



**CCPA**  
CANADIAN CENTRE  
for POLICY ALTERNATIVES  
CENTRE CANADIEN  
de POLITIQUES ALTERNATIVES

# ALTERNATIVE FEDERAL BUDGET 2013

DOING BETTER  
TOGETHER



CCPA

CANADIAN CENTRE  
for POLICY ALTERNATIVES  
CENTRE CANADIEN  
de POLITIQUES ALTERNATIVES

**ISBN 978-1-77125-059-7**

This report is available free of charge at [www.policyalternatives.ca](http://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](http://www.policyalternatives.ca) or call 613-563-1341 for more information.

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

CAW 567  
OTTAWA

5	<b>Introduction</b>
8	<b>Macroeconomic Policy</b>
24	<b>Fair and Progressive Taxation</b>
31	Aboriginal Women
37	Arts and Culture
41	Cities and Communities
48	Communications
54	Defence
58	Early Childhood Education and Care
63	Employment Insurance
67	Energy
71	Environment
77	First Nations
82	Food Sovereignty
89	Health Care
96	Housing
103	Immigration
110	International Development
114	Official Languages
116	Post-Secondary Education
121	Poverty and Inequality
128	Sustaining Public Services
135	Sector Development Policy
141	Seniors and Retirement Security
146	Trade Policy
151	Water
158	Women's Equality
163	Youth
167	Appendix
170	Acknowledgements



# Introduction

Fragile growth. Strong headwinds. We know how hard it has been for governments, many businesses, and people to make progress these days. But we can do better.

With the federal government a willing partner, Canadians can seize the opportunities presented by growth, and counteract the factors that are increasing inequalities between generations and between regions. In order to do this, the next federal budget needs to offer a plan for how everyone in Canada can prosper.

The 2008 global financial and economic crisis continues to plague the prospects for recovery five years later. Europe and Japan are mired in recession. The Canadian and U.S. economies are struggling with sluggish growth and high unemployment. The emerging economies of Asia and Latin America are slowing.

Fiscal stimulus is over in most industrialized nations, and yet private sector expansion has not resumed. Many nations have turned to expansionary monetary policy to bring about growth. It's not working. From the U.K. to Greece, austerity plans have done the opposite of what governments said they'd accomplish. By cutting spending to reduce budget deficits, the resulting job and income losses have slowed the economy further, which has not only widened the budget gap between rev-

enues and expenditures but triggered another round of recession across Europe.

Even the International Monetary Fund has admitted that they got it wrong: the effects of austerity on economic recovery were much worse than anticipated.

Despite this evidence, the Harper government is sticking with austerity, a position it has promoted for years. Only after it was threatened with political defeat, and pushed by the international community, did it implement a stimulus program in 2009. However, it was a flawed program with poorly targeted tax cuts that outpaced spending by three to one. Moreover, tax cuts were made permanent while spending increases were temporary, inadequate, and also poorly targeted.

The government's so-called Action Plan for Jobs and Growth — referenced endlessly by government spokespeople and reinforced by a massive advertising campaign — has been unable to document how the action plan created jobs or growth that was unrelated to the global demand for commodities. Today, the Conservatives only priority is to eliminate the deficit which, once achieved, will allow them to bring in a whole new round of tax and spending cuts. This strategy doesn't take advantage of either the power of the market or the power of government to help us do better, together.

Despite scaremongering from business, media pundits, and government spokespeople, it bears repeating: Canada faces no fiscal deficit crisis. But we do face plenty of other deficits — infrastructure deficits, deficits in how we have invested in future generations.

The federal budget deficit is entirely manageable at 1.5% of GDP. Debt servicing costs are at historic lows. This leaves the federal government plenty of fiscal room to jumpstart the economy and make the necessary investments in our social, economic, and environmental future.

We are unlikely to see a solid recovery until they do. Household debt continues to grow, breaking all historic records of indebtedness. People are borrowing more just to stay in place. Trade deficits continue to be a drag on economic expansion, as more Canadian cash goes offshore than is brought in. Companies are sitting on almost \$600 billion in cash reserves but are not investing, fearful that there will be insufficient demand for their products. Provincial and municipal governments have done more of the heavy lifting in this recession than in the recessions of the 1980s and 1990s. Today the federal government is the only major sector which has the fiscal room to expand.

Alternative Federal Budget 2013 shows how we can use a federal budget plan to do better, together.

AFB 2013 says it's time to end the fiscal fantasy that we can do better without paying for the world we want. AFB 2013 sets out a plan that builds fiscal capacity responsibly. It phases in tax increases, as recovery permits, and asks those with the greatest ability to pay — the fortunate businesses and

households with the highest profits and incomes — to contribute their fair share.

Since the mid-1990s, tax cuts at all levels of government (which have disproportionately benefited wealthy corporations and the very richest among us) have reduced governments' revenue-raising capacity. Yet the demand on government-provided services is escalating. Businesses, communities, and families alike require the repair and expansion of their physical and human infrastructure if they are going to be able to continue to contribute to the Canadian economy to their fullest potential.

If the overall tax level were simply restored to what it was in the mid-1990s, Canadian governments would have \$90 billion more per year to invest in the public services essential to our collective health and well-being.

We think of Canada as a kinder, gentler country. Since the mid-1990s, however, Canada has fallen from 14<sup>th</sup> most equal nation to 22<sup>nd</sup> among 32 OECD nations (a more rapid decline than even the U.S.). Meanwhile 15 OECD nations — including peers such as Norway, Italy and the U.K. — were reducing inequality. Why can't we do better?

AFB 2013 spurs economic recovery, creates jobs, invests in infrastructure, boosts green industries necessary for the transition to a low-carbon economy, strengthens the tax system, and reduces inequality.

AFB 2013 allows us to take back our future. It shows how we can restore a sense of the public good — a sense that we can do better together rather than continuing on the dead-end path of austerity and market-driven “solutions” that don't benefit the majority of Canadians.

Alternative Federal Budget 2013 stands in solidarity with the Occupy movement, with

Idle No More, with the labour movement, with the environmental movement, and with all who work for social, environmental, and economic justice.

As Alex Himmelfarb, former Clerk of the Privy Council, speaking at a recent CCPA forum, said: “How did fiscal health become more important than human health? How

can the health of the so-called job creators become more important than the health of the rest of us? How do we put people and the natural world that sustains all else, at the centre of the agenda?”

Alternative Federal Budget 2013 says we can meet these challenges and do better, together.

# Macroeconomic Policy

## Canada on Austerity Auto-Pilot

Since the expiry of Canada's stimulus programs two years ago, little thought has been put into getting the country back on its feet again. Instead of focussing on sustaining a fragile recovery by putting Canadians back to work, governments have switched rapidly into "austerity mode" by cutting government services when they are needed the most.

Growth is the problem in Canada, not deficits. Austerity is not the answer to growth. In fact, austerity provides just the opposite of growth, pulling much-needed spending out of the economy just when it is recovering. With 1.4 million Canadians still unemployed, and the country still in a strong fiscal position, further depressing weak economic growth is not the answer.

Without intervention, stagnant growth appears to be the new normal for Canada. Instead of seeing 3% real growth, as was traditionally the case in the 2000s, 2% real growth is projected going forward. This constraint on growth slows job creation, it slows deficit reduction, and it makes the economy more vulnerable to future depressions because it leaves so little wiggle room.

Despite it being now five years since the Great Recession started, the Canadian economy still hasn't closed the output gap. That is to say the economy is still operating below its potential, leaving Canadians out of work and governments with large deficits. The gap did appear to be closing, but the latest Bank of Canada estimates show it is open-

ing back up again as government austerity bites into growth.

While the government is fond of lauding Canada's economic growth since the recession, an international comparison puts our performance into better relief. From a Gross Domestic Product (GDP) perspective, Canada's economy has returned an annual average of 0.9% growth between 2008 and 2011, the most recent year for which the Organisation for Economic Co-ordination and Development (OECD) has consistent data.<sup>1</sup> This is slightly better than the OECD average of 0.4% over the same period. Developing countries like China, Turkey and Mexico performed better than Canada.

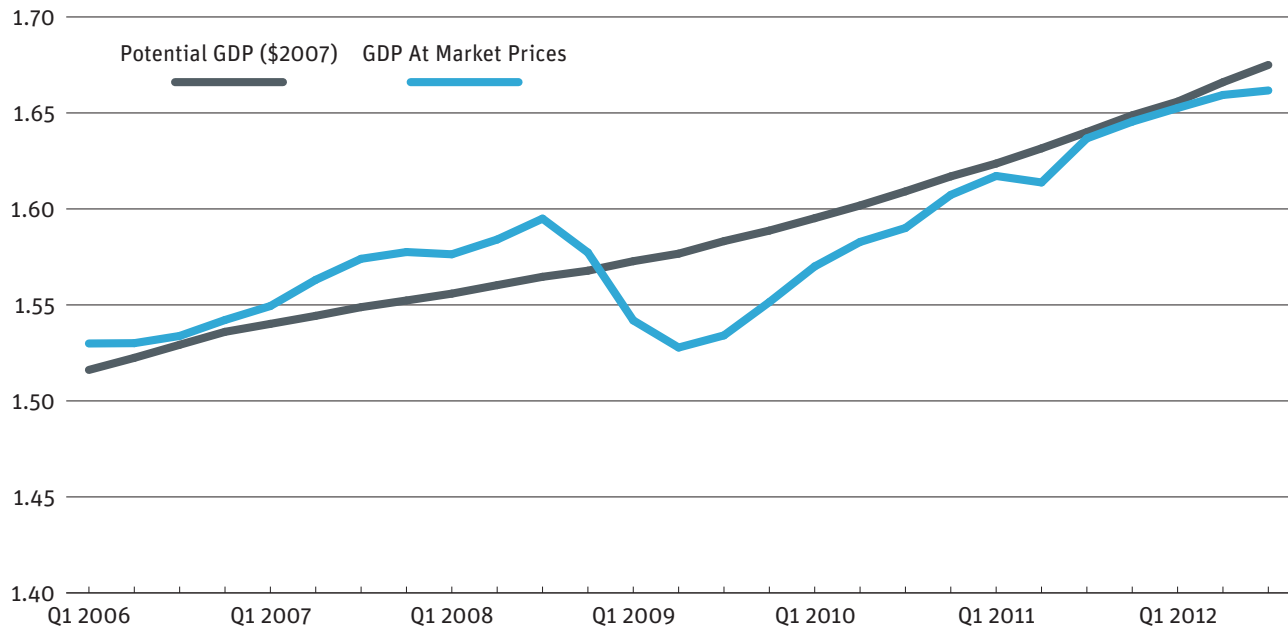
GDP by itself is only part of economic prosperity. The economy needs to not only grow but to at least keep up with Canadian population growth. Despite growing inequality, as long as GDP keeps up with population growth there is at least the same or more GDP per Canadian over time.

Once GDP is adjusted for population and compared to other OECD countries, however, the picture is less flattering. Between 2008 and 2011, Canadian GDP per capita actually fell by 0.7%. In effect there is less wealth today per person than in 2008. In the midst of the extreme levels of inequality that already exist, negative GDP per capita will widen this gap further.

Canada's GDP per capita growth is slightly better than the OECD average, which lost 0.9% between 2008 and 2011. However, many of the world's developing countries are do-



**FIGURE 1** Canada's Output Gap (\$2007, Trillions)



Source: Bank of Canada and Statistics Canada

ing substantially better than Canada on this front. China, Poland, South Korea and Turkey have all managed GDP per capita growth of over 8% despite strong population growth. Developed European countries such as Germany and Sweden have managed GDP per capita growth of over 2% despite the ongoing European financial crisis. Perhaps Canada's closest comparator in terms of population size, geography and reliance on trade, particularly in raw resources, Australia has managed GDP per capita growth of 1.9%.

Internationally speaking, Canada's recovery looks downright average. Our ongoing stagnation isn't keeping pace with population growth.

Stagnant growth won't be solved by austerity. One of the largest real world experiments in austerity is currently underway in southern Europe and the British Isles. The ex-

periment is long-term and extreme. Following the Great Recession of 2008–09, southern Europe was hit hard by a collapsing real estate bubble. Economic growth plummeted and deficits soared. Government bonds in Greece and Portugal and to a lesser degree Spain and Italy came under attack, with interest rates spiking to unsustainable highs.

The European Commission, the European Central Bank and the International Monetary Fund stepped in to buy government bonds from euro members who couldn't obtain sustainable bond rates on private markets. In return for this support, countries such as Portugal and Greece were required to make drastic reductions in government spending in order to rapidly reduce their deficits. Extreme austerity was imposed on European countries in exchange for lower-cost government bonds.

**FIGURE 2** Fiscal Drag Selected Sectors (% Change Q3 2011 to Q3 2012)



Source: Statistics Canada and author's calculations

In the case of the U.K., austerity was imposed voluntarily out of a misplaced belief that draconian cuts to social services and health care would impress bond traders, who weren't particularly concerned in the first place given record low interest rates on British government bonds.

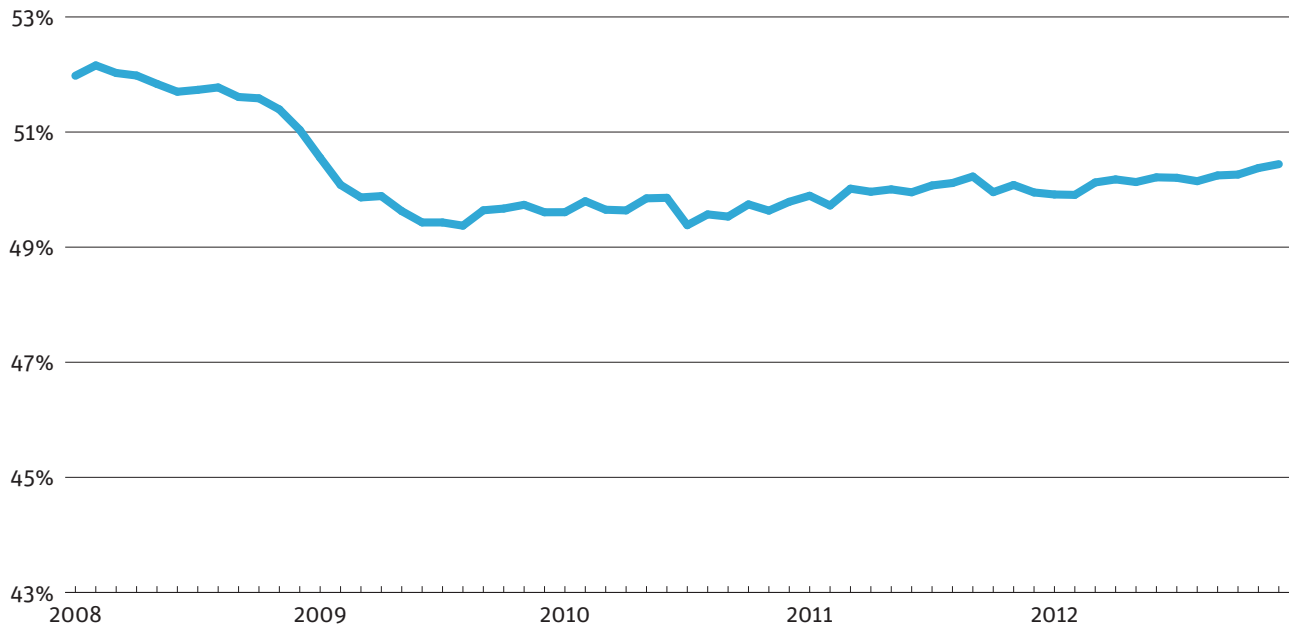
Instead of shrinking government deficits, as the International Monetary Fund (IMF) and others imagined, extreme austerity caused economic growth to plummet and deficits to become ever larger. The IMF's Chief Economist Olivier Blanchard, in a sudden turnaround, points out that austerity is acting as a "brake" on economic recovery.<sup>2</sup> He notes that "recent efforts among wealthy countries to shrink their deficits — through tax hikes and spending cuts — have been causing far more economic damage than experts had assumed."<sup>3</sup>

For southern Europe extreme austerity has been devastating, leading to plummeting GDP for Greece of 14%. The U.K. is now in the midst of a triple-dip recession following significant cutbacks there. Austerity has led to depression-level unemployment rates of 26.6% in Spain, with youth unemployment at 55%.

While Canadian austerity is not as severe as that in Europe, similar principles apply. When governments cut back during a fragile recovery they act as a drag on growth. In the Canadian situation, at least some of the savings expected from austerity will not be realized as lower government spending leads to slower growth. As Canadians make less, they pay less in taxes, resulting in lower government revenues.

