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. The new defence policy fails to address this problem.
- **Lethal autonomous robotic weapons:** “Killer Robots” lack human judgment and the 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. The new defence policy fails to recommend a moratorium on their development while the international community grapples with the problem.

- **Armed drones:** There is currently no international control regime for armed unmanned aerial vehicles and other armed drones. Despite their manifest potential for misuse against civilians, the new defence policy states Canada’s intention to acquire armed drones and only develop a policy governing their use once we are ready to use them.
- **Offensive cyber warfare:** Although cyberspace is an overwhelmingly civilian environment, the new defence policy accords this vital domain the status of a battlefield and declares Canada’s intention to move from purely defensive cyber measures to cyber warfare.
- **Arms Trade Treaty:** Bill C-47, the legislation to enable Canada to accede to the Arms Trade Treaty, fails to meet the most basic requirements of that treaty.

NATO and nuclear weapons

Canada is a non-nuclear-weapons state party to the Nuclear Non-proliferation Treaty (NPT) and therefore obligated, under Article VI, to pursue good faith negotiations with the goal of nuclear disarmament. At the same time, we are a member of a collective defence alliance, NATO, with a strategic doctrine of reliance on nuclear weapons for their alleged deterrence value. American nuclear weapons modernization plans include upgraded “tactical” or “battlefield” nuclear weapons for NATO.⁷

Against the backdrop of what is being called a new Cold War, 122 UN member states agreed on the text of a landmark treaty on

the prohibition of nuclear weapons.⁸ Canada opposed the negotiations and, since the opening for signatures in September 2017, has joined with other NATO countries in condemning the treaty.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 Canada's 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 Canadian to reorient its defence policy to achieving sustainable peace and common security.

Action: Base military equipment choices on Canada's modest national requirements and our specialization in UN peace operations. Costly, unproven systems that fill no compelling Canadian need will be eschewed. Accordingly, the F-35 fighter jet will be rejected, saving at least \$400 million per year, and Canada will not seek to participate 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 a 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: Close 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. Declare a moratorium on the development and deployment of lethal, fully autonomous weapons systems and work to ban them. Reverse Canada's decision to acquire armed drones and to develop offensive cyber weapons. Accede to the Arms Trade Treaty on the basis of nationally implemented legislation that fully meets the letter and the spirit of the treaty.

Result: Canadian military procurement and arms export policies will more fully reflect stated Canadian policy and values, help expand the reach of, and respect for, international humanitarian and human rights law and the Geneva Conventions, and help strengthen international security.

Action: Support the landmark Nuclear Prohibition Treaty by re-entering and revitalizing the debate within NATO on the role of nuclear weapons with a view to agreeing to 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 beginning meaningful, comprehensive negotiations for nuclear disarmament.

Notes

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

2 "Canada and UN peace operations: Unmet promises, delayed commitments and a possible diplomatic train wreck," World Federalist Movement-Canada press release, <http://www.wfmcanda.org/wp-content/uploads/2016/04/0817-PK-press-release.pdf>.

3 A. Walter Dorn and Joshua Libben, "Unprepared for Peace? The Decline of Canadian Peacekeeping Training (and what to do about it)", Canadian Centre for Policy Alternatives & Rideau Institute on International Affairs, Ottawa, February 2016 (at page 32).

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

5 UN Peacekeeping Defence Ministerial, London 2016, Report of the Meeting: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/566647/FCO1022_Defence_Ministerial_Meeting_on_UN_Peacekeeping_v9.pdf (at page 10).

6 "The 2017 UN Peacekeeping Defence Ministerial concludes in Vancouver with 46 new pledges for UN peacekeeping operations," Government of Canada press release, November 15, 2017: https://www.canada.ca/en/department-national-defence/news/2017/11/the_2017_un_peacekeepingdefenceministerialconcludesinvancoverwi.html.

7 See Arms Control Association fact sheet (chart): <https://www.armscontrol.org/factsheets/USNuclearModernization#chart>.

8 "United Nations Conference to Negotiate a Legally Binding Instrument to Prohibit Nuclear Weapons, Leading Towards their Total Elimination," UN: <https://www.un.org/disarmament/ptnw/>.

9 "NATO statement decrying nuclear ban treaty full of errors," Ceasefire.ca press release, November 24, 2017: <https://www.ceasefire.ca/nato-statement-decrying-nuclear-ban-treaty-full-of-errors/>.

10 See Michael Byers *op cit.*, p. 31.

Employment Insurance



ALTERNATIVE
FEDERAL BUDGET
2018

EMPLOYMENT
INSURANCE

SITUATION

- Temporary and part-time workers rarely qualify for EI and benefits are limited when they do.
- Women, racialized Canadians and other marginalized groups receive consistently less EI support due to their lower average wages.
- 86% of working fathers claimed paid parental leave in Quebec in 2015, but only 12% of fathers in the rest of Canada did.
- Despite paying into EI, there is almost no way for migrant workers to claim either parental or regular benefits.

DESTINATION

- Set a universal EI entrance requirement of 360 working hours to level the playing field for precarious workers.
- Set a minimum benefits floor for all unemployed workers, not just those with children.
- Add eight weeks of EI leave that can only be taken by a non-birthing parent.
- Issue open work permits for the Temporary Foreign Worker Program and allow migrants to obtain parental benefits.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Employment insurance (EI) is a vital part of Canada's social safety net, but successive federal governments have made the program less equitable and harder to access. A social insurance program should dampen the effects of labour market inequality; the current design of EI amplifies it.

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 has reduced premiums from 1.88% in 2015 to 1.66% in 2018. This change will cut \$3.6 bil-

lion per year from revenues 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. Even when they do qualify, benefits can last as few as 14 weeks.

Because of variations in hours worked from week to week, benefit rates can also be lower for precarious workers — 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, and claimants in those regions receive benefits for longer.

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. Low unemployment rates in one sector can mask high unemployment in others. A pan-Canadian entrance requirement of 360 hours would level the playing field for precarious workers.

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, 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, and 13% lower in 2015-16¹.

We know that racialized workers also face a significant earnings gap in Canada. According to the 2016 census, racialized men's average employment income is 78% of the average white man's income, and racialized women's average employment income is only 59% of the white men's average. While this unquestionably translates into lower EI benefits, such data is not collected by the program.

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, and to ensure workers can meet their basic needs and pay for housing while they look for new jobs.

Parental benefits: Addressing inequality

In Budget 2017 the federal government announced a measure to implement a Liberal campaign promise on flexible parental benefits. Parents can now choose between combined leave of 50 weeks at a 55% benefit replacement rate or 18 months at a 33% rate.

This change does not increase the total value of the benefits available to parents, nor does it improve access to benefits for parents who don't qualify under current rules. It is also, in effect, inaccessible for low-income parents, who will not be able to live on 33% of their earnings for a year and a half.

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 178 hours of work at Quebec's current minimum wage of \$11.25.

Many new parents are surprised to find out that they don't qualify for these benefits, especially recent graduates, and self-employed and part-time workers. Also, 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. Returning 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

Quebec's experience offers 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 2015, 86% of working fathers claimed or intended to claim paid parental leave in Quebec, compared to only 12% of working fathers in the rest of Canada.

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. 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 limit EI parental benefits to those individuals who were authorized to remain in Canada at that time. 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 policy.

The AFB would transform the Temporary Foreign Worker Program so that it issues open work permits. Permits that are tied to only one employer make it very difficult for migrant workers to qualify for regular EI benefits because they have to establish that they could get another job. The system also currently makes these workers much more vulnerable in the workplace. They may be reluctant to speak out against poor or dangerous workplace conditions, for example (see the AFB Immigration chapter).

Just transition: Training for a green industrial revolution

We have a major opportunity to offer unemployed, underemployed and low-paid workers 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 cre-

ated by public investment programs and sector strategies.

Labour market development agreements (LMDAs) between the federal government and the provinces and territories will be crucial in accomplishing this goal. The LMDAs currently transfer \$1.95 billion from the EI account to the provinces and territories for training programs for people who are EI contributors. Budget 2017 gradually increases this amount to \$2.45 billion in annual funding by 2021-22. The AFB strongly supports this commitment and encourages a focus on supporting a just transition for workers.

Access to a fair appeals process

In 2012, 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 from labour, one from business 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 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.

The new appeal process also takes considerably longer to complete than 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; in 2016-17, the SST met this service standard only 12% of the time. 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: Return EI premiums to \$1.88 per \$100 of earnings up to the 2018 maximum insurable earnings of \$51,700.

Result: Increased revenue of approximately \$3.5 billion in 2018 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 per 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 per 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 per week (cost: \$900 million per 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 EI Monitoring and Assessment Report: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/monitoring2016/annex2.html>.

Environment and Climate Change



ALTERNATIVE
FEDERAL BUDGET
2018

ENVIRONMENT AND
CLIMATE CHANGE

SITUATION

- Climate change threatens the prosperity and well-being of all Canadians.
- Federal and provincial government climate policy does not reflect the ambition of Canada's climate targets.
- Many of Canada's environmental laws need improving, which will require new funding.
- Canada is far from meeting its international commitments on biodiversity and ecosystem health, both of which are in decline globally and in Canada.

DESTINATION

- 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.
- Create a network of protected areas covering 17% of Canada's land and freshwater and 10% of its oceans.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Reducing global greenhouse gas (GHG) emissions is central to mitigating the worst effects of climate change. Canada has committed to deep emission reductions in principle, but without ambitious domestic policy action we will continue to miss these targets. Canada must implement 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 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. Even 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.

Canada is also not meeting its international climate obligations. Through the Paris Agreement, Canada and other developed

countries committed to collectively raising at least US\$100 billion per year to help developing countries address local climate change impacts and undertake low-carbon development. In November 2015, the federal government announced it would be scaling up its international climate finance contribution to \$800 million per year in 2020, but this amount falls significantly short of the 3–4% of total developed country financing considered to be Canada’s fair share.

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 international negotiations. The climate change challenge requires global collective action, so international trust and cooperation are essential for long-term success. It is promising that 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.

Related to climate change, the world is facing serious declines in biodiversity (ex-

ting) and ecosystem health. Canada’s natural land, freshwater and ocean environments, and the wildlife they sustain, are the lifeblood of our country and a core part of our national identity. Yet, despite this green self-image, all ecosystem types in Canada are declining and the number of species at risk continues to grow, year after year.

The species that wildlife and people depend on are being degraded and lost due to ever-expanding industrial and urban development and the growing impacts of climate change. Large-scale networks of protected land, inland waters and ocean are therefore needed to support healthy ecosystems so they can sustain wildlife and deliver the clean air, water, food and other goods and services we all rely on for survival.

Evidence shows that we likely need to protect 30% to 70% of each ecosystem type in the long term.¹ Canada took a step in the right direction with its international commitments under the Convention on Biological Diversity to protect at least 17% of our landscape and 10% of our ocean by 2020, and to substantially exceed these targets in the long term. However, we are currently far from those goals: only 10% of land and 1% of ocean is protected. Major federal funding will be needed to meet our international targets.

AFB Actions

Action: Remove all remaining federal government fossil fuel subsidies.

Over five years, the AFB will eliminate all remaining federal tax credits, production

subsidies and public financing provided for fossil fuel. The government will save over \$1.3 billion annually by phasing-out the following measures:

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

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.

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 improvements are needed. In particular, research shows that, along with other strong government measures, the national carbon price floor needs to rise further before 2030 for Canada to reach its 2030 GHG 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 \$50 per tonne by January 1, 2020, increasing by \$10 per tonne per year until 2030. The price must be applied broadly, with no industrial sector exempt, 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).

Second, the AFB will require a portion of revenues from all carbon pricing regimes to be redistributed to those most affected by the transition off fossil fuels. For example, 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 (see Industrial Strategy and a Just Transition chapter); and to invest in clean technologies, energy efficiency programs and adaptation measures.

Competitiveness issues and carbon leakage have been shown to apply to a very small

percentage of Canada's emissions and GDP, therefore AFB measures to address competitiveness concerns (such as border carbon adjustments) will be targeted, transparent and temporary. The AFB would also implement a clean fuel standard as an important complement to carbon pricing.

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 increases Canada's financing commitment by \$1 billion in 2018 and 2019, and \$3 billion annually between 2021 and 2025. This will help less developed countries reduce their dependence on fossil fuels while building climate resilience. The AFB will also explore opportunities to generate funding for this purpose through levies on bunker fuels used in international aviation and marine shipping.

Action: Improve energy efficiency for Canadian homes.

The AFB provides \$600 million annually to offset the cost of energy efficiency retrofits and the construction of energy efficient homes. Funding is divided between remote communities (\$100 million), Canada's north (\$200 million) and low-income family homes (\$300 million). These communities, in particular, are adversely affected by high-

er costs of energy; these funding measures will support reducing energy costs while improving the housing stock.

The AFB will also provide \$10 billion over five years to support retrofits of multi-unit residential buildings. This is an important measure to protect low- and middle-income Canadians, many of whom do not benefit from typical retrofit programs aimed at single-family homes.

Action: Deliver on Canada's commitment to protect land, inland waters and oceans.

The AFB will invest \$1.4 billion over the next three years (2018–21) and \$470 million per year thereafter to protect at least 17% of our landscape and 10% of our ocean by 2020, and to substantially exceed these targets in the long term. These funds will be used on the following priorities: the establishment and management of protected areas; federal leadership and collaboration; a cost-shared fund to support provincial, territorial, Indigenous and privately protected areas; a connectivity strategy; the development of new marine governance arrangements and policy tools; and citizen and stakeholder engagement.

Action: Strengthen environmental protection laws and make advances toward sustainable fisheries.

The AFB will provide new funding to implement the five important environmental protection laws for which revisions are pending: the Canadian Environmental Assessment Act, National Energy Board Act, Canadian Environmental Protection Act, Fisheries Act, and Navigation Protection Act. This AFB funding will include:

- An additional \$15 million in 2018-19 and \$30 million annually thereafter for project impact assessments; and
- \$47 million annually for fisheries and fish habitat.

Action: Create a stronger environmental data and science system at Statistics Canada.

Strong, credible, accessible environmental data and science is fundamental for effective progress on many national policy priorities including environmental assessment, climate change mitigation and adaptation, biodiversity, protected areas, freshwater, and reducing risks from toxic chemicals.

The AFB will invest \$50 million annually to strengthen Statistics Canada's capacity to

develop, link and make accessible a much stronger shared environmental data and science system (SEDSS) that better meets the needs of these important policy priorities. The AFB invests a further \$5 million in an expert panel to provide recommendations on how to best structure this SEDSS system.

Notes

1 For example, Noss et al. (2012). Bolder thinking for conservation, *Conservation Biology* 26(1): <http://onlinelibrary.wiley.com/doi/10.1111/j.1523-1739.2011.01738.x/full> ; E.O. Wilson (2016). *Half earth: Our planet's fight for life*. Liveright publishing; <http://natureneedshalf.org/how-much-is-enough/> ; IUCN World Conservation Congress motion 053 <https://portals.iucn.org/congress/motion/053>.

First Nations



ALTERNATIVE
FEDERAL BUDGET
2018

FIRST
NATIONS

SITUATION

- The ability of First Nations governments to improve results for their citizens has been hindered by a 2% cap on funding since 1997.
- First Nations child and family services are significantly underfunded compared to provincial systems.
- First Nations continue to live with inferior housing, boil water advisories and a lack of road access to the rest of the country, situations that are forcing people out of their communities.
- 58 First Nations languages are threatened with extinction.

DESTINATION

- Invest \$9 billion to make up for the loss in purchasing power created by 21 years of underfunding.
- Bring financial support to First Nations child and family services in line with provincial systems and fulfil all orders from the Canadian Human Rights Tribunal.
- Invest \$2.9 billion in housing, water and other infrastructure in First Nation communities.
- Support Indigenous language revitalization across the country, beginning with an investment of \$124 million per year.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

The prime minister has committed to eliminating the 2% cap on annual funding increases for core First Nations programs and services. Over the course of 2016-17, funding was increased by 4.5% for kindergarten to Grade 12 education and by just over 3% for child and family services, finally exceeding the 2% cap in those areas. However, funding increases to support the governance and administration of First Nations remained under 2%.

Since 1996, when the 2% cap on annual funding increases was announced, First Nations have lost \$9 billion in cumulative purchasing power. This figure represents the dif-

ference between what was invested in basic governance capacity — through programs such as band support funding, operations and maintenance, and the administration of income assistance — and the effect of inflation and population growth. To catch up and keep up, an investment of \$12.7 billion over the next three years is required.

Investment in governance capacity will help First Nations make the most effective use of other funding, with significant economic benefits for the country. The National Aboriginal Economic Development Board estimates that achieving equity of outcomes in First Nations education and labour force participation, for example, would add \$27.7 billion to Canada's GDP, far more than it

would cost the government in program spending to achieve this objective. At the same time, equity would alleviate the most severe poverty in Canada and respect First Nations rights.

Investments in the 2016 and 2017 federal budgets have been greatly appreciated and are helping to narrow the huge funding gap suffered by First Nations. The additional investments proposed in the AFB will go toward repairing the damage done, though even they will not entirely meet the full needs of First Nations.

Child and family services

First Nations child and family services (CFS) are 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) ordered several improvements be made to services in this area. The government of Canada has committed to implementing the TRC Calls to Action and is legally obliged to follow the orders of the CHRT.

Although the 2016 federal budget allocated \$634.8 million to CFS over five years, the investments of \$71 million in 2016-17 and \$99 million in 2017-18 did not come close to what is needed. Cindy Blackstock, executive director of the First Nations Child and Family Caring Society, estimates it will take \$200 million a year to meet Canada's obligations. As the 2016 budgetary investments continue to grow, the existing gap could be

erased with a single investment of \$84 million in 2018-19.

In the future, priority issues such as an enhanced prevention-focused approach for CFS 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 of Canada'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

Housing is a basic human right and the foundation for success, as recognized recently by the government of Canada. Overcrowding, mold and other deficiencies in housing impair First Nations scholastic achievement, employment and health. Without additional funding communities are unable to meet demand, which is driving people to urban centres. This outmigration leads to increased 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 (INAC) estimates that between 2012 and 2036 there will be an on-reserve housing shortfall of 99,581 units, an additional need for 5,836 replace-

ment units, and approximately 12,492 units requiring major repairs. Addressing this shortfall will take an annual investment of \$825 million on top of funding announced for housing in the 2016 federal budget.

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 the 2015 election. Toward this goal, Budget 2016 committed \$1.8 billion over five years for clean drinking water and the treatment of wastewater, but the government estimates that an additional \$320 million annually will be required. This must be accompanied by funding for operations and maintenance, as identified above, tied to systemic reform to protect watersheds and water sources, and to remedy imbalances in the governance structure to empower First Nation governments.

Other infrastructure

In addition to housing, water and wastewater, there is an urgent need for additional funding for other community infrastructure including elementary and secondary educational facilities, roads and bridges, fire halls and other emergency services, electrical power generation and distribution,

fuel systems, community and recreation facilities, administrative offices, flood and erosion protection, all season roads and internet connectivity, among other items.

The government of Canada is developing a 10-year infrastructure plan. First Nations are at the greatest disadvantage, both historically and currently, with respect to the infrastructure listed above and should receive a share of the eventual total investment proportional to their needs. This will cost \$1.765 billion annually.

Languages

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 an estimated 58 First Nations languages are threatened with extinction. Without supports for Indigenous languages, entire nations and cultures are at risk.

The government of Canada has committed to co-developing legislation in support of Indigenous languages. In addition to school-based immersion programs, 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. An investment of \$124 million annually is needed.

AFB Actions

Action: Invest \$12.7 billion over three years in First Nation government with a substantial \$9-billion investment in the first year.

Result: First Nations will be able to govern effectively and make the best use of other funding, improving results on the ground for their citizens.

Action: Invest \$84 million in First Nations child and family services.

Result: First Nations child welfare services will be brought closer to par with provincial child welfare systems.

Action: Invest \$2.9 billion annually in housing, water and other infrastructure for First Nations communities. \$800 million a year towards housing, \$25 million a year for shelters, \$320 million a year for drinking water

and \$1.8 billion a year for physical infrastructure.

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 \$124 million annually in First Nations languages revitalization.

Result: The extinction of 58 Indigenous languages will be prevented and fluency will increase in communities across the country.

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
2018

GENDER
EQUALITY

SITUATION

- The employment gap between men and women is costing our economy an estimated 4% in GDP growth.
- Women continue to perform 10 hours more per week of unpaid work in the home and make up 89% of workers taking parental leave.
- Women are now more likely to be a victim of a violent crime than men.

DESTINATION

- Stimulate job growth in the sectors where women work and where they earn a living wage.
- Institute a universal child care program and a paternity leave policy for fathers on the model of the Quebec Parental Insurance Program.
- Fund organizations combatting violence against women and implement a fully resourced national action plan to end violence against women.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Underemploying and underpaying women is costing women and the Canadian economy billions of dollars annually. The International Monetary Fund estimates that “if the current gap of 7 percentage points between male and female labour force participation with high education attainment were eliminated, the level of real GDP could be about 4 per cent higher.”¹

If the 670,000 women who were working part time for non-voluntary reasons in 2016 were able to find full-time work, they would have brought home an additional \$19.2 billion in wages.² If the women who worked full time last year earned the same hour-

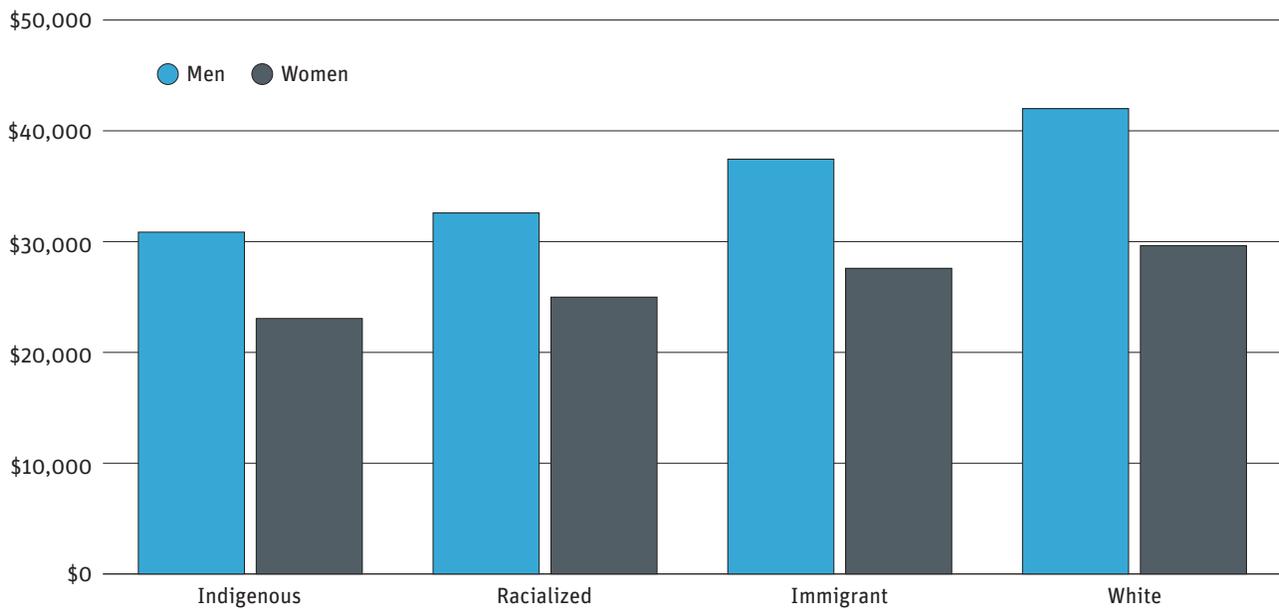
ly wage that their full-time male counterparts earned, they would have taken home an additional \$85.4 billion.³

The Bank of Canada is predicting a slowdown in labour productivity growth in Canada over the next five years.⁴ That slowdown is not inevitable. The IMF and the OECD have pointed out that Canada could see increased productivity and growth with economic policies that do more for the female half of its labour force.⁵

Economic policies

Canada’s female labour force is among the most educated in the world, with 72% of women aged 25–54 holding a post-second-

FIGURE 7 Median employment incomes (2015)



Source: Census 2016

ary degree or diploma. While women and men have equal levels of education, women are consistently paid less and employed less often. The gaps in employment and income widen even further for Indigenous, racialized and immigrant women, as well as for women with disabilities.

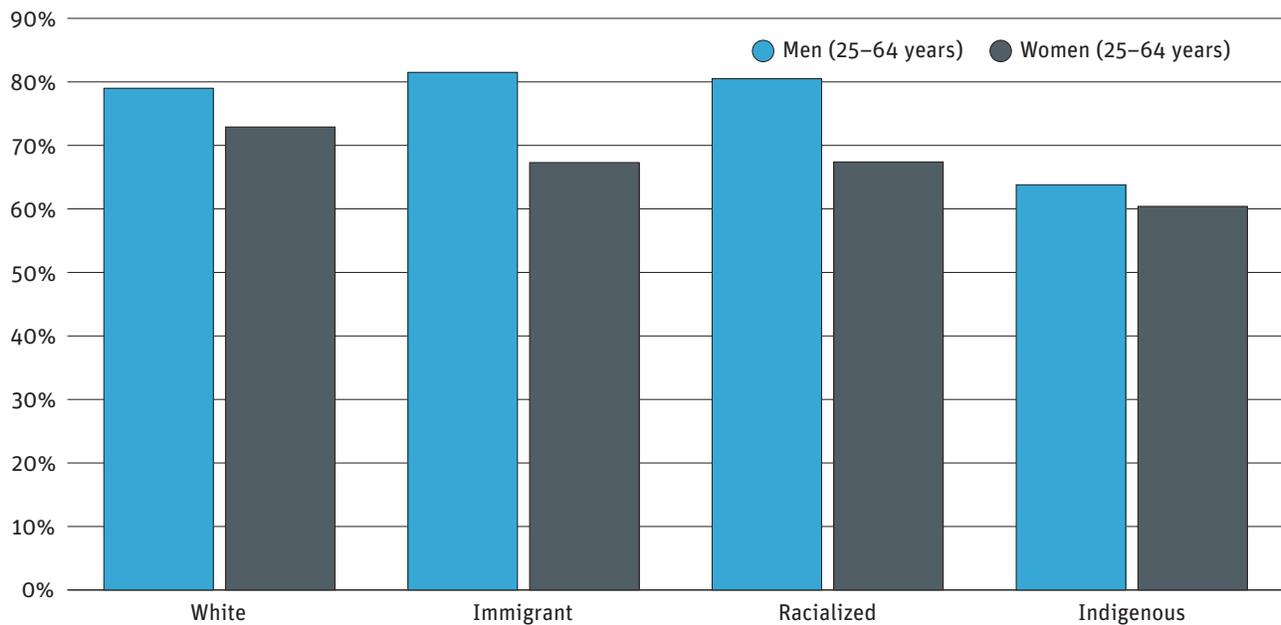
The wage gap for women working full time has barely budged in a decade. In 2016, women working full time, all year earned 81% of what their male counterparts earned — only a two-point improvement over the wage gap in 2007.⁶ At this rate of change it will be nearly a century before the pay gap is closed.

Core working-age women have seen little change in their levels of full-time employment over the past decade. After a drop in employment post recession, women's employment stands today at its pre-recession

level of 77%.⁷ The employment gap has closed slightly over the past decade, but only as a result of men's full-time employment rates failing to recover fully from the recession — not as a result of more women moving into full-time employment.

At the same time, women are disproportionately represented among part-time workers. The share of women in the labour force working part time remains the same today as it was a decade ago and is much higher for women aged 25–54 (18%) than for men the same age (5%). However, the share of women who report working part time as a matter of preference is at a historic low — falling from 28% to 21% in the past decade among the same age group. Among involuntary part-time workers, half cite child care as the reason they are not in full-time work and half cite business con-

FIGURE 8 Employment rates (2015)



Source: Census 2016

ditions. This provides a clear direction for public policy intervention.

Accessible and affordable child care is the best lever the government has for supporting female labour force participation.⁸ Affordable and available child care has had a demonstrable positive effect on women's employment levels and on the wage gap in similar high-income countries.⁹ However, long waiting lists and high fees are leaving 275,300 women in involuntary part-time work.

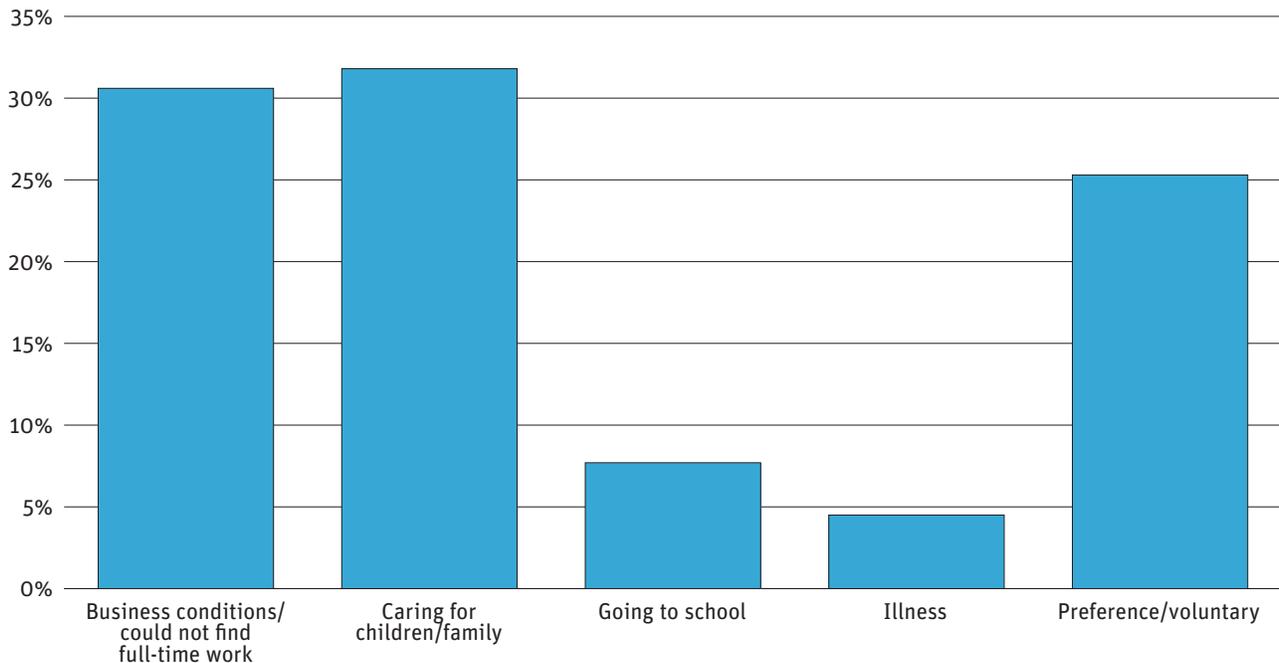
As a recent IMF study points out, outside of Quebec the high cost of child care means that, net all tax and other benefits, "the household's economy clearly worsens if the mother enters the labour market."¹⁰ Extending parental leave to 18 months, as the government has done, is not a solution. Longer parental leaves have a nega-

tive impact, particularly for highly educated women — precisely the group the IMF identifies as a key solution to improving productivity and economic growth.¹¹

It is also clear that employers need to be encouraged to lean in, particularly when it comes to hiring women who are returning from parental leave. Fertility rates have not declined in correlation with the entry of women into paid work.¹² However, women continue to make up the vast majority of those taking parental leave (89%) and continue to perform 10 more hours a week of unpaid work than men — work that is particularly uneven with respect to child care.¹³

The majority of women with children aged 2 and under are in the labour force (71%).¹⁴ Fifty-two per cent of those women work full time; only 15% work part time. The share of

FIGURE 9 Percentage in part-time work by reason, women (25–54 yrs) 2016



Source: Labour Force Survey

mothers working full time increases steadily with the age of their children — with 56% of mothers of children aged 3–5 working full time and 61% of mothers of children aged 6–17 working full time.¹⁵ Rates of part-time work vary by less than 2% among these three groups. This suggests that as women move back into the workforce following the birth of a child their preference (by choice or necessity) is for full-time work.

It has been argued that women’s under-employment is the product of an oversupply of labour and a lack of demand in predominantly female occupations. The evidence does not support this theory. One in five women work in health and social services in Canada.¹⁶ The share of women graduating with degrees in the health field tracks precisely

with employment levels in the field.¹⁷ A similar pattern can be seen in financial and business services.

In all these fields women continue to be paid less than their male peers — even when adjusting for education, occupation and age. As women generally take less than a year’s parental leave, this should have a minimal impact on pay disparities over a 30-year career. And yet the gap in pay and employment remains evident throughout women’s working lives.

The government’s decision to table pay equity legislation in 2018 is welcome. The legislation should be proactive. Greater transparency from employers in both the public and private sector is needed as the evidence shows that tracking and transpar-

ency are key to closing the wage gap.¹⁸ The government should implement the recommendations of the pay equity task force and the report of the special parliamentary committee on pay equity.

Social policies

Violence against women, and sexual assault in particular, remain a persistent blight on the lives of women in Canada. Rates of sexual assault are nearly unchanged over the past two decades.¹⁹ A mere 5% of incidents of sexual assault are reported to the police.²⁰

Stagnant rates of sexual assault, set against a decline in every other violent crime over the past decade, mean that women are now more likely to be victims of a violent crime than men.²¹ Women with disabilities experience higher than average levels of violence and Aboriginal women and girls experience over three times the rate of violent victimization experienced by non-Aboriginal women.

There is clear evidence that direct funding to women's organizations is one of the most effective means to lower rates of violence against women.²² However, the only federal program that is devoted exclusively to providing direct funding to women's organizations is the Women's Program housed within Status of Women Canada. Funding to the Women's Program has remained stagnant over the past decade and amounts to a paltry few hundredths of a per cent of total federal program spending.

The government's decision to invest an additional \$100 million over five years is also welcome. However, it falls far short of current per capita spending on violence against

women by provinces such as Ontario, and the federal money appears largely intended to support other departments and agencies, not women's organizations.

When Canada invested in similar women's funds abroad the results were "the most successful mechanism we have found" for empowering women, according to a government evaluation.²³ Because of Canada's investments in women's funds in Pakistan, women were able to fight successfully for the same legal status as men when testifying in court. Because Canada invested in a women's fund in Paraguay, domestic violence is now a crime in that country. It is time to bring these lessons home.

AFB Actions

Action: Invest in the sectors where women are working today. More than one in five women in the labour force work in health and social services.²⁴ Women are also highly concentrated in occupations like nursing, teaching and the service industries — sectors that accommodate their disproportionate share of unpaid work, particularly child care. The federal government should be working closely with the provinces and territories to ensure that job stimulus is directed at the entire labour force, not just the 53% male part of it.

Result: Narrowing the gender employment gap, particularly among highly educated workers, will contribute an additional 4% in GDP growth, according to the IMF.²⁵ It will offset the challenges posed by an aging workforce and declines in productivity growth.

Action: Institute supports for women in involuntary part-time work. Work with employers to increase their uptake of female applicants and recognize the qualifications of women who have been out of the workforce caring for children and family members. Lower the threshold of hours required to qualify for employment insurance (see Employment Insurance chapter).

Result: If the 670,000 women who were working part time for non-voluntary reasons in 2016 were able to find full-time work, they would have brought home an additional \$19.2 billion in wages.²⁶ This would put much needed income into the hands of women and their families at a time when household debt is at an unprecedented high. It would also put additional money into the economy, stimulating growth.

Action: Invest in universal child care (see Child Care chapter) and institute paid paternity leave on the Quebec model. The Quebec Parental Insurance Program, which provides five weeks of “father only” leave, has demonstrated a significant unmet need – with 86% of men now taking parental leave in Quebec compared to 12% in the rest of Canada.²⁷ Return the parental leave window from 18 months to 12 months.

Result: The distribution of unpaid work will shift, leaving women better able to balance paid and unpaid work. The unmet need for parental leave for fathers will allow more fathers to take time off to spend with their children.

Action: Increase funding for Status of Women Canada and restore its mandate to fund

women’s groups to conduct independent policy research (cost: \$100 million annually).

Result: Federal 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 into the programs and policies that work.

Action: Invest in a fully resourced national action plan to address violence against women, based on the Blueprint for a National Action Plan, bringing federal per capita spending on the issue in line with provincial spending (cost: \$500 million annually).²⁸ The action plan will include 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 victims’ 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 for their needs. The estimated \$12.2-billion-per-year cost of violence against women would be offset by declining crime rates.²⁹

Notes

- 1 Petersson, Bengt et al. (2017). *Women are Key for Future Growth: Evidence from Canada*. Washington D.C.: International Monetary Fund. *Closing the Gender Gap: Act Now*. Paris: OECD Publishing.
- 2 *Labour Force Survey*. Ottawa: Statistics Canada. Author's own calculations. (All numbers for core working age, 25–54 yrs, only.)
- 3 *Labour Force Survey*. Ottawa: Statistics Canada. Author's own calculations. (All numbers for core working age, 25–54 yrs, based on median weekly wages.)
- 4 Bank of Canada (2017). *Monetary Policy Report, April 2017*. Ottawa: Bank of Canada.
- 5 Petersson, Bengt et al. (2017). *Women are Key for Future Growth: Evidence from Canada*. Washington D.C.: International Monetary Fund. OECD (2017). "How Does Canada Compare?" in *The Pursuit of Gender Equality: An Uphill Battle*. Paris: OECD Publishing.
- 6 *Labour Force Survey*. Ottawa: Statistics Canada. (All numbers for core working age, 25–54 yrs, based on median weekly wages.)
- 7 *Labour Force Survey*. Ottawa: Statistics Canada.
- 8 See: Child Care chapter.
- 9 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.
- 10 Petersson, Bengt et al. (2017). *Women are Key for Future Growth: Evidence from Canada*. Washington D.C.: International Monetary Fund.
- 11 Mandel, Hadas (2012). "Winners and Losers: The Consequences of Welfare State Policies for Gender Wage Inequality." *European Sociological Review*, vol. 28.2: 241–262.
- 12 McInturff, Kate and David Macdonald (2015). *Time to Grow Up: Family Leave Policy for the Way We Live Now*. Ottawa: Canadian Centre for Policy Alternatives.
- 13 *General Social Survey: Time Use* (2015). Ottawa: Statistics Canada.
- 14 *Labour Force Survey*. Ottawa: Statistics Canada.
- 15 *Labour Force Survey*. Ottawa: Statistics Canada.
- 16 *Labour Force Survey*. Ottawa: Statistics Canada.
- 17 CANSIM Table 477-0030: Postsecondary graduates, by program type, credential type, Classification of Instructional Programs, Primary Grouping (CIP_PG) and sex, annual. Ottawa: Statistics Canada.
- 18 Mandel, Hadas (2012). "Winners and Losers: The Consequences of Welfare State Policies for Gender Wage Inequality." *European Sociological Review*, vol. 28.2: 241–262; Blau, F. D. and L. M. Kahn (2003). "Understanding International Differences in the Gender Pay Gap." *Journal of Labor Economics* 21.1: 106–144.
- 19 *General Social Survey: Victimization*. Ottawa: Statistics Canada.
- 20 Rotenberg, Cristine (2017). *Police-reported Sexual Assaults in Canada, 2009 to 2014: A Statistical Profile*. Ottawa: Statistics Canada.
- 21 *General Social Survey: Victimization*. Ottawa: Statistics Canada.
- 22 Batliwala, Srilatha et al. (2013). *Women Moving Mountains: The Collective Impact of the Dutch MDG3 Fund*. Toronto: AWID. Htun, Mala and Lauren Weldon (2012). "The Civic Origins of Progressive Policy Change: Combating Violence against Women in Global Perspective, 1975–2005." *American Political Science Review*, Vol. 106, No. 3 August 2012.
- 23 *Evaluation of CIDA's Implementation of its Policy on Gender Equality: Benchmarking Report*, Performance and Knowledge Management Branch, CIDA, 2007.
- 24 *Labour Force Survey*. Ottawa: Statistics Canada.
- 25 Petersson, Bengt et al. (2017). *Women are Key for Future Growth: Evidence from Canada*. Washington D.C.: International Monetary Fund.
- 26 *Labour Force Survey*. Ottawa: Statistics Canada. Author's own calculations. (All numbers for core working age, 25–54 yrs, only.)
- 27 Dave McGinn, "Seeking balance as a working dad," *The Globe and Mail*, November 15, 2017: <https://www.theglobeandmail.com/life/parenting/new-parents-in-canada-will-soon-get-more-paid-leave-but-for-fathers-time-is-just-one-of-theobstacles-parenting/article36992989/>.
- 28 *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>.
- 29 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.

Health Care



ALTERNATIVE
FEDERAL BUDGET
2018

HEALTH
CARE

SITUATION

- The federal share of public health care funding will fall to 20% by 2027, which downloads \$31 billion in health costs to the provinces.
- Pharmacare has the potential to save \$11 billion annually. It requires federal leadership and intergovernmental collaboration.
- Canadians are being double-billed for medically necessary services due to violations of the Canada Health Act.
- In 2016, there were 2,816 apparent opioid-related deaths. Canada's chief public health officer estimates overdose deaths will have surpassed 4,000 in 2017.

DESTINATION

- Commit to a new Health Accord with a Canada Health Transfer that grows at 5.2% annually.
- Develop a strong federal vision for expanding medicare to include pharmacare, home care, long-term care, dental care, and community-based mental health and rehabilitation services.
- Uphold and enforce the Canada Health Act.
- Establish a federal commission to explore health-centred approaches to drug policy.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

The original vision of public health care put forward in the 1960s by Tommy Douglas included a broad spectrum of health services intended to provide comprehensive health care. A half-century later that vision still eludes us: medicare has not expanded to cover the full scope of health services in Canada, and responsibility for public health care funding has been jettisoned onto the provinces and territories.

The 2004 Health Accord intended to “fix health care for a generation” with goals of increasing the federal share of health care costs and expanding public health care to include a catastrophic drug program. Unfortunately, many of the accord’s goals

were abandoned by the Conservative government after 2006. A new accord has yet to be negotiated.

In the 2015 federal election campaign, the Liberal Party promised to provide “collaborative federal leadership” on health care if elected to government, and to “negotiate a new Health Accord with provinces and territories.”¹ These promises were broken when, in 2016, the new Liberal government decided instead to sign bilateral health funding deals with the provinces and territories. As a result, Canada lacks a clear pan-Canadian vision for public health care.

In 2016, the Parliamentary Budget Officer, the Conference Board of Canada and the Financial Accountability Office of Ontario each independently determined what

kind of financing would be needed to maintain, but not expand, the current basket of public health care services over the next 10 years. All three agreed that the Canada Health Transfer (CHT) would need to increase by 5.2% per year.²

Instead, the Trudeau government adopted the former Harper government's fiscal plan to tie federal health transfers to nominal GDP growth with a floor of 3% a year. To this base amount the government has added \$1.1 billion a year for 10 years — 0.07% of the total CHT — for bilateral (non-universal) agreements on home care and mental health.³

A CHT tied to GDP will result in the loss of \$33.5 billion over 10 years in needed health care funding and reduce the federal share of health spending from 24.2% in 2016 to 20.7% by 2026.⁴ The loss of federal funding will impact all areas of public health care, and further encourage provincial and territorial governments to continue privatizing care, contracting out services, violating the Canada Health Act and failing to address the opioid crisis.

Provinces and territories are trying to fill some of the federal gaps by working together to create a common drug formulary and find savings through the bulk purchasing of medicines. As of July 2016, premiers say they are saving \$712 million annually.⁵ In January 2018, Ontario launched a universal youth pharmacare program through which anyone under 25 will have free access to more than 4,000 prescription medications (with no co-pay or deductible). To scale up universal access to medication across Canada, federal leadership is a must.

AFB Actions

A robust Health Accord

The federal share of health care spending must, at a minimum, maintain the current basket of health care services. Further increases of 5.2% per year are needed to meet this standard. The federal government must also lead the country in discussions and program development to strengthen and expand public health care into new areas including pharmaceuticals, dental care, eye care and mental health care. Any Health Accord roundtable must include the federal government, provinces and territories, and First Nations as full partners.⁶

Action: Fund a 10-year Health Accord with a minimum 5.2% escalator to increase the federal share of health spending. All health care dollars will be tied to health care spending (cost: \$463 million in the first year).

Action: Recommission the Health Council of Canada to provide annual reports on the status of the Health Accord and to continue monitoring the progress in closing the gap between Indigenous and non-Indigenous peoples (cost: \$10 million a year).⁷

Results: A strong federal vision for public health care coupled with fair federal financing will open the policy door to expanding medicare into new areas, as Tommy Douglas envisioned a half-century ago.

First Nations health

There are large health disparities between First Nations and non-First Nations in Canada. The AFB will work with provinces, ter-

ritories and First Nations to implement the Truth and Reconciliation Commission's seven Calls to Action related to this health gap.

Action: Allocate \$30 million to build and maintain new Indigenous Health Centres.

Result: Improved access to culturally appropriate care that reflects a holistic vision of health at the community and individual level.

Enforcing the Canada Health Act

The federal government must monitor and enforce the principles and criteria of the Canada Health Act (CHA), which require health care to be universal, publicly administered, comprehensive, accessible, portable, and delivered without user fees or extra billing — no matter where you live in Canada. Undercover investigations have revealed unscrupulous practices such as unlawful patient billing, double-billing (by charging both patients and the public system for the same service), and ordering tests and procedures that are not medically necessary so that extra profit can be made.⁸ When private clinics refer patients for unnecessary tests, those tests are often done in the public system, which is both costly and leads to longer wait times.⁹

Action: Withhold funds from the Canada Health Transfer equivalent to the amount that patients are being unlawfully billed in provinces violating the Canada Health Act. **Results:** Holding clinics, provinces and territories accountable for unlawful billing and unnecessary testing will reduce costs paid by both patients and governments.

Primary health care

Investing in and advancing the use of primary health care (PHC) is critical to ensuring continuity of care across the health care system.¹⁰ Effective PHC is also needed to develop long-term strategies to improve health outcomes at the individual and population levels.¹¹ As PHC reform promotes interdisciplinary, team-based care to improve accessibility and comprehensiveness of care, it will change the way physicians are reimbursed.¹² Our current fee-for-service payment model is susceptible to billing abuse.¹³ There are now more than 82,000 physicians in Canada, and total payments to physicians increased by 4% from the previous year to reach \$25 billion in 2014-15.¹⁴

Action: Continue the transition to PHC based on best practices listed in the 2007 Primary Health Transition Fund.¹⁵

Pharmacare

Among countries with universal public health care, Canada is the only one whose plan does not include prescription drug coverage. Canadians spent more than \$30 billion in 2016 to fill over 600 million prescriptions.¹⁶ Canada is the third highest per capita spender on medicines among high-income-earning countries.¹⁷ Meanwhile, approximately 3.5 million Canadians lack even basic drug coverage,¹⁸ and around one in four Canadians fail to take needed medication as prescribed due to high costs.¹⁹ Prices would fall if we implemented a universal pharmacare program with a single payer who could negotiate prices, bulk purchase, and use a different set of price comparator countries.²⁰

Action: Working with the provinces and territories, an independent organization made up of prescribers and consumers will be established to recommend safe medications to be added to the formulary.

Result: Such an organization would ensure prescribers have access to more information on drug safety, improving prescribing behaviour and health outcomes.

Action: Allocate \$11.5 billion a year to create a single-payer pharmacare plan in Canada, with direct savings to Canadians of the same amount. This national pharmacare program would be implemented rapidly and not incrementally, ensuring that all Canadians benefit quickly.²¹

Result: Cheaper access to prescription drugs will lower costs to Canadians and to governments while improving health outcomes.

Home care and long-term care

Despite an aging population, there is no national strategy for seniors' care in Canada. Each province has different requirements to access home and long-term care and different price caps ranging from \$960 to \$3,118 a month.²² To save money, provincial governments have been discharging patients from acute care in hospitals. Often, patients are transferred to unorganized, privately-funded for-profit providers.

The deep inequality in accessing continuing care also extends to First Nations, Métis and Inuit, who face additional challenges finding care that is culturally sensitive or safe.²³ The Liberal government has pledged to invest \$11.5 billion over 10 years in

home care and mental health. This amounts to 0.07% of the total CHT transfer and will not help provinces and territories provide seniors with additional care.²⁴

Action: Spend a targeted 2% of GDP on home care based on principles and criteria set out in the Canada Health Act.

Result: Provinces that participate in a national home care program in compliance with the CHA will see federal contributions of up to 40%. This would put Canada in line with comparable northern European countries.

Action: Invest \$2.3 billion a year in long-term and residential care.

Result: Hospitals will be able to move Alternate Level of Care (ALC) patients currently in acute care beds to a more appropriate setting.²⁵

Mental health

Spending on mental health — much of it through private insurance, out-of-pocket payments or non-profit agencies — 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.²⁶ 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.²⁷

Action: Implement a mental health program using the principles and criteria of the Canada Health Act. Dedicated mental health funding needs to be part of the enhanced

Health Accord proposed by the AFB (cost: \$350 million over three years).²⁸

Result: A dedicated mental health stream would ensure that mental health promotion and the treatment of mental illnesses are timely, continuous, collaborative, culturally safe and appropriate, and integrated across the life cycle from children to seniors.²⁹ Furthermore, the AFB acknowledges that affordable and safe housing, good jobs with liveable wages, and clean and safe environments are needed to address the social determinants of health that contribute to mental health.

Drug policy

In 2016, there were 2,816 opioid-related deaths in Canada.³⁰ Canada's chief public health officer estimates overdose deaths will have surpassed 4,000 in 2017. While Canada is embarking on major changes to its cannabis legislation, a health-centred approach to all drug use could decrease negative health impacts and social harms.³¹ In Portugal, decriminalization, treatment and harm reduction resulted in a decrease in adolescent drug use and drug use by people deemed dependent, a decrease in drug-induced deaths and HIV/AIDS diagnoses, and a 60% increase in people seeking treatment.³²

Action: Strike a federal-provincial-territorial-First Nations commission to explore health-centred approaches to the regulation of currently illegal drugs, as suggested by Canada's Drug Futures Forum. The AFB also commits to providing and monitoring adequate coverage for evidence-based com-

prehensive treatment and harm-reduction interventions (cost: \$15 million).³³

Notes

1 Liberal Party of Canada. *Real Change: A New Plan for a Strong Middle Class*. 2015. <https://www.liberal.ca/wp-content/uploads/2015/10/New-plan-for-a-strong-middle-class.pdf>.