Over the past year in Canada, government austerity policies at both the federal and provincial levels have been a drag on economic

**FIGURE 3** Full-Time Employment Ratio



Source Cansim 282-0087 and author's calculations

growth. As *Figure 2* shows, over the past year Canadian governments have reduced economic growth by 0.8%. Austerity has slowed the recovery instead of encouraging it.

Households directly and through real estate have continued to be an important source of recovery although this spending power is being built on record-high household debt levels. Canadian exports continue to fall as they have for over the past decade, exposing the impotence of the current free trade agreement signing spree undertaken by the federal government. The strongest driver of economic growth over the past year has been business investment. However, at the same time as corporations are investing a small amount in the economy they have continued hoarding most of their cash.

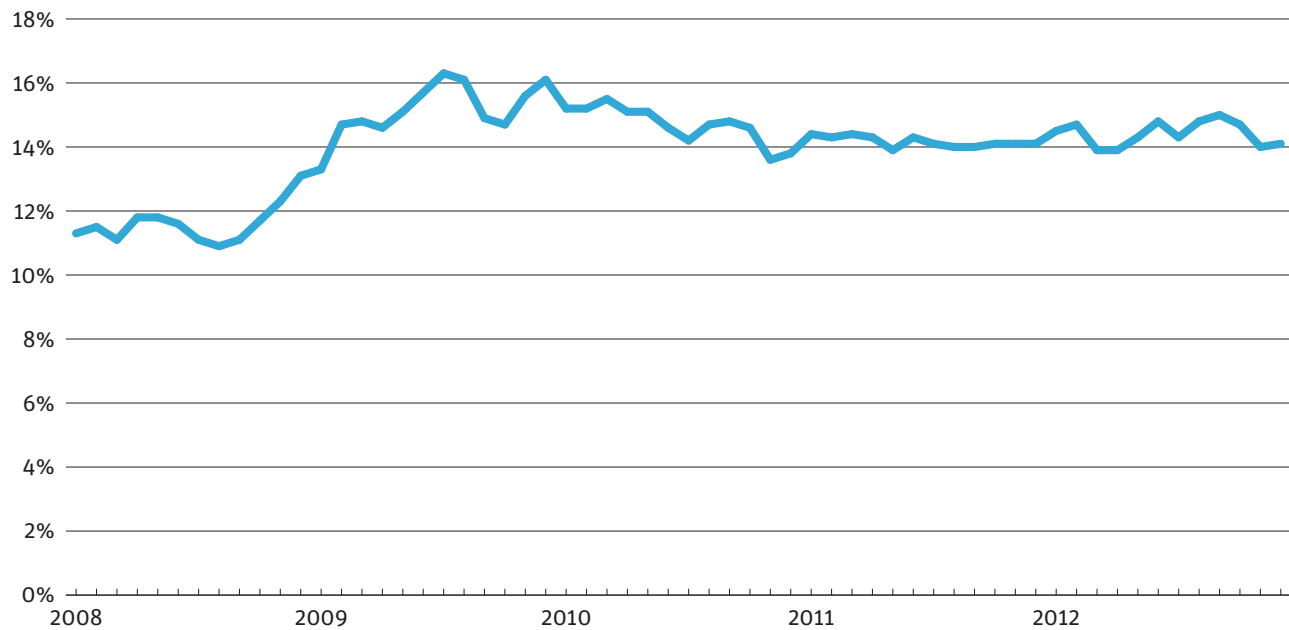
With such weak prospects for continued growth, government cutbacks through the aus-

terity agenda can only lead to weaker growth and the potential for another recession.

### Canadian Employment: Treading Water

Although there have been some recent improvements in Canada's employment statistics, there has yet to be a sustained jobs recovery since the 2008–09 recession. In January 2013, the unemployment rate dropped to 7.0% down from 7.1% the month previous, although this was entirely due to discouraged Canadians giving up their job search. Unemployment lows of this sort have been seen before, but have not been sustained. In September 2011, unemployment was also at 7.1%. However, this lower rate did not last. Just one month later the rate jumped back up to 7.6%.

**FIGURE 4** Unemployment for Youth (15–24)



Source Cansim 282-0087

The overall full-time employment rate has remained stuck at approximately 50%. That is to say, only 50% of the Canadian population of working age is in fact working in a full-time position. This rate is nowhere near the 52% that Canadians enjoyed during the late 2000s. Put another way, there are 570,000 Canadians that would have had full-time employment in 2008, but who today are either working part-time, are unemployed or have given up looking for work.

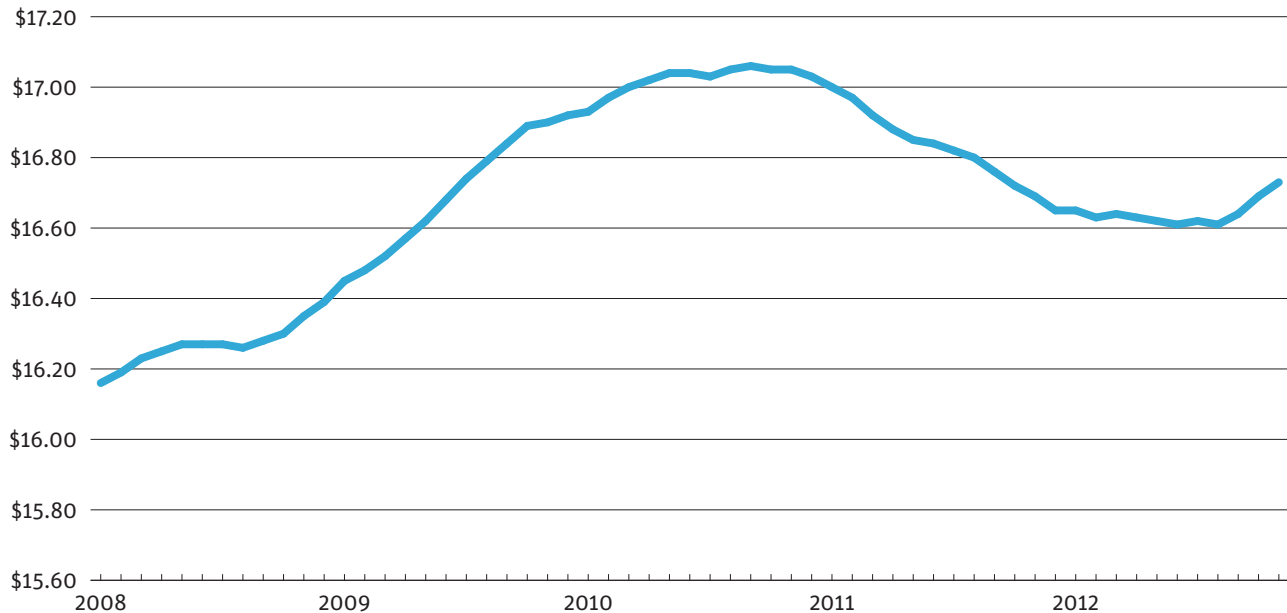
In broader terms, the current unemployment situation means that 1.4 million Canadians continue to look for work but can't find it. Despite some small declines in the unemployment rate, the actual number of Canadians who are looking for work has been fairly consistent at 1.4 million since late 2010.

Youth unemployment has had no substantial change at all since mid-2010; it remains

at or above 14%, approximately twice the general unemployment rate. Approximately 400,000, or about one-third of all unemployed in Canada, are youth who are actively looking for work but who cannot find it. In fact, the unemployment rate for those aged 25 or older has been coming down relatively steadily and now sits just below 6%. At the other end of the spectrum, employment rates for Canadians over 65 have been rising, likely due to the pension crisis not allowing them to retire. In part, the pension crisis is also causing the youth unemployment crisis.

While the unemployment rate has seen some improvement since the worst days of 2009, wages for employees have seen little if any improvement. Median hourly wages (smoothed over 12 months) remain near their recession low of \$16.50/hr.

**FIGURE 5** Median Hourly Wages (\$2002, 12-Month Rolling Average)



Source Cansim 282-0071 & authors calculations

## Corporate Canada: The Party Continues

Corporate Canada has never had it so good. Combined federal and provincial statutory tax rates (before tax loopholes and exemptions) have fallen from 42% in 2000 to 26% today. Combined effective tax rates (that corporations actually pay) have fallen even further from 30% in 2000 to 16% today. The difference between what companies should pay (statutory) and what they do pay (effective) is how effectively they can use tax loopholes that reduce their tax bill. This may take the form of tax havens or using the myriad of government programs that can reduce a company's tax bill.

KPMG's semi-annual 2012 tax report ranked Canada lowest in corporate taxes. We had the lowest overall net tax rate, which includes

corporate income tax, tax benefits and other taxes like property tax. Canadian governments only take 15% of corporate profits in tax, according to KPMG. This puts us four percentage points below the nearest jurisdiction, the Netherlands. Canada is 11 percentage points below the nearest G8 country, the U.K., which charges its companies a 26% tax. Canada's effective rate, according to KPMG, is a mere third of what the U.S. charges its companies at 41% of profits.

It is clear from these types of international comparisons that Canada has "won" the global race to the bottom. However, we still have our foot on the gas, with one final cut to the federal corporate rate introduced last year reducing it to 15%. Many other countries, like Germany and Australia can maintain solid economic growth and do so with double our current corporate tax rate.

**FIGURE 6** International Comparison of Corporate Tax and Benefit Levels



Source KPMG, Competitive Alternatives 2012—Focus on Tax, Pg.22

Despite the generosity of Canadian governments over the past decade, corporate Canada has been downright miserly. The savings from corporate tax breaks have not gone into new machinery or R&D, as corporations promised. Instead that money has ended up in corporate bank accounts being completely unproductive. The Governor of the Bank of Canada, Mark Carney, aptly called it “dead money” that does nothing to improve the productivity of individual companies or of the economy as a whole.

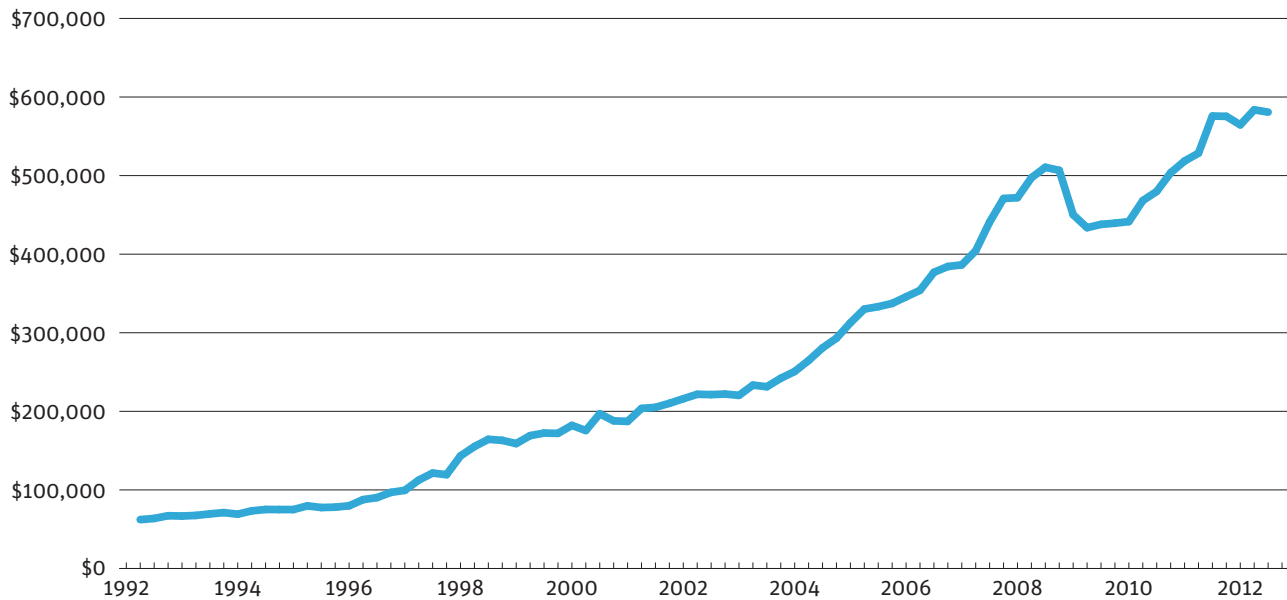
Last year saw the corporate cash stash reach a new record of \$584 billion in the second quarter. To put this into perspective, there is now enough money in corporate bank accounts to almost completely pay off the federal debt. The amount in those bank accounts could have paid off almost every single CMHC-insured mortgage in the country.

Despite substantially lowered corporate tax rates, Canadian corporations are increasingly turning to tax havens to pay even lower rates. In fact, five of Canada’s top eight destinations for foreign direct investment are tax havens.<sup>4</sup> In 2011, a quarter of Canada’s “investment” abroad was with tax havens, up from 10% in 1987. Paying corporate taxes in Canada should not be optional.

The combination of lower tax rates on corporate profits and depressed median wages has led to another year where profits are up and wages are down. Corporate profits took up 14% of Canada’s GDP at the end of 2012, down slightly from the high of 16% in late 2011. At the same time wages make up 44% of Canada’s GDP, down substantially from where they sat in the 1980s.

When the economy grows, more of that growth is being funnelled through corporate

**FIGURE 7** Canada's Corporate Cash Stash (\$Mil)



Source Cansim 378-0121 Total Currency and deposits of non-financial corporations

profits instead of through wages. This enriches corporate managers and those who hold large quantities of stocks, but does little for middle-class families that rely on wages to make their living.

While Corporate Canada is awash in cash, Canadian households are awash in debt as they continue to rack up larger and larger mortgages. Households' ratio of debt to disposable income has topped 160% this year — double the 1990 level of just over 80%.

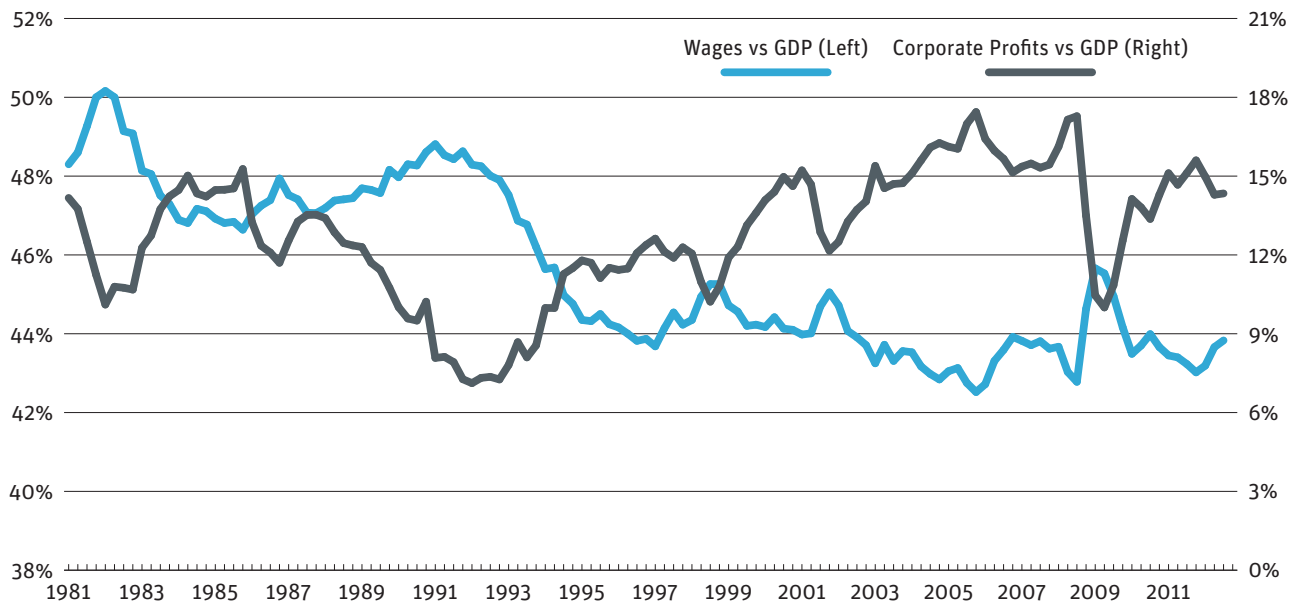
As of 2012, Canadian households have now surpassed the indebtedness level of Americans at the peak of their real estate bubble in 2007. With households now making up 56% of GDP at the end of 2012, a reverse wealth effect caused by falling house prices could have a substantial impact on economic growth going forward.