2 Beckman, K., Fields, D., and Stewart, M. *A Difficult Road Ahead: Canada's economic and fiscal prospects*. The Conference Board of Canada, 2014; Bartlett, R., Cameron S, Lao H., and Matier, C. *Fiscal Sustainability Report*. Office of the Parliamentary Budget Officer, 2012; Financial Accountability Office. *Economic and Fiscal Outlook*. Spring 2016, page 39.

3 As calculated by the Canadian Health Coalition and the Ontario Health Coalition in the *Health Accord Break Down: Costs and Consequences of the Failed 2016/2017 Negotiations*.

4 Institute for Fiscal Studies and Democracy (IFSD). *CHT and the Federation: Past, Present and Future*. April 2017. <http://www.ifsd.ca/web/default/files/Presentations/Reports/CHT%20and%20the%20Federation%2017009.pdf> Page 28.

5 The Council of the Federation. *Leadership in Health Care: Report to Canada's Premiers on the Achievements of the Health Care Innovation Working Group*. 2013–2016. <http://www.canadaspremiers.ca/leadership-in-health-care/>.

6 Assembly of First Nations. *First Nations Health Transformation Agenda*. February 2017. http://www.afn.ca/uploads/files/fnhta_final.pdf.

7 Truth and Reconciliation Commission of Canada. *Truth and Reconciliation Commission of Canada: Calls to Action*. 2015. http://www.trc.ca/websites/trcinstitution/File/2015/Findings/Calls_to_Action_English2.pdf.

8 Natalie Mehra. *Private Clinics and the Threat to Public Medicare in Canada: Results of Surveys with Private Clinics and Patients*. Ontario Health Coalition. June 2017. <http://www.ontariohealthcoalition.ca/wp-content/uploads/final-report-1.pdf>; Natalie Mehra. *For Health or Wealth? The evidence regarding private clinics and user fees in Ontario*. Ontario Health Coalition. March 2014. <http://www.ontariohealthcoalition.ca/wp-content/uploads/March-25-2014-Private-Health-Clinics-Full-Report.pdf>.

- 9** Kate MacNamara. “Both province and patient pay for tests at Copeman Clinic,” CBC News. May 26, 2016. <http://www.cbc.ca/news/canada/calgary/private-healthcare-copeman-overtesting-billing-1.3589748>.
- 10** Health Council of Canada. (2005). *Primary Health Care: A background paper to accompany Health Care Renewal in Canada: Accelerating change*.
- 11** 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.
- 12** 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>.
- 13** Ibid.
- 14** Canadian Institute for Health Information. “More doctors, but average payments to physicians virtually unchanged,” factsheet: <https://www.cihi.ca/en/canadas-doctor-supply-has-grown-faster-than-the-population-for-the-past-decade>.
- 15** See Health Canada. (2007). Primary Health Transition Fund: Summary of Initiatives: Final Edition; and the 2006 Canadian Collaborative Mental Health Initiative (CCMHI) which produced research and recommendations <http://www.shared-care.ca/cchmi-research-papers>.
- 16** Canadian Pharmacists Association. (2016). *Pharmacy in Canada*.
- 17** OECD Data. Pharmaceutical spending: Total, US dollars/capita, 2015.
- 18** <https://data.oecd.org/healthres/pharmaceutical-spending.htm#indicator-chart>.
- 19** Julie White. (2016). *A National Public Drug Plan For All*. Ottawa: Canadian Health Coalition.
- 20** Angus Reid Institute. (2015). *Prescription Drug Access and Affordability an Issue for Nearly a Quarter of All Canadian Households*.
- 21** Marc-André Gagnon. (2014). *A roadmap to a rational pharmacare policy in Canada*. Ottawa: The Canadian Federation of Nurses Union.
- 22** Ibid.
- 23** The Care Guide. <https://www.thecareguide.com/residence-options/long-term-care/costs/cost-of-long-term-care>.
- 24** Health Council of Canada. *Canada’s most vulnerable: Improving health care for First Nations, Inuit, and Métis seniors*. November 2013. http://www.metisnation.org/media/422632/senior_ab_report_2013_en_final.pdf.
- 25** Canadian Health Coalition and Ontario Health Coalition. *Health Accord Break Down: Costs and consequences of the failed 2016/2017 negotiations*. October 2017. <http://www.healthcoalition.ca/wp-content/uploads/2017/10/Health-Accord-Report.pdf>.
- 26** Canadian Centre for Policy Alternatives. (2016). *Alternative Federal Budget: It’s Time to Move On*. Ottawa.
- 27** 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.
- 28** Canadian Alliance on Mental Illness and Mental Health. (2016). *Mental Health Now! Advancing the Mental Health of Canadians: The Federal Role*.
- 29** Canadian Mental Health Association. Open letter on the Health Accord. November 10, 2016: <http://www.cmha.ca/news/open-letter-mental-health-accord/#.WHRJtVMrLIV>.
- 30** Canadian Alliance on Mental Illness and Mental Health. (2016). *Mental Health Now! Advancing the Mental Health of Canadians: The Federal Role*.
- 31** National figures for opioid related deaths prior to 2016 are not available. However, provincial data from Ontario and Quebec show that opioid related accidental deaths doubled between 2003 and 2016, and between 2005 and 2015 respectively.
- 32** Centre for Addictions and Mental Health. Cannabis Policy Framework. 2014. Camh.ca.
- 33** Drug Policy Alliance. *Drug Decriminalization in Portugal: A Health-Centred Approach*. February 2015. https://www.drugpolicy.org/sites/default/files/DPA_Fact_Sheet_Portugal_Decriminalization_Feb2015.pdf.
- 34** Canada’s Drug Futures Forum. *Canada’s Drug Future Forum: Summary of proceedings and Final recommendations*. April 2017. <http://www.cdff-fadc.ca/summary-of-proceedings-and-final-recommendations>.

Housing and Neighbourhoods



ALTERNATIVE
FEDERAL BUDGET
2018

HOUSING AND
NEIGHBOURHOODS

SITUATION

- Federal affordable housing investments were substantial from the 1960s to 1980s, minimal from 1994 to 2001, and have since made only a modest comeback.
- Waiting lists for subsidized housing in Canada continue to grow. Some people become homeless while they wait.
- In November 2017, the federal government unveiled a National Housing Strategy; funding was modest in a historical context, and many new initiatives won't start to take effect for several years.

DESTINATION

- Make a one-time \$1-billion capital investment in repairing and retrofitting existing social housing.
- Allocate \$1 billion annually for building new supportive housing for vulnerable populations, including new investments for on- and off-reserve housing.
- Allocate \$1.5 billion immediately to a Canada Housing Benefit that helps low-income households afford their rent.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

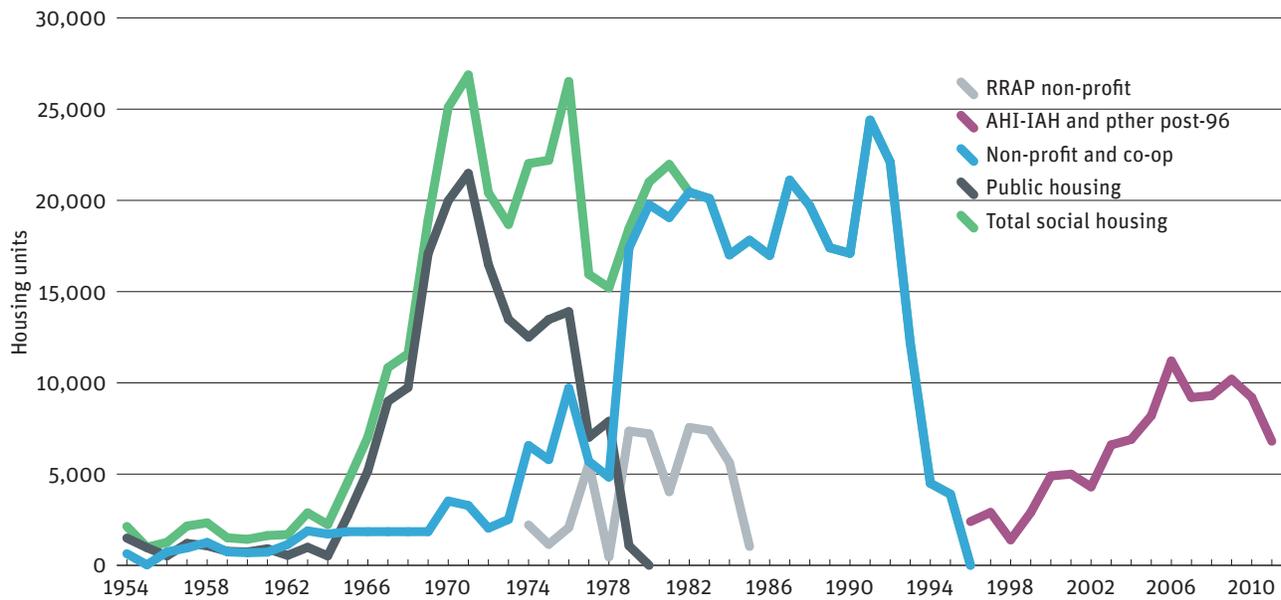
All orders of government in Canada, along with the non-profit sector, must play an active role in creating affordable housing. Co-ordination is fundamental for several reasons.

First, low-income households, especially those relying on social assistance, simply cannot afford monthly rents on most private-market housing. A government subsidy is therefore vital. Second, Canadian cities, especially in high-growth areas, cannot rely on private developers to create the affordable apartment units needed by low-wage workers.

A third reason for co-ordinated action is that non-profit ownership of affordable housing stock keeps rent levels down over the long term and creates public assets in the process.¹ Finally, when it comes to vulnerable subpopulations (e.g., persons with mental health problems, those living with HIV/AIDS, and frail seniors), non-profit entities are effective at creating buildings that can foster community development.

Beginning in the 1960s, the federal government very actively created housing for both low-income and middle-income households, often by sharing the costs of development with provincial and territorial govern-

FIGURE 10 Annual social housing commitments, Canada 1954–2011



Source This is a modified line graph using data compiled by Greg Suttor (Wellesley Institute). The original line graph appeared in Dr. Suttor's 2016 book, *Still Renovating: A History Of Canadian Social Housing Policy* (McGill-Queen's University Press).

ments.² Tenants, in turn, were charged rents they could afford, typically in the range of 30% of their gross monthly income.

As many as 25,000 new subsidized housing units were being created annually across Canada under this system. Low-income households who sought subsidized housing received it more quickly than they would today, and very few individuals stayed in emergency shelters or outside on the street relative to today's numbers.³ Today, wait lists for subsidized housing are growing and many people become homeless while they wait.⁴

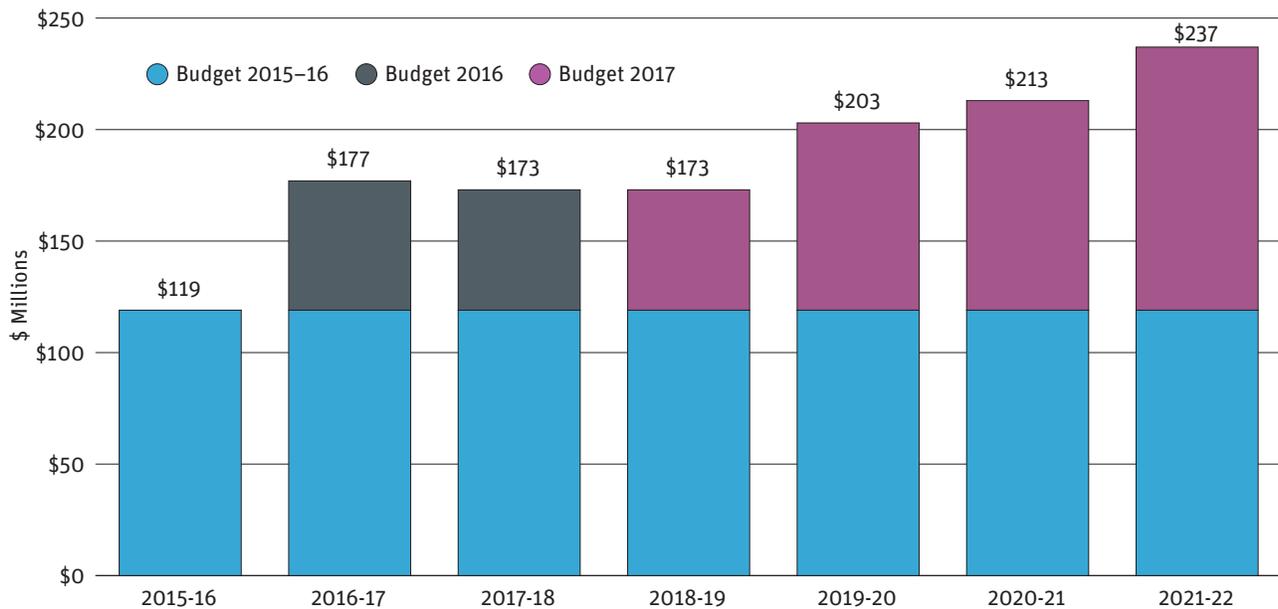
The federal government stopped subsidizing new units of social housing in the early 1990s (with the exception of on-reserve housing). The government gradually and incrementally started to get back into the housing game, so to speak, after 2001.

But fewer units are created annually today than in the 1970s and '80s, and these units tend to provide only modest affordability (see *Figure 10*).

The 2017 federal budget was Canada's most important for housing since 1993. It proposed investments of \$11.2 billion over 11 years, including \$2.1 billion to expand and extend funding for the Homelessness Partnering Strategy (HPS) beyond 2018-19 (see *Figure 11*). The budget also announced that the Investment in Affordable Housing (IAH) initiative, set to expire at the end of 2018-19, will be replaced by a new framework.

The recently unveiled National Housing Strategy (NHS), which made history by adopting housing as a human right, includes plans to create a Canada Housing Benefit consisting of financial assistance to help

FIGURE 11 Annual Homelessness Partnering Strategy funding



Source Chart reproduced from Janice Chan's March 30, 2017, Calgary Homeless Foundation blog.

low-income households afford their rents. However, this will not begin until 2020, and the average beneficiary will receive a mere \$200 per month in benefits. This new federal benefit is expected to be cost-shared with the provinces and territories.

The federal housing strategy also includes the creation of a new National Housing Co-Investment Fund, which over 10 years will create up to 60,000 units of new housing and repair up to 240,000 units of existing housing. This is a unilateral federal program, though some assistance from provincial and territorial governments may be required.

Furthermore, the government's strategy includes a new Canada Community Housing Initiative that will focus on preserving existing units of social housing. This will require cost-matching from provinces and

territories. Canada's approximately 500,000 social housing units — those that are both administered by provincial or territorial authorities and have rent-gear-to-income (RGI) subsidies — will be eligible. The fund will assist with repairs, help keep rents affordable and provide mortgage assistance for the operators.

Once funding starts to flow from this initiative, the challenge of expiring operating agreements will be addressed for a 10-year period, provided the provinces and territories agree to match costs. The Federal Community Housing Initiative will do essentially the same thing for social housing units that are federally administered, including co-op units, at a cost of \$500 million to the federal government over 10 years.

It's important to note that the National Housing Strategy's targets — about 6,000 new builds annually over the next decade — represent just one-third of the total volume of Canada's new annual builds from the 1970s and 1980s, keeping in mind that Canada's population has grown since that time.⁵

AFB Actions

This year's AFB will go beyond the current federal government's spending promises for housing. It will immediately allocate \$3.5 billion over and above commitments made in the 2017 federal budget. Much of this money can be thought of as bridge funding as we wait for National Housing Strategy dollars to start flowing. As new programs are designed and implemented under the new federal housing framework, future AFBs may funnel money directly into them. For now, most AFB dollars go toward existing programs.

Action: Preserve existing social housing stock. Provide a one-time \$1-billion capital investment to provinces and territories to help maintain existing units of social housing. Three types of units are especially vulnerable to expiring agreements: units created under the Urban Native program, public housing units, and units in Northern Canada. We assume no cost-matching from provincial/territorial governments for this funding.

Result: Between 10,000 and 15,000 existing units of social housing in serious state of disrepair will be saved. A \$75,000 invest-

ment per unit will extend the lives of existing housing stock by 25–35 years.

Action: Invest in supportive housing. Provide \$1 billion in new annual spending on subsidized housing and support staff for vulnerable populations at a per-unit rate of \$200,000. A strong focus is placed on Indigenous peoples living off reserve, women, LG-BTQ2S+ populations, persons with physical disabilities, persons with mental health problems, and frail seniors. Federal funds will be conditional on the provinces/territories providing additional funding — e.g., housing allowances or rent supplements — to keep rents affordable for low-income tenants. In addition, provincial and territorial governments will be expected to pay for ongoing professional staff support for the specialized subpopulation in question.

Result: The creation of 5,000 new units of housing annually that will remain affordable for 25–35 years.

Action: Move forward on the Canada Housing Benefit. Immediately allocate \$1.5 billion annually toward the new Canada Housing Benefit to provide enhanced and expedited demand-side assistance for low-income households. Under the AFB plan, each household assisted by the Canada Housing Benefit will receive approximately \$500 per month in rental assistance, and approximately 250,000 households will receive the benefit during the first year. Provincial and territorial governments will not need to match this funding until 2020 under the AFB plan.

Result: The Canada Housing Benefit will help make many private units (that are cur-

rently sitting empty) affordable to low-income households. An estimated 250,000 low-income households will be able to afford rent in private units.

Action: Renew investment in on-reserve housing. The AFB will make substantial investments in on-reserve housing in Canada and direct Indigenous and Northern Affairs Canada to consult on a nation-to-nation basis on the details. Strong emphasis should be placed on cultural appropriateness and environmental sustainability.

Notes

1 Falvo, N. (2016, November 5). *The privatization of social housing*. 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 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>.

5 Suttor, G. (2017, November 28). Canada's national housing strategy: The strong, the soft, and the splashy. Retrieved from <http://www.wellesleyinstitute.com/housing/canadas-national-housing-strategy-the-strong-the-soft-and-the-splashy/>.

Immigration



ALTERNATIVE
FEDERAL BUDGET
2018

IMMIGRATION

SITUATION

- The unemployment rate for less recent immigrants is similar to that for non-immigrants. However, their employment rate is lower.
- Recent immigrants made 63 cents for every dollar made by Canadian-born workers.
- The low-income rate for recent immigrants is 31.4%, and 17.9% for immigrants generally, compared to 12.5% for non-immigrants.
- Citizenship fees increased from \$100 to \$530 in 2014-15.
- 475 people are in immigration detention in Canada at any given time; 6,251 migrants were in immigration detention in 2016, including 162 children.
- At least 16 people have died in immigration detention since 2000.

DESTINATION

- Invest in foreign credentials recognition.
- Give all migrant workers in Canada, as well as all future arrivals, access to permanent residence.
- Ensure employment equity for racialized groups.
- Lower citizenship fees.
- Place a moratorium on all removals until reforms are in place, immediately end all immigration detentions where there are no security concerns, and end the security certificate regime.
- Create a Canada Action Plan Against Racism to examine the intersecting effects of race with other demographic factors in data, law and policy.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Immigrants will soon make up nearly all new entrants into the labour market and be a key driving force of Canada's economy given demographic realities. It is estimated that by 2036, due largely to immigration, between 34.7% and 39.9% of Canada's working-age population will be racialized.¹

There is a strong correlation between racialization and poorer outcomes in income, employment, housing, health, etc., and these outcomes are often compounded by immigration status. The AFB will develop policies and commit resources to address these socioeconomic racial inequities, while

making Canada's immigration and refugee system more equitable.

Persistent, growing disparities

Racialized Canadian-born workers and immigrants are overrepresented in low-paid and precarious employment.² Systemic inequalities have grown worse and become entrenched over the last decade.³ The chronic underemployment of skilled immigrants in Canada and the strong correlation between racialization and the growing wage gap in the labour market is well-documented.⁴

Bridging initiatives and the foreign credentials loan program support retraining, requalifying and licensing in Canada, and

can benefit individual program participants.⁵ But they are limited in scope and scale. We also need targeted policies such as full and consistent implementation of employment equity and community benefits agreements to address systemic barriers that prevent immigrants from accessing jobs and employment income at a level that is consistent with skills, education and experience.

Refugees

Many people are prevented from entering Canada to make a refugee claim because of the Safe Third Country Agreement with the United States. As a result, increasing numbers of people are crossing irregularly, often at great risk to their lives and health.⁶ The U.S. cannot be considered a safe country for refugees, especially under the present administration. The UN Committee on the Elimination of Racial Discrimination (CERD) has called on Canada to rescind or at least suspend the agreement.⁷

The Designated Countries of Origin (DCO) scheme developed by the previous Conservative government, which remains in place, effectively creates a two-tier refugee determination system that discriminates between refugee claimants based on nationality.⁸ DCO claimants face more restrictions, for example, making it more difficult for them to have their claim recognized. Those most vulnerable to this policy are claimants fleeing persecution based on gender, gender identity and sexual orientation.

Canada is the only resettlement country that charges government- and privately-resettled refugees for their travel and medical

costs.⁹ Refugees must repay the “loan,” with interest, 30 days after arrival, a time when most have limited income. Some refugees have used their child tax benefit to repay this loan.¹⁰ The government waived the loan for the 25,000 Syrian refugees brought to Canada between November 2015 and February 2016. But this happens for no other refugees, despite the positive investment absorbing these costs would be for Canadian society.¹¹

The government maintains a 2014 change to the Canada Social Transfer that allows provinces and territories to impose minimum residency requirements (for eligibility for government benefits) on certain groups of individuals based on their immigration or refugee status.¹²

Family sponsorship

The previous Conservative government restricted the sponsorship of parents and grandparents (PGP), including by increasing the eligible income of sponsors to 30% above low income cut-offs (LICO), doubling the sponsorship period to 20 years, and capping applications at 5,000 a year.¹³ The current Liberal government doubled the cap to 10,000 and introduced a lottery for PGP sponsorship, but the remaining restrictions remain.

PGP is the only category of immigration that is subject to this process. The government has said the persistent backlog and processing delays are due to limited resources. Since all prospective immigrants must pay an application fee, in effect a user fee, all collected funds should be earmarked to process sponsorship applications.

Citizenship

Citizenship fees increased in 2014-15 from \$100 to \$530, which was on top of a \$100 right-of-citizenship fee, creating a significant barrier for low-income immigrants. Subsequently there was a sharp decline in citizenship application numbers.¹⁴ This exorbitant fee disproportionately affects racialized immigrants and immigrant women, given their overrepresentation in low-income groups. The current federal government has maintained the fee increase, although it has reversed many other changes by the previous government that made it harder to acquire citizenship and easier for it to be revoked.

Migrant workers

Temporary Foreign Worker Program

Canada's economic permanent immigration program excludes low- and semi-skilled workers. Instead, they are recruited through the Temporary Foreign Worker Program (TFWP), which has grown dramatically over the last decade and become deeply entrenched in the Canadian labour market as an ongoing source of cheap labour. The workers are predominantly racialized and from the Global South.

Lack of job mobility and little or no access to permanent residence (PR) has left workers highly vulnerable to abuse and exploitation by recruiters and employers. They are among Canada's lowest-paid workers, have little or no access to rights and entitlements compared to all other workers, and are at the mercy of weak enforcement by federal and provincial governments.¹⁵

The auditor general of Canada found there is little or no government oversight to ensure that employers follow program requirements, do not mistreat workers and do not use the program simply to hire vulnerable and low-wage workers rather than fill genuine labour shortages.¹⁶

A 2016 parliamentary committee review of the TFWP strongly favoured employers and reinforced the temporary nature of the program.¹⁷ Following the review, the government cancelled rules that limited workers to only four years in the program. But it has not implemented other worker-supportive recommendations such as open work permits and multiple-entry work visas.

Live-in Caregiver Program

Most live-in caregivers are racialized women from the Global South. There are long-standing concerns about the Live-in Caregiver Program (LCP), notably how it isolates workers, leaving them vulnerable to abuse and exploitation, and the lack of workplace inspections to prevent worker abuse and mistreatment.¹⁸ The backlog in processing caregiver applications for permanent residency has persisted for many years, causing lengthy family separations and considerable hardship and distress for workers and their families.¹⁹

The previous Conservative government removed the guaranteed pathway to PR while introducing higher language requirements and a cap on the number of PR applications. It also implemented new labour market impact assessment (LMIA) requirements for employers and a new fee. Between January and March, 2015, 90% of employer

LMIA applications were rejected, reducing available caregiver jobs.²⁰

Between January 2014 and June 2016, the Canada Border Services Agency (CBSA) pursued 40 investigations under Project Guardian, an initiative that collected tips and complaints about alleged program infractions by LCP workers. Following the investigations, 24 workers were kicked out of Canada, including five whose departure was said to have been “voluntary.”²¹ But the government did not address worker concerns about their vulnerability, and the abuse and exploitation of employers and recruiters.

Seasonal Agricultural Worker Program

Created in 1966, the Seasonal Agricultural Worker Program (SAWP) is now more than 50 years old. Participants, mostly from the Caribbean and Mexico, work in Canada for eight months a year but are barred from permanent residence. Some have worked here for decades, spending most of their working lives in Canada, but are “permanently temporary,” and frequently face racial discrimination from police forces.