### The Alternative: Doing Better, Together

Government austerity is already biting into economic growth. Other key drivers of growth, such as households and real estate, are relying on ever more dangerous levels of household debt. Signing marathons for free trade agreements have only weakened exports, and corporations for the past decade have been much more interested in hoarding cash than investing in Canada.

It is time for the federal government to take a more active role in the economy, to turn off the auto-pilot and steer Canada away from austerity-weakened stagnant growth. Such a plan needs to put Canadians first and acknowledge that government cuts and austerity can only worsen an already weak economy.

**FIGURE 8** Corporate Profits and Wages as a Proportion of GDP



Source Cansim 380-0063

As shown in the federal government base case, real economic growth remains well below 3%, its level for most of the 2000s. The government’s plan over the next three years will leave between 1.3 million and 1.4 million Canadians unemployed. At the same time, as small deficits are being run, the debt burden or debt-to-GDP ratio is actually falling. Put another way, the federal government does not have a debt problem, but the economy has a growth problem.

The AFB would take the economy off austerity auto-pilot. Deficit reduction will take a backseat to job creation and more, not less, government spending in the economy. New programs such as national child care, community-based health care, and long-term care facilities will provide Canadians with much-needed services while driving employment in these areas. New funding for water sys-

tems on First Nation reserves and in our cities, along with longer-term transfers to municipalities for infrastructure to repair our crumbling roads, will be provided.

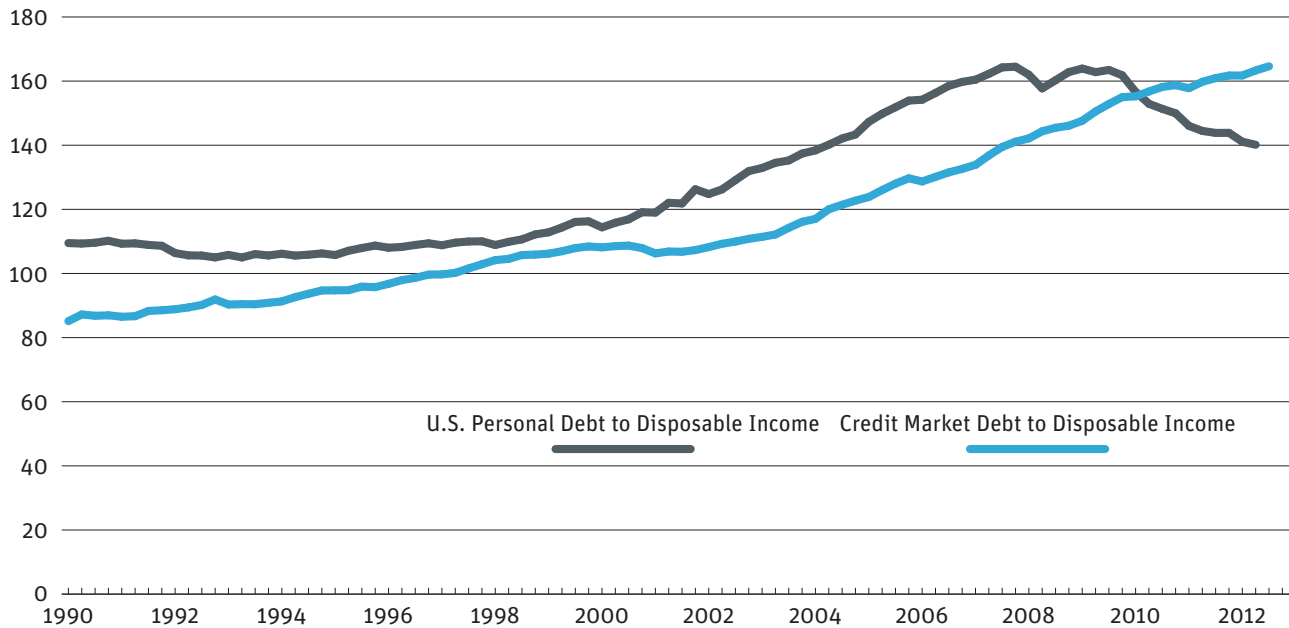
While the AFB does run a larger deficit compared to the base case, particularly in years one and two of the forecast, the debt to GDP ratio declines throughout the forecast horizon. In economic terms, the AFB doesn’t have a debt or deficit problem. In fact the debt burden declines under the AFB plan.

The real benefit of the AFB can be seen on the employment side where between 200,000 and 300,000 full time jobs are created in any given year.

For a complete list of all AFB programs, see *Table 4*.



**FIGURE 9** Maxing Out On Debt



Source U.S. Federal Reserve, Cansim 378-0123

## Notes

**1** GDP figures are at purchasing power parity, in constant dollars. They can be found at [http://stats.oecd.org/Index.aspx?DatasetCode=SNA\\_TABLE1](http://stats.oecd.org/Index.aspx?DatasetCode=SNA_TABLE1)

**2** <http://blog-imfdirect.imf.org/2012/01/24/driving-the-global-economy-with-the-brakes-on/>

**3** Brad Plummer, IMF: Austerity is much worse for the economy than we thought, *The Washington Post*, October 2012 (<http://www.washingtonpost.com/blogs/wonkblog/wp/2012/10/12/imf-austerity-is-much-worse-for-the-economy-than-we-thought/>)

**4** For a fuller discussion see <http://www.progressive-economics.ca/2012/08/16/canadian-banks-use-of-tax-havens-keeps-growing/>

**5** The AFB is using the Parliamentary Budget Officer's estimates of government revenues and expenditures from the Parliamentary Budget Office, Economic and Fiscal Outlook Update, October 29, 2012, p. 7.

**TABLE 1** Macroeconomic Base Case<sup>5</sup>

<b>Macroeconomic Indicators (\$Mil)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Nominal GDP	1,822,000	1,895,000	1,984,000	2,074,000
Nominal GDP Growth	4.6%	4.0%	4.7%	4.5%
Real GDP Growth	2.1%	2.0%	2.5%	2.5%
Participation Rate	66.70%	67.10%	67.20%	67.30%
Labour Force	18,963	19,344	19,644	19,949
Employed (000s)	17,579	17,951	18,308	18,632
Employment Rate (As % of Working Age Population)	61.8%	62.3%	62.6%	62.9%
Unemployed (000s)	1,384	1,393	1,336	1,317
Unemployment Rate	7.3%	7.2%	6.8%	6.6%
<b>Budgetary Transactions (\$Mil)</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Revenues	\$257,000	\$267,500	\$279,300	\$295,900
Program Spending	\$244,100	\$249,800	\$254,400	\$261,700
Debt Service	\$31,100	\$31,200	\$29,700	\$31,000
Budget Balance	-\$18,200	-\$13,500	-\$4,800	\$3,200
Closing Debt (Accumulated Deficit)	\$600,300	\$613,800	\$618,500	\$615,300
<b>Budgetary Indicators as Percentage of GDP</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Revenue/GDP	14.1%	14.1%	14.1%	14.3%
Expenditures/GDP	13.4%	13.2%	12.8%	12.6%
Budgetary Balance/GDP	-1.0%	-0.7%	-0.2%	0.2%
Debt/GDP	32.9%	32.4%	31.2%	29.7%

**TABLE 2** AFB Case

	2012-13	2013-14	2014-15	2015-16
Nominal GDP	1,822,000	1,933,038	2,014,505	2,095,247
Nominal GDP Growth	4.6%	6.1%	4.2%	4.0%
<b>Revenues (\$Mil)</b>				
Base Case	257,000	267,500	279,300	295,900
Net AFB Revenue Measures		20,126	26,168	39,927
Multiplier Effect		5,522	4,777	4,271
Total	257,000	293,148	310,245	340,098
<b>Expenditures (\$Mil)</b>				
Base Case	244,100	249,800	254,400	261,700
Net AFB Program Measures		39,069	39,800	45,636
Total	244,100	288,869	294,200	307,336
Debt Service	31,100	31,554	30,602	32,255
Budget Balance (Deficit)	(18,200)	(27,275)	(14,557)	507
Closing Debt (Accumulated Deficit)	600,300	627,575	642,132	641,625
<b>Budgetary Indicators as Percentage of GDP</b>				
Revenue/GDP	14.1%	15.2%	15.4%	16.2%
Expenditures/GDP	13.4%	14.9%	14.6%	14.7%
Budgetary Balance/GDP	-1.0%	-1.4%	-0.7%	0.0%
Debt/GDP	32.9%	32.5%	31.9%	30.6%

**TABLE 3** AFB Job Creation

	2012	2013	2014	2015
AFB Jobs Created (000s)		312	279	207
Employment Rate (As % of Working Age Population)	61.8%	63.3%	63.5%	63.4%
Unemployed (000s)	1,384	1,196	1,174	1,199
Unemployment Rate	7.3%	6.2%	6.0%	6.0%

**TABLE 4** AFB Program List (\$Mil)

Program Name	2013-14	2014-15	2015-16
<b>Aboriginal Women</b>			
Inquiry Into Missing and Murdered Aboriginal Women	10	10	10
National Strategic Framework to End Violence Against Aboriginal Women	10	10	10
<b>Arts &amp; Culture</b>			
Canada Council for the Arts	120	120	120
Ensure Increases in Canadian Heritage Funding to Cover Cost of Living	21	41	62
Develop Artistic and Cultural Markets in Canada and Abroad	25	25	25
<b>Cities and Communities</b>			
Rebuild Canada Program: Public Transit	1,350	1,350	1,350
Rebuild Canada Program: Core Infrastructure	2,250	2,250	2,250
Community Economic Development Framework	2.5	2.5	2.5
Neighbourhood Revitalization Program	100	100	100
<b>Defence</b>			
Military Spending Back to Pre-9-11 Levels	-1,280	-2,600	-4,000
Stopping Growth of National Security Establishment	-547	-1,094	-1,641
<b>Early Childhood Education and Care</b>			
Expand Affordable Child Care	2,393	3,409	4,237
Cancel the Universal Child Tax Benefit	-2,786	-2,817	-2,873
<b>Employment Insurance</b>			
Renew Extended Employment EI Benefits Pilot	400	400	400
Working While on Claim Exemption	200	200	200
Continued Support for Long Tenured Employees	100	100	100
Extended Training Benefits	300	300	300
Pilot Universal Entrance of 360 Hours	300	300	300
<b>Environment</b>			
National Conservation Plan	175	135	145
Expand Environmental Law and Science Capacity	7	7	7
Sustainable Energy R&D	562	562	562
<b>First Nations</b>			
First Nations Education	800	800	800
First Nations Housing	1,000	1,000	1,000
First Nations Safe Drinking Water	470	470	470
Non-Insured Health Benefits Program	470	637	805

**Food Sovereignty**

National Food Policy	10	20	20
National Student Nutrition Program	200	250	300
Sugary Drink Tax	-150	-150	-150
Cultivating Agriculture (Family Farm Supports)	650	650	650
Food Security for Northern Communities	100	100	100

**Health Care**

National Pharmacare	3,390	3,800	5,500
Community-Based Health Care	2,600	2,652	2,705
140 New Community Health Centers	300	0	0
Long Term Care Facilities	2,300	2,369	2,440
Dental Health for Children	50	100	200
Aboriginal Health Care providers	50	50	0
Cancel Centers of Excellence for Commercialization and Research	-73	-73	-73
Expand Women's Health Contribution Program	10	10	10
Community-Based Mental Illness	30	30	30
Interim Federal Health Program	20	20	20
Community Health Innovation Fund	1,000	1,000	0

**Housing**

New Affordable Housing Supply	2,000	2,000	2,000
-------------------------------	-------	-------	-------

**Immigration**

Equity Seeking Group internships	10	10	10
Incentives for Employment Equity	10	10	10
Court Challenges Program	3	3	3
Reform the Temporary Foreign Worker's Program	5	5	0

**International Development**

Maintain Development Funding at 0.31% of GNI	401	661	961
--	-----	-----	-----

**Internet Communications**

Modernize Broadband	400	450	500
National Public Access Program	40	40	40

**Official Languages**

Minority Language Arts and Culture	0.5	0.5	0.5
Minority Language Media	10	10	10
Youth Outreach	10	10	10
Extend the Roadmap Canada's Linguistic Duality	200	204	208

**Post Secondary Education**

Reduce Tuition to 1992 Levels	1,700	1,751	1,804
Create New Income Tested Grants	1,519	1,560	1,599
Cancel Textbook Tax Credit	-41	-41	-41
Cancel Scholarship Tax Credit	-43	-43	-43
Cancel Tuition Fee and Education Tax Credit	-510	-510	-510
Cancel RESP	-155	-155	-155
Cancel Canada Education Savings Grant	-770	-811	-850
Increase Research Funding by 10%	231	231	231
Add 3000 New Canada Graduate Scholarships	17	17	17

**Poverty/Inequality**

Poverty Reduction Transfer to Provinces	2,000	2,000	2,000
Increase CCTB/NCB to \$5,400 for First Child	1,489	1,422	1,343
Double Refundable GST Credit	4,258	4,456	4,524

**Sectoral Development**

Sectoral Development Councils	50	50	50
Extended Producer Responsibility	300	300	300
Green Car Levy	-300	-300	-300
Green Energy Manufacturing Tax Credit	50	50	50
Sustainable Forestry and Skills	300	300	300
Green Skills Development Program	100	100	100
Eliminate Biofuel Crop Subsidies	-200	-200	-200
Reinstate 28% Rate on Oil and Gas Industries	-1,000	-1,000	-1,000
Capitalize Canadian Development Bank	1,000	0	0

**Seniors**

Bring All Senior Households to Poverty Line (LIM)	1,411	1,701	1,574
Limit RRSP Contributions to \$20,000/Year	-232	-289	-364

**Tax Chapter**

New Income Tax Above \$250,000 (35%)	-2,710	-2,884	-2,971
Reinstate 2007 Corporate Tax Rates	0	-4,000	-6,000
Eliminate Tax Loopholes and Simplify Tax System	-10,000	-10,200	-10,404
Financial Transactions Tax	-4,000	-4,080	-4,162
Inheritance Tax on \$5 Mil+ Estates	0	-1,500	-1,530
Carbon Tax	0	0	-11,250
National Green Tax Refund	0	1,875	7,500

**Water**

National Public Water and Wastewater Fund	2,600	2,600	2,600
Implementation of Wastewater Systems Effluent Regulations	1,000	1,000	1,000
Great Lakes Action Plan	500	0	0
Clean Up Priority Waterways	950	950	950
Implement Water Quality and Quantity Monitoring Frameworks	109	109	109
Reinstate the Experimental Lakes Area	2	2	2
Environmental Assessments for All Energy and Mining Projects	50	50	50
Study on Water Effects of Tar Sands and Fracking	28	2	2

**Woman's Equality**

Implement National Plan to Address Violence Against Women	127	127	127
Implement Equal Pay at the Federal Level	10	10	10
Cancel Pension Income Splitting	-1,035	-1,066	-1,098

**Youth**

Youth Employment Measures	100	100	100
Youth Voting study	10	0	0

<b>Total AFB Expenditure Changes</b>	<b>39,069</b>	<b>39,800</b>	<b>45,636</b>
<b>Total AFB Revenue Changes</b>	<b>-20,126</b>	<b>-26,168</b>	<b>-39,927</b>

# Fair and Progressive Taxation

---

## Background

The tide is finally turning.

After decades of tax cuts that largely benefited the most affluent and large corporations, there is now growing recognition around the world that these policies have failed. Regressive and unfair tax cuts have done little to grow the economy. Instead they've reduced revenues, increased deficits, increased inequality and led to cuts in public services.

Public pressure and political change have finally led to the introduction of progressive tax measures by many governments to help raise higher revenues and make tax systems fairer. But it's not just the public and politicians who are now advocating progressive tax measures. Economists and traditionally conservative organizations such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) are advising governments to eliminate regressive tax loopholes and introduce progressive tax measures to raise revenues and improve the effectiveness of their tax systems. Business organizations and some of the world's wealthiest individuals have also urged politicians to increase taxes on business and top incomes.

The Alternative Federal Budget (AFB) has called for progressive tax measures in Canada for many years. There is even greater urgency to reform our tax system now. These measures must take account of current economic circumstances and not undermine economic recovery, while establishing a fairer, more

equitable tax system that supports sustainable economic growth based on the principles of good tax policy.

Good tax policy demands that our taxes be designed as an integrated system. Income from different sources — whether from employment, business, or investments — should be subject to relatively similar rates of tax; otherwise those with the means to shift income to lower-taxed areas will do so. This is a deadweight loss for the economy and undermines the integrity of the tax system.

To prevent widespread tax avoidance, tax collection must be supported by fair, effective enforcement. Regressive taxes that fall more heavily on lower incomes — such as sales, property, and payroll taxes — should be balanced with much more progressive income taxes and tax credits to make the overall tax system fair.

The tax system also needs to be simplified by eliminating ineffective and unfair deductions and loopholes. In many cases direct public support — e.g., for children's sports and recreation, public transit, research and development, post-secondary education, and child care — is much more cost effective and fair than tax deductions and benefits for these activities. Some tax preferences — such as for stock options — have not only been highly inequitable, but have also had a perverse and negative effect on the economic behaviour of CEOs and their companies. Reforms to simplify these aspects of the tax system will not only make it more effective economically, they will also reduce the costs of adminis-



tration and compliance for the government and public alike.

The following sections summarize major tax measures included in this year's AFB. More details on specific measures and estimated revenues are included in a background document.

---

## **Introduce A New Federal Tax Bracket of 35% on Income Over \$250,000**

Canada's richest 1% has taken the lion's share of income growth over the past decade, but it pays a lower overall rate of tax than all other income groups, including the poorest 10%.

Three decades ago, before a succession of Conservative and Liberal governments cut their tax rates, Canada's top federal income rate was 43% for taxable income over \$119,000 (equal to about \$290,000 today) and 39% for incomes over \$77,400 (about \$190,000 in current dollars). Now Canada's highest income tax rate is only 29% for taxable income over \$135,054. This applies whether your taxable income is \$150,000 or \$15 million.

Canada's top federal income tax rate is far below the top U.S. federal income tax rates. These were raised from 35% to 39.6% for income over \$400,000 in President Obama's recent budget agreements with the Republicans. Effective income tax rates on top incomes in the U.S. are even higher because the value of personal exemptions are phased out for higher incomes and because payroll taxes aren't capped.

The AFB will restore badly needed progressivity to Canada's tax system by introducing a new federal tax rate of 35% for taxable income over \$250,000. This new rate will only affect the less than 1% of Canadians who

make more than \$250,000 and will only apply to their income above this level.

Estimated revenue: \$2.7 billion (explicitly accounts for elasticity and other impacts, e.g., capital gains).<sup>1</sup>

---

## **Restore Corporate Tax Rates**

The federal government has slashed tax rates for business over the past decade, cutting the corporate tax rate in half from 29.12% in 2000 to 15% in 2011 while also eliminating capital taxes and reducing taxes on capital gains.

These and other cuts for business were supposed to stimulate investment and trickle down in the form of higher wages for workers, but instead the opposite has happened. Corporate profits have escalated along with CEO and executive compensation, while business investment as a share of the economy has declined and productivity along with real wages have been stagnant. As a result, corporations have stockpiled over \$600 billion in cash and short-term securities — equivalent to more than a third of Canada's annual economic output.<sup>2</sup>

Little of this has trickled down to ordinary Canadians and increasing amounts are flowing out of the country.

Canada's average combined federal and provincial corporate tax rate, at 26%, is lower than most other major industrialized nations, and notably lower than the United States combined average federal-state corporate tax rate of 39%. Corporate income tax rates in Ireland, Iceland, Greece and some Eastern European countries remain at 20% or lower. These countries led the race to the bottom with corporate tax cuts during the last decade. These corporate tax cuts helped fuel an unsustainable boom and then financial crisis

and bust in their economies from which they are still trying to recover. Our federal government should learn from their mistakes and not continue to try and emulate them. Even business groups, such as the New Brunswick Business Council have called on their government to increase corporate tax rates.

Tax rates on corporate income that are significantly lower than personal income tax rates also fuel wasteful tax avoidance activities by those with the ability to channel and retain income through corporations taxed at a lower rate. This makes it appear that lower tax rates stimulate economic activity and higher revenues, when in fact much of it is just accountants shifting income to take advantage of lower rates.

The Alternative Federal Budget will ramp up the federal general corporate income tax rate to 21% by January 1, 2016. This is the same rate that applied in 2007 but without the 1.12% surtax that was in effect until that year.

The corporate income tax rate on the oil, gas and minerals sector will be restored to the higher rate of 28% outlined in the Sectoral Development chapter. These are the most profitable in Canada, yet they benefit from large direct and indirect subsidies — including tax preferences and low royalty rates — with a large share of the profits going to foreign owners. Canada's wealth of non-renewable resources should be shared, and not exploited and exported as rapidly as possible at the expense of future generations. Higher tax rates on this sector will also help to stabilize the economy by moderating the boom-bust episodes they generate.

Estimated revenue: \$8 billion.

---

## Eliminate Tax Loopholes and Simplify the Tax System

Canada's tax system has become riddled with an array of ineffective, regressive, and expensive tax preferences and loopholes. While some tax credits and deductions are effective and progressive, others do little more than benefit the wealthy and distort our tax system.

In most cases, providing direct funding for public programs — such as public transit, child care, post-secondary education, research and development, sports and arts programs, and services for the disabled — is much more effective than tax preferences or benefits in these areas. The 2012 Federal Budget took a positive step in this direction by limiting and reducing the value of the Scientific Research & Experimental Development tax credit and increasing direct grants — as the AFB and the federal Expert Panel on Support to R&D had recommended.

Eliminating costly tax preferences would not only supply funds to provide more effective and targeted programs in these areas, it would also simplify the tax system. This might mean less work for tax accountants, but it will also mean fewer headaches and less time spent filling out tax forms for Canadians.

One of the most egregious tax loopholes is the *stock option deduction*, which allows high-paid executives to pay tax on their compensation at half the rate ordinary Canadians pay on their employment income. Not only is it highly regressive, but it also helps fuel the kind of reckless speculation and stock manipulation that resulted in the financial crisis.

The related capital gains deduction allows investment income to be taxed at half the rate of employment income, but it doesn't adjust for inflation or encourage longer-term

**TABLE 5** Tax Loopholes and Preferences

	<b>2013 Revenue</b>
Eliminate stock option deduction, which costs the federal government an estimated \$760 million a year, with 90% of the benefits of this loophole going to the top 1% of tax filers.	\$760 million
Tax personal and corporate capital gains at the full rate, instead of at half the rate of ordinary employment and business income. However, the gains would be adjusted for inflation so taxpayers don't pay taxes on increases solely due to inflation.	\$6,300 million
Eliminate the corporate meals and entertainment expense deduction. This allows businesses to deduct the cost of meals and entertainment, such as private boxes at sports events.	\$400 million
Eliminate mining and fossil fuel tax subsidies. The fossil fuel and mining industries, which benefit from low provincial royalty rates, also continues to benefit from significant federal tax subsidies. These include the accelerated depreciation, the Canadian exploration expense, the development expense and flow-through share deductions. The federal government has promised to reduce some of these subsidies, but these are limited.	\$1,400 million
Cap Tax Free Savings Accounts (TFSAs). TFSAs, which now provide taxpayers with \$20,000 in tax-sheltered investment room and are increasing every year, could eventually cost the federal government over \$6 billion a year in foregone revenues. The AFB will cap TFSAs at a total lifetime amount of \$20,000. The savings from capping this program may be relatively low in the first year, but they escalate in future years.	\$100 million
Withholding tax on assets held in tax havens. Wealthy Canadians and businesses hold over \$160 billion in tax havens, kept there both to avoid scrutiny and taxes. Applying a modest 1% annual withholding tax to these assets would generate \$1.6 billion annually and encourage those with funds offshore to bring their assets back home.	\$1,600 million
<b>Total</b>	<b>\$10+ billion</b>

investment. The AFB would make the tax system fair by taxing income from capital at the same rate as employment income after adjusting for inflation.

The AFB would eliminate a number of other tax loopholes and preferences. These include tax preferences for meals and entertainment expenses, fossil fuel tax subsidies, and other areas. The AFB would increase the effectiveness of public spending by eliminating these tax expenditures while increasing program funding in these areas.

In addition to eliminating costly, regressive and ineffective tax preferences and loopholes and simplifying tax returns, the AFB will make filing taxes much easier and less expensive by providing online software for

free filing for all tax returns through the Canada Revenue Agency. Canadians shouldn't have to spend money to file their taxes.

Estimated revenue: approximately \$10 billion.

## Increase Taxes on Banks and Finance

Canadian banks are racking up another year of record profits. Not only have banks and other financial institutions benefited more than any other industry sector from corporate tax cuts, but they also benefit from the exemption of financial services from value-added taxes such as the GST and provincial Harmonized Sales Taxes.

Following the global financial and economic crisis, there's been a strong revival of interest around the world in financial transactions taxes (FTTs) and other forms of taxing finance. These are being implemented to pay for some of the costs of the crisis, to reduce excessive financial speculation and activity, steer more resources into productive investments, and reduce the risk of further financial crises. Taxes on finance are also highly progressive, since they are paid almost entirely by the financial sector and by wealthy individuals, and thus reduce inequality.

France and Hungary have just introduced FTTs at a national level over the past year while Italy, Spain and Portugal have also announced their intention to do so. The European Parliament also overwhelmingly voted to allow 11 member states to proceed with a harmonized FTT through the European Union's process of "enhanced cooperation." The European Commission estimates that a European-wide FTT at rate of 0.1% on stocks with even lower rates on bonds and derivatives could generate \$85 billion annually.

Financial transactions taxes can be more effective if they are implemented through international agreements at a global level, but that hasn't stopped numerous countries — including Switzerland, the U.K. and China among many others — from having very effective financial transactions in place for decades (and for centuries in the case of the U.K.).<sup>3</sup>

The Alternative Federal Budget would seek an agreement with provinces to introduce a broad-based financial transactions tax at a rate of 0.5% on transactions of stocks — the same rate as exists in the U.K. — and at lower rates on bonds and financial derivatives. This would generate over \$4 billion a year in

annual revenues (assuming a 50% reduction in volume, largely high-frequency trading).

If there are obstacles to introducing a financial transactions tax as a result of provincial jurisdiction over securities, the AFB will proceed with a Financial Activities Tax on the financial sector, as proposed by the IMF to compensate for the exemption of financial services from value-added taxes. A Financial Activities Tax at a rate of 5% on financial sector profits and compensation would generate approximately \$5 billion annually.

Estimated Revenues: \$4 billion.

---

## Introduce Smart Green Taxes, Including a Progressive Harmonized Carbon Tax

Following the failure of the Kyoto Protocol, which was based on an international cap-and-trade scheme, worldwide greenhouse gas emissions are now 58% higher than they were in 1990 and not five percent less as was set out in the climate change treaty.

It's not just the Kyoto Protocol that has failed, but regional emission trading schemes such as Europe's have had numerous problems, including high price volatility, fraud and windfall profits. Some suggest that, despite costing close to \$300 billion, they have had almost no effect<sup>4</sup> in reducing emissions; at the same time, providing carbon credit funds to certain projects has often had perverse and negative<sup>5</sup> consequences for impoverished and indigenous people in the developing world.

It's time for a new approach.

Canada should move forward with a national carbon tax integrated with provincial carbon taxes, with a large share of the revenues going towards a strongly progressive green tax refund. This will ensure that a

majority of Canadian households would always be better off after accounting for their increased costs as a result of the carbon tax.

Carbon taxes are more transparent, less corruptible and economically more efficient mechanisms for putting a price on carbon than quantity quotas through cap-and-trade schemes. Carbon taxes also provide a clear price signal for business, organizations, and consumers, and avoid the speculation, uncertainty and unfair windfall gains associated with cap-and-trade systems. Many European nations have effective carbon taxes and there's increased interest in the United States for carbon taxes, with a proposal for a \$30/tonne carbon tax from MIT even endorsed by David Frum, the Canadian-born U.S. Republican party advisor.

A national carbon tax would also include border tax adjustments on imports and exports to ensure Canadian industry isn't put at a competitive disadvantage.

Imports from countries that don't have similar measures will be taxed at an appropriate rate to reflect emissions associated with their production, processing and transport, with an exemption for imports from highly impoverished nations. Exporters to countries without similar climate change measures would be provided rebates. These border tax adjustments would put pressure on other countries to enact climate change measures.

As with all forms of carbon pricing, carbon taxes are regressive. They most hurt those on low incomes, who also have the least ability to adapt and invest in more efficient measures. Hence a large share of the revenues raised would be devoted to a progressive green tax refund which would provide a majority of Canadians with a larger annual credit than they pay out in carbon taxes.

To maximize its effectiveness, a national carbon tax will be combined with complementary investments in research and development, energy efficiency, renewable energy, incentives, regulations, and education and other measures to help industry, communities, and workers adapt.

A national carbon tax at a rate of \$30/tonne would be introduced on July 1, 2015, raising approximately \$10 billion a year from the 350 megatonnes emitted from transportation, heating and other relatively small sources. It would generate another \$7.5 billion annually from the approximately 500 large industrial facilities responsible for 250 megatonnes, or more than a third of Canada's total greenhouse gas emissions. The federal tax would apply where provincial carbon taxes are not in effect or are at a lower rate. Gross revenues net of provincial adjustments and border tax adjustments would be approximately \$15 billion annually.

A green tax refund would be introduced earlier on January 1, 2015, at an approximate cost of \$7.5 billion annually, with cheques sent out for \$300 per person and amounts phased out for family incomes above \$100,000. This annual amount is higher than the quarterly GST credit payments and would be available for family income levels at twice the maximum GST income threshold. Additional credits would be provided for those living in northern and rural communities where fuel and energy use is generally higher.

It would be increased as necessary to meet Canada's greenhouse gas reduction targets. The credit would be increased together with increases in the carbon tax at a rate of \$10 per \$1/tonne increase in the carbon tax. This would ensure that a majority of Canadian households would always be better off.

Gross revenue: \$15 billion  
Green Tax refund: \$7.5 billion  
Net income: ~\$8 billion

---

## Inheritance tax

Unlike the United States and most European countries, Canada has no wealth, inheritance, or estate tax. Capital gains taxes may be levied on some portion of inheritances, but they don't apply to the base amounts and are often avoided. This means those who are lucky enough to be born into a privileged family can benefit from enormous inheritances without paying any tax.

The AFB proposes a minimum inheritance tax of 45% on large estates that are passed on to the heirs of wealthy families on amounts in excess of \$5 million. It would apply in a similar way as the Estate Tax in the United States, prior to and integrated with capital gains taxes, and at similar rates that have applied there.<sup>6</sup>

Estate and Gift Taxes have generated between \$20 billion and \$30 billion in revenue annually<sup>7</sup> in the United States. It is reasonable to assume that a similarly designed estate tax in Canada would generate approximately \$1.5 billion a year in revenues.

This inheritance tax would only apply to amounts in excess of \$5 million (e.g., after a \$5 million deduction). Capital gains taxes would continue to apply for inheritances below \$5 million, but at the full rate and indexed for inflation. This means for inheritances of cottages or other property that have been held in the family for decades, taxes would likely be lower than under the existing system.

Revenue: approximately \$1.5 billion in 2014–15.

---

## Notes

<sup>1</sup> This analysis is based on Statistic Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors. The SPSPD/M simulation "morning after" estimate is \$3.9 billion. However, the AFB assume only 70% will be collected, leaving \$2.7 billion.

<sup>2</sup> Stanford, Jim. (2013). "The Failure of Corporate Tax Cuts to Stimulate Business Investment Spending" in *The Great Revenue Robbery*, Between the Lines Publishing.

<sup>3</sup> Sanger, Toby. (2013). "Financial Transaction Taxes: The Battle for a Small but Important Tax" in *The Great Revenue Robbery*, Between the Lines Publishing; also *Fair Shares: How Banks, Brokers and the Financial Industry Can Pay Fairer Taxes*, (2011). CCPA.

<sup>4</sup> <http://www.theaustralian.com.au/national-affairs/europes-287bn-carbon-waste-ubs-report/story-fn59niix-1226203068972>

<sup>5</sup> <http://www.thecarbonrush.net/>

<sup>6</sup> The U.S. Estate Tax was at a 55% rate for estates above \$675,000 in 2001, but has been reduced since then. It was gradually reduced to a 45% rate that applied from 2007 to 2009, but has been temporarily re-introduced at a 35% rate for estates over \$5 million for 2011 and 2012.

<sup>7</sup> [http://www.cbo.gov/ftpdocs/108xx/doc10841/Estate\\_GiftTax\\_Brief.shtml](http://www.cbo.gov/ftpdocs/108xx/doc10841/Estate_GiftTax_Brief.shtml)



# Aboriginal Women

---

## Background

Strategic investments in equality and empowerment for Aboriginal women are not only integral to the development of a more just society, they are likely to prove more cost-effective than current efforts to manage the negative effects of inequality. Despite significant progress, inequality between men and women in Canada remains, and the gap between First Nations, Métis, and Inuit people and the rest of the Canadian population persists — with predictable results.