Injured and sick seasonal workers are sent home prematurely instead of receiving treatment in Canada. They have little or no access to programs such as EI, despite paying into it, are barred from collective bargaining or joining a union, are excluded from basic human rights and worker’s rights in most provinces, and are highly vulnerable to abuse and exploitation by employers.²²

Enforcement

Detention

According to the CBSA, 6,251 people were held in immigration detention in 2016-17, including 162 minors.²³ The majority are detained on grounds other than posing a security threat.²⁴ Many are routinely held in provincial maximum security jails where they are treated the same as those held for criminal charges or conviction. A significant number are racialized. At least 16 detainees have died since 2000 while in CBSA custody. In August 2016, the government announced a \$138-million fund to upgrade immigration detention centres across Canada and use detention as a last resort. No concrete changes have been seen to-date.

In its 2017 review of Canada, CERD recommended that immigration detention should be a last resort, there should be a legal time limit to detention, and detention of minors should end. The UN agency also requested detailed detention statistics, including data disaggregated by age, gender, nationality and ethnicity.²⁵

Removals

Thousands of people with precarious immigration status, including children, are removed from Canada every year. Tens of thousands of others, many of them from the Global South, are on CBSA removal watchlists. They include those who arrived as low-wage migrant workers, students or refugee claimants. The top five countries of removal between 2015 and 2016 were the United States, China, Hungary, Mexico and India.

Systemic barriers and inequalities in the refugee determination system, unfair treatment of migrant workers (including those who are injured in the workplace), and other discriminatory practices are primarily at fault for people's loss of immigration status and risk of deportation. The creation of the DCO refugee scheme has made the situation worse. For more than 15 years, there have been numerous calls from civil society groups, labour organizations, and many others across Canada for an immigration status regularization program.²⁶

Security certificates have been applied to non-citizens deemed inadmissible to Canada on security grounds, on the strength of secret evidence, which has permitted indefinite detention or imposition of extremely stringent house arrest conditions.²⁷

Immigrant settlement services

The previous Conservative government made significant funding reductions to immigrant and refugee settlement services. New money for Syrian refugee resettlement only offset previous funding cuts in many regions. For many funded organizations, service demand outstripped federal resources.

In November 2017, the government released a multi-year immigration plan featuring a gradual increase in immigration numbers to approach 1% of the population by 2020. This can be much higher and Canada can resettle many more refugees.²⁸

The government must provide the immigrant- and refugee-serving sector with adequate resources to meet service needs while maintaining annual funding stability

through a longer-term budget commitment. This will avoid service disruptions and minimize precarious work in the sector, which has escalated in recent years due to short-term funding and budget uncertainties.²⁹

Federally funded immigrant settlement services must be provided to all who need them, including refugee claimants, migrant workers (except caregivers), international students, and those with precarious immigration status, who are currently excluded. These people are typically most vulnerable to exploitation and abuse, and often most in need of such assistance.

National Action Plan Against Racism

Data disaggregated by ethno-racial background is rarely collected by any order of government. The lack of data conceals ethno-racial inequalities and impedes political and legal recognition of racial discrimination, which is of particular concern in areas of federal jurisdiction including immigration and immigration enforcement, national security and income support programs.

The government's poverty reduction strategy — the first ever in Canada — names several communities at heightened risk of poverty, but these do not include racialized communities nor does the document mention racism. Peoples of colour are more likely to live in poverty compared to the general population, yet these oversights effectively exclude them from the poverty strategy. All levels of government must collect race-based data to allow identification of the experiences of diverse peoples of colour and

to measure the unique impacts of public policy interventions.

As mentioned above, CERD has called on Canada to systematically collect disaggregated data, including economic and social indicators for ethnic groups, African-Canadians, Indigenous peoples and non-citizens.³⁰ Canada's Action Plan Against Racism (2005–2010) has not been renewed, despite compelling evidence of persistent racial inequalities and growing racism and xenophobia.

Canada Child Benefit

Eligibility for the Canada Child Benefit is based on the immigration status of the child's parents. Thus, children of people who are claiming refugee status in Canada, who cannot leave Canada for reasons wholly beyond their control, or who do not have regularized immigration status, are unfairly and arbitrarily excluded – even if the child has full immigration status.

Denying benefits in this way means that children in low-income immigrant families continue to live in poverty, which undermines their healthy development. It also signals that some children are less worthy of poverty alleviation than others. To truly combat child poverty, the Canada Child Benefit must be made available to all children in Canada regardless of their parents' immigration status.

“Excessive demand” and medical inadmissibility

Hundreds of immigration applications are refused each year because the applicants are deemed likely to cause an excessive demand on Canada's health and social services.³¹ Demand is found to be excessive if it exceeds \$6,655 a year, which is the average annual health care cost for a Canadian.³² A parliamentary standing committee on citizenship and immigration recently recommended that relevant immigration law and regulations should be repealed. The committee also proposed interim measures such as better training of immigration officers.³³ The minister of immigration has said he is committed to overhauling the policy.

AFB Actions

Immigrant employment disparities

Action: Ensure full and consistent implementation of employment equity to racialized immigrants, including in community benefits agreements, and invest in foreign credentials recognition support initiatives such as bridging and loans programs (cost: \$100 million a year).

Refugee policy

Actions: Withdraw from the Safe Third Country Agreement. Eliminate the Designated Countries of Origin scheme. Exempt all refugees from having to pay back the transportation loan and immediately cancel all outstanding interest charges (cost: \$50 mil-

lion a year). Eliminate minimum residency requirements based on immigration status in the Canada Social Transfer.

Sponsorship

Action: Eliminate the minimum income requirements for all family class sponsorships.

Citizenship

Action: Reduce citizenship fees (cost: \$17 million a year).

Immigrant settlement services

Action: Invest \$50 million a year to meet settlement service needs.

Migrant workers

Actions: Give all migrant workers currently in Canada access to permanent residency, and allow future workers to gain PR on arrival. Increase program monitoring and enforcement of employer compliance in all migrant worker programs. Bar the CBSA from targeting migrant workers for enforcement action based on allegations of infractions from employers and recruiters.

Enforcement

Actions: Place a moratorium on all removals until reforms to the refugee determination system and the immigration system are in place. Immediately end all child detentions and all immigration detention where there are no security concerns. Collect and

release disaggregated data on detentions. End the security certificate regime and all deportation proceedings under it. Introduce a permanent residency program for those with precarious immigration status.

Action Plan Against Racism

Actions: Work with civil society on a renewed, enhanced and comprehensive Canada Action Plan Against Racism. Collect and use disaggregated data to enable the analysis of intersecting effects of race with other demographic factors and to measure the impact of laws and policies on racialized and other disadvantaged groups (cost: \$20 million).

Canada Child Benefit

Action: Provide all children living in Canada with the Canada Child Benefit, regardless of their parents' immigration status (cost: \$10 million).

Excessive demand and medical inadmissibility

Action: Immediately eliminate the policy of refusing immigration applications based on excessive demand on Canada's health and social services (cost: \$27 million a year).³⁴

Notes

1 Statistics Canada. (2017). Immigration and Diversity: Population Projections for Canada and its Regions, 2011 to 2036.

2 Sheila Block, Grace-Edward Galabuzi and Alexandra Weiss (2014). The Colour Coded Labour Market by

- the Numbers: A National Household Survey Analysis. Wellesley Institute.
- 3 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>.
 - 4 Sheila Block and Grace-Edward Galabuzi. (2011). Canada's Colour Coded Labour Market: The Gap for Racialized Workers. Wellesley Institute.
 - 5 Michelle Parkouda, Janneka Beeksma and Janet Kwansah. Measuring Returns: Valuing Investments in Internationally Educated Nurses. Conference Board of Canada, September 9, 2015.
 - 6 Laura Glowacki, "Asylum agreement with U.S. to blame for woman's death near border, lawyer says," CBC News Posted: May 31, 2017 <http://www.cbc.ca/news/canada/manitoba/safe-third-countries-border-crosser-death-1.4140348>.
 - 7 Concluding observations on the combined twenty-first to twenty-third periodic reports of Canada. United Nations Committee on the Elimination of Racial Discrimination. 13 September 2017. http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CERD%2fC%2fCAN%2fCO%2f21-23&Lang=en.
 - 8 Joanna Berry, Primer on the 'Designated Countries of Origin' Scheme. <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>; <http://maytree.com/blog/2014/01/plug-into-changes-in-immigration-and-employment-rules/>.
 - 14 Griffith, Andrew. "The impact of citizenship fees on naturalization" in Policy Options. October 12, 2016. IRPP.
 - 15 Faraday, Fay. Profiting from the precarious: How recruitment practices exploit migrant workers. 2014. Metcalf Foundation.
 - 16 Report 5 — Temporary Foreign Worker Program — Employment and Social Development Canada. 2017 Spring Reports of the Auditor General of Canada to the Parliament of Canada. May 2017.
 - 17 Temporary Foreign Worker Program. Standing Committee on Citizenship and Immigration. June 15, 2016.
 - 18 Report 5 — Temporary Foreign Worker Program — Employment and Social Development Canada. 2017 Spring Reports of the Auditor General of Canada to the Parliament of Canada. May 2017.
 - 19 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>.
 - 20 <http://www.thestar.com/news/immigration./2015/05/16/low-acceptance-and-backlog-stifles-foreign-nanny-program.html>.
 - 21 <http://rabble.ca/news/2016/03/project-guardian-raids-on-caregivers-leads-to-calls-immigration-reform>.
 - 22 The Seasonal Agricultural Workers Program. Justicia/Justice for Migrant Workers - J4MW. <http://www.justicia4migrantworkers.org/bc/pdf/sawp.pdf>.
 - 23 Canadian Border Services Agency, "Detention Statistics" last modified 23 May 2017, <http://www.cbsa-asfc.gc.ca/security-secure/detent-stat-eng.html>.
 - 24 Never Home, "Legislating Discrimination in Canadian Immigration" (2015), <http://www.neverhome.ca/detention/>.
 - 25 Concluding observations on the combined twenty-first to twenty-third periodic reports of Canada. United Nations Committee on the Elimination of Racial Discrimination. 13 September 2017. http://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CERD%2fC%2fCAN%2fCO%2f21-23&Lang=en.
 - 26 <http://ocasi.org/call-regularization-immigration-status-canada>.
 - 27 Audrey Macklin, "The Canadian Security Certificate Regime" (2009) Centre for European Policy Studies, <http://aei.pitt.edu/10757/1/1819.pdf>.
 - 28 "Multi-year immigration levels welcomed but government commitment to refugees falls short". Canadian Council for Refugees. November 2017. <http://ccrweb.ca/>

en/release/multiyear-levels-welcomed-commitment-falls-short.

29 “CISSA-ACSEI and OCASI discussion paper: Charting a new direction”. September 2017.

30 Concluding observations on the combined twenty-first to twenty-third periodic reports of Canada. UN Committee on the Elimination of Racial Discrimination. 13 September 2017.

31 Kathleen Harris, “An issue that pulls at the heart-strings’: MPs review rules that reject immigrants on medical grounds” CBC News, 24 October 2015, <http://www.cbc.ca/news/politics/immigration-rules-medical-inadmissibility-1.4367826>.

32 Nicholas Keung, “Immigration minister vows to change law that bars immigrants with disabilities and

illnesses” Toronto Star, 22 November 2017, <https://www.thestar.com/news/immigration/2017/11/22/federal-government-urged-to-scrap-ban-on-immigrants-with-disabilities-and-illnesses.html>.

33 Building an inclusive Canada: Bringing the immigration and refugee protection act in step with modern values. Standing Committee on Citizenship and Immigration. December 2017. <http://www.ourcommons.ca/DocumentViewer/en/42-1/CIMM/report-15/page-5>.

34 Stephen Smith, “Changes coming to Canada’s medical inadmissibility rules,” Canadian Immigration News, 23 November 2017, <https://www.cicnews.com/2017/11/changes-coming-to-canadas-medical-inadmissibility-rules-119878.html#gs.ot7kDck>.

Industrial Strategy and a Just Transition



ALTERNATIVE
FEDERAL BUDGET
2018

INDUSTRIAL STRATEGY
AND A JUST TRANSITION

SITUATION

- Decarbonizing the Canadian economy to mitigate the costs of climate change will require a co-ordinated, large-scale industrial transformation.
- Transition to a zero-carbon economy will have negative impacts on some high-carbon industries such as oil and gas extraction.
- Women, racialized workers and other marginalized groups are underrepresented in key growth industries for the zero-carbon economy.

DESTINATION

- Develop a national Decarbonization Strategy that puts workers and communities first while growing the zero-carbon economy.
- Establish a Just Transition Transfer to the provinces to support workers and communities negatively affected by decarbonization policies.
- Establish a Strategic Training Fund to support advanced skills training and apprenticeships in strategic sectors, with a focus on groups that have historically been excluded.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Climate change is chiefly caused by the emission of greenhouse gases (GHGs) from the combustion of fossil fuels. Reducing fossil fuel production and consumption is therefore the focal point of the AFB's climate change mitigation and adaptation strategy. We must end Canada's economic dependence on oil, gas and coal and build an alternative, zero-carbon economy to ensure a prosperous, sustainable future. Otherwise, the rising costs of climate change will soon reach debilitating levels.¹

The AFB plans to end Canada's fossil fuel dependence by restricting new fossil fuel infrastructure, increasing the price of fossil fuels to reflect their true environmental cost, and expediting energy efficiency improvements (see Environment and Climate Change chapter). The AFB plans to build a zero-carbon economy through bold and substantive new investments in renewable energy generation, public transit and electrification (see Infrastructure and Cities chapter). Tying these elements together is a well-planned, large-scale, national industrial strategy that ensures a just transition for workers and their communities.

The “just transition” framework was developed by the labour movement and civil society groups to minimize the harm to workers and their communities of the transition off fossil fuels.² Canada has a long history of resource booms going bust (for reasons other than environmental policy) with resultant increases in poverty, violence and poor public health. Unsurprisingly, many fossil fuel workers now fear that necessary environmental and industrial policies, such as the phase-out of coal-fired electricity generation, will hurt them and their communities. Fortunately, a large-scale industrial transformation need not be disruptive if done in a co-ordinated and rational way.

A just transition includes policies to support the workers and communities most negatively affected by decarbonization and to help them adapt to the zero-carbon economy. For example, worker expertise in drilling wells for fracking gas can be redirected toward drilling wells for clean geothermal energy. In addition to these *reactive* policies, a just transition includes forward-looking, *proactive* policies.

Approximately 200,000 people work directly in Canada’s fossil fuel industry today (1% of total employment),³ but an ambitious green jobs plan could create as many as one million new jobs within a decade.⁴ In other words, reskilling existing workers is necessary but insufficient to meet the needs of the zero-carbon economy. A just transition therefore includes policies to train new workers to meet additional demand and to ensure employment is created in the regions that need it most.

In doing so, a just transition should address serious inequities in the economy. Because the vast majority of workers in the construction and resources sectors are white men, as are the majority of new students in skilled trades training programs and apprenticeships,⁵ in the short term almost all of the benefits from just transition programs will flow to them. However, for a just transition in the long term, programs must be designed to ensure marginalized groups have access to new economic opportunities in the clean economy. Dedicated training programs and hiring quotas for women, racialized Canadians and other underrepresented groups should be included in just transition program design.

The AFB sees a central role for the federal government in co-ordinating and facilitating these changes through targeted industrial and workforce development policies. We need a managed wind-down of “dirty” industries over the course of a few decades. Through careful planning we can avoid the harmful boom-and-bust tendencies of resource markets. Strategic development of “green” industries presents an extraordinary opportunity for Canada to make large new investments that create jobs and boost productivity while dramatically reducing carbon emissions.

The benefits of a just transition—as opposed to an unmanaged, regressive one—extend beyond the economic well-being of workers and their communities. A just transition also strengthens political buy-in for potentially controversial or divisive policy proposals, such as the closing of fossil fuel-burning power plants. Without proactive

efforts to acknowledge and support affected workers, an industrial strategy will never secure the consensus necessary for transformational change.

That's especially the case in Alberta, Saskatchewan, Newfoundland and Labrador, and northern British Columbia, where many communities are highly dependent on coal, oil and natural gas production. Given the highly regional nature of the zero-carbon transition, it is vital that the provinces take the lead in supporting affected workers and communities. The federal government can make its greatest contribution by providing resources and helping to co-ordinate regional just transition programs.

AFB Actions

Action: Allocate \$250 million over five years toward the development of a National Decarbonization Strategy in consultation with provincial-territorial governments, labour organizations, First Nations, industry associations, academics, and other stakeholders. The strategy will be grounded in the principles of decent work and environmental sustainability, include a comprehensive assessment of the state of the Canadian economy and detailed picture of where it needs to go in the medium and long terms, and chart a policy roadmap to get us there. At every stage, the strategy will prioritize greenhouse gas emission reductions while ensuring decent work for all regions and peoples in Canada.

The National Decarbonization Strategy will identify key industries and sub-

sectors for the zero-carbon economy and determine how the federal government can best support them through the transition. These industries, such as electricity generation, forestry, and public transit equipment manufacturing, lower our overall emissions, provide good jobs and drive innovation and productivity growth. The strategy will also identify sectors incompatible with the zero-carbon economy, such as fossil fuel extraction and conventional vehicle transportation, and develop a plan to wind down or fundamentally reform them. To facilitate a smooth transition, the strategy will ensure that new energy systems and economically productive industries scale up before the fossil fuel sector is phased out entirely.

Result: With a \$50-million annual operating budget to support consultations, research and policy development, the National Decarbonization Strategy will act as a co-ordinating body for other spending detailed in the AFB, including the enhanced Low Carbon Economy Fund (see Infrastructure and Cities chapter) and the trade promotion strategy (see International Trade and Investment chapter).

Action: Create a new \$500-million Just Transition Transfer (JTT) to support workers and communities negatively affected by actions taken under the National Decarbonization Strategy, especially the phase-out of coal, oil and natural gas production (cost: \$100 million a year for five years). The JTT is provided to the provinces as a complement to other federal employment and social security programs detailed in the AFB, including enhanced employment insurance benefits

(see Employment Insurance chapter). The specific allocation of the JTT to each province is contingent on progress made under the National Decarbonization Strategy and on the share of affected workers in each jurisdiction.

Result: The Just Transition Transfer will provide income security, skill retraining and family support (such as counselling) to the workers and communities hit hardest by the zero-carbon transition. The transfer is designed to reinforce existing provincial just transition programs, such as Alberta's Coal Workforce Transition Fund, while incentivizing the creation of new and more comprehensive programs where they're needed most.

Action: Establish a new \$1-billion Strategic Training Fund (STF) to increase training capacity in strategic zero-carbon sectors. Targeted investments in the areas identified under the National Decarbonization Strategy will create hundreds of thousands of new jobs, especially in the skilled trades. For the zero-carbon transition to be successful, the Canadian economy needs skilled workers ready to fill those positions. However, colleges and trade schools currently lack the resources to train new workers on the scale required, and current programs are failing to attract new students from many segments of Canadian society.

Result: Colleges and other training institutions will receive funding through the Strategic Training Fund to create and expand training programs consistent with the National Decarbonization Strategy. Funding is contingent on increased representation of

women, racialized Canadians, immigrants, First Nations and other groups that have been historically excluded from the skilled trades. A portion of STF spending is dedicated to marketing and recruitment campaigns designed to increase applications from historically marginalized demographics. The Strategic Training Fund is a complement to other AFB workforce development initiatives including the Post-Secondary Education Renewal Transfer (see Post-Secondary Education chapter).

Notes

- 1 Without serious action to combat climate change, the cost of climate-related disasters to the Canadian economy is expected to rise to \$21–43 billion per year by the 2050s. See: National Round Table on the Environment and the Economy, *Paying the Price: The Economic Impacts of Climate Change for Canada*, Government of Canada, 2011.
- 2 Karen Cooling, Marc Lee, Shannon Daub and Jessie Singer. *Just Transition: Creating a green social contract for BC's resource workers*, Canadian Centre for Policy Alternatives: BC Office, January 2015.
- 3 Hadrian Mertins-Kirkwood. *Tracking Progress: Evaluating government plans and actions to reduce greenhouse gas emissions in Canada*, Canadian Centre for Policy Alternatives and Adapting Canadian Work and Workplaces to Respond to Climate Change, May 2017, p. 14.
- 4 See, for example: Steering Committee of the Green Economy Network. *Making the Shift to a Green Economy: A Common Platform of the Green Economy Network*, Green Economy Network, 2016.
- 5 Hadrian Mertins-Kirkwood. *Making Decarbonization Work for Workers: Policies for a just transition to a zero-carbon economy*, Canadian Centre for Policy Alternatives and Adapting Canadian Work and Workplaces to Respond to Climate Change, January 2018.

Infrastructure and Cities



ALTERNATIVE
FEDERAL BUDGET
2018

INFRASTRUCTURE
AND CITIES

SITUATION

- The number of commuters who drive to work has barely changed in recent years, dropping only 1.3% from 2006 to 2016.
- Government infrastructure spending is only 0.1% higher than it was in 2006.
- In 1955, the federal government spent 35% of every infrastructure dollar; today, it spends closer to 15%.

DESTINATION

- Increase short-term funding for public transit and electrification initiatives and modify the current mandate to target greenhouse gas reductions.
- Increase short-term funding for green infrastructure and the Low Carbon Economy Fund.
- Create a National Community Development Agency to oversee community economic development.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

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 centres. The added costs associated with aging infrastructure — the total cost of replacing

only the most decrepit infrastructure is estimated to be \$141 billion — deplete municipal resources, making it even harder for cities to meet the day-to-day needs of their residents.¹ To make matters worse, local governments simply do not have the capacity, on their own, to manage the transition to a zero-carbon economy, which will require significant spending on new green infrastructure.

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 in-

stead. 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, several 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 people.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 when federal and provincial governments ran surpluses and cut taxes to businesses and higher-income earners.

Federal and provincial governments have increased the money they transfer 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, the 2013 New Building Canada Plan and the 2016 Investing in Canada Plan offered municipalities stable, long-term revenue not enjoyed since trans-

fers were cut in the mid-1990s. These funds were a necessary improvement, but they did not fully remedy long-standing shortfalls.

Problematically, these new spending promises were back-loaded and ultimately inadequate given the dire need for new infrastructure in many communities. Additionally, the federal government failed to address the flaws in the funding structure itself. Grants were still approved using an opaque application-based process that discourages a co-ordinated approach, leads to accusations of unfairness and emphasizes high-profile, politically popular projects over functional, forward-looking investments.

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, the federal government invested heavily in infrastructure, such as roads and bridges, that perpetuates carbon-intensive activities.

Current Issues

Persistent problems

The current government's Investing in Canada Plan provides an adequate base-level of investment that will allow cities to slowly renew and restock decaying infrastructure, but it is far less than the injection of capital they need.

Furthermore, the federal funding mechanism is still deeply flawed, based on an opaque project approval process that inhibits long-term planning. For example, a lack of publicly available data and objective

criteria prevents more robust analysis and critique of this process, creating a vast accountability gap at the federal level.

Government infrastructure spending in 2016 was only 0.1% higher, as a percentage of GDP, than it was in 2006.⁵ And while we are finally approaching an era when infrastructure spending levels will once again rise to a suitable level, it is mystifying that we're still not there.

Making the Canada Infrastructure Bank work for cities

The federal government continues to pay the lowest interest rates of any level of government and enjoys the broadest tax base. Municipalities, on the other hand, face the highest interest rates and the smallest tax base. In other words, it is much more cost-effective for the federal government to make major infrastructure investments than it is for municipalities, even if public dollars are being used in either case.

There has been a substantial shift in infrastructure investment and responsibility over the past half-century. In 1955, the federal government spent 35% of every infrastructure dollar; today, it spends closer to 15%. Municipalities used to spend a quarter of every infrastructure dollar; now they spend close to half.

One of the key justifications for the new Canada Infrastructure Bank is to reduce costs and increase access to loans for Canadian cities. Unfortunately, the bank's lending structure will cost cities extra. That's because a large portion of the benefit from the

new money will be wasted on higher interest payments.

An infrastructure bank could, given the right mandate, lower the borrowing cost for cities from 2.5% to the 0.8% federal rate. Such a bank could also simplify the process of accessing bond markets. The proposed Canada Infrastructure Bank, however, appears designed to serve the needs of investors, not cities, with its likely focus on public-private partnerships and reliance on private sector financing, which currently comes with interest rates of 7–9%.

Breaking the fossil fuel paradigm

Postponing investment for so long has resulted in numerous missed opportunities to prevent and mitigate the effects of climate change. Even worse, a generation of neglect has made it harder to take the dramatic steps needed to realize a climate-friendly paradigm.

Green infrastructure and public transit are pillars of the Liberal infrastructure plan and these expenditures will likely result in worthwhile, emission-reducing projects. Unfortunately, a significant portion of this investment is back-loaded or will otherwise be used to play catch-up. Wastewater facilities are in poor condition across the country (see the Water chapter) and public transit authorities are scrambling simply to keep up with growing urban populations.

After oil and gas extraction, the transportation sector is the largest contributor to greenhouse gas emissions. Urbanization rates and urban populations continue to rise, but Canadians haven't yet been convinced

to leave their cars at home. The number of commuters who drive to work was down a paltry 1.3% in 2016 compared to 2006 levels.⁶

To move in a meaningful way toward sustainability, we need to drastically reduce the number of gasoline-powered vehicles on the road. Improved public transit is the best way to make that happen. It comes down to finding the right balance of lowered costs, reduced commute times and enhanced convenience. Changing people's habits is not easy, but it is certainly achievable.