While historic and continual exploitation and abuse of Aboriginal people have resulted in a persistent and pervasive lack of access to economic opportunity, education, health care, housing, and even clean water in many communities, there are disproportionately more Aboriginal women and children living in poverty, facing hunger and homelessness. In fact, compared to immigrant women and visible minorities, Aboriginal women face greater levels of poverty resulting in a “higher risk of violence and depression” and increased vulnerability to exploitation and abuse.<sup>1</sup> Given that many Aboriginal mothers — often the sole providers — struggle to raise their children in less than ideal circumstances, the fact that a disproportionately high number of Aboriginal children are apprehended by child welfare authorities is also predictable.

It is in the context of historic, ongoing persecution of Indigenous nations that we must understand the current marginalization of

Aboriginal women and children. Although billions of dollars are spent each year for programs and support services, inadequate allocation of funding, piecemeal approaches, and band-aid solutions have failed to acknowledge, much less address, the unique needs of Aboriginal women. Until there is a genuine political commitment to provide significant, strategic, long-term investments promoting equity, self-sufficiency, and safety for Aboriginal women and their children, federal budgets will continue to bear the ever-increasing costs of health care, child protection services, welfare assistance, policing, justice, and corrections services in order to manage the results of poverty. Increased investment in Aboriginal women is therefore not only ethically preferable it is also financially prudent.

---

## Current Issues

### Ending Violence

October 4 has become a day of remembrance as communities across Canada hold vigils to honour the memory of the almost 600 missing and murdered Aboriginal women identified through the Sisters in Spirit initiative of the Native Women’s Association of Canada. Such tragic loss of life is the direct result of the alarmingly high rates of violence against Aboriginal women in Canada.<sup>2</sup> There exists a glaring disparity as First Nations, Métis, and Inuit women are significantly more likely to be victims of violence, more likely to experience

more severe and potentially life-threatening forms of violence than their non-Aboriginal counterparts, and less likely to receive justice.<sup>3</sup> Furthermore, due to the continued failure of governing bodies, policy-makers and the justice system to adequately address ongoing exploitation, the majority of domestic victims of human trafficking are Aboriginal women and girls.<sup>4</sup>

Even though the 1996 Royal Commission on Aboriginal Peoples identified violence as one of the most important issues faced by Aboriginal communities,<sup>5</sup> the shameful lack of an adequate response by the Canadian government has drawn international attention and is increasingly being viewed a human rights violation. Although the Canadian government voted in favour of the *Universal Declaration of Human Rights* in 1948, enacted the *Canadian Bill of Rights* in 1960, and included the *Canadian Charter of Rights and Freedoms* with the Constitution in 1982, it would seem the belief that “everyone has the right to life, liberty and security of the person”<sup>6</sup> has been conveniently forgotten in the case of Aboriginal women and girls. Indeed, the role of the state as protector of such basic human rights is affirmed by the *United Nations Declaration on the Rights of Indigenous Peoples*, wherein Article 22.2 clearly demands: “States shall take measures in conjunction with Indigenous Peoples to ensure that indigenous women and children enjoy the full protection and guarantees against all forms of violence and discrimination.”<sup>7</sup> By endorsing this *Declaration* in July 2012, the Canadian government, officially and publicly, accepted its obligation to protect Aboriginal women and their children.

Aboriginal families, communities, and leaders are calling for both a National Public Inquiry on Missing and Murdered Ab-

original Women and Girls, and a National Strategic Framework for Action to begin addressing this crisis more effectively. Through an “unbiased, independent, and public investigation” it is hoped we can identify the root causes and the factors that contribute to the high levels of violence and the low levels of response to such violence. The findings of a comprehensive inquiry would inform the development of an effective national framework for the coordination and implementation of specific, appropriate, concrete actions aimed at reducing violence directly and increasing self-sufficiency, thereby reducing vulnerability and violence indirectly.<sup>8</sup> While the federal government has consistently declined calls for a National Inquiry and a National Framework, citing the prohibitive costs of such undertakings, it has been argued that conducting one comprehensive inquiry to provide the foundation of a more coordinated, appropriate, and effective approach, would be more cost effective than continuing to implement piecemeal, time-limited, uncoordinated actions.<sup>9</sup> Moreover, given the long-term social and economic implications of the current response to the crisis of violence, not to mention the high cost in lost lives, immediate full funding of a National Public Inquiry and a National Strategic Framework is justified. If the federal government can see fit to spend \$26 million for an inquiry into the survival of the Sockeye Salmon in the Fraser River, surely it can afford \$30 million dollars (over three years) for an inquiry into the survival of First Nations, Métis and Inuit women.

## Child Welfare

There are arguably more Aboriginal children currently in the care of child welfare authorities than ever before in our history. Figures



indicate that Aboriginal children comprise 30–85% of children in care (percentages vary by province).<sup>10</sup> Such massive overrepresentation is largely the result of pervasive poverty, inadequate housing, and a lack of food security, as children are removed from families that cannot provide the basic necessities. Any effort to address the overrepresentation of Aboriginal children in care must therefore begin with addressing the socio-economic status of Aboriginal families and communities. While recent legal arguments suggest that the underfunding of Aboriginal child welfare authorities relative to non-Aboriginal child welfare services constitutes deliberate and blatant discrimination, allocating increased funds for Aboriginal child welfare services will not in itself provide an adequate solution to the larger problem.

The continued focus on child apprehension as the primary form of intervention is tragically short-sighted. The social and economic costs of continuing to remove children when their families cannot provide necessities (rather than ensuring that mothers receive adequate financial support in the first place) are extremely high. A veritable army of social workers, foster parents, group homes, therapists, and, eventually, corrections workers will be employed to “care” for the children after they are torn from their homes and communities, and to cope with the emotional and psychological trauma as they mature into adulthood. Connections have been established between the apprehension of a child and the likelihood of subsequent poorer health and low educational success, as well as an increased risk of experiencing violence, sexual exploitation, conflict with the law, and involvement in the sex-trade.<sup>11</sup> Clearly, the social and financial cost of removing

children from inadequate living conditions rather than working to improve living conditions for the entire family is much too high. Significant investments should therefore be made to improve the socio-economic circumstances of Aboriginal people generally, and Aboriginal women specifically.

## Housing

While it is widely known that poverty, unemployment, and low levels of educational attainment put women at increased risk of violence, the lack of safe and affordable housing has often meant a lack of opportunity for Aboriginal women fleeing violence, increased risk of homelessness, and increased risk of child apprehension. The situation for Aboriginal single mothers is particularly troubling as more than 40% of female-led Aboriginal single-parent families were in core housing need.<sup>12</sup> Although much of the research tends to focus on younger female populations who are more likely to report being the victims of violence, we must acknowledge the unique needs of elderly Aboriginal women. Given their comparative financial insecurity, the high rates of physical disability among the senior Aboriginal population, and a lack of appropriate housing in many communities, many Aboriginal women are struggling to survive on fixed incomes in substandard homes. Substantive investments must be made to ensure all Aboriginal women are provided basic human dignity and the opportunity to choose a life free of violence.

## Education

In the increasingly knowledge-oriented Canadian economy, lack of educational attainment translates directly into lack of oppor-

tunity, as formal education is critical for the provision of the skills and credentials necessary for success.<sup>13</sup> While Aboriginal women are increasingly achieving better educational outcomes than Aboriginal men, such advances do not necessarily reflect an equality of opportunity. In fact, one might suggest the increase in educational attainment for Aboriginal women is the result of a distinct lack of equality of opportunity in Canadian society. Aboriginal men who fail to complete high school still earn approximately three times the wages of Aboriginal women with the same lack of education. However, income differences lessen with increases in education as women not only earn more individually, they begin to catch up with men, and Aboriginals begin to catch up with non-Aboriginals.<sup>14</sup>

Aboriginal women with a university degree actually have higher median incomes than non-Aboriginal women possessing the same level of education.<sup>15</sup> With anything less than a university degree, Aboriginal peoples as a group continue to earn much less than non-Aboriginals with equivalent education and Aboriginal women continue to earn less than Aboriginal men.<sup>16</sup> Clearly, the potentially liberating effects of educational achievement have greater significance for Aboriginal women. Moreover, it is widely accepted that increased levels of education for mothers result in a corresponding increase in educational attainment levels for their children, and therefore a larger return for every AFB dollar spent educating an Aboriginal woman generally, and Aboriginal mothers specifically.

### **Child Care**

Although a desire to provide a better life for their children is often the primary motivation

for the pursuit of higher education, after the increased costs of housing and food are taken into account, lack of affordable child care is often cited as the biggest barrier to educational success for Aboriginal women. While lack of access to quality child care is a barrier to employment and education for many women in Canada, and low-income women specifically, according to the Urban Aboriginal Task Force (2007),<sup>17</sup> affordable child care is an absolute necessity for Aboriginal women living in urban settings who hope to obtain education, training, and ultimately employment and self-sufficiency. Moreover, *quality* child care programs with proper early learning environments and educators have been shown to actually benefit children by encouraging early literacy skills, school readiness, and long-term educational performance. However, for women with more than one child, those with less income, or those without a partner to share the financial burden, the exorbitant cost of daycare throws into question the economic feasibility of attempting to work or study as child care bills surpass university tuition fees. (Tax credits only benefit those who have the financial wherewithal to pay upfront and wait for annual returns.) Regardless of the eventual financial payoffs, and the increased potential for long-term economic security, the short-term costs are often insurmountable.

### **Investment**

Given the disproportionate level of Aboriginal women facing extreme poverty, hunger, homelessness, violence, and other socio-economic stresses, targeted funding is needed to provide Aboriginal women with sufficient personal safety and appropriate social supports to obtain the skills needed to provide

for their families and improve their circumstances. Such funding is not only an investment in individual women, but will be felt in the larger communities and eventually in our nations as a whole. Increased opportunity for Aboriginal women and girls will generate stronger, healthier families, improved circumstances for future generations of Aboriginal children and grandchildren, and ultimately stronger, healthier Aboriginal communities.

---

## AFB Actions

- The AFB directs 5% of child care and early learning funding to Aboriginal-specific programs to be developed, designed, and implemented by local Aboriginal communities, utilizing leading practice examples from across the country while acknowledging the unique needs of First Nation, Métis, and Inuit populations. These programs will be designed to foster strong cultural identities, promote language preservation and/or revitalization, and the early learning/literacy skills necessary for future educational success. (See the Child Care chapter on page 58.)
  - The AFB also invests \$800 million a year into alternative schools and learning programs and gender-specific supports so that we can provide the kind of holistic, flexible, culture-based, supportive learning environments necessary to allow First Nation, Métis, and Inuit students to succeed. These schools will foster academic achievement for those students who are simultaneously coping with the pressures of pregnancy, parenting, full- and part-time employment, and/or addic-
- tions, mental health issues or treatment programs. (See the First Nations chapter on page 77.)
- The AFB directs 25% of the \$1 billion in a supportive First Nations housing program specifically for vulnerable Aboriginal women, prioritizing those who are homeless and/or fleeing violence, single mothers, and senior Aboriginal women, to be designed, implemented, and controlled by the Aboriginal community organizations who are in the best position to understand the unique needs of First Nation, Métis, and Inuit families in both urban and rural environments. (See the First Nations chapter on page 77.)
  - The AFB invests \$30 million (over 3 years) for a National Public Inquiry into Missing and Murdered Aboriginal Women across Canada and \$10 million annually for the development and initiation of a National Strategic Framework to End Violence Against Aboriginal Women. The framework will advance an integrated, comprehensive approach based on the principle that all people affected by violence against Aboriginal women (including the victim, abuser, the families impacted and the witnesses of the violence) need specific and appropriate supports. The capacity of Aboriginal communities and governments to respond to violent crimes committed against Aboriginal women must be strengthened. Adoption and implementation of the framework will involve changes in research, legislation, policy, programs, education, community development, leadership, and accountability. Gender-based analysis must underlie all work involved with this strategy.

---

## Notes

- 1 National Association of Friendship Centres (NAFC). Urban Aboriginal Women: Social Determinants of Health and Wellbeing. p. 9. <http://www.laa.gov.nl.ca/laa/naws/pdf/NAFC-UrbanAboriginalWomen.pdf>.
- 2 Lamontagne, M. (2011). *Violence Against Aboriginal Women: Scan and Report*. Canadian Women's Foundation.
- Native Women's Association of Canada. (2010). *What Their Stories Tell Us: Research Findings from the Sisters in Spirit Initiative*. Ottawa: NWAC.
- Native Women's Association of Canada (in press). *Each One a Daughter: Missing and Murdered Aboriginal Women and Girls in Canada. Addressing the Crisis through a National Framework and a National Inquiry*.
- Ontario Native Women's Association and Ontario Federation of Indian Friendship Centres (ONWA and OFIFC). (2007). *Strategic Framework to End Violence Against Aboriginal Women*. Toronto: OFIFC.
- Ontario Native Women's Association. (in press). *Sex Trafficking of Aboriginal Women and Girls*.
- 3 Native Women's Association of Canada. (2010). *What Their Stories Tell Us: Research Findings from the Sisters in Spirit Initiative*. Ottawa: NWAC.
- 4 Ontario Native Women's Association. (in press). *Sex Trafficking of Aboriginal Women and Girls*.
- 5 Royal Commission on Aboriginal Peoples (RCAP) *Report of the Royal Commission on Aboriginal Peoples*. Ottawa: Canada Communication Group Publishing; 1996.
- 6 *Canadian Charter of Rights and Freedoms*, s.7, 1982, Department of Justice, Canada.
- 7 *United Nations Declaration on the Rights of Indigenous Peoples*. (2008). United Nations.
- 8 Native Women's Association of Canada (in press). *Each One a Daughter: Missing and Murdered Aboriginal Women and Girls in Canada. Addressing the Crisis through a National Framework and a National Inquiry*.
- 9 Ibid.
- 10 Blackstock et al., (2004). *Keeping the Promise: The Convention on the Rights of the Child and the Lived Experiences of First Nations Children and Youth*. Ottawa: First Nations Child and Family Caring Society.
- 11 Native Women's Association of Canada. (2010). *What Their Stories Tell Us: Research Findings from the Sisters in Spirit Initiative*. Ottawa: NWAC.
- 12 Ibid.
- 13 Brayboy, B. (2004). Hiding in the Ivy: American Indian Students and Visibility in Elite Educational Settings [Electronic version]. *Harvard Educational Review*, 74, 125–152.
- Brayboy, B. (2005). Transformational Resistance and Social Justice: American Indians in Ivy League Universities [Electronic version]. *Anthropology & Education Quarterly*, 36, 193–211.
- Schissel, B., and Wotherspoon, T. (2003). *The Legacy of School for Aboriginal People: Education, Oppression, and Emancipation*. Toronto, ON: Oxford University Press.
- 14 Ashenfelter, O., and Rouse, C. (2000) Schooling, Intelligence, and Income in America, in Kenneth Arrow, et. al (Eds): *Meritocracy and Economic Inequality*. Princeton, NJ: Princeton University Press.
- Howe, E. (2004). Education and Lifetime Income for Aboriginal People in Saskatchewan, in J. White, P. Maxim, and D. Beavon (Eds.), *Aboriginal Policy Research: Setting the Agenda for Change, Vol. 1* (pp. 175–189). Toronto: Thompson Educational.
- 15 Wilson, D., and McDonald, D. (2010). *The Income Gap Between Aboriginal Peoples and the Rest of Canada*. Ottawa: Canadian Centre for Policy Alternatives. Online at <http://www.policyalternatives.ca/sites/default/files/uploads/publications/reports/docs/Aboriginal%20Income%20Gap.pdf>.
- 16 Ibid.
- 17 Urban Aboriginal Task Force (2007). *Urban Aboriginal Task Force: Final Report* (available from [www.ofifc.org](http://www.ofifc.org)). Toronto, ON: Ontario Federation of Indian Friendship Centres, Ontario Native Women's Association, and Ontario Métis and Aboriginal Association.

# Arts and Culture

---

## Background

For generations of Canadians, arts and culture have been a source of inspiration and national pride. Countless Canadian children have thrilled at the opportunity to meet and learn from artists in schools. Musicians, dancers, and actors have led us in celebration and moved us with works that reminded us of the depths of our humanity. We have been awed by the work of our visual and media artists and captivated by Canadian films. We are transported by Canadian books that tell our stories the world over.