Prioritizing high-speed rail

Rail is one of the lowest-carbon modes of transportation, with the added benefits of speed and comfort, but it has been grossly neglected by Canadian policy-makers. High-speed rail has been a frequent topic of conversation for decades; millions have been spent on feasibility studies, but no meaningful projects have broken ground.

The corridor between Windsor and Quebec City is populated by over half of Canada's population and 92% of travel along this route is done in cars. There are intentions to build a high-speed rail connection along the corridor, but progress will likely depend on the outcome of the next provincial election (possibly the next two).

There are few, if any, other individual projects in Canada that have as much potential as the Windsor-Quebec City rail link to take cars off the road and reduce carbon emissions. We need leadership at the federal level to make this happen.

AFB Actions

The Alternative Federal Budget makes large-scale, strategic investments in vital public infrastructure with a clear emphasis on reducing greenhouse gas emissions and preparing Canadian communities for the low-carbon economy. All new spending will be allocated in line with the National Decarbonization Strategy (see the Industry Strategy and a Just Transition chapter). Infrastructure spending in AFB 2018 is front loaded to accelerate projects in the short term.

Action: Increase short-term funding for public transit and electrification initiatives and modify the current mandate to achieve the greatest possible greenhouse gas emissions reductions (cost: \$2 billion per year through 2020-21).

The AFB tops up existing federal commitments for public transit infrastructure with \$6 billion in new spending over the next three years to accelerate the development of new projects. The AFB also expands the scope of transit infrastructure funding to include transportation electrification initiatives that go beyond traditional public transit, such as electric vehicle charging infrastructure and inter-city rail. Priority projects for the new funding include high-speed rail lines in the Windsor–Quebec City and Calgary–Edmonton corridors.

Action: Increase short-term funding for green infrastructure and the Low Carbon Economy Fund (cost: \$3.5 billion per year through 2020-21).

As the level of ambition of Canada's climate policy increases (see the Environment

and Climate Change chapter), more funding will be needed. The AFB increases funding to the Low Carbon Economy Fund to \$2 billion per year (from \$500 million) and adds \$2 billion per year in new green infrastructure spending until 2021. Investments will focus on expanding renewable energy generation capacity, especially in remote and rural communities.

Action: Increase short-term funding for social infrastructure and create a National Community Development Agency to oversee community economic development (cost: \$50 million per year).

The AFB increases upfront social infrastructure spending to match spending down the road (see the AFB chapters on First Nations, Child Care, Health Care and Housing). The new development agency will be made up of representatives from all levels of government and tasked with removing obstacles to the smooth transmission of public resources to community economic development initiatives. It will develop streamlined project approval criteria to get funding out the door more quickly, and it will improve transparency through new reporting mechanisms and fund-specific auditing. An ongoing outreach strategy will promote co-development of public policy with all levels

of government, stakeholders and civil society partners.

As a key player in the implementation of the National Decarbonization Strategy, the National Community Development Agency will also identify common goals and opportunities across provinces to develop renewable energy capacity, transition communities and industrial sites to the low-carbon economy, and implement local climate change mitigation and adaptation strategies.

Notes

- 1 Federation of Canadian Municipalities. (2016). 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. Tax Foundation.
- 4 Statistics Canada. 2011 National Census. "Population, urban and rural, by province and territory."
- 5 CANSIM Table 380-0064 with author's calculations. Infrastructure spending defined as "General Governments Gross Fixed Capital Formation."
- 6 Statistics Canada. (2017). "Journey to work: Key results from the 2016 Census."

International Development



ALTERNATIVE
FEDERAL BUDGET
2018

INTERNATIONAL
DEVELOPMENT

SITUATION

- Achieving the Sustainable Development Goals (SDGs) demands a transformative change in Canada's approach to development co-operation.
- Canada invests 0.27% of gross national income (GNI) in international development—below the OECD peer average, and a third of the UN's 0.7% target.
- Canadian development assistance must be implemented in more integrated and complex ways, with new, substantial, complementary investments and financing tools.

DESTINATION

- Align government policy with the Sustainable Development Goals.
- Increase development spending by 15% annually to reach 0.7% of GNI by 2027-28.
- Focus Canada's international assistance on the poorest and most vulnerable people.
- Demonstrate leadership on the SDGs related to gender equality.
- Create a Development Finance Institute to invest in women-led businesses in low-income countries.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Global context

The adoption, in 2015, of the 2030 Agenda for Sustainable Development (Agenda 2030) and the Sustainable Development Goals (SDGs) was a landmark achievement, establishing a globally comprehensive and integrated approach to sustainable development.¹ These new goals are universal in nature, applying to all countries including Canada. In fact, the SDGs are an ideal framework from which Canada should set an ambitious global agenda.

Many other countries — from Colombia to Germany, Finland to China — are using Agenda 2030 to achieve greater coherence in government policy around issues of society, economy and environment (including actions on climate change), with the aim of achieving a more sustainable impact on the ground. These countries have established multi-stakeholder and/or inter-ministerial mechanisms to implement the SDGs. There are many international precedents from which Canada can learn and borrow. The High Level Political Forum at the United Nations in New York in July 2018 will be a key opportunity for Canada to present

its national framework for implementing the SDGs domestically and internationally.

Beyond the SDGs, the World Humanitarian Summit (WHS) in May 2016 also drew global attention to the urgency for collective action to address growing humanitarian need. The world is experiencing the greatest displacement crisis ever recorded, with some 65 million people forced from their homes in recent years.² Over 218 million people each year are affected by disasters, costing the global economy more than \$300 billion annually.³ A recent UN report showed a \$15 billion gap between available financing for humanitarian assistance and global human need.⁴

National vision

Canada's new Feminist International Assistance Policy (FIAP) represents a significant shift in how Canada delivers global development and humanitarian assistance. The ambitious vision in the FIAP creates an opportunity for the government to align its actions with Agenda 2030 and the WHS Grand Bargain. Making progress in both of these areas demands a transformative change in Canada's vision and approach to global co-operation.

The world urgently needs to reverse the trend toward deeper inequality, end the gender discrimination that stymies human development, slow the progress of climate change while helping the poorest adapt, and stop the human misery resulting from regional instability, forced displacement and recurring cycles of violence. An effective implementation of the FIAP, including

the resources needed to have an impact, will allow Canada to make an important contribution and enhance its reputation on the global stage.

Both these global agendas challenge Canada to move outside of its traditional institutional and conceptual silos to achieve inclusive development that leaves no one behind. Success will demand a whole-of-Canada and inclusive approach that reflects the multidimensional nature of poverty, delivering baskets of interventions that reflect country- and community-specific needs. Civil society's strengths in program delivery, in policy and advocacy, and in engaging and mobilizing the public, will complement the political will and resources that Canada can invest in the right mix of policies and programs.

Government, civil society organizations (CSOs), and other stakeholders must engage in a long-term partnership to elaborate — and implement — a comprehensive and effective framework that will guide Canadian development co-operation over the next five years, and enhance Canada's contribution to a fairer, more sustainable, and safer world. This vision for a strong development and humanitarian assistance policy requires a strong financial commitment. It would be one of the smartest long-term public investments the government can make to help build a stable and prosperous global economy that works for all.

Canada must contribute its fair share to fostering stability and reverse the recent trend that has seen its international assistance budget decline to historically low levels.⁵ Canada currently allocates about 0.27%

of its gross national income (GNI) to development co-operation and humanitarian assistance.⁶ Canada has fallen below the average of its peer group in the Organization for Economic Co-operation and Development (OECD), to well less than half of the UN target of 0.7% of GNI.⁷ These figures affect how Canada is perceived internationally by its peers and in the UN. Without substantial increases, the current Liberal government risks having the worst record in Canadian history, in terms of the level of investments in international assistance.

Strategic investments and focus

There is no clearer way of rebuilding Canada's global profile than through sustained annual increases to the international assistance envelope (IAE) — the most predictable way of growing Canadian official development assistance (ODA). Canada can use ODA to support smart, strategic and impactful global development and humanitarian investments, working in collaboration with all development and humanitarian actors including CSOs. By focusing Canada's ODA on supporting gender equality and empowering women and girls, the government has signaled its intention to play a leadership role in supporting SDG 5, as well as SDG implementation across the FIAP's six key action areas.⁸ However, implementing the new policy will also require enhanced development practice.

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. Above all, Canada's focus should be on poor people, not on poor countries, in keeping with the principal purposes of Canada's ODA Accountability Act.⁹ Canada should be seeking to assist the poorest and most vulnerable, regardless of where they live. This focus is consistent with the Minister of International Development's mandate to focus on reducing poverty and inequality, and with the core goal of Agenda 2030: to leave no one behind.¹⁰

Canadian ODA should also be aligned with the priorities of Canada's 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.¹¹ In a recent global monitoring exercise, Canada ranked 19 out of 22 bilateral donors in aligning the objectives of its country assistance to country-led results frameworks, a key determinant of respect for the principle of country ownership in development co-operation.¹²

Yet, in 2012, Canada allowed its aid effectiveness action plan to conclude without developing a new one. The government of Canada needs a new action plan with clear targets in line with the 2005 Paris Declaration on Aid Effectiveness.

Complementary investment tools¹³

A diversified portfolio of tools and approaches can reduce risk and enhance efficiency in Canadian international assistance efforts. In this vein, the mandate of Canada's Development Finance Institute (DFI) must be

complementary to its ODA efforts, focused squarely on development and poverty reduction, ensuring positive outcomes and real impact.

To be most effective, Canada's DFI should coordinate its operations with parallel efforts through, for example, Global Affairs Canada (GAC) and the International Development Research Centre (IDRC), including by focusing on many of the same low-middle income (LMICs) and low-income countries (LICs) where GAC and IDRC have active programs and knowledge of the development landscape. ODA investments through GAC and IDRC can help strengthen institutions, governance and the rule of law, build infrastructure, invest in education and training, and strengthen local knowledge, research and innovation (among other things).

These are the same factors that facilitate business development and attract capital. The DFI should seek to address key financing gaps and fill niche markets, providing patient capital, loans and loan guarantees, technical assistance and business services to women-led SMEs in LMICs and LICs where there is a huge dearth of capital. Such a focus would complement GAC's new FIAP and its \$150 million fund for local women's rights organizations in developing countries.

The DFI must be guided by and accountable to the following core principles:¹⁴ adopting mechanisms to ensure any investment can demonstrate clear development and financial additionality; giving as much weight in evaluation and selection criteria to commercial viability and return on investment as to development impact; developing robust

monitoring, transparency and accountability standards; respecting key development effectiveness principles relating to country ownership, transparency and accountability; and demonstrating development outcomes and results.

In summary, Canada's DFI can maximize development impact by being integrated within Canada's existing development efforts. This means emphasizing clear development outcomes and financial return alongside financial and development additionality, complementarity, good governance and transparency.

AFB Actions

The 2018 AFB proposes to substantially strengthen Canada's role as a co-operative leader in building a fairer, more sustainable and safer world.

Actions: Launch a comprehensive plan to align government policy with the Sustainable Development Goals. Toward this end, the prime minister will establish an inter-ministerial committee on the SDGs, co-ordinated by the Privy Council Office and reporting directly to him. The government will also establish a multi-stakeholder national commission to foster a whole-of-society approach to implementing the SDGs. This commission will actively engage with the three levels of government, Indigenous authorities, civil society, the private sector and other Canadians. The committee and national commission will work together to generate a comprehensive Canadian SDG action plan, drawing inspiration from the

Feminist International Assistance Policy and the Federal Sustainable Development Strategy. This action plan will outline an inclusive process for developing a national framework of indicators, inspired by the global indicators but specific to Canada, and for working with the provinces and territories to collect data at the subnational level, disaggregated by age, race, ethnicity and gender, among other criteria.

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

Action: Announce a 10-year timetable for gradually and predictably increasing the international assistance envelope until Canada has met its UN target of 0.7% of GNI. The envelope will increase annually by 15%, from \$4.9 billion in 2017-18 to \$5.7 billion in 2018-19, \$6.5 billion in 2019-20 and \$7.5 billion in 2020-21. This additional funding will be accompanied by new, flexible, diverse and responsive funding mechanisms to support the government's work with a variety of new, existing and non-traditional CSO partners.

Result: More predictable funding over the coming years will help Canada meet its political ambitions for global co-operation and catch up with its OECD peers with respect to development assistance. The AFB's "fiscal escalator" will generate predictable annual increases in the aid budget, double the aid envelope in the first five years and allow partner countries to absorb the increases effectively and in accordance with their own priorities.

Actions: Set clear additional targets to focus Canada's international assistance and development finance on the poorest and most vulnerable people, women and girls in particular. As of 2018-19, 50% of bilateral aid will be dedicated to least developed and low-income countries (LDCs and LICs) and fragile states. In the next four years, or by 2022-23, 0.12% of GNI will be dedicated to development co-operation for LDCs.¹⁵ As the IAE increases through the new investments in AFB 2018, a larger proportion will be allocated to the baseline budget for humanitarian assistance (prevention, response, relief and recovery) to gradually bring this into line with typical year-end expenditures. A new overarching aid effectiveness action plan will be created, with clear targets in line with the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Global Partnership for Effective Development Co-operation. Finally, as part of a comprehensive feminist approach, the Canadian Development Finance Institute will invest half of its resources in women-led small and medium-sized enterprises in LMICs and LICs.

Result: By focusing on the people most in need, wherever they live, Canada will help realize the Agenda 2030 ambition of leaving no one behind.

Notes

¹ United Nations, *Transforming our world: The 2030 Agenda for Sustainable Development*, 2015, <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

- 2** UNHCR, “Figures at a Glance,” 2016, <http://www.unhcr.org/figures-at-a-glance.html>.
- 3** 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>.
- 4** 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>.
- 5** CCIC, “Implementing Canadian Ambitions: Supporting Global Development in Budget 2018,” October 2017, http://ccic.ca/resources/Implementing_Canadian_Ambitions_October_2017.pdf.
- 6** Ibid. Although this figure reflects the anticipated GNI for 2016-17.
- 7** Greenhill, Robert and Celine Wadhera, “On paying its global share, Canada’s not back — it’s far back,” January 11, 2017, <https://www.opencanada.org/features/paying-its-global-share-canadas-not-backits-far-back/>.
- 8** These key action areas are gender equality and the empowerment of women and girls, human dignity, growth that works for everyone, environment and climate action, inclusive governance, and peace and security.
- 9** For details, see Global Affairs Canada, “The Official Development Assistance Accountability Act,” <http://www.international.gc.ca/development-developpement/partners-partenaires/bt-oa/odaaa-lmado.aspx?lang=eng>.
- 10** 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>.
- 11** See notably the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), <http://www.oecd.org/dac/effectiveness/34428351.pdf>.
- 12** Global Partnership for Effective Development Cooperation, 2016 Progress Report, page 154.
- 13** A more detailed iteration of this section is available at “Presentation to the Standing Committee on Foreign Affairs and International Development on its Study on Canada’s Development Finance Institute (DFI),” July 2017, http://ccic.ca/media/Standing_Committee_Appearance.pdf.
- 14** See for example the “Annex 1: OECD DAC Blended Finance Principles for Unlocking Commercial Finance for the SDGs,” in *DAC High Level Communique*, October 31, 2017, <http://www.oecd.org/dac/DAC-HLM-2017-Communique.pdf>. These capture much of what is suggested here.
- 15** The Government of Canada currently allocates around 0.09 percent of GNI to LDCs. This transition can be achieved within the context of an expanded IAE as per above.

International Trade and Investment



ALTERNATIVE
FEDERAL BUDGET
2018

TRADE
POLICY

SITUATION

- Canada's existing trade and investment agreements, including NAFTA, are a contributing factor in the rise of inequality over the past 30 years, and our overdependence on environmentally harmful, carbon-intensive exports.
- New trade and investment agreements would exacerbate these problems without offering significant benefits to Canadian firms or workers.
- Canada has other options for promoting trade and investment without committing to overbroad and restrictive "free trade" treaties.

DESTINATION

- Develop a trade promotion strategy that helps shift Canada toward a zero-carbon economy.
- Place a moratorium on new free trade negotiations (hit pause), pursue sectoral agreements (e.g., on clean energy) with international partners, and prioritize co-operation through international forums like the UN.
- Review existing international trade agreements to ensure they do not undermine social justice, economic inclusion and environmental sustainability.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Canada's international trade in goods and services was valued at \$1.3 trillion in 2016, while investment flows were valued at \$133 billion.¹ Exports accounted for 31% of Canada's GDP and imports were even higher, producing a small trade deficit. Likewise, Canadian investors sent more money abroad than Canada received in foreign direct investment. Overall, Canada's current account deficit expanded to \$67.7 billion in 2016.²

Both the relative importance of trade and investment to the Canadian economy and the persistence of trade and investment

deficits are the product of government policy choices. Over the past three decades, Canadian governments have pursued trade and investment liberalization without regard for the costs. The result has been increased trade and investment, but also slower economic growth, increased socioeconomic inequality, concentrated corporate power and structural imbalances in the economy.³ Specifically, Canadian trade policy has promoted the development of environmentally destructive resource industries at the expense of manufacturing and other value-added sectors.

At the centre of Canada's liberalization agenda are free trade agreements (FTAs)

and foreign investor protection agreements (FIPAs). Although ostensibly intended to benefit all Canadians, these agreements have in fact empowered multinational corporations and foreign investors at the expense of workers and governments.

In general, Canada's international economic agreements are problematic for four reasons:

1. FTAs and FIPAs are negotiated in secret with minimal public involvement or oversight (even from elected officials);

2. FTAs and FIPAs force changes to domestic legislation in policy areas not directly (and sometimes not remotely) related to trade or investment, such as government procurement and intellectual property rights;

3. FTAs and FIPAs give special rights to foreign investors without corresponding responsibilities, including the right to sue governments through private arbitration; and

4. FTAs and FIPAs lack meaningful rights or protections for workers, the environment, public services and other social considerations, including the right of governments to regulate freely in the public interest.

The federal government has recently adopted a "progressive trade" agenda that superficially addresses some of these concerns.⁴ In addition to consulting with labour unions and other civil society groups, the government has attempted to introduce new language on labour rights, environmental protection, gender equality and Indigenous rights into trade agreement negotiations. Although their rhetoric is laudable, the government has so far failed to achieve any meaningful progressive outcomes. For example, the gender equality chapter add-

ed to the Canada-Chile FTA at the request of the Chilean government only creates an oversight committee and is not enforceable through the agreement's dispute settlement mechanism.

The government's "progressive trade" agenda will continue to be put to the test in 2018 as Canada juggles 19 sets of ongoing trade and investment negotiations.⁵ The following four agreements will be especially important this year.

North American Free Trade Agreement (NAFTA)

In May 2017, U.S. President Donald Trump notified Canada and Mexico of his intent to renegotiate NAFTA. Formal negotiations began in August and are scheduled through spring 2018.

NAFTA has been a disappointment for Canada since coming into force in 1994. On the one hand, the agreement did not produce the higher wages and productivity growth that were promised at the time. On the other hand, NAFTA has had clear costs. The auto sector has been especially negatively impacted in terms of production, investment, trade balance and employment (45,000 auto sector jobs have been lost since peaking in 2001).⁶ Canada has also been sued through NAFTA's investor-state dispute settlement (ISDS) mechanism more than any other country and has paid out hundreds of millions of dollars in compensation to foreign (mostly U.S.) corporations.⁷

In theory, the renegotiation of NAFTA presents an opportunity to remedy longstanding problems with the deal. For ex-

ample, new provisions protecting workers and the environment could be added and the ISDS mechanism could be removed.⁸

However, the Trump administration's "America First" agenda poses new threats to supply management, the affordability of medicines, privacy rights, public interest regulation and key export sectors. In many cases, the U.S. is tabling provisions recycled from the Trans-Pacific Partnership, even though the U.S. withdrew from that deal (see below). Given these demands and other "poison pill" proposals that Canadian negotiators have so far rejected, Canada should be actively preparing for NAFTA to end.

Fortunately, Canada can feel comfortable walking away from a bad deal. Several recent studies, including one from the Canadian Centre for Policy Alternatives, have shown that the costs of leaving NAFTA would be modest for Canada.⁹

Canada-EU Comprehensive Economic and Trade Agreement (CETA)

Canada passed implementing legislation for CETA in May 2017 and the agreement came into force on a provisional basis on September 21. For the agreement to come fully into force, every EU member must complete a domestic ratification process. So far, only half a dozen member states have done so. In the meantime, several of the most contentious aspects of the agreement are in limbo, including the investor-state dispute settlement mechanism.

Nevertheless, even on a provisional basis CETA poses significant risks to Canada. Among other issues, the agreement pro-

hibits local development criteria in government procurement, locks in liberalization in public services, and extends pharmaceutical patent protections that increase the price of brand-name drugs and limit the availability of cheaper generic competition.¹⁰ Studies predict CETA will have a negligible or even negative impact on the Canadian economy, with workers hit the hardest.¹¹ Upwards of 150,000 jobs are put at risk.¹²

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The Trans-Pacific Partnership appeared to be dead after President Trump withdrew the U.S. from negotiations in January 2017. As it was written, the TPP could not come into force without U.S. participation. However, the remaining eleven parties (TPP-11), including Canada, quietly continued negotiations and in November announced agreement on the core elements of a revised TPP text (rebranded as the CPTPP).

The CPTPP removes some of the more toxic provisions found in the original TPP (e.g., related to intellectual property rights and the scope of ISDS), but ultimately the new deal looks mostly like the old one. It still contains an ISDS mechanism, enables firms to shift migrant workers freely across borders — without giving rights to those workers — and puts key domestic industries at risk.¹³ The Canadian government acknowledged as much when it promised \$4.3 billion in compensation to the supply-managed agricultural sector, although the government later walked back its support.¹⁴

Besides inserting the word “progressive” in the title, the Canadian government secured no changes from the original TPP in the areas of labour, environmental protection, gender equity, Indigenous rights or other elements of their self-styled progressive trade agenda. At the time of writing, Canada had not signed or ratified the deal, although it had signalled its intent to do so.

(Proposed) Canada-China Free Trade Agreement (CCFTA)

Canada and China announced exploratory talks toward a free trade agreement in September 2016. Getting negotiations off the ground has proven difficult, reportedly because most elements of Canada’s progressive trade agenda are non-starters with the Chinese government. But it has also been reported that China is insisting on changes to Canada’s investment restrictions and a pipeline to the West Coast as part of any deal, which may also be delaying a final blueprint for negotiations.

Canada should be wary of negotiating a free trade agreement with China. As the junior partner, Canada has little leverage to win economic concessions, let alone meaningful social clauses. A traditional FTA is likely to exacerbate Canada’s unbalanced trading relationship at the expense of workers and the environment in both countries. Moreover, China’s poor human rights record cannot be ignored. Not only is it morally questionable to support an oppressive regime, but it is also foolish to force Canadian workers and firms into competition with state-sup-

ported Chinese firms that benefit from artificially low wages and working conditions.¹⁵

AFB Actions

International trade and investment can contribute to cultural exchange, security and economic well-being, but they are not ends in themselves. Moreover, trade and investment will continue with or without FTAs, FIPAs or other international economic agreements. With these principles in mind, the AFB moves Canada toward a more strategic, sustainable and genuinely progressive trade and investment policy.

Action: Instruct Global Affairs Canada to develop a trade promotion strategy that reinforces the National Decarbonization Strategy (see the Industrial Strategy and Just Transition Policy chapter).

Result: Canada will align trade promotion efforts with domestic economic development priorities, especially efforts to reduce greenhouse gas emissions and build a zero-carbon economy. Trade promotion will focus on helping desirable, strategic industries become globally competitive and access foreign markets. The trade promotion strategy will also shift support *away* from industries that are no longer compatible with the national industrial policy (e.g., oil and gas extraction).

Action: Put a moratorium on comprehensive free trade and investment agreement negotiations and instruct Global Affairs Canada to re-engage with trading partners

on a sector-by-sector basis and in multilateral forums.

Result: Canada will cease to participate in trade negotiations that rewrite broad swaths of public policy at the expense of public interest regulation and public investment. Recognizing the value of continued engagement with international partners, Canada will instead pursue sectoral agreements in strategic sectors (e.g., to increase trade with China in clean energy technologies). On broader economic issues, such as trade facilitation, Canada will push for global cooperation through the United Nations and other international venues, with an emphasis on promoting sustainable growth and development.

Action: The AFB will conduct extensive cross-country public consultation to review all existing international economic agreements, recommend the removal of any provisions that undermine social justice, economic inclusion, or environmental sustainability, and define the new elements of an alternative trade agenda.

Result: Canada will identify the areas where existing FTA and FIPA commitments are in conflict with national priorities and map out a plan for reform. Canadian governments will be better able to act in the public interest once our international trade agreements align fully with Canadians' domestic priorities and support, not impede, global efforts to combat climate change and address unacceptable levels of poverty and inequality.

Notes

1 Mykyta Vesselovsky et al., *Canada's State of Trade: Trade and Investment Update 2017*, Minister of Public Works and Government Services Canada, 2017.

2 Ibid.

3 Jordan Brennan, *Ascent of Giants: NAFTA, Corporate Power and the Growing Income Gap*, Canadian Centre for Policy Alternatives, February 2015.

4 Rt. Hon. Justin Trudeau, P.C., M.P., "Minister of International Trade Mandate Letter," Office of the Prime Minister of Canada, February 1, 2017, <https://pm.gc.ca/eng/minister-international-trade-mandate-letter>.

5 Global Affairs Canada, "Trade and investment agreements," Government of Canada, last updated November 17, 2017, <https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/index.aspx?lang=eng>.

6 Jeff Rubin, "How Has Canadian Manufacturing Fared under NAFTA? A Look at the Auto Assembly and Parts Industry," *Centre for International Governance Innovation Papers*, No. 138, August 2017.

7 Scott Sinclair, *Canada's Track Record Under NAFTA Chapter 11: North American Investor-State Disputes to January 2018*, Canadian Centre for Policy Alternatives, January 2018.

8 Scott Sinclair, Stuart Trew and Hadrian Mertins-Kirkwood, *Submission to Global Affairs Canada on the renegotiation and modernization of the North American Free Trade Agreement (NAFTA)*, Canadian Centre for Policy Alternatives, July 2017.

9 See, for example: Dan Ciuriak, Lucy Ciuriak, Ali Dadkhah, and Jingliang Xiao, *The NAFTA Renegotiation: What if the US Walks Away?*, C.D. Howe Institute, November 2017; and Pierre Laliberté and Scott Sinclair, *What is the NAFTA advantage? Putting the tariff impacts of a Trump termination in perspective*, Canadian Centre for Policy Alternatives, June 2017.

10 Hadrian Mertins-Kirkwood, Scott Sinclair, Stuart Trew, Laura Große, Peter Fuchs, Anna Schüler and Ines Koburger, eds., *Making Sense of CETA (2nd Edition)*, PowerShift and Canadian Centre for Policy Alternatives, September 2016.

11 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.

12 Jim Stanford, *Out of Equilibrium: The Impact of EU-Canada Free Trade on the Real Economy*, Canadian Centre for Policy Alternatives, October 2010.

13 Scott Sinclair and Stuart Trew, eds., *The Trans-Pacific Partnership: A Citizen's Guide*, James Lorimer & Company Ltd., 2016.

14 Gordon Isfeld, "\$4.3 billion TPP compensation for Canada's dairy industry is not a done deal: Trade Min-

ister Chrystia Freeland," *Financial Post*, November 18, 2015, <http://business.financialpost.com/commodities/agriculture/4-3-billion-tpp-compensation-for-canadas-dairy-industry-is-not-a-done-deal-trade-minister-chrystia-freeland>.

15 Scott Sinclair, *Submission from the Canadian Centre for Policy Alternatives to Global Affairs Canada's consultations on a possible Canada-China Free Trade Agreement*, Canadian Centre for Policy Alternatives, June 2017.

Post-Secondary Education



ALTERNATIVE
FEDERAL BUDGET
2018

POST-SECONDARY
EDUCATION

SITUATION

- Revenue from tuition has tripled since 1996, when federal funding for PSE was severely cut. Today, public funding supplies only half of university revenues.
- Public student debt reached \$28 billion in 2012—its highest level ever—which does not account for all private debt.
- Over 10,000 Indigenous students are on a waiting list for post-secondary training.
- Canada spends less on training and skilled trades apprenticeships than most industrialized countries.

DESTINATION

- Restore federal funding for post-secondary education and establish 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 extend training to those not eligible for EI.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

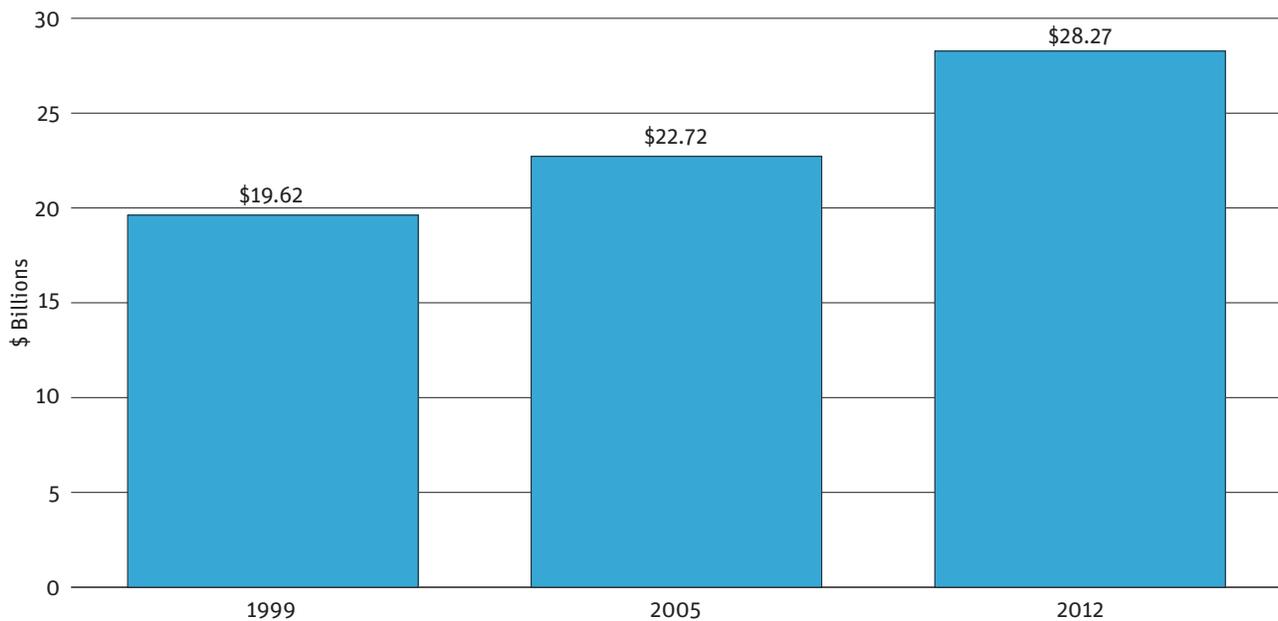
Tuition fees, student aid and debt

Canadian colleges and universities have doubled or tripled tuition fee revenues since 2001, saddling graduates with unprecedented levels of debt (see *Figure 12*). The catalyst came in 1996, when the federal government made historic cuts to PSE transfers worth \$2.29 billion (an 18% reduction), facilitating dramatic tuition increases over the next two decades, particularly for international students and those enrolled in professional programs (see *Table 4*).

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, and Indigenous students, who are more likely to come from low-income households.¹ The data also does 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.²

Almost 60% of public student financial aid comes from the Canada Student

FIGURE 12 Public student loan debt (federal and provincial), 1999–2012



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

Loans Program (CSLP) while the balance is delivered through provincial student aid programs, employment insurance (for apprenticeship training), and bursaries or scholarships available at PSE institutions. The bulk of student aid is loan-based, which discriminates against those unable to pay PSE costs up front. Students compelled to borrow from the Canada Student Loan Program suffer high interest rates after graduation (e.g., a \$30,000 loan costs \$10,000 to finance over a 10-year period).

In 2014-15, the last year for which data is available, the CSLP provided loans to 498,000 students and modest grants to 366,000 low- and middle-income students.³ This represented about 24% of enrolled students in 2014-15, leaving the vast majority with unmet financial needs.⁴ Of particu-

lar concern, graduate students who do not qualify for a CSLP Canada Student Grant, 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 256,000 CSLP debtholders in 2014-15 (almost a third of all debtholders that year). The RAP absorbs interest payments on CSLP debt, and even reduces principal amounts for borrowers on RAP for 60 consecutive months or 10 years after graduation. At 15 years after graduation, CSLP debt is forgiven.⁵ 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 ex-

TABLE 4 Tuition fees at various PSE institutions (2017-18)

Institution	Domestic tuition	International tuition
Dalhousie University - Dentistry	\$24,743	\$49,522
Seneca College - Aviation Technology	\$19,059	\$73,908
University of Ottawa - Common Law	\$29,187.57	\$74,463.48
McMaster University - Medicine	\$28,201.34	\$95,960.18
University of Manitoba - Asper MBA	\$31,863.55	\$43,592.93
University of British Columbia - B.Ed.	\$11,558.40	48,958.20

Source Tuition fee schedules from named institutions.

panded given the scope of unemployment and underemployment, particularly among young workers.

As a final note, it is inexcusable that the CSLP earned over \$614 million in interest on student loans in 2014-15.⁶ The CSLP must follow the lead of the four provinces that have eliminated interest rates on student loans.⁷

Indigenous students

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.⁸

During the 2015 election campaign, future prime minister Justin Trudeau promised to lift the 2% cap on federal transfers to the PSSSP and invest an additional \$50 million

per year in the program. The cap has been lifted, and the 2017 federal budget did invest an additional \$90 million towards the PSSSP from 2017–2019, but far more must be done. The government must meet the more realistic target of \$424.8 million set by the AFN to address the backlog of qualified Indigenous students seeking PSE.

Apprenticeships, skills-based training and continuing education

Canada spends less on skills training and active labour market measures than most of the industrialized world.⁹ (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.¹⁰ Low literacy levels are contributing to Canada's dismal

innovation record, preventing many people from accessing decent jobs.¹¹

In the past, Citizenship and Immigration Canada (today Immigration, Refugees and Citizenship 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 2010.¹² 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.¹³

Precarious work and executive compensation in PSE

Canada's 400,000+ PSE workers are being asked to do more with less. A third of undergraduate teaching is done by contract instructors, many of them surviving on subsistence wages.¹⁴ 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.¹⁵ A recent study put the cost of deferred maintenance on university campuses at \$8.4 billion in 2014.¹⁶ 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 con-

tinue to be informed by the short-term interests of the private sector and, as a result, prioritize research that can be commercialized.¹⁷ 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 place in the world for private sector spending on research in the last five years.¹⁸

In 2014, of the 4,535 doctoral students that applied for SSHRC funding, only 580 were successful.¹⁹ 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.²⁰

AFB Actions

The AFB establishes a new policy framework for PSE that expands access to high-quality, publicly funded education and training. 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 (savings: \$1.5 billion), Canada Job Grant (savings: \$300 million), RESP tax credit (savings: \$110 million) and student loan interest tax credit (savings: \$45 million), and reduce the scientific research and experimental development tax credit to help

fund a new PSE Renewal Transfer. The government will also appoint a parliamentary task force to investigate the introduction of 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 for senior executives tied to the income of the provincial or territorial premier where a PSE institution is based. The task force will also consider 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.

Result: Post-secondary education will become affordable for all students across Canada, in part through the following measures attached to the PSE-RT.

- 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), creation of a federal Labour Market Partners Forum (cost: \$50 million over 10 years), help for unemployed Canadians who do not qualify for EI access training programs (cost: \$300 million), strengthening of union-based apprenticeship training (cost: \$125 million), and harmonizing of 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).
- Following the advice of the Naylor Report, a significant investment will be provided for curiosity-driven research. Tri-council granting agencies for PSE research (SSHRC, NSERC and CIHR) will have their budgets restored to 2007-08 levels, but funds will be distributed evenly among them (cost: \$1.3 billion).

- An additional 1,250 students will be eligible for Canada Graduate Scholarships at a value of \$20,000 per scholarship (cost: \$146 million).
- Immigration, Refugees and Citizenship 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 (cost: \$53 million).

Action: Introduce a Canada PSE Act modelled on the Canada Health Act to ensure the provinces and territories comply with the core principles of universality, accessibility, comprehensiveness, public administration, and freedom of expression in their PSE systems.

Notes

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

2 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.

3 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.

4 Statistics Canada. CANSIM 477-0019, November 2016.

5 ESDC. “Canada Student Loans Program: Annual Report, 2014-2015,” pp. 4, 13–15. 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 in 2008.

6 *Ibid.*, p. 23.

7 CFS. “Student Employment: Eroding Academic Success,” fall 2013.

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

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

10 Janet Lane and T. Scott Murray. “Smarten Up: It’s Time to Build Essential Skills.” Canada West Foundation. Calgary: June 2015.

11 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.

12 CBC News. “Immigrant Settlement Funds Cut for Ontario,” December 23, 2010.

13 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.

14 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.

15 CUPE National (Research Department). “Sector Profile: Post-Secondary,” June 11, 2015.

16 Canadian Association of University Business Officers. “Deferred Maintenance at Canadian Universities: An Update,” May 2014.

17 See: CAUT, “2017/2018 Federal Budget Highlights” (March 2017); Industry Canada, “Positioning Canada to Lead: An Inclusive Innovation Agenda” (June 2016).

18 World Economic Forum, “Global Competitiveness Report, 2013-2014” (2013).

19 NGC, “2017 Pre-Budget Submission”.

20 CCR, “2017 Pre-Budget Submission”.

Poverty



ALTERNATIVE
FEDERAL BUDGET
2018

POVERTY

SITUATION

- The national poverty rate in 2015 hit a new high of 14.2% (based on the low-income measure after tax) and 12.1% (using the market basket measure), the equivalent of between 4.2 and 4.8 million Canadians.
- Poverty rates are substantially higher for recent immigrants, Indigenous people, racialized people, senior women, single parents and people with disabilities.
- 863,492 Canadians relied on food banks in March 2016, 28% more people 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.
- The federal poverty reduction plan process is taking a long time and may not have any new initiatives prior to the next federal election.

DESTINATION

- Reduce Canada's poverty rate by 50% within three years and adopt bolder targets for populations experiencing acute poverty.
- Adopt a human rights framework to guide poverty reduction efforts and re-establish an arm's length body to track progress.
- Introduce a yearly \$4-billion 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 450,000 people out of poverty, half of them children.
- Re-establish a federal minimum wage of \$15 per hour covering all workers under federal jurisdiction and ensure annual increases into the future.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

In its first year, the 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 in Canada 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%.¹ More recently, the federal government announced the CCB will be indexed as of 2018, something the AFB and Campaign 2000 have called for since the new benefit was introduced. Other promised initiatives are still to come, including more action on

Indigenous poverty, housing, 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, Jean-Yves Duclos, minister of families, children and social development, released a discussion paper entitled *Towards a Poverty Reduction Strategy* and announced he would spend 2017 consulting with Canadians on the development of a nationwide plan.² The paper displays a solid understanding of the scope, sources, dimensions and consequences of poverty in Canada. The willingness of the government to consult on poverty reduction targets, and

Data dilemmas

Minister Duclos's discussion paper continues to use the low-income cut-off (LICO) as its measure of poverty. Yet one would be hard-pressed to find an economist outside of government who still recommends this as an accurate indicator. The LICO 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, the AFB prefers the more reliable low-income measure (LIM) and market basket measure (MBM) for tracking poverty. The LIM tracks the median income over time and is internationally comparable. The MBM is reflective of the actual costs of living in communities across the country.

Securing reliable and timely data with respect to poverty among various at-risk population groups also remains a challenge, whether they be Indigenous people, people with disabilities, or racialized people. The census (released every five years) provides better data for these demographic groups, but for non-census years such data are rarely available. Campaign 2000 has proposed using tax-filer data, cross-referenced with the census, to keep such demographic data and tracking up to date in off-census years.⁴

to be accountable for meeting them, is welcome. But several concerns persist.

For example, the process is taking a long time, the terms of reference appear vague, and at this stage it is unclear when a federal plan will be unveiled, and what if any new initiatives will result from the process prior to the next federal election. This is despite the fact that many of the actions that will quickly lower poverty rates are already well known and could be implemented in this year's budget.

Also, 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), and has signalled that a boost in the Working Income Tax Benefit for people in the low-wage workforce is coming, it risks reproducing a narrative of the "deserving" versus "undeserving" poor, in particular by leav-

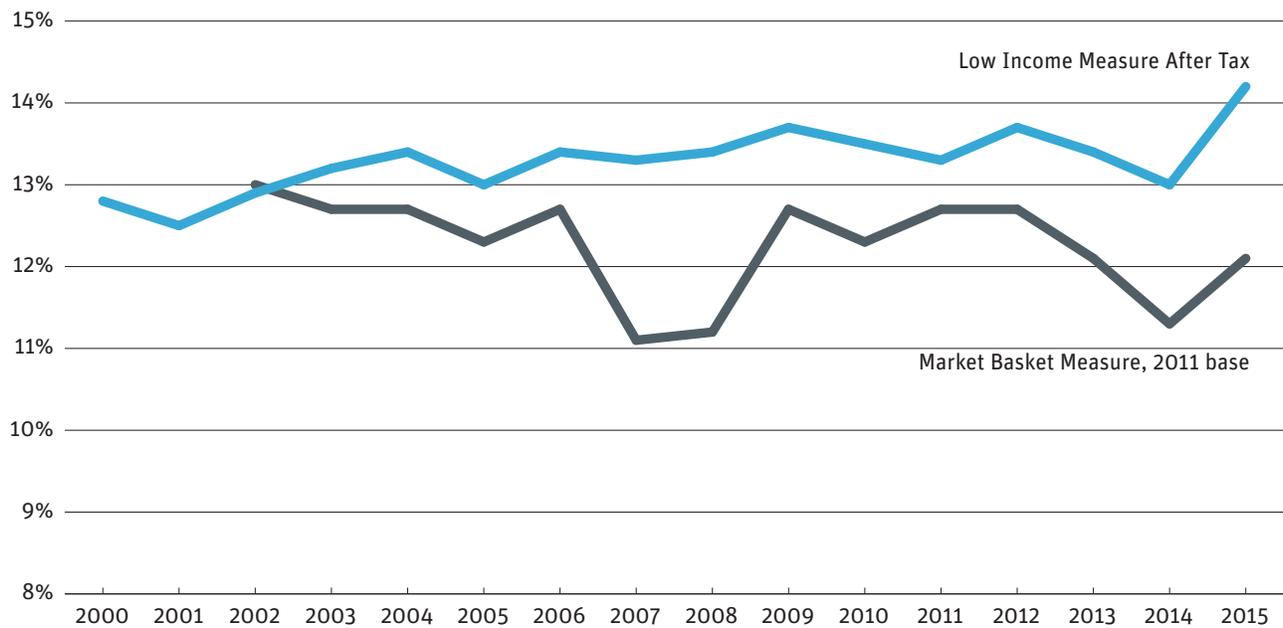
ing out people without children who rely on social assistance.

The government's discussion paper recognizes that poverty is about more than income. It acknowledges that Canada will also need to make improvements to social supports, like post-secondary education and secure housing, that enhance affordability, quality of life and economic security. However, action on these fronts is slow and lacking.³ Noticeably absent is any meaningful action on a much-needed national child care program.

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. Yet the federal government has thus

FIGURE 13 Poverty rates, all persons, 2000–15



Source: Statistics Canada, CANSIM Table 206-0041

far refused to take action on a federal minimum wage. 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 has a poverty reduction plan (at some level) in place or in development, with British Columbia, long the sole hold-out, now developing a plan.⁷ But cities, provinces and territories need a feder-

al 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 addressing poverty among Indigenous people and seniors. It is also the primary jurisdiction that can reduce disparities facing poor children, recent immigrants and people with disabilities. And key income supports (the CCB, GIS, CPP,⁸ GST credit and EI) are in the hands of the federal government.

Poverty by the numbers

In March 2016, 863,492 individuals relied on food banks across Canada, 28% more people than before the recession hit in 2008.⁹ Food insecurity has risen since 2008 as well, with 12.5% of people in Canada experiencing some

level of food insecurity in 2013.¹⁰ 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.¹¹

By any measure, there was a rise in poverty rates in Canada immediately following the onset of the 2008 recession. As shown in the chart below, the national poverty rate in 2015 was 14.2%, based on the low-income measure after tax (LIM-AT), and 12.1% using the market basket measure (MBM). That translates to between 4.2 and 4.8 million Canadians living in poverty.

In both cases, poverty has increased from the previous year, and in both cases the rate remains higher than the pre-recession low. Indeed, the LIM poverty rate represents an all-time high. We also have 2016 census data showing that the poverty rate remained 14.2% that year, based on the LIM-AT, but rose to 12.9% based on the MBM.

According to the latest national *Child Poverty Report Card*, more than 1.2 million children (17.4%) lived in poverty in 2015, 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 2000.¹² 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).¹³

The situation is much worse for Indigenous children. The poverty rate for status First Nations children, for example, is a stagger-

ing 51%, rising to 60% if restricted to children on reserves.¹⁴

Poverty rates are higher for recent immigrants, Indigenous people, racialized people, senior women, single parents and people with disabilities. Based on the 2016 census, and using the LIM-AT as our measure of poverty, the following incidences of poverty emerge:¹⁵

- Recent immigrants (those who immigrated in the last five years): 31.4% (versus 12.5% among non-immigrants)
- Racialized people: 20.8%
- Indigenous people: 23.6%
- Women: 14.9% (versus 13.4% among men)
- Women over 65: 16.7%
- People in lone-parent families: 29.1%; and 31.5% among people in female lone-parent families (versus 8.8% in two-parent families with children)

According to a recent Statistics Canada study, people with a disability accounted for approximately 20% of the Canadian population aged 25 to 64 in 2014, but 41% of the low-income population in the same age group. Put another way, “persons with a disability accounted for approximately one-fifth of the overall population aged 25 to 64. Of these, 23% were in low income, compared with 9% of those without a disability.”¹⁶

AFB Actions

It is past time for the federal government to develop and implement, with the provinces and territories, a comprehensive federal ac-

tion 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 three years, and end poverty 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 three 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 high-quality and affordable supported housing for everyone in Canada.
- Within two years, reduce by half the number of Canadians who report both hunger and food insecurity.

To achieve these targets, the AFB takes the following actions:

Action: Establish a human rights framework by which the federal government will provide leadership on poverty and inequality issues, with a plan grounded in legislation that includes targets and timetables to eradicate poverty, accountability and reporting mechanisms, and input from those with lived experience of poverty.

Action: Re-establish the National Council of Welfare or a similar independent body

tasked with tracking poverty and holding the federal government to account for meeting its poverty reduction targets.¹⁷

Action: 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 per year over and above the costs associated with the federal measures outlined below (and in addition to the Canada Social Transfer). 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.

Action: 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.
- Continue to increase the Canada Child Benefit (CCB) base amount as needed to ensure that child poverty is reduced by 50% by 2020, and ensure the benefit fully reaches Indigenous children and the children of parents without regular immigration status.
- Increase the Guaranteed Income Supplement (GIS) top-up for low-income sen-

iors (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.
- Make the federal disability tax credit a refundable (rather than non-refundable) credit at its present maximum amount, so that, like the GST, it goes to people who qualify even if their income is so low that they do not owe income tax (cost: \$360 million).
- Create a GST credit top-up of \$1,800 per adult and child targeted to those below the poverty line. The clawback will have a rate of 15% excluding the first \$2,500 of income. This new top-up, costing \$4.4 billion, represents the largest expenditure in our poverty reduction action plan, and will go to *all* low-income people regardless of family type. Combined with the social assistance transfer, this will lower the poverty rate by 11%.¹⁸
- Collaborate with the provinces to use social assistance data to identify and enroll people entitled to these additional non-tax benefits (such as the CCB, and proposed GST top-up and the refundable disability tax credit).¹⁹

Action: 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.

- Restrict federal government contracts to Living Wage employers.²⁰

- 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).

Action: Tackle homelessness and ensure the expansion of social and co-op housing stock (see the Housing and Neighbourhoods chapter).

Action: Provide universal, publicly funded child care, increasing the number of regulated spaces and capping fees (see the Child Care chapter).

Action: Provide support for training and education, and initiate a Green Infrastructure and just transition plan with a special focus on apprenticeships for economically marginalized populations (see the Post-Secondary Education and the Industrial Strategy and Just Transition chapters).

Notes

1 While positive, our estimate of the reduction in child poverty is considerably less than claims made by the federal government. For more see: <http://www.progressive-economics.ca/2016/12/23/new-child-benefit-impact-on-child-poverty-overblown/>.

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 The federal government released its long-awaited National Housing Strategy in November 2017, but the target of 100,000 units of new affordable housing over 10 years is low (spread out over the whole country and for that long), and many of the promises do not materialize until after the next election.

4 For more, see: https://campaign2000.ca/wp-content/uploads/2017/07/Campaign-2000-Measurement-Brief_Addendum-Canadian-Poverty-Reduction-Strategy-Teleconference.pdf.

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. (2017). *Canada Social Report: Welfare In Canada, 2016*, 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/> Also see Citizens for Public Justice’s “Poverty Trends 2017”: <http://cpi.ca/poverty-trends-2017>.

8 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), and 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).

9 *Hungercount 2016*. Food Banks Canada.

10 Valerie Tarasuk Andy Mitchell, and Naomi Dachner. (2015). *Household food insecurity in Canada, 2013. Research to Identify Policy Options to Reduce Food Insecurity (PROOF)*. Retrieved from: <http://nutritionalsciences.lamp.utoronto.ca/wp-content/uploads/2015/10/foodinsecurity2013.pdf>

11 Stephen Gaetz, Erin Dej, Tim Richter and Melanie Redman. (2016). *The State of Homelessness in Canada*

2016. The Homeless Hub and Canadian Alliance to End Homelessness.

12 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 Poverty-Free Canada Requires Federal Leadership: 2017 Report Card on Child and Family Poverty* (2017). Campaign 2000.

13 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.

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

15 Statistics Canada, 2016 Census, Catalogue no. 98-400-X2016126 and 98-400-X2016125.

16 Katherine Wall. (2017). *Low Income Among Persons with a Disability in Canada*. Ottawa: Statistics Canada: <http://www.statcan.gc.ca/pub/75-006-x/2017001/article/54854-eng.htm>.