Today, more than ever, sustaining a vibrant cultural sector is a strategic means of ensuring that Canada remains one of the best places in the world to live, invest, innovate, and compete. A thriving arts and culture sector is an integral part of Canadian society and a key contributor to Canada's economic vitality.

The arts sector is poised to play a key role in the prosperity of Canadian communities as an efficient engine of job creation across many sectors including industry, hospitality and transportation. Indeed, there is a growing consensus among leaders in all economic sectors that arts investment is a cost-effective catalyst for high economic returns. In a 2008 report entitled *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, the Conference Board of Canada noted that cities rich in cultural resources are hotbeds of creativity, economic wealth generators, and magnets for talent. But the

arts cannot flourish without adequate, stable, sustained investment.

Investments in arts and culture benefit our country as a whole. The sector is a significant employer, with an estimated 616,000 workers in 2003, including 140,000 artists.<sup>1</sup> The sector – which includes for-profit creative and cultural industries, not-for-profit arts organizations, and independent entrepreneurs – comprises 3.9% of the overall labour force. This is double the level of employment in the forestry sector (300,000) and more than double the level of employment in Canadian banks (257,000). According to the Conference Board of Canada, the arts and culture sector directly contributes \$46 billion to Canada's gross domestic product (GDP), and generates approximately \$25 billion in taxes for all levels of government, more than three times higher than the \$7.9 billion that is invested.<sup>2</sup>

---

## Current Issues

Each day Canadian artists and arts organizations create new works, push the envelope of artistic practices, make our lives more enjoyable and meaningful, engage larger and more diverse audiences, contribute to education, strengthen national identity, and help us to better connect and understand each other in an ever more pluralist and globalized environment. Sadly, the resources with which they achieve this are at best stagnant, and frequently diminished. The arts and cul-

ture sector has not been immune from recent global economic hardships. Artists, arts organizations, and government agencies have all tightened their belts and contributed to Canada's emergence as an economic leader on the world stage.

Public investment is the backbone of Canada's cultural ecosystem. All too often, Canadian artists struggle to get by and arts organizations struggle to keep the lights on. The buying power of cultural agencies has remained static for decades, and they currently lack the resources to enable extraordinary Canadian artists to fulfill their potential and achieve their ambitions.

Investing in the arts is sound, strategic economic policy. Research by the Conference Board of Canada has shown that for every \$1 of real value-added GDP produced by Canada's culture industries, \$1.84 is added to overall real GDP and that performing arts organizations generate \$2.70 in revenues for every dollar they receive from governments.<sup>3</sup>

### **Sustaining Artists and Arts Organizations**

Jobs in the not-for-profit arts sector are created and sustained by three revenue streams: earned revenues (from admissions, product sales, or fees), contributed revenues (from individuals, corporations or foundations), and government funding (from all three levels of government). While the ratios vary between subsectors and regions, the cultural policy and spending priorities of the Government of Canada have a significant influence — whether by facilitating the development of new markets and venues for arts and cultural products, providing incentives for donations and sponsorships through the tax system or matching

contribution programs, or subsidizing some aspect of cultural production.

The federal government's primary vehicle for sustaining the work of artists and arts organizations is the Canada Council for the Arts. The Canada Council is a highly respected, accountable, and efficient arms-length agency of the Government of Canada, with a 54-year track record of fostering the arts across the country. In 2009–10, the Council awarded 6,200 grants to artists and arts organizations, reaching more than 652 Canadian communities through a highly-competitive peer review process.<sup>4</sup>

Increased investment through the Canada Council will ensure that the core of Canada's cultural milieu — artists and arts organizations — are supported in the shared public purpose of exploring and expressing what defines us as Canadians. It will also help to ensure that Canadians have better access to artistic work from all regions of Canada that reflects our rich and multi-faceted cultural landscape. Canadian communities of all backgrounds will have the opportunity to participate in and benefit from the broadest possible range of artistic experiences.

### **Ensuring Access and Strengthening Ties Across Canada**

Arts and culture, creators and other cultural workers are tremendous economic and social assets. In order for arts and culture to continue to improve our quality of life, strengthen our connections to one another, and provide us with valuable insights into who we are as a country, government must nurture these assets by investing in people at the fore of Canadian innovation and creativity: artists and arts organizations. Government must also ensure that Canadians throughout



the country have access to a range of artistic works and cultural products, reflective of our nation's contemporary cultural identity.

Along with the Canada Council for the Arts, the Department of Canadian Heritage (DCH) is a key source of government investment for arts and heritage organizations and culture enterprises across the country. Funds awarded through DCH directly sustain jobs within the creative sector. Moreover, many of the department's programs strengthen national identity, foster lasting cultural development, and ensure that families across Canada have increased, affordable access to arts and culture. Canadian communities of all backgrounds will have the opportunity to participate in and benefit from the broadest possible range of artistic experiences.

Access and innovation are intimately tied to built infrastructure in the arts sector — new and retrofitted facilities. Canadians deserve to experience the arts in optimal settings. This is achieved, in part, through the Canada Cultural Spaces Fund. Maintaining and increasing this investment in the future will ensure the vitality of Canada's cultural spaces for current and future generations of Canadians. The Canadian Arts Presentation Fund also supports access to cultural content through investment in the circulation of cultural products across the country. This program ensures that Canadians have the opportunity to engage in high-quality cultural experiences in their home communities.

Over the coming year, a suite of funding programs managed by the Department of Canadian Heritage — including the Canada Cultural Spaces Fund and the Canadian Arts Presentation Fund — will come to term. These programs help extend public access to the arts, build and diversify a resource base to

realize organizations' artistic visions, leverage private sector investment through matching contributions to endowment funds as well as build and maintain physical infrastructure. It is critically important that government investments made through these programs be renewed.

### **Aligning Cultural Policy With Canada's Global Economic Policy**

Historically, artists and arts organizations have always been effective cultural ambassadors for Canada on the world stage. Markets developed abroad for Canadian arts and culture have diversified revenue streams for cultural industries, created jobs here at home, contributed to economic growth and stability, and fostered a broadly positive international perception of Canada. Whereas Canada has more recently been lauded for sound economic stewardship and robust economic policy, we have long been recognized as a bold, diverse, and peaceful bastion of arts and culture.

Canada's track record of participation in global commerce has already positioned us as one of the most successful and prosperous economies in the world. Expanding access to global markets and networks for Canadian cultural products is essential to furthering Canada's creative advantage in a global society that values economic prosperity, social cohesion, creativity, innovation and excellence. Over the past several years, the government has sought to multiply and strengthen ties with strategic economic allies, notably in Asia and Europe. Moving forward, it is essential that Canadian culture and cultural products be an integral part of Canada's Global Commerce Strategy, thereby distin-

guishing Canada as a key trading partner in identified markets.

In 2006, the United States accounted for over 90% of Canada's culture goods exports and 78% of culture service exports.<sup>5</sup> But international markets promise other opportunities for greater market access and diversification, thereby expanding the reach of Canadian culture. Expanding ties to the European Union and Asia would be notable avenues for gaining greater market access for Canadian cultural products.

Canadian artists, arts organizations, and cultural products are important elements of Canada's "brand" — and this was nowhere better demonstrated than during the opening and closing ceremonies at the 2010 Vancouver Olympics. Canadian artists, arts organizations, and cultural producers must be equipped to serve as cultural ambassadors if the Government of Canada is to leverage the brand and build trade opportunities internationally. The Government of Canada must ensure that Canadian Trade Commissioners, diplomats and other key officials are trained and resourced to position Canadian arts and culture as a key asset in today's integrated global economy; and that artists and arts organizations are enabled to take their work to foreign markets, to meet with potential presenters and consumers of cultural products, and to explore and establish innovative partnerships with foreign counterparts and collaborators.

Recently, the Canada Council announced a re-allocation of \$2 million from its existing parliamentary appropriation, directing these funds towards international market development. With an increased parliamentary appropriation, beginning in 2013, the Council

could play an even greater role in helping Canadian artists and arts organizations create arts jobs, engage with the Canadian public (at home, and across the country), and develop international markets as well.

---

## AFB Actions

The 2013 AFB will:

- Increase the annual parliamentary allocation for the Canada Council for the Arts by \$120 million so that the total allocation reaches \$300 million.
- Renew investment in a suite of programs delivered by the Department of Canadian Heritage and insure that funds available through these programs are increased over time by indexing them to the annual cost of living.
- Align Canada's cultural diplomacy strategy with Canada's Global Commerce Strategy, and capitalize on opportunities to promote Canadian values as well as business and cultural interests in key markets by investing \$25 million annually in support of artistic and cultural market development initiatives in Canada and abroad.

---

## Notes

1 Statistics Canada: *Economic Contribution of the Culture Sector to Canada's Provinces* (2007), p. 20.

2 Conference Board of Canada: *Valuing Culture: Measuring and Understanding Canada's Creative Economy* (2008).

3 Conference Board of Canada, *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, August 2008.

4 Canada Council for the Arts, *Funding to Artists and Arts Organizations 2009–10: National Overview*, p. 1.

5 Conference Board of Canada: *Valuing Culture: Measuring and Understanding Canada's Creative Economy* (2008), p. 48.



# Cities and Communities

## Background

Canada is an urban nation. Over 80% of us now live in cities, which serve as centres of job creation, immigration, and innovation critical to sustaining our quality of life. But urban communities large and small have been hit hard by recent changes. As urban populations grew, investment failed to keep pace and the infrastructure deficit expanded. Aggravating this neglect is increased traffic, congestion, pollution, urban sprawl, an underperforming economy, lost jobs, worries about loss of immigration status, declines in manufacturing, and disappearing pensions. The health of urban communities is of national concern and federal investment is crucial to ensuring cities continue to play their vital role.

The backbone of Canada's current municipal infrastructure system was built between approximately 1950 and 1980. Since then, cities have been slowly starved. Cuts in transfers and the downloading of responsibilities have led to decay and an estimated replacement cost for aged infrastructure of \$171.8 billion.<sup>1</sup> The added costs associated with aging infrastructure make it harder for cities to meet the needs of the most vulnerable, including single mothers, the working poor, immigrants and social assistance recipients. Adding insult to injury, property tax rates in some provinces are among the highest in the world. Since property taxes are regressive — lower-income households pay a much higher share of their income, directly, through property taxes or, indirectly, through

rent — vulnerable populations carry a disproportionate share of the burden while receiving fewer benefits.

Unlike cities in other countries, Canadian cities are severely restricted in how they can raise revenues to fund operations. They cannot levy income or sales taxes, and rely mostly on property taxes and user fees to provide over 75% of their revenues. In contrast, most major U.S. cities levy income and/or sales taxes, and many European cities also rely heavily on income taxes. Municipalities in other countries also obtain a larger share of their revenues through transfers from upper levels of government.

Transfers from federal and provincial governments in Canada provided approximately 26% of the revenues of local governments in the early 1990s. After 1995, these transfers were severely cut by the federal government, but, more significantly, by provincial governments that had their own transfers from the federal government slashed. By the year 2000, federal and provincial transfers provided only 16% of local government revenues. As a result:

- Local governments across Canada, especially in Ontario, ended up hiking property taxes, increasing user fees and service charges, reducing public services, and delaying their investments in, and maintenance of, public infrastructure.
- Transfers to local governments continued to be squeezed even while federal and provincial governments ran surpluses

and cut tax rates on higher incomes and businesses.

- Property taxes, especially in Ontario, increased significantly while the municipal infrastructure deficit grew larger.

Local governments, with rising populations and increased responsibilities, need access to different and growing sources of revenue. Likewise, cities suffering economic and population declines need help reinvesting in the infrastructure necessary for urban revitalization. With few minor exceptions, Canada's cities and municipalities are dependent on higher levels of government to fund the large-scale projects needed to begin renewal.

In recent years — after much pressure, a recession, and the collapse of a few bridges — federal and provincial governments did eventually increase transfers to local governments. The Building Canada Plan, launched in 2007, saw \$33 billion of new federal money invested in infrastructure. While this certainly represented an opportunity for desperate cities in the short-term, it did little to fix the flawed funding structure. Grants were still awarded after application on an ad hoc basis through a mysterious, lottery-style approval process, which caused many to level accusations of pork barrelling and that grants emphasized publicity over functionality. Moreover, the lack of predictability meant cities had to snatch up any funding they received, regardless of how the project fit into their long-term goals. Looking beyond 2014, only the \$2-billion Gas Tax Fund is guaranteed to continue, meaning the modest gains of recent years could easily be eroded if a new plan isn't put in place.

At present, the federal government, the provinces, the Federation of Canadian Municipalities and other stakeholders are crafting "Canada's Long-Term Infrastructure Plan." It is imperative that any new funding arrangement take meaningful steps towards fixing longstanding problems. It must provide long-term, predictable funding and include increased transparency and accountability to prevent partisan channeling of funds. It should be linked to national strategic planning that includes local government input on key concerns such as climate-change mitigation and adaptation, national transportation infrastructure, housing, child care strategies, and social services improvements.

---

## Current Issues

We are at a critical point. The wide reaching benefits that healthy public infrastructure affords are being eroded by a generation of neglect. Municipal stakeholders are anxious because they know there is no guarantee that this brief period of investment will be sustained long enough to correct problems in a meaningful way. Underneath this anxiety is a broader fear that the existing principles that guide the provision of public infrastructure — equal access and universality — are being replaced with a for-profit model that often excludes those most in need and subsidizes those most able to pay.

## Funding Shortfall

The fundamental issue facing municipalities today is lack of funds. Most improvements made in the last four years are scheduled to end in 2014. The only consistent source of funding that cities have moving forward is

a fixed amount doled out annually through the federal Gas Tax Fund — which loses real value every year since no mechanism currently exists to adjust for price increases. As austerity rolls down hill and programs get cut, the underlying problems remain and cities are forced deal with the fallout. When times are tough, residents rely even more on services such as homeless shelters, food banks, libraries, and public transit.<sup>2</sup> Cities are also on the front line supporting new Canadians, many of whom are low-wage earners.<sup>3</sup> Stable municipal infrastructure needs to exist to maintain the position of Canadian cities as competitive engines of commerce but also to prevent people from falling through the cracks.

### **Maintaining Public Ownership**

Decaying infrastructure and the high cost of replacing it present new opportunities for profiteers. A by-product of the recent federal stimulus was an attempt to increase reliance on Public Private Partnerships (P3s) in municipal infrastructure projects. In practice, the attempt failed but the inclination to provide public services privately remains. Whereas a publicly-owned, arms-length entity will use its advantage to lower fees or increase accessibility, a private entity must extract a profit, leading to either higher fees or reduced service levels. If a community decides collectively to invest in a project, the community should reap the rewards.

### **Nurturing Community Ownership**

Well-established community enterprises and organizations provide much-needed social services, training, and employment to disinvested communities. Providing the financial leverage for these entities to develop

community resource centres, daycares, and other physical assets creates employment and enhances the well-being and productivity of citizens. Matching funding programs are often the only resources available to community enterprises. Generating the required matching funds can be extremely difficult for organizations that represent disinvested communities. In order for these valuable organizations to flourish there needs to be more flexibility for non-profits to access matching funds programs.

### **Public Transit**

Canada has no national transit strategy. As of 2011, we were the only country in the OECD without one. Canadian cities have some of the longest commute times of anywhere in the world.<sup>4</sup> Transport Canada estimates the annual cost of unnecessary congestion to be \$5 billion per year.<sup>5</sup> As the population increases, so does ridership, putting added strain on underfunded systems. As a percentage of the population, ridership has remained relatively constant,<sup>6</sup> meaning policymakers have not instituted the improvements needed to encourage Canadians to leave their cars at home. The lack of a national plan means that public transit advocates compete for the same pool of infrastructure money as everybody else and that one-off, band-aid projects are often favoured over meaningful, long-term investments.

### **Wastewater**

In July 2012 new federal wastewater regulations came into effect. As a result, cities across the country are now required to upgrade their wastewater facilities to meet the more stringent requirements. It is expected to

cost municipalities \$20 billion over the next 20 years. Without federal funding, this will increase the national infrastructure deficit by over 15%.<sup>7</sup> Without independent control over a predictable stream of income, municipalities could be forced to privatize wastewater treatment, even if communities prefer the service to remain public (see the Water chapter on page 151).