17 This call is echoed by both the Caledon Institute and Campaign 2000. Caledon has recommended a new independent body called the Canadian Council on Inclusion and Wellbeing. See more, including a suggested mandate, here: <http://www.caledoninst.org/Publications/PDF/1116ENG.pdf>.

18 *Social Policy Simulation Database and Model*. Statistics Canada.

19 It is also vital to ensure a better process to resolve disputes for income supports delivered through the tax system, given that the CRA’s objection process and tax court are difficult to understand and navigate, and provide no interim protections to low-income people who may depend on these income supports to pay for basic costs of living.

20 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*. Canadian Centre for Policy Alternatives. Or visit: <http://livingwagecanada.ca/>.

Public Services



ALTERNATIVE
FEDERAL BUDGET
2018

PUBLIC
SERVICES

SITUATION

- The government is not hiring enough public service workers to meet Canada's needs; the jobs that are filled are frequently precarious.
- Privatization and contracting out are used as alternatives to public service staffing, ignoring the long-term public interest impact and the increased cost.
- Poorly drafted and interpreted labour legislation is undermining the ability of the public service to work collectively.
- Competent and permanent staff save the government money and make it more effective at delivering services.

DESTINATION

- Assess the impacts of service cuts since 2010 and provide funding to fill internal capacity gaps.
- Ensure that all large contracting out and privatization initiatives are subject to a transparent public interest and risk analysis process.
- Review the financial reporting framework and recreate Government Consulting Services.
- Ensure rigorous internal consultation on major organizational change, providing the ability for civil servants to speak truth to power.
- Implement stronger whistleblower protections.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Renewing the public service

The federal government planned to spend \$12 billion on contracting out in the 2017-18 fiscal year — nearly a third as much as the total budgeted for staffing costs that year (\$38.9 billion).¹ Not only do privatization and contracting out reduce the accountability of Canada's public sector, but long-term costs are expected to be higher as a result. Meanwhile, the government has failed to hire enough staff to meet the growing needs of Canadians.

The Canadian population grew from 25.3 million in 1983 to 36.7 million in 2017, an increase of 45%. Canada's real gross domes-

tic product (GDP) grew by 120.8% over that same period. Meanwhile, real federal program spending only increased by 52.6% (in constant dollars), and the number of federal public servants grew by only 4.7% — from 250,882 in 1983 to 262,696 last year.² In his latest report, the Clerk of The Privy Council celebrates the fact that the federal public service is so much smaller today than it was 30 years ago relative to the Canadian population.

Overall, 5,662 public sector workers were hired between April 2015 and April 2017. Although increases in staffing are required and welcome, this is a small number compared to the more than 24,000 jobs that were cut in 2010. Government plans show

an estimated increase of only about 9,000 full-time equivalents until 2021. The number of full-time employees is decreasing while term employment is up 9.3%, casual employment has increased 8.3%, and student employment is up 6.0%.³

In departments that implement government priorities on food safety and the environment there has been very little rebound in staffing numbers since the previous Conservative government's cuts in those areas. Only 171 regulatory and enforcement staff have been added at the Canadian Food Inspection Agency (CFIA), for example, which is far lower than the 650 jobs cut in 2010-11. Over 60% of federal food inspectors have reported that they don't believe there are enough staff to provide mandatory oversight of the organizations they inspect or complete an inspection in a way that ensures compliance, and that a major food-borne illness outbreak is likely.

Budget 2016 provided \$38.5 million over two years to improve food inspection activities. Although new management at CFIA is halting plans that would have compromised food safety in Canada, more can be done. For example, the new inspection process does not – but should – require companies to advise food inspectors on how violations will be addressed.

Environment and Climate Change Canada has only hired six additional employees since the Liberals took office in late 2015, while the government clearly needs to be working more forcefully to meet its climate change obligations. The Department of Fisheries and Oceans Canada, which plays the key role in protecting Canada's oceans

and waterways, has likewise only hired 372 more workers, despite Conservative cuts of close to 1,200.

Precarious employment and the Phoenix crisis

The Public Service Commission reports that the government hired 4,533 indeterminate workers overall (not counting departures and retirements) in 2015-16. Over the same time, 32,370 workers were hired to fill jobs on a term, casual or student basis.⁴ Almost 90% of this new staffing has been for precarious (non-permanent) jobs.

The negative impacts that result from inadequate staffing can be most clearly observed in the problems associated with the Phoenix pay system. Hundreds of thousands of federal public service workers have not been paid properly since the IBM-built human resources system was activated. Some employees haven't been paid at all.

The Conservative government conflated the requirement for technological change with opportunities to cut staff. It cut over 1,000 experienced compensation advisors before the new pay system was even operational, predicting savings based almost entirely on downsizing and unproven consolidation initiatives.

The Phoenix pay system is not expected to function properly for many years. The reasons for its failure are complex and multi-dimensional. Changes to software, human resources practices and organizational culture are required across government. Even organizations with no job losses in the com-

pensation department are experiencing multiple problems.

In the short term, the most important mitigating measure should be to increase numbers of compensation staff – the people who can make sure people are being paid and paid appropriately. Serious efforts have been made to retain and entice former compensation officers back to work to fix Phoenix. This is welcome, but more needs to be done.

Privatization and contracting out

For the most part, government statistics do not capture the growing use of contract employees in the public service (e.g., workers who are hired through temporary staffing agencies). We don't know how many contractual employees are hired, for how long, or what they are paid. The government has no way of knowing if the broader public interest is being served or if this money is being spent effectively.

In August 2017, National Defence awarded the French defence contractor Thales a \$5-billion contract to maintain Canada's new Arctic patrol vessels and supply ships for 35 years. On top of the additional costs these arrangements are likely to incur, some National Defence officials have warned they give one firm too much control.⁵ For example, the U.K.'s Private Finance Initiative (PFI) in defence, on which the Canadian P3 is modelled, has resulted in the U.K. government paying £50 billion (about \$84 billion) over the life of projects whose original capital value was only £9 billion.⁶

Extra costs and lack of accountability are a staple of public-private partnerships

(P3s) of this nature. Yet the government is throwing caution to the wind by expanding the P3 model well beyond National Defence. In 2017, the Liberal government created a Canada Infrastructure Bank with \$35 billion worth of initial public financing to leverage \$200 billion in private sector investment for new "revenue generating" infrastructure. New infrastructure is required and will have a positive impact on GDP and job growth. Unfortunately, the government plan will allow the private sector to propose the scope, financing and operation of new projects.

Under similar initiatives in the U.K., again well beyond defence, private infrastructure monopolies have become too big to fail. Even private providers that have been found in violation of their contracts are retained over and over again. In Canada, the government is hoping the new infrastructure bank will be involved in the privatization of airports and ports – over strong objections from current operators and clients.⁷

Most institutional (private) investors expect a 7–9% rate of return whereas the government can currently borrow money over 30 years at 1.9% interest.⁸ A privately-funded infrastructure bank is estimated to cost \$6.2 billion more for every \$20 billion in capital investment than had the projects been publicly funded.⁹

Accountability and transparency

Accountable government is essential to democratic governance. A government isn't democratic because it is elected every four or five years. It must be judged on what it does and how it does it during its time in of-

face. But recent investigative analysis of the Phoenix pay fiasco has uncovered that senior bureaucrats have difficulty speaking truth to power, which is compromising public interest decision-making and accountability, not to mention the efficient functioning of government.¹⁰

The health of the financial reporting framework in the public service is also affected. As the Auditor General noted in his spring 2017 report, the public accounts of Canada and the myriad financial reports created within and across departments offer a complicated and too-often fractured view of government finances. At a time when more is asked of fewer public servants, the public service's financial professionals spend too much time creating reports that either do not provide a complete picture or are so complex as to inhibit good decision-making.

In this environment, employees must be able to alert the government and other parts of the public service to instances of mismanagement and financial irregularity. But systemic barriers to speaking out remain and whistleblowers are still punished. Existing federal whistleblowing legislation is limited and employees still lack the necessary protections against punitive retaliation. Review of the legislation is overdue.

The Office of the Public Sector Integrity Commissioner was created in 2007 to investigate the abuse of whistleblowers. A standing committee on government operations has since recommended that the office's mandate be expanded. The committee would also like to see the onus reversed in allegations of reprisal against whistleblow-

ers and is calling for an additional five-year review of the office's activities.

AFB Actions

The AFB is dedicated to renewing Canada's public service through new hires, scaling back privatization and contracting out, and improving accountability mechanisms, including better whistleblower protections.

Action: Expand the capacity of the public service with a reinvestment of \$500 million in 2018-19, and \$2 billion in each of fiscal years 2019-20 and 2020-21. This money will be distributed among departments based on a public assessment of needs and the impacts of recent service cuts. Importantly, the AFB will reinforce the internal capacity of food inspectors and Canada's environmental regulators to meet their goals with respect to food safety, climate change, and watershed protection.

Action: Invest \$200 million in each of the next three fiscal years to increase and train permanent compensation staff (1,500 new employees) and hire additional in-house IT staff to ensure that software and hardware changes are aligned.

Action: Apply a public interest screen to the contracting out and privatization of all government infrastructure projects. These public risk analyses will be subject to parliamentary and public debate before any decisions are made. The former Government Consulting Services and Audit Services Canada, which were privatized by the

Harper government, will be reinstated as public entities.

Action: When it is necessary to engage outside contractors, they should meet the same accountability and transparency requirements as the public servants they are supporting. For example, contractors, whether individuals or firms, should be bound by the same statement of values and ethics, their work should be subject to access-to-information provisions, and the Office of the Public Sector Integrity Commissioner should be able to fully investigate complaints of wrongdoing that involve them.

Action: Repurpose the Canada Infrastructure Bank so that it is fully funded through direct federal government borrowing and tax dollars. Working models for this approach already exist.¹¹ The bank should focus on driving down interest rates for municipalities while accelerating their access to infrastructure loans. This refocuses the bank's priorities on what cities need instead of what investors want. It will keep costs and user fees down, and encourage municipalities to use the bank for major projects.

Action: Implement a process by which senior bureaucrats, bargaining agents, workers, and others can examine the systemic structures and organizational cultures that discourage internal consultation and speaking truth to power. Serious consideration should be given to developing a “moral contract,” such as a Charter of Public Service, that would hold all public servants, ministers, and other government officials to high standards of professionalism and non-par-

tisanship.¹² In addition, structures need to be created to give public service employees, and their representatives at all levels, a meaningful, constructive, and alternative voice in work processes. While this is a labour relations issue, it is essential to ensuring that public money isn't spent foolishly on impractical, unrealistic, and ideological initiatives.

Action: Immediately implement the recommendations of the standing committee on government operations with respect to Canada's whistleblowing framework.

Notes

1 Main Estimates Standard Expenditures by Standard Objects <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/government-expenditure-plan-main-estimates/2017-18-budgetary-expenditures-standard-objects.html>.

2 Government of Canada. Demographic profile of the federal public service, 2015, including author's calculations with updated numbers (see <http://www.tbs-sct.gc.ca/psm-fpdm/modernizing-modernisation/stats/demo15-eng.asp>). This data is only published annually with a lag of about four months. It is based on data from the pay system and may be slightly inaccurate as a result, but is still the most reliable data set for government population numbers.

3 Parliamentary Budget Officer Expenditure Monitor 2016-17 Q1 2.1 Operating, pp. 7-8.

4 Public Service Commission of Canada 2015-16 Annual Report, p.10.

5 David Pugliese, “Liberals select French firm for \$5.2-billion ship-maintenance project. But it could cost more in long run,” *National Post*, January 6, 2017. <http://nationalpost.com/news/canada/liberals-select-french-firm-for-5-2-billion-ship-maintenance-project-but-it-could-cost-more-in-long-run>.

6 Chris Dando, Privatization in UK Defence — A Trade Union Response, 2015.

7 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 Bruce Campion-Smith, “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>.

8 Toby Sanger. *Banking on Privatization?* Progressive Economics Forum Oct 31, 2016.

9 David Macdonald, “Federal Infrastructure Bank Loans will Come At a Higher Cost,” CCPA Behind the Numbers blog post, November 2016. <http://behindthenumbers.ca/2016/11/02/federal-infrastructure-bank-loans-will-come-higher-cost/>.

10 Goss Gilroy. Lessons Learned from the Transformation of Pay Administration Initiative. <https://www.canada.ca/en/treasury-board-secretariat/corporate/reports/lessons-learned-transformation-pay-administration-initiative.html>.

11 William A. Galston 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 ; <http://www.eib.org/index.htm>.

12 For a discussion on what this might look like see Heintzman Ralph, *Renewal of the Federal Public Service, Canada 2020*, June 2014.

Seniors and Retirement Security



ALTERNATIVE
FEDERAL BUDGET
2018

SENIORS AND
RETIREMENT SECURITY

SITUATION

- Pension coverage in Canada is down to 37% from a high of 46% in 1977.
- Just one in four private sector workers have a workplace pension plan, and there has been no growth in private sector plan membership since 2007.
- The poverty rate among seniors tripled between 1995 and 2014, from 3.9% to 12.5%, disproportionately impacting women.
- Old age security (OAS) benefits are indexed to inflation, not wage growth (which rises faster), meaning they become relatively smaller over time.
- RRSPs, which overwhelmingly benefit high-income earners, accounted for \$10 billion of federal personal income tax expenditures in 2015.

DESTINATION

- Expand the Canada Pension Plan (CPP) replacement rate to 50%.
- Index OAS benefits to growth in the average industrial wage.
- Increase the Guaranteed Income Supplement (GIS) top-up by \$1,000 for single seniors and couples.
- Expand the income exemption for the GIS by exempting the first \$1,500 in CPP benefits.
- Cap annual RRSP contributions at \$22,000.
- Ensure the expanded Working Income Tax Benefit (WITB) fully offsets the additional CPP contributions for workers earning up to \$23,000.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

From the late 1970s to the mid-1990s, the number of low-income seniors in Canada declined significantly thanks to regular increases in old age security (OAS) and the Canada Pension Plan (CPP), among other government programs. Today, however, 12% of Canadian senior families live in poverty, a result of overall declines in government transfers since then.¹

The CPP and OAS are cost-effective and sustainable programs, but they are falling short of their goals: to ensure Canadians can maintain their standard of living in re-

irement, and to reduce poverty among seniors. The indexation of the OAS to the consumer price index, rather than industrial wages, along with the decline of voluntary private sector pension plans are contributing factors.

Relatively recent attempts to increase employer participation in the pension system, through pooled registered pension plans, proved ineffective. Evidence shows that RRSPs are cost-prohibitive to the average Canadian, and their tax benefits concentrated among Canada's highest income earners.²

The public pension system, on the other hand, with its mandatory savings arrangement, offers the most effective avenue for securing retirement income for Canadian workers. And while the policy discussions on retirement security often focus on seniors and the middle-age cohort, it is clearly in the interest of younger Canadians to enhance both the CPP and OAS.

The absolute number of workers with secure, predictable defined benefit (DB) pension plans has been in near continual decline since 2005. Prolonged, exceptionally low interest rates, increasing longevity, uneven investment returns and an aging workforce have raised the cost and risk for employers sponsoring DB plans. Many employers, especially global firms, no longer support DB plans that deliver more predictability and security to workers.

As a result of falling pension plan coverage, among other factors, up to half of middle-income baby boomer households can expect a significant drop in living standards in retirement. Recently, several provincial governments have made changes or consulted on potential changes to solvency funding rules in attempt to prevent the slide in DB plan coverage. The federal government should take note of these developments.

The Liberal government made several positive pension reforms in 2016. However, while the late addition of improvements to the Working Income Tax Benefit (WITB) and CPP are welcome, additional reforms, including to OAS and the Guaranteed Income Supplement (GIS), are lacking.

On the positive side, the government increased GIS expenditures in 2016 by \$700

million a year (by increasing the GIS top-up paid to the lowest-income single seniors). For seniors with incomes below \$4,600, benefits will go up by as much as \$950 annually, representing a 10% increase in the total GIS maximum payout. This will benefit some 900,000 vulnerable seniors in Canada.³ Importantly, Budget 2016 also cancelled the increases in the eligibility age for OAS, GIS and the allowance benefits that were scheduled by the previous Conservative government.

These programs are the foundation of Canada's retirement income system and provide a secure annual income to 95% of Canadian seniors aged 65 and older. 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 2016-17, OAS program expenditures amounted to \$48 billion, a 5.97% increase over the previous year.⁴

On the other hand, OAS is still indexed to inflation, which means benefits increasingly lag behind earned incomes as real wages grow over time. OAS payments were worth about 19% of the average wage in 1966, but are expected to represent as little as 7.5% in 2076.⁵ The Liberal government's promise to index OAS benefits to a basket of seniors' consumption goods, instead of the consumer price index, will not prevent this relative decline.

Canada's chief actuary has stated that the combined employer-employee CPP contribution rate of 9.9% is sufficient to fund the plan at least through the year 2090. 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.

In June 2016, the federal government and all provinces except Quebec reached an agreement on modest pension enhancements. The CPP retirement benefit rate, frozen for 50 years at 25% of average lifetime pensionable earnings, will gradually rise to 33.3% in 2023, beginning in 2019.⁶ Also, 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).

These changes will have a noticeable if 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. Canadians with employment earnings above average will also benefit from the fact that the additional CPP contributions will be tax deductible. However, CPP benefits will still be too modest to substantially reduce the number of Canadians facing declining living standards in retirement.

Low-income earners will be able to take advantage of an enhanced WITB, whose phase-in rate and maximum benefit will increase slightly while the reduction rate will be marginally lowered. For workers with

earnings under \$20,000 a year, the WITB enhancement will fully offset additional CPP contributions, though not by enough to address issues around the GIS (see below). On the positive side, the government announced in its 2017 fall fiscal update that it intends to further enhance the WITB with an additional \$500 million annually starting in 2019. This money will help raise benefit levels under the plan and expand the income range so that more workers can qualify.

A significant drawback of the government's CPP enhancement was that it did not extend the plan's child rearing and disability dropout provisions. In 1977, the Liberal government of Pierre Trudeau allowed parents (predominantly women) leaving paid work to raise children aged 7 or younger to leave out, or "drop out" (from the calculation of their retirement benefit), those months where they made little or no income. The receipt of CPP disability benefits was also excluded from the calculation of CPP benefits. By omitting these rules in the enhanced CPP, the current government all but ensures the gap between men's and women's average retirement benefits will persist and possibly even grow in the future.

In December 2017, Canada's finance ministers attempted to address this oversight by agreeing to a new "drop-in" provision. Rather than simply applying the existing dropout to the enhanced CPP benefit, the drop-in credits periods of low or zero income for child rearing and disability. The drop-in credit will be based on the average ratio of earnings in the five years before a leave of absence — a system that is unlikely to be as

effective as allowing people to “drop out” zero- or low-income months.

Finance ministers also announced an improvement to the CPP’s death benefit, which currently pays out six times the amount of the deceased contributor’s monthly retirement pension to a maximum of \$2,500. The benefit will change to a flat rate payment of \$2,500 for all eligible contributors — an improvement on the recent status quo but far from what the death benefit should pay. In 1997, the CPP death benefit was capped at a maximum of \$3,850 and was expected to adjust annually with wage growth.

Another serious concern (still to be addressed) with the CPP expansion is that the GIS clawback will significantly reduce the income gains of higher CPP benefits for low-income workers. As income from CPP and other sources grows, the GIS clawback imposes severe reductions in benefits to low- and modest-income seniors. The maximum GIS benefit is reduced by 50 cents for every dollar of income from the 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 above \$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 the GIS. The federal and provincial finance ministers have committed to reviewing the GIS clawback on CPP survivor benefits, a

monthly benefit paid to the surviving spouse or common law partner and their dependent children. Like all CPP income, survivor benefits are included as income when calculating GIS benefits.

Amending the Pension Benefits Standards Act

The 2016 Alternative Federal Budget called for the cancellation of Bill C-27, which would create a framework for single-employer target-benefit (TB) pension plans at Crown corporations and in the federal sector. The bill was tabled in the House of Commons in October 2016 and to date remains at the first reading stage — an indication of the success of progressive advocates in highlighting concerns with this legislation.

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 proposed legislation would also allow for 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 to plan members both active and retired.

While C-27 would only apply to plans in the federally regulated private sector and Crown corporations, legislation that allows

for the conversion of accrued pension benefits is an attractive solution for employers (in both the public and private sector) facing the cost and risks associated with DB plans. These legislative developments, not limited to the federal jurisdiction, are of special concern to women, who are overrepresented in public sector employment and, as a result, DB plan coverage.⁷

Protecting pensions from employer insolvency

There are currently two private member's bills in the House of Commons aimed at improving the retirement security of workers and retirees participating in DB plans. These bills acknowledge concerns that, after years of accruing and contributing toward benefits in DB plans, members face reductions in retirement income due to employer insolvency. DB plans facing wind-up are forced to purchase annuities for plan members, often at the most unfortunate point with respect to the plan's funding position and the cost of annuities. This frequently results in a loss for pension plan members.

Progressive advocates have previously called for the establishment of a public agency that would take over the administration of terminated pension plans. This institution would continue to manage the pension plan's assets and disburse monthly pensions, protecting beneficiaries from reductions in benefits and providing an opportunity for the plan's funding position to improve.

AFB Actions

Revenue enhancing measures

Action: Cancel legislation permitting retroactive conversion of accrued DB pension benefits to target-benefit pension benefits.

Action: Cap RRSP contributions at \$22,000, a level that will affect only those making \$126,000 or more. These savings will be allocated toward indexing OAS to the average industrial wage and salary instead of the consumer price (all-items) index (CPI) to ensure the flat retirement benefit keeps up with earned incomes.

Re-indexing old age security

Action: Index OAS to the average industrial wage and salary instead of the CPI all-items index to ensure the retirement benefit keeps up with earned incomes (cost: \$65 million in 2018-19 and \$70 million in 2019-20).

Increasing the GIS and the GIS top-up

Actions: Increase the GIS top-up for low-income single seniors and senior couples by \$1,000 and increase the income exemption by an additional \$3,000 for each. Expand the income exemption for determining eligibility for the GIS by exempting the first \$1,500 in CPP benefits. Exempt CPP survivor benefits from the calculation of income for the purposes of determining GIS eligibility, and subsequently review the GIS clawback to moderate or eliminate its impact on other sources of income (cost: \$3.8 billion).

CPP expansion

Action: Hold discussions with provincial and federal ministers with the aim of 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 drop-outs to this enhanced benefit.

Action: Ensure the expanded WITB fully offsets the additional CPP contributions for workers earning up to \$23,000.

Action: Restore the CPP death benefit to the level it would have reached in 2017 had it not been reduced and frozen in 1998, and re-index it to growth in average wages.

Protecting pensions from employer insolvency

Action: Begin consultations with stakeholders on the establishment of a public agency dedicated to administering terminated pension plans.

Notes

- 1 Statistics Canada. (2016). *Seniors' income from 1976 to 2014: Four decades, two stories*. Canadian Megatrends.
- 2 David Macdonald, *Out of the Shadows: Shining a light on Canada's unequal distribution of federal tax expenditures*.
- 3 See Budget 2016.
- 4 Employment and Social Development Canada: *Old Age Security Act, Expenditures*.
- 5 Fred Vettesse, *Old Age Security is melting away*: <http://business.financialpost.com/opinion/old-age-security-is-melting-away-so-more-of-you-will-rely-on-low-income-support-cheques-when-you-retire>.
- 6 Department of Finance. (2016). *Backgrounder: Canada Pension Plan (CPP) Enhancement*.
- 7 Statistics Canada. (2014). *New Facts in Pension Coverage*.

Sustainable Development Goals (SDGs)

This year's Alternative Federal Budget includes an assessment of how the actions proposed across its many chapters contribute to achieving the United Nations Sustainable Development Goals. The 17 SDGs, along with the 2030 Agenda for Sustainable Development, were adopted at the UN in September 2015 by 193 governments. The event marked the conclusion of a multi-year process to identify a successor to the Millennium Development Goals that could be merged with the Rio process started in 1992 at the UN Conference on Environment and Development. The SDGs and 2030 Agenda represent a single, integrated, global plan of action that seeks to balance the three dimensions of sustainable development—economy, society and environment—with the ultimate goal of realizing peace and prosperity for both people and the planet.

The SDGs are distinct from the Millennium Development Goals in several ways. They are *universal* where the MDGs applied only to developing countries. They are ambitious, seeking not to halve poverty or food insecurity but to put an end to both. The SDGs are inclusive, aiming to leave no one behind, with an em-

phasis on those who are perpetually being neglected. They are comprehensive, calling on all actors—the four tiers of government (federal, provincial, municipal and Indigenous authorities), civil society, the private sector and other citizens—to engage in delivering the agenda. The more holistic and integrated nature of the Sustainable Development Goals requires us as a society to approach issues differently and much more collaboratively.

Canada has signed on to the Sustainable Development Goals and will report to the UN High Level Political Forum in July 2018 on their implementation. As part of this process, the government will need to identify the following: governance structures it has put in place, both across federal departments and between different levels of government; the implementation plan it has developed and national priorities it has selected (specific to the Canadian context); how it is, and will be, engaging different actors in society in developing and implementing this plan; and how it will measure progress on realizing the Sustainable Development Goals through national and subnational data (noting any gaps) disaggregated by age, race, ethnicity

and gender, among other factors. Indigenous issues—an area where the SDGs fall short, with Indigenous rights, knowledge, cultures and economies notably absent—

should rank high in this plan and must integrate the recommendations of the Truth and Reconciliation Commission.