### **Sustainable Asset Management**

A disadvantage of the current ad hoc, application-style funding formula is that it discourages proper asset management. Municipalities, especially small ones, barely have the resources to prepare a professional application, let alone develop and implement a methodology for managing the coordinated integration and maintenance of multiple infrastructure investments over time. Even if they did have a plan, there's no guarantee that the application "lottery" would result in funding that matches their long-term strategy. The end result is poorly maintained infrastructure with a shorter lifespan and a patchwork of disjointed projects that cost much more than necessary. A lack of organization also permeates other allocation practices. For example, urban sprawl often occurs on inexpensive land far away from existing infrastructure, resulting in additional ongoing costs, loss of prime agricultural land, and the expense of reinvesting in older brownfields. Similarly, natural resource development in remote areas often requires significant investment beyond the limits of existing infrastructure, resulting in added costs and urban planning designed for extraction of raw materials rather than long-term use. Municipalities establish development charges as a source of revenue and to share the burden

of added costs with developers. As of now, the formulas used to set these development charges only take into account the immediate costs of production, not any dynamic long-term costs.<sup>8</sup> The lack of a national strategy for municipal asset management costs cities money and is a barrier to building smarter, more sustainable communities.

### **Community Economic Development**

Canadian communities understand that challenges such as unemployment, urban and rural decline, income inequality, poverty, social exclusion, and environmental degradation can only be effectively addressed by community-led strategies that take a multifaceted and integrated approach. The Community Economic Development (CED) model provides that approach.

CED is community-led action that creates economic opportunities while enhancing social and environmental conditions. Through social enterprises, co-operatives, and other CED organizations, Canadians are working together to strengthen local economies, while providing access to child care services, housing, local food, capital, training, skill development opportunities, and much-needed services that enable marginalized people to overcome barriers and develop capacity. Their efforts build fairer, stronger local economies, and create sustainable, resilient communities.

Communities working together are the primary drivers of CED initiatives. However, governments have an important role to play in supporting CED given the significant resources, capacities, and policy levers at their disposal as well as their mandate to ensure the well-being of their citizens and the communities they live in.

Canada can play a lead role in supporting CED, addressing complex community challenges, and improving the quality of life for all Canadians by developing and implementing a federal CED Policy Framework along with a Neighbourhood Revitalization Program.

An effective, national CED Policy Framework can be modeled after the one employed by Manitoba. It would pose a series of questions to help departments assess how well they incorporate CED principles into government initiatives. This would ensure that CED principles, such as local skills development and employment, are incorporated into government initiatives to better respond to the economic, social, and environmental needs of local communities.

---

## AFB Actions

### ReBuild Canada Program

The AFB will introduce the ReBuild Canada Program to address Canada's crumbling infrastructure after the Building Canada Plan expires. The ReBuild Canada Program will provide municipalities with \$16 billion annually for the first six years and \$13.5 billion for the following 14 years from all levels of government.

The ReBuild Canada Program, like other programs, will require matching funding from other levels of government. However, given the disproportionate burden that municipalities have born for infrastructure costs, the AFB requires the federal government to pay 40% of costs, the provinces to pay 40% and municipalities to only pay 20% (except for First Nations water systems which are entirely a federal responsibility).

Funds will be allocated on a modified per capita basis, affording small and remote communities the opportunity to invest in new infrastructure. The plan will also dedicate a portion of the funds for urgent, needs-based investment in smaller communities.

Projects will be proposed by municipalities based on each city's individual long-term priorities. Different categories of infrastructure will be divided into separate pools of dedicated funds. The federal government will commit:

- \$1.35 billion per year dedicated to public transit infrastructure. Projects must be designed to increase ridership and reduce commute times for public transit users.
- \$2.25 billion per year for core economic and sustainable infrastructure. Projects must facilitate economic development with an emphasis on sustainable building practices or make existing facilities more environmentally sustainable.
- \$470 million per year will go to on-reserve waste water systems (see the First Nations chapter on page 77).
- \$2.6 billion per year to replace and upgrade aging water infrastructure (see the Water chapter on page 151).

The federal government will be obliged to approve proposals provided the basic criteria are met. Funds will be guaranteed and carried over if unused in any given year. All projects will abide by a set of sustainable asset management principles to be administered by the federal government.



## **Office of the Commissioner of Cities and Communities**

The AFB will create the Office of the Commissioner of Cities and Communities (OCCC) within the Transport, Infrastructure and Communities Portfolio. The OCCC will coordinate federal actions in cities, develop community economic development strategies, administer funding and provide oversight to protect against corruption. The OCCC will establish a more formal and permanent link between federal and municipal governments, maximizing the positive impact of increased funding. The OCCC will develop and administer Sustainable Asset Management criteria, ensuring that investments are sustainable and assets are managed in a way that best serves the community over the long run. It will also ensure that those who profit from infrastructure investment pay their fair share of development costs.

The OCCC will ensure that future federal infrastructure programs maximize potential benefits for local communities and citizens by adopting a Community Benefit Clause Policy. This will provide a framework along with guidelines and templates for incorporating social benefit analysis into the evaluation processes for federal infrastructure projects. These contractual clauses will help ensure projects generate economic and social value that benefits local communities and their citizens. Community Benefit Clauses can be used to boost training, apprenticeship and employment opportunities for designated groups that are under-represented in the workforce and/or that have multiple barriers to employment.

## **Community Economic Development Policy Framework**

The AFB will develop and implement a federal CED Policy Framework housed within the Office of the Commissioner of Cities and Communities. Sufficient resources will be provided to ensure there is capacity within the department to research and develop CED initiatives based on best practices, and to deliver an internal communications strategy that will facilitate implementation of the framework throughout the department.

It will create and invest in a roundtable mandated to develop a working relationship with all three orders of government and citizens in order to encourage the ongoing co-construction of public policy in support of CED. (Cost: \$2.5 million)

The AFB through the CED Policy Framework will develop and implement a purchasing strategy that incorporates social and environmental value weighting in all Requests for Proposals and Community Benefit Agreements on contracts over \$500,000. The strategy will also include a Living Wage requirement for all contractors, including subcontractors, on all government contracts.

The traditional “price prevails” purchasing analysis does an injustice to the taxpayer. Greater return on investment to taxpayers can be achieved by using a blended value analysis in government purchasing that incorporates price, quality, environmental, and social considerations.

## **Neighbourhood Revitalization Fund**

The AFB establishes a Neighbourhood Revitalization Fund as part of a federal Neighbourhood Revitalization program. This fund will provide multi-year core funding to support

the establishment and ongoing operations of Neighbourhood Renewal Corporations (NRCs) in under-invested urban communities throughout the country. NRCs will be locally-governed, democratic organizations responsible for coordinating ongoing revitalization efforts within their communities. Revitalization efforts will be based on five-year neighbourhood revitalization plans that take a CED approach and are developed with the community. In addition, NRCs will assist community-based organizations within their neighbourhoods to develop proposals and apply for funding to support projects consistent with the neighbourhood's five-year revitalization plan. (Cost: \$100 million per year for five years.)

---

## Notes

- 1 Federation of Canadian Municipalities (FCM) (2012) Canadian Infrastructure Report Card.
- 2 Federation of Canadian Municipalities (FCM). (2010). *Quality of Life in Canadian Communities: Mending Canada's Frayed Social Safety Net: The Role of Municipal Governments*.
- 3 Federation of Canadian Municipalities (FCM). (2011). *Starting on Solid Ground: The Municipal Role in Immigrant Settlement*.
- 4 Toronto Board of Trade (2012). *Toronto as a Global City: Scorecard on Prosperity*.
- 5 Transport Canada (2008). Estimates of the Full Cost of Transportation in Canada. <http://www.tc.gc.ca/media/documents/policy/report-final.pdf>
- 6 Stantec Consulting and the Victoria Transport Policy Institute (2011). *National Strategies on Public Transit Policy Framework*.
- 7 Federation of Canadian Municipalities (FCM). (2012). Proposed Federal Wastewater Regulations – Background. [http://www.fcm.ca/Documents/backgrounders/Proposed\\_federal\\_wastewater\\_regulations\\_EN.pdf](http://www.fcm.ca/Documents/backgrounders/Proposed_federal_wastewater_regulations_EN.pdf)
- 8 Sustainable Prosperity. (2012). *Managing Urban Sprawl: Reconsidering Development Cost Charges in Canada*. <http://www.sustainableprosperity.ca/dl719&display>

# Communications

---

## Background

### A National Communications Strategy is an Economic Building Block

Canada continues to fall behind peer nations in the strategic policy area of information and communications technology (ICT) and infrastructure. A recent report from the International Telecommunications Union (ITU), *Measuring the Information Society 2012*, ranked Canada 32<sup>nd</sup> out of 155 countries according to their level of ICT access, use, and skills. The top five were Korea, Sweden, Denmark, Iceland and Finland. According to the ITU, all top-30 countries are “high-income countries, underlying the strong link between income and ICT progress.”<sup>1</sup> It is becoming increasingly clear that a national communications strategy is an essential part of long-term economic planning.

Communities with affordable high-speed Internet access can attract businesses, encourage local entrepreneurship, and maintain high standards in education and health services, all of which support local sustainability. The recommendations in this chapter are designed to return Canada’s communications infrastructure to world-class standards.<sup>2</sup>

---

## Current Issues

### Recognize “Effective” Connectivity as an Essential Service

On May 11, 2011, the Canadian Radio-television Telecommunications Commission (CRTC) set a target for broadband Internet access services across the country. By the end of 2015, said the Commission, all Canadians should have access to broadband speeds of at least 5 megabits per second (Mbps) for downloads and 1 Mbps for uploads.<sup>3</sup>

But the target set by the CRTC is not enough to fuel economic growth and job creation. Rural respondents to a 2011 national survey of economic development professionals in the U.S. reported that 100–120 Mbps was the minimum needed over the next three years.<sup>4</sup> A study done for the U.S. Federal Communications Commission (FCC) recognized broadband “as a key enabler of economic growth that can benefit services such as telemedicine in rural areas, allow better management of transportation and energy systems and reduce infrastructure costs for businesses.”<sup>5</sup>

Modernizing such infrastructure is costly. At the 2012 CRTC hearings that considered basic service obligations, one telephone company estimated it would cost \$700 million annually<sup>6</sup> for 10 years to bring high-speed Internet to all Canadians, including those who live in the country’s most remote areas. “It’s a task that can never be achieved by market forces alone, [MTS Allstream Inc.] told the CRTC, in one of the first such estimates to be made



for Canada.” Experts agree that the market alone will not resolve Canada’s communications infrastructure deficit.<sup>7</sup> Governments will have to facilitate the transition with various programs to bridge the gap.

- In order to return Canada to a leadership role in the availability and use of new communications technologies, “effective” broadband that supports a wide range of communications applications must become a vital part of policy and programs at the federal level. The AFB believes that “effective” broadband means high-speed Internet of 100 Mbps or more.<sup>8</sup>

### **Develop a National Communications Strategy**

The CRTC, among others, has pointed out the need for a comprehensive national digital strategy to secure the nation’s economic future.<sup>9</sup> Digital infrastructure planning elsewhere has been on fast forward for years: Australia (National Broadband Strategy), 2004; Great Britain (Digital Britain Report), 2009; Germany (Information Society Germany 2010), 2006; France and New Zealand, 2008; and the U.S., 2010.

The benefits of a well-designed and implemented plan are significant. According to a new report by IBISworld, Australia’s information and communications technology industry, combined with the planned national high-speed network, is expected to generate around \$1 trillion in revenue for 2050 — almost eight times the \$131 billion it generates today.<sup>10</sup>

Canada still lacks a national plan for universal access to effective broadband. This stalls our economy and negatively affects productivity. In May 2010, after a six-week

online consultation about a digital economy strategy, then Industry Minister Tony Clement offered an interim report with few specifics.<sup>11</sup> The holding pattern continues. Current Industry Minister Christian Paradis suggested that a strategy might be released at the end of 2012.

On the other hand, in its February 2011 report on emerging and digital media, the Standing Committee on Canadian Heritage “encouraged the Government of Canada to proceed as quickly as possible with the development of a national digital economy strategy,” and recommended that the strategy be reviewed every five years.<sup>12</sup>

The AFB agrees with the Heritage Committee and will immediately begin a national consultation on these issues. The process will invite multi-stakeholder input on a wide range of communications issues from copyright to infrastructure and access policies through meetings across the country, online and written submissions.

These discussions will also seek ways to improve the environmental sustainability of the ever-growing use of digital technologies. ICT devices currently contribute 2–3% of global greenhouse gas emissions.<sup>13</sup> As the availability and use of “always on” broadband rises, this amount will likely increase. Technical solutions such as “power saving” devices, and upgraded standards for them, will be explored. Incentives for telecommuting and video-collaboration to support decreased use of fossil fuels for land and air transportation will also be considered.

- The AFB allocates \$250,000 to fund a broad national consultation to modernize communications policy in Canada. We will present a transparent process that can be implemented before September 2013.

A comprehensive plan based on these discussions will be presented to Canadians by April 2014.

### **Create Jobs With Next Generation Broadband Networks**

Growing evidence supports the connection between jobs and modern information and communications infrastructure. Although there are no firm estimates of the number of Canadian jobs that might be at stake, estimates from other jurisdictions can offer some guidance:

- A 2009 study by the World Bank suggested that an increase of 10% in broadband penetration in high-income countries correlates with GDP growth increases of 1.2%.<sup>14</sup>
- According to a 2011 report from global management consultants McKinsey and Associates, over the past five years, the Internet has been responsible for 21% of the growth in mature economies and has created 2.6 jobs for every job it has displaced.<sup>15</sup>
- “Rural counties in the United States that embraced broadband adoption at the start of this decade enjoy access to more jobs than those that did not,” states a 2009 study by the U.S. Department of Agriculture. Their residents also make more money than their less-connected counterparts.<sup>16</sup>
- In 2008, the Communications Workers of America predicted that a \$5 billion stimulus on broadband infrastructure would create almost 100,000 new jobs directly in the short term and 2.5 million jobs as “network effects.”<sup>17</sup>

- A 2009 report by the Information Technology and Innovation Foundation (U.S.) suggested that a broadband subsidy of \$10 billion would directly create or retain 500,000 jobs.<sup>18</sup>

In Canada, the most recent federal program that addressed connectivity (2009) allocated a scant \$225 million over three years to fund the expansion of rural broadband infrastructure.<sup>19</sup> In this program, broadband connectivity was defined as “access to Internet service that supports data transmission at a minimum speed of 1.5 Mbps to a household.”<sup>20</sup> Although it is considerably better than no connectivity, 1.5 Mbps is a short-term solution, not enough to support applications such as e-health or e-education or intensive e-commerce. This speed will not provide the kind of Internet access that Canadian communities need to ensure their economic future.

By contrast, in April 2009 the Government of Australia announced it would build a national high-speed broadband network to deliver up to 100 Mbps to 90% of its citizens. The eight-year, AU\$43-billion project will be one of the largest state-sponsored Internet infrastructure upgrades in the world. The Australian Prime Minister has suggested that the project will support up to 37,000 jobs at the peak of construction.<sup>21</sup>

To bring Canadian communications infrastructure up to such standards, the AFB ramps up to \$1 billion per year to make effective broadband a reality for all Canadians. The decade-long infrastructure project will start in 2014–15 and will be guided by the recommendations of a National Communications Strategy. Because it is such a major commitment of public funds, Canadians will follow the Australian example and retain majority ownership of the resulting infrastructure.

- The AFB ramps up to \$1 billion annually over 10 years to modernize Canada's digital communications infrastructure.

The Standing Committee on Canadian Heritage recommended that the Government of Canada reinvest some of the money it receives from spectrum auctions into the process of designing and implementing a digital strategy and into extending rural and remote connectivity programs.<sup>22</sup> The AFB agrees with these recommendations.

- The AFB will reinvest some of the proceeds from the upcoming spectrum auction (Spring 2013) to support the modernization of our digital infrastructure according to the recommendations of a comprehensive communications strategy.
- The AFB will immediately revive rural and remote connectivity programs.