Sustainable

Development Goal

Alternative Federal Budget Action

Goal 1: No Poverty

- Introduce a yearly \$4-billion 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.
 - Re-establish a federal minimum wage of \$15 per hour.
 - Increase the income exemption for the Guaranteed Income Supplement and improve the GIS top-up.
 - Index the Old Age Security pension to the growth in the average industrial wage.
 - Expand the Canada Pension Plan replacement rate to 50%.
-

Goal 2: Zero Hunger

- Invest in local and regional food processing, storage, transportation and distribution infrastructure, and in capacity-building through training, giving priority to those operating under community-based and local co-operative ownership.
 - Establish an effective national agriculture extension program to help farmers develop low-input production methods and strategies.
-

Goal 3: Good Health and Well-being for People

- Fund a 10-year Health Accord with a 5.2% escalator to increase the federal share of health spending.
- Implement a mental health program.
- Implement a national pharmacare program.
- Establish a federal commission to explore health-centred approaches to the regulation of currently illegal drugs.

Sustainable

Development Goal

Alternative Federal Budget Action

Goal 4: Quality Education

- Invest in universal child care, increasing the investment until total spending on early learning reaches the minimum established international benchmark of 1% of GDP.
- Eliminate tuition fees for all post-secondary students in all programs.
- Restore federal funding for post-secondary education (PSE) and establish appropriate standards through a federal PSE Act.
- 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.

Goal 5: Gender Equality

- Invest in a fully resourced National Action Plan to Address Violence Against Women, bringing federal per capita spending on the issue in line with provincial spending.
- Increase funding for Status of Women Canada.
- Invest in a living wage for care workers.
- Mandate the tracking and transparency of rates of pay and promotion.
- Pass proactive pay equity legislation.

Goal 6: Clean Water and Sanitation

- Invest in water infrastructure in First Nation communities.
- Strengthen the Clean Water and Wastewater Fund to replace poor infrastructure and adequately fund public or community-run water and wastewater infrastructure.
- 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.
- Establish water quality and quantity monitoring frameworks.
- Implement a comprehensive action plan to protect the Great Lakes.
- Commit \$3 million toward a groundwater protection plan and \$1 million to complete a review of virtual water exports from Canada.

Goal 7: Affordable and Clean Energy

- Fund energy efficiency retrofits for low-income Canadians.
- Remove all federal fossil fuel subsidies.
- Enforce a stringent national carbon pricing standard.

Sustainable

Development Goal

Alternative Federal Budget Action

Goal 8: Decent Work and Economic Growth

- Ensure full and consistent implementation of employment equity to include racialized immigrants.
- Invest in foreign credentials recognition support.
- Give all migrant workers access to permanent residence.
- Establish a strategic training fund to support advanced skills training and apprenticeships.
- Introduce a Young Workers Initiative, including a Workforce Renewal Fund to be managed by a new Youth Labour Market Planning Board.
- Create over 600,000 jobs through the aggregate impact of the AFB.

Goal 9: Industry, Innovation and Infrastructure

- Increase short-term funding for social infrastructure and create a National Community Development Agency (NCDA) to oversee community economic development.
- Increase short-term funding for green infrastructure and the Low Carbon Economy Fund.
- Establish a Just Transition Transfer to the provinces to support workers and communities negatively affected by decarbonization policies.

Goal 10: Reduced Inequalities

- Implement a Canada Action Plan Against Racism.
- Adopt a human rights framework to guide poverty reduction efforts and re-establish an arm's length body to track progress.
- Eliminate the Canada-U.S. Safe Third Country Agreement.
- Eliminate the 30% increase in the low-income cut-off for family class sponsorship income requirement; end immigration detention in non-security-related cases.
- Re-establish the National Council of Welfare.
- Set a universal EI entrance requirement of 360 working hours to level the playing field for precarious workers.
- Issue open work permits for the Temporary Foreign Worker Program and allow migrants to obtain parental benefits.

Goal 11: Sustainable Cities and Communities

- Invest an additional \$3.5 billion annually on affordable housing in Canada.
- Increase short-term funding for public transit and electrification initiatives and modify the current mandate in order to achieve the greatest possible greenhouse gas emissions reductions.

Sustainable

Development Goal

Alternative Federal Budget Action

Goal 13: Climate Change	<ul style="list-style-type: none">· Enforce a strong, harmonized carbon price in all Canadian jurisdictions.· Develop a trade promotion strategy that helps shift Canada toward a zero-carbon economy.· Create stronger environmental data and science systems at Statistics Canada.· Develop a National Decarbonization Strategy that puts workers and communities first while growing the zero-carbon economy.
Goal 14: Life Below Water	<ul style="list-style-type: none">· Create a hierarchy of water use that prioritizes environmental needs and human rights above commercial use.
Goal 15: Life on Land	<ul style="list-style-type: none">· Invest in developing and managing a stronger network of protected areas.
Goal 16: Peace, Justice and Strong Institutions	<ul style="list-style-type: none">· Invest in First Nation governments.· 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.· 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 to end the organization's reliance on nuclear weapons.
Goal 17: Partnerships for the Goals	<ul style="list-style-type: none">· Commit to annual increases of 15% to the International Assistance Envelope.· Dedicate 0.12% of GNI to development co-operation for least developed countries by 2022-23 and 0.15% by 2027-28.· Align government policy with the SDGs through a whole-of-government framework.· Place a moratorium on comprehensive free trade agreement negotiations and re-engage with partners on a sector-by-sector basis and in multilateral forums.· Contribute Canada's fair share of global climate financing.

Water



ALTERNATIVE FEDERAL BUDGET 2018 / WATER

SITUATION

- There were 167 drinking water advisories in First Nations in 2017.
- 99% of lakes and rivers in Canada are still not protected by the Navigation Protection Act.
- The proposed Kinder Morgan pipeline alone puts 1,355 waterways at risk.
- 197 billion litres of raw sewage was flushed into waterways in Canada in 2016.
- Canada's trade and investment agreements do not adequately protect water policy from costly investor-state disputes.

DESTINATION

- Adequately fund 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.
- Exclude water as a tradeable good, service or investment in Canada's trade and investment agreements.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

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.

Beginning in 2010, the United Nations passed several resolutions recognizing the human rights 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 rights to water and sanitation at the 2012 UN Conference on Sustainable Development, but it has yet to take action to make these rights meaningful. The failure of the Trudeau government to take these rights seriously, as the Liberals promised in the 2015 election campaign, will impact the availability and access to clean water for generations to come.

Drinking water in Indigenous communities

Prime Minister Trudeau promised during the 2015 election campaign to end boil water advisories in First Nations within five years of forming a Liberal government. There were 167 drinking water advisories in 98 First Nations in fall 2017,¹ and there are routinely more than 100 water advisories in effect at any given time, with some communities having lived under advisories for nearly 20 years.²

A 2017 report by the David Suzuki Foundation and the Council of Canadians found that the federal government will not meet its commitment to end all drinking water advisories without increasing funding and making significant changes to current processes. In 2011, a government study estimated that \$889 million is needed annually for First Nations water and wastewater facilities, which includes projected operating and maintenance costs. In 2017, the Parliamentary Budget Officer reported that the Trudeau government allocated, at most, 70% of the funding needed to end water advisories.

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 at 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 to a new Clean Water and Wastewater Fund. However, there are concerns this money will lead to the privatization of public water assets in the same way the new Canada Infrastructure Bank will prioritize funding for income-generating projects (e.g., public-private partnerships). Canada needs a long-term plan to adequately fund public or community-run water and wastewater infrastructure that is more accountable and cost-effective than the private alternatives.

Over 197 billion litres of raw sewage was flushed into waterways in Canada in 2016.⁵ 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.

Water protection legislation

During the 2015 election campaign, the Liberal Party committed to restoring and improving water protections gutted by the former Conservative government from the Canadian Environmental Assessment Act, the Fisheries Act and the Navigation Pro-

tection Act (NPA). Between 2016 and 2017, these laws were reviewed by parliamentary standing committees and expert panels, which also gathered public input. The government is expected to table its proposed regulatory amendments by spring 2018, but they will likely leave 99% of lakes and rivers unprotected under the NPA.

Impacts of extreme energy projects

Creating one million 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 ways for future generations (see Just Transition chapter). Instead, this government plans to pursue many extreme energy projects and environmentally destructive policies favoured by the Harper government.

Extreme energy projects 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, leaves 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. Despite

the cancellation of several liquefied fracked gas (LFG) plants, including Petronas' Pacific Northwest facility, there are still proposals to build LFG plants and run supertankers along B.C.'s coast.

The Kinder Morgan pipeline would cross 1,355 waterways, and Line 3 runs from Hardisty, Alberta to the shores of Lake Superior in the Great Lakes Basin. The Liberal government approved both pipelines without Transport Canada assessing their impacts on navigable waterways, since the current NPA exempts pipelines. These pipelines would transport tar sands bitumen or fracked oil, exacerbating climate change and putting water, food and public health at risk.

Despite promising to protect freshwater and oceans, the Liberal government has approved other extreme energy projects like the Site C dam and the NOVA fracked gas pipeline (owned by TransCanada), signalling little change from the previous government's extractivist policies. In December 2017, the B.C. government approved the Site C dam proposal despite the impact it will have on the Peace River Valley, Indigenous rights and farmland.

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's moratorium on tankers on the northern coast of B.C must include LFG tankers to protect communities and marine ecosystems.

Water withdrawals and trade agreements

It is a myth that Canada has near infinite supplies of freshwater. Droughts, climate change and over-extraction continue to impact what are actually limited water sources. Each year, Canada exports 59.9 Bm³ of virtual water (the amount of water used to produce or process a good or a service). 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 Droughts and flooding have financial impacts on farmers and local industries and provide strong incentive to protect local watersheds.

Water is defined as a “tradeable good,” “service” and “investment” in trade agreements. As such, trade agreements can dramatically limit a government’s ability to prohibit or regulate the transfer or sale of water across borders. 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.

Removing water as a “service” would help protect water as an essential public good. When services are provided by private corporations, these provisions limit the involvement of the public sector. Removing water as an “investment” and exclud-

ing investor-state dispute settlement (ISDS) provisions in deals like NAFTA or Canada’s foreign investment protection agreements (FIPAs) would make it much harder for foreign corporations to use trade treaties to sue governments for laws or policies that protect water.

For example, Lone Pine Resources is suing Canada for US\$119 million 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 dispute from AbitibiBowater (now Resolute Forest Products) in which the company claimed proprietary right to the water used at its former paper mill in Newfoundland and Labrador — a right that does not exist under the law.

By excluding water from trade agreements, and eliminating this lopsided investment protection system (see the International Trade and Investment chapter), the government could avert threats to water sources in Canada and avoid costly trade 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

Action: Strengthen public and community water and wastewater infrastructure.

- Strengthen the Clean Water and Wastewater Fund with a requirement that it be used to improve public or community-run water and wastewater 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 12 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.

Action: Support and fund environmental impact assessments.

- Conduct assessments of all energy and mining projects in consultation with affected communities, and seek the free, prior and informed consent of Indigenous communities in the process (cost: \$50 million annually for three years).
- Conduct an in-depth, independent study of the effects of tar sands development on the environment and health (cost: \$30 million annually for two years).
- Reinstate federal funding for water programs at the departments of Environment and Climate Change Canada, Fisheries and Oceans Canada and Transport Canada (cost: \$60 million for three years).

Action: 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 ministry to co-ordinate the more than 20 departments that set federal policies affecting water (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.” Online at <http://www.hc-sc.gc.ca/fniah-spnia/promotion/publicpublique/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; 2016 statistic from email from Wastewater Program, Environment and Climate Change Canada. November 7, 2017.

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 Karunanathan. (2011). “Leaky Exports: A Portrait of the Virtual Water Trade in Canada.” Ottawa: Council of Canadians.

9 Emily Chung. “Most groundwater is effectively a nonrenewable resource, study finds.” CBC News, November 15, 2015.

10 Scott Sinclair. (2015). “NAFTA Chapter 11 Investor-State Disputes to January 1, 2015.” Canadian Centre for Policy Alternatives.

Youth



ALTERNATIVE
FEDERAL BUDGET
2018

YOUTH

SITUATION

- Precarious, insecure work is on the rise among young workers.
- Canada's laws governing employment standards and EI are outdated.
- Public policy does not reflect any measure of intergenerational equity and all but ignores the needs of younger generations.

DESTINATION

- Introduce a Young Workers Initiative to help transition youth into the workforce.
- Collect better statistics on youth employment to allow for better public policy decisions and planning.
- End unpaid internships in federally regulated sectors of the economy and better enforce current laws related to misclassification of unpaid interns.

POLICYALTERNATIVES.CA/AFB2018

#AFB2018

Background

Approximately one-fifth of Canada's population (over seven million people) are between the ages of 15 and 29.¹ In contrast, nearly one-third (over 10 million people) are 55 or older. The population is aging, with the median age rising markedly from 27.1 years in 1974 to 40.2 years in 2013.²

For the first time since the country began collecting national statistics, there are more Canadians of "retirement age" (55–64) than there are entering the labour force (15–24).³ Given the demographics, it is perhaps not surprising that social and economic policy often fails to address the complex needs, de-

sires and challenges of young people. But it is a gross oversight.

The economy and labour market young Canadians encounter today when they begin looking for work demands "flexibility" — an expectation they will be working part-time, insecure, short-term and even unpaid jobs.⁴ The shifting political economy of work in Canada has affected young people's ability to make a living, as well as their ability to engage fully in civic life, which is having profound effects on the fabric of our society. Labour market regulation and policy have simply not kept up with this new reality.

Young adults are cramped by dramatic increases in home prices, which averaged \$505,937 in Canada in 2017, and are

far more expensive in the Lower Mainland of B.C. (\$1,042,300) and Ontario's Greater Toronto Area (\$747,800).⁵ They earn lower wages than their parents did at the same age, despite having higher debts and more education. Most are unable to set aside an adequate portion of their earnings for retirement and stable pension plans are becoming a fading memory.⁶

Despite these modern realities, there is a lack of intergenerational equity in public policy directed at young Canadians, and intergenerational fracturing appears to be taking hold within the national discourse and official politics. Too often, decisions are not taken with any recognition of the how the impacts will play out across the age spectrum.

Precarious work and unemployment

Worldwide youth unemployment has reached crisis proportions, with 73.4 million young people unemployed globally.⁷ The situation in Canada is not as dire — 13.3% of workers aged 15–24 are unemployed here — but young Canadians continue to be overrepresented in precarious jobs that lack permanence, benefits and stability.⁸

Moreover, recent declines in the youth unemployment rate have been traced to young people dropping out of the labour market rather than finding employment.⁹ This is especially problematic given that many critical and expensive moments in a person's life (e.g., relationship and family formation, post-secondary education, purchasing a home) typically occur in young adulthood.

In the 1980s, during another high-point in youth unemployment (it surpassed 20%), the federal government introduced several measures under the umbrella of a “youth employment initiative.” They included wage subsidies for employment-disadvantaged young people, funding for community projects with a youth focus, and youth units at Canada employment centres.¹⁰

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 and the rise of precarious work, the effects of these shifts on young people's security and well-being, or differences in employment outcomes among youth from equity-seeking groups.

Misclassification and unpaid internships

One continuing threat to young people's economic security is the substantial rise and spread of unpaid internships and the misclassification of employment. It is estimated that between 100,000 and 300,000 young people are working for no pay across the country.¹¹

Unpaid internships were once the domain of journalism, teaching and social work, among other industries, and usually led to full-time paid employment. Today they have been appearing in federally regulated sectors such as media and telecommunications (e.g., at Bell Mobility, the Canadian Broadcasting Corporation and Rogers Communications), and are often not

connected to any future paid work with the same employer.¹²

The federal government committed in Budget 2017 to reform the Canada Labour Code to address the issue of unpaid internships, but these reforms have not yet been enacted.

Employment insurance

Most young workers cannot access employment insurance (EI) — especially those moving from one part-time, temporary or on-call job to another — because it's difficult in these situations to meet eligibility requirements including minimum hours worked. Thus, in 2013, only a small percentage of unemployed young workers (18% of men and 8% of women) were able to collect EI.¹³

This is troubling enough, but because many active labour market programs are designed specifically for EI recipients, young people are cut off from critical retraining opportunities.¹⁴ Fundamental reforms are needed to bring EI in line with the realities of today's labour market and to bridge the school-to-labour-market transition (see the Employment Insurance chapter.)

AFB Actions

Action: Introduce a Young Workers Initiative, targeted at people aged 15–34, encompassing the following six priorities:

- Reviewing and updating the Canada Labour Code and Employment Insurance Act so they are more in line with

today's youth labour market. Building on the report, *Fairness at Work: Federal Labour Standards for the 21st Century*, the Labour Program and Employment and Social Development Canada (ESDC) will retain an expert panel to review any statutes that touch labour market activities and consider whether they reflect current labour market conditions, and conditions that exist throughout the economic cycle (cost: \$7 million).¹⁵

- Ensuring that jobs have people and people have jobs, and that employers take on more of the responsibility for training employees. A youth labour market (YLM) planning board will be tasked with working with relevant sectoral development councils (see the Just Transition chapter), in co-ordination with Statistics Canada (see below), to gather quantitative data on job openings, labour market characteristics, unpaid internships, and placement rates at universities, as well as qualitative data on the labour market experiences of young people (cost: \$30 million).
- Applying a training tax on firms with payrolls greater than \$250,000. This measure is guided by the assumption that businesses that invest in training their employees will be more likely to retain those employees full time and on a permanent basis. Businesses with a payroll greater than \$250,000 will be required to invest the equivalent of 1% of their payroll in training young employees.¹⁶ Those who fail to meet that amount will need to pay the difference

into the national fund for the Young Workers Initiative.

- Offering modest financial assistance to firms that implement job-sharing plans pairing retirement-age workers with new hires. The idea is that older workers may voluntarily go down to half-time and half-pay while serving as mentors for new hires for three years preceding the former's retirement. The YLM planning board will oversee a Workforce Renewal Fund that will help firms cover the human resources costs of these job-sharing plans, and to top up salaries if half of a senior employee's salary is not adequate for a new hire (cost: \$100 million).
- Requiring all Canada Infrastructure Bank-funded projects to reserve, at a minimum, one-quarter of the jobs they create for young workers; a minimum of one-tenth of the overall jobs created by bank-funded projects will be reserved for young workers from historically marginalized and equity-seeking groups.
- Renewing the federal government's role in internship programs by providing 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 collect data, on a monthly basis, related to unpaid internships, unpaid labour and volunteerism (cost: \$1 million). The agency will also collect new data, again on a monthly basis, related to workers not currently engaged in

education, employment or training (cost: \$1 million).

Action: Implement reforms to the Canada Labour Code (limiting unpaid internships in federally regulated sectors) set out in the 2017 federal budget.

Action: Ensure that the federal Labour Program, alongside ESDC, Canada Revenue Agency and other departments, engages in proactive enforcement and advocacy/advertising to identify employers that use unpaid interns, misclassify young workers, or exploit young migrant workers or international students, and penalize any practices that are illegal under an amended Canada Labour Code (cost: \$20 Million).

Notes

1 CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual. Statistics Canada.

2 CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual. Statistics Canada.

3 CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual. Statistics Canada.

4 Leah F. Vosko. (2009). *Managing the Margins: Gender, Citizenship, and the International Regulation of Precarious Employment*. Oxford: Oxford University Press.

5 National Average Price Map. Canadian Real Estate Association.

6 BMO Financial Group, "80 Per Cent of Young Canadians Concerned About Their Ability to Save for Retirement," 2013.

7 *Global Employment Trends for Youth 2013: A Generation at Risk*. Geneva: International Labour Organization (2013).

- 8** CANSIM Table 282-0087: Labour force survey (LFS), by sex and age group, seasonally adjusted and unadjusted. Statistics Canada.
- 9** 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.
- 10** On historical trends in youth unemployment, see “Youth unemployment high, but lower than in most of 1990s.” Labour Force Survey: 2011 Year-End Review. 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.” 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.
- 11** Aleksandra Sagan. (2013). “Unpaid Internships Exploit ‘Vulnerable Generation.’” CBC News. July 02, 2013. <http://www.cbc.ca/news/canada/unpaidinternships-exploit-vulnerable-generation-1.1332839>.
- 12** Kathy Tomlinson. (2013). “Bell accused of breaking labour law with unpaid interns.” CBC News. June 24th, 2013. <http://www.cbc.ca/news/canada/british-columbia/bell-accused-of-breaking-labour-law-with-unpaid-interns-1.1356277>.
- 13** Canada. Parliament. House of Commons. Standing Committee on Finance. (2014). Minutes of Proceedings. 41st Parliament, 2nd session, meeting no. 23. Retrieved from the Parliament of Canada. <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6472412&Language=E&Mode=1&Parl=41&Ses=2>.
- 14** Gunther Schmid and Bernd Reissert. 1996. “Unemployment Compensation and Labour Market Transitions.” In *International Handbook of Labour Market Policy and Evaluation*, edited by Gunther Schmid, Jacqueline O’Reilly and Klaus Schomann, 235–76. London: Edward Elgar Publishing Limited, p.248.
- 15** Harry Arthurs, “Fairness at Work: Federal Labour Standards for the 21st Century,” Government of Canada, 2006: <http://digitalcommons.osgoode.yorku.ca/cgi/viewcontent.cgi?article=1166&context=reports>.
- 16** Tom Zizys. (2014). *Better Work: The Path to Good Jobs is Through Employers*. 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, faith-based, students, teachers, education and health care, arts, cultural, social development, child development, international development, women, disability, Indigenous.

We would like to acknowledge the generous financial assistance provided by its funders.

This document was prepared thanks to the invaluable volunteer contributions of many people. Those contributions may or may not reflect the views of the authors' organizations. They include:

Lynell Anderson (Child Care Now [formerly Child Care Advocacy Association of Canada]), **Jill Atkey** (British Columbia Non-Profit Housing Association), **Morna Ballan-**

tyne (Child Care Now [formerly Child Care Advocacy Association of Canada]), **Maroine Bendaoud** (McMaster University), **Michèle Biss** (Canada Without Poverty), **Joe Boughner** (Association of Canadian Financial Officers), **Diana Bronson** (Food Secure Canada), **Ryan Campbell** (Professional Institute of the Public Service of Canada), **Amy Casipullai** (Ontario Council of Agencies Serving Immigrants), **Janice Chan** (Calgary Homeless Foundation), **Gavin Charles** (Canadian Council for International Co-operation), **Tony Clarke** (The Polaris Institute), **Eve-Lyne Couturier** (l'Institut de recherche et d'informations socio-économiques), **Graham Cox** (Canadian Union of Public Employees), **Hamal Docter** (Canadian Arts Coalition) (Communication, Energy and Paperworkers Union of Canada), **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 Canada), **Avvy Go** (Chinese and Southeast Asian Legal Clinic), **Tam Goossen** (Urban Alliance on Race Relations), **Joe Gunn** (Citizens for Public Justice), **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), **Dennis Howlett** (Canadians for Tax Fairness), **Guio Jacinto** (United Steelworkers), **Andrew Jackson** (Broadbent Institute), **Frederic Julien** (Canadian Arts Presenting Association), **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), **David Leacock** (Unifor), **Keith Lowe** (CCPA Manitoba), **Mike Luff** (Canadian Labour Congress), **Emma Lui** (Council of Canadians), **Angella MacEwen** (Canadian Labour Congress), **Liz Majic** (Canada Without Poverty), **Peggy Mason** (The Rideau Institute), **Jedd Matechuk** (Calgary Homeless Foundation), **Jessica McCormick** (Canadian Federation for Students), **Sarah McCue** (Canadian Federation of Students), **Bob McGahey** (Canadian Teachers' Federation), **Harriett McLachlan** (Canada Without Poverty), **Emily Norgang** (Canadian Labour Congress), **Steve Pomeroy** (Focus Consulting), **Robert Ramsay** (Canadian Union of Public Employees), **Carol Reichert** (Canadian Federation of Nurses Union), **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), **Dan Rohde** (Income Security Advocacy Centre), **Toby Sanger** (Canadian Union of Public Employees), **Robin Shaban**, **Paul Shaker** (Civicplan), **Jan Slomp** (National Farmers Union), **Adrienne Silnicki** (Canadian Health Coalition), **Vicky Smallman** (Canadian Labour Congress), **Steven Staples** (Public Response), **charles smith** (Cultural Pluralism in the Arts Movement Ontario), (Canadian Arts Coalition), **Jim Stanford** (Unifor), **Greg Suttor** (Wellesley Institute), **Michael Toye** (Canadian Community Economic Development Network), **Andrew Van Iterson** (Green Budget Coalition), **Howie West** (Public Service Alliance of Canada), **Dan Wilson** (Assembly of First Nations), **Angela Wong** (Chinese and Southeast Asian Legal Clinic).

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, Alex Hemingway, Trish Hennessy, Iglila Ivanova, Seth Klein, Marc Lee, Katie Loftus, Molly McCracken, David Macdonald, Kate McInturff, Hadrian Mertins-Kirkwood, Jason Moores, Alyssa O'Dell, Katie Raso, Tim Scarth, Erika Shaker, Scott Sinclair, Gauri Sreenivasan, Stuart Trew, and Emily Turk.

Special thanks to this year's progressive economics fellow Jesse Whattam.