### **Rebuild the National Public Access Program**

National programs that provide access, education and support for the effective use of new communications technologies in communities are considered essential in countries that rank high in their use of on-line tools. In Korea, for example, such programs are considered investments that generate demand and build human capacity to meet that demand.<sup>23</sup>

At the CRTC hearings on basic service (2010), concerns were raised about the 25% of Canadians who have no Internet service even where service is available and questions were asked about programs that might address that gap.<sup>24,25</sup> Sadly, in March 2012, the federal government cancelled the one program that addressed such issues. The Canadian Access

Program was a national network of 3,500 community technology centres that helped thousands of people per day<sup>26</sup> incorporate new technologies into their lives. These sites and their young facilitators, along with a legion of volunteers, provided job search and software training, technology literacy programs, access to community services, and cultural integration opportunities. They partnered with the local private and public sector to provide services and experienced personnel in diverse areas, from film editing to website building. Along the way, thousands of youth gained valuable job experience. Both internal and external evaluators agreed that this program had been successful and cost-effective for years.<sup>27</sup>

Certain populations are particularly in need of such programs. New research from the U.S.-based Pew Internet and American Life project shows that, while many seniors are currently using e-mail and the web, only 39% have broadband at home. They use public access sites in libraries and community centres.<sup>28</sup> In Australia, only 62% of those with a reported disability are online and just over one-half of those age 60 or over have Internet access at home.<sup>29</sup> In Canada, not only do we lack data on such issues, the only program in place to address them, was disbanded. The AFB would immediately reintroduce and expand support for a national public access program.

- The AFB allocates \$40 million to support new and existing national public access sites.

The AFB also agrees with the Standing Committee on Canadian Heritage, which recommended that the Government of Canada work with provincial authorities to support

programs that encourage the development of a digitally literate population and that the Department of Human Resources and Skills Development review its policies and programs in order to ensure that priority is given to training in digital skills. The Committee also recommended that the Government of Canada examine the proposal of the Canadian Association of Community Television Users and Stations (CACTUS) for the establishment of community-operated multimedia centres and access to its material online as a way of encouraging people to develop digital skills.<sup>30</sup>

- The AFB will ensure that the Department of Human Resources and Skills Development continues to support digital literacy with its CAP-YI youth initiatives program.
- The AFB will support community-oriented multimedia centres as part of a digital literacy program.

## AFB Actions

- The AFB allocates \$250,000 to fund a broad national consultation to modernize communications policy in Canada.
- The AFB ramps up to \$1 billion annually over 10 years to modernize Canada's digital communications infrastructure.
- The AFB allocates \$40 million to support new and existing national public access sites in the 2013–14 budget year.

## Notes

<sup>1</sup> International Telecommunications Union (ITU). (2012) "ITU releases latest global technology development figures." Press Release. ITU. Geneva: October. [http://www.itu.int/net/pressoffice/press\\_releases/2012/70.aspx#.ULPApodZXvI](http://www.itu.int/net/pressoffice/press_releases/2012/70.aspx#.ULPApodZXvI)

<sup>2</sup> For rankings see: Berkman Center for Internet and Society. (2009). *Next Generation Connectivity: A review of broadband Internet transitions and policy from around the world*. Harvard University, October (draft). p. 112.

<sup>3</sup> Canadian Radio-television and Telecommunications Commission. (2011). "The CRTC sets speed target for broadband Internet and maintains obligation to provide basic home telephone service." News release. Ottawa-Gatineau, May 3. <http://www.crtc.gc.ca/eng/com100/2011/r110503.htm>

<sup>4</sup> Settles, Craig. (2011). "After the stimulus: broadband and economic development." *Fighting the Next Good Fight*. Oct. 4. <http://roisforyou.wordpress.com/2011/10/04/after-the-stimulus-broadband-and-economic-development/>

<sup>5</sup> Nowak, Peter. (2009). "Canadian broadband blasted by Harvard study." CBC News, Oct. 15. <http://www.cbc.ca/technology/story/2009/10/15/harvard-fcc-broadband-study.html>

<sup>6</sup> Marlow, Iain. (2010). "High speed internet for rural areas." *The Globe and Mail* Oct. 27. <http://www.theglobeandmail.com/news/technology/high-speed-internet-for-rural-areas-pegged-at-7-billion/article1774621/>

<sup>7</sup> Van Praet, Nicolas. (2011). "Universal Internet access key to the economy: Google CFO." *Financial Post*, FP Tech Desk. Oct. 24. <http://business.financialpost.com/2011/10/24/universal-internet-access-key-to-economy-google-cfo/>

<sup>8</sup> As part of its broadband plan, the U.S. government is currently committed to connecting "at least 100 million American homes to 100 Mbps service over the next 10 years." Middleton, Catherine. Canadian Federation for the Humanities and Social Sciences "Big Thinking" Lecture, Oct. 7, 2010. [http://www.fedcan.ca/images/File/Middleton\\_BigThinking.pdf](http://www.fedcan.ca/images/File/Middleton_BigThinking.pdf)

<sup>9</sup> Canadian Radio-television and Telecommunications Commission (CRTC). (2009) "CRTC extends exemption for new media and calls for a national digital strategy." News release, June 4. <http://www.crtc.gc.ca/eng/news/RELEASES/2009/ro90604.htm>

<sup>10</sup> Ruthven, Phil. (2012). "A snapshot of Australia's digital future to 2050." IBISworld, June. [http://www-07.ibm.com/au/pdf/A\\_Snapshot\\_of\\_Australia\\_s\\_Digital\\_Future\\_to\\_2050\\_Executive\\_Summary.pdf](http://www-07.ibm.com/au/pdf/A_Snapshot_of_Australia_s_Digital_Future_to_2050_Executive_Summary.pdf)

<sup>11</sup> Clement, The Hon. Tony. (2010). "An interim report on the digital economy and telecom strategies." Address to the International Institute of Communications Conference. Industry Canada, Nov. 22. <http://www.ic.gc.ca/eic/site/ic1.nsf/eng/06098.html>

<sup>12</sup> Chong, Michael, Hon. (chair). (2011). *Emerging and Digital Media: Opportunities and Challenges*. Report of the Standing Committee on Canadian Heritage. 40<sup>th</sup> Parliament, 3<sup>rd</sup> Session. Canada: House of Commons. February 11, 2011. <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=4838683&Language=E&Mode=1&Parl=40&Ses=3>

<sup>13</sup> Kim, Yongsoo and Siddhartha Raja. (2010). *Building Broadband: Strategies and Policies for the Developing World*. World Bank. Chapter 4. p. 48. [http://siteresources.worldbank.org/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/282822-1208273252769/Building\\_broadband.pdf](http://siteresources.worldbank.org/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/282822-1208273252769/Building_broadband.pdf)

<sup>14</sup> Scott, Sheridan. (2009). "Get ready, CRTC, digital economy is coming." *Globe and Mail*. Nov. 2. <http://www.theglobeandmail.com/news/technology/get-ready-crtc-digital-economy-is-coming/article1347786/>

<sup>15</sup> Bughin, Jacques and James Manyika. (2012) "The macroeconomic impact of the Internet." White paper written for a keynote speech at the first global e-G8 Summit, France, May 2011. In *Internet Matters, Essays in Digital Transformation*. McKinsey & Company. March. [http://www.mckinsey.com/insights/mgi/research/technology\\_and\\_innovation/essays\\_in\\_digital\\_transformation](http://www.mckinsey.com/insights/mgi/research/technology_and_innovation/essays_in_digital_transformation)

<sup>16</sup> Lasar, Matthew. (2009) "Rural broadband = more jobs, better salaries." *Ars Technica* Aug. 20. <http://arstechnica.com/tech-policy/news/2009/08/rural-broadband-more-jobs-better-salaries.ars>

<sup>17</sup> Communications Workers of America. (2008). "Proposals to stimulate broadband investment." Letter to the House Speaker and Senate Majority Leader. December 9 mentioned in Qiang, Christine Zhen-Wei. (2009). "Broadband infrastructure investment in stimulus packages: relevance for developing countries." World Bank.

<sup>18</sup> Atkinson, R., D. Castro and S. Elzell. (2009). *Digital Road to Recovery: A Stimulus Plan to Create Jobs, Boost Productivity and Revitalize America*. Report by the Information Technology and Innovation Foundation. January 7. <http://www.itif.org> mentioned in Qiang, Christine Zhen-Wei.

- (2009). "Broadband infrastructure investment in stimulus packages: relevance for developing countries." World Bank.
- 19** Office of the Prime Minister of Canada. (2009). "PM announces major improvement to broadband internet access in rural Canada." Ottawa: News release, July 30. <http://pm.gc.ca/eng/media.asp?category=1&id=2702>
- 20** Industry Canada. (2009). "Broadband Canada: Connecting Rural Canadians. Frequently Asked Questions." Last modified Sept. 22. [http://www.ic.gc.ca/eic/site/719.nsf/eng/h\\_00004.html#BPQ3](http://www.ic.gc.ca/eic/site/719.nsf/eng/h_00004.html#BPQ3)
- 21** Foley, Maraiah. (2009). "Australia moves to build high-speed network." *New York Times*. April 07. <http://www.nytimes.com/2009/04/08/technology/internet/08broadband.html>
- 22** Ibid. Chong, Michael, Hon. (chair). 2011.
- 23** Berkman Center. (2009). [http://www.fcc.gov/stage/pdf/Berkman\\_Center\\_Broadband\\_Study\\_13Oct09.pdf](http://www.fcc.gov/stage/pdf/Berkman_Center_Broadband_Study_13Oct09.pdf)
- 24** CRTC. (2010). "Transcript of proceedings on obligation to serve and other matters." Discussion on adoption rates of new technologies between Commissioner Katz and Denis Henry appearing for Bell Aliant. Timmins, Ont. Vol. 1, Oct. 26. para. 640–654. <http://www.crtc.gc.ca/eng/transcripts/2010/tt1026.html>
- 25** CBC News. (2011). "No internet in 1 out of 5 Canadian homes." May 25<sup>th</sup>. <http://www.cbc.ca/news/technology/story/2011/05/25/technology-internet-use-statistics-canada.html>
- 26** This network was built under the Industry Canada Community Access Program (CAP) and its companion Youth Initiative Program (CAP-YI). Telecommunications Policy Review Panel. (2006) Final Report. Chapter 8. Industry Canada. <http://www.telecomreview.ca/epic/site/tprr-gecrt.nsf/en/tx00055e.html>
- 27** See, for example: Ekos Research Associates. (2004). Evaluation Study of the Community Access Program (CAP). Industry Canada. Audit and Evaluation Branch, January 16. <http://www.ic.gc.ca/epic/site/ici.nsf/en/01420e.html> and Coleman, Ronald. (2002). "Economic value of CAP sites as investments in social capital" and "Impact of CAP sites on volunteerism." GPI Atlantic. <http://www.gpiatlantic.org/publications/abstracts/econvalue-cap-ab.htm>
- 28** Zickuhr, Karen and Mary Madden. (2012) "Older adults and Internet use." Pew Research Internet and American Life Project. January. <http://pewinternet.org/Reports/2012/Older-adults-and-internet-use/Main-Report/Internet-adoption.aspx>
- 29** O'Leary, Tim. (2012) "Making connections to end digital divide." Op-ed. National Times: October 12. <http://www.smh.com.au/opinion/making-connections-to-end-digital-divide-20121009-27aul.html>
- 30** Ibid. Chong, Michael, Hon. (chair). 2011.

# Defence

## Background

Canada is one of the 15 top military spending nations in the world, and the sixth-largest military spender among the 28 members of NATO. The level of Canadian military spending in recent years has been higher than at any other time since the end of the Second World War.

According to the federal government's latest budget figures, the Department of National Defence (DND) plans to spend \$20.5 billion this year (FY2012–13). That level is 2% higher than it was before the beginning of the global recession, 9% higher than at the end of the Cold War, and 30% higher than immediately before the terrorist attacks of September 11, 2001. While the current build-up in spending began in 1999, Canada's participation in the U.S.-led "global war on terrorism" has been the primary driving force behind the increases.

By comparison, the actual amount spent by DND in 2011–12 was \$20.2 billion, or about \$20.8 billion in 2012 dollars. Similarly, the 2010–11 and 2009–10 figures were about \$22.0 billion and \$22.2 billion respectively, in 2012 dollars.<sup>1</sup> These figures suggest that, like many other government departments, DND has undergone significant budget cuts, with this year's spending projected to be 1.5% lower (\$0.3 billion) than 2011–12 spending, 6.8% lower (\$1.5 billion) than 2010–11 spending, and 7.8% lower (\$1.7 billion) than 2009–10 spending, after adjusting for inflation.

For the moment, however, DND's "cuts" are more apparent than real. In fact, it can be argued that although the DND budget has levelled off, it has not yet undergone significant reduction.

The apparent reductions of recent years are almost entirely attributable to accounting changes and the declining incremental cost of Canada's overseas military missions. The decision to grant the Communications Security Establishment (CSE) separate agency status effective November 2011 and the creation of Shared Services Canada (SSC) and the consequent transfer of various IT responsibilities out of DND and other departments were responsible for a large part of these apparent reductions. According to DND's Report on Plans and Priorities (RPP), the removal of CSE from the DND budget saved the department \$387 million in 2012–13, while the creation of SSC saved the department \$306 million. DND receives the same services from these programs as it received in earlier years, but their combined \$694 million cost in 2012–13 no longer appears in the DND budget.

The continuing decline in the scope of the Afghanistan mission also has the effect of reducing the department's spending without diminishing its ability to pay its core personnel, operations, maintenance, and capital expenses. (In fact, it probably frees up resources not fully accounted for in the department's estimates of the incremental cost of the mission, and thus improves DND's budget position.) DND is projecting that the incremental costs of the Afghanistan mission will decline



by \$435 million this year, and that the overall incremental costs of the Canadian Forces' overseas missions will decline by \$508 million. Overall incremental costs are expected to total \$476 million this year, down from \$1.9 billion (in 2012 dollars) in 2009–10.

As a result, although DND's projected 2012–13 budget is approximately \$1.7 billion lower (in 2012 dollars) than its budget of three years ago, the department's ability to fund its core programs could be as much as \$400 million higher.

A new wrinkle has been introduced this year by the government's failure to provide any details of the spending cuts it promised in Budget 2012. According to data DND provided to the Parliamentary Budget Officer, the department expects to make cuts related to Budget 2012 totalling \$319 million this year. There is no way to know, however, whether any or all of these cuts are already reflected in the measures reported in the RPP (i.e., savings due to the winding down of the Afghanistan mission, savings due to establishment of CSE as a separate agency, etc.). Some of the budget-related "savings" reportedly will come through the delay of certain procurement programs, but the degree to which these delays may already be built into the spending plans is not known.

Further reductions are supposed to be made in 2013–14 and 2014–15, ultimately amounting to \$1.1 billion, but again the actual effect of these plans on the department's budget remains to be seen.

Adjusted for inflation, Canada has devoted roughly \$70 billion to total national security expenditures over and above the amount it would have spent had budgets remained in line with pre-9/11 levels, with military expenditures representing the bulk of that in-

crease. This ambitious build-up over the last decade has allowed large military equipment programs to proceed without the department adequately demonstrating their relevance to the essential security of Canadians.

On the global stage, worldwide military spending is estimated to have reached US\$1.7 trillion in 2011, about the same level as it was the year before. Like Canadian military expenditures, global military spending is now higher than it was during the Cold War. Within this, the 28 members of NATO collectively account for about 60% of world military spending.

---

## Current Issues

### Afghanistan

DND documents indicate that the incremental cost of Canada's military operations in Afghanistan during the 12 years from 2001–02 to 2012–13 has been about \$8.6 billion. However, Parliamentary Budget Officer Kevin Page's 2008 report on the cost of the Afghanistan mission concluded that the actual incremental costs of the mission were even higher than DND reported — between \$5.9 billion and \$7.4 billion just for the seven years from 2001–02 to 2007–08 (the departmental figures show incremental costs of just \$3.4 billion during this period). If the figures for 2008–09 through 2012–13 were similarly underestimated, the incremental costs for the Afghanistan mission are probably closer to \$15–19 billion to date.

Even that figure arguably underestimates the ultimate cost of the Afghanistan mission. Canada's presence in Afghanistan tied up not just the troops deployed in the country, but also many thousands of personnel preparing for deployment, recovering from deployment, or supporting the operation from Canada. If

Canada had chosen not to participate in the Afghanistan mission, we could have maintained smaller armed forces while continuing to participate in other missions, such as peacekeeping. Depending on the actual personnel level maintained, additional savings, potentially as much as several billion dollars, might have been realized over that period.

## Peacekeeping

During the Cold War, Canada provided about 10% of all UN peacekeeping troops. The huge growth in the number, size, and scope of UN operations after the end of the Cold War made this level of support no longer possible, but Canada continued to provide about 1,000 peacekeepers (and sometimes more than 3,000) well into the 1990s. In 1997, however, Canada began to dramatically reduce its contribution to UN operations. The initial reduction can be explained in large part by the extensive Canadian contribution to the NATO-led Stabilization Force (SFOR) in Bosnia and Herzegovina. SFOR was then followed by the 1999 Kosovo war, participation in the NATO-led Kosovo Force (KFOR), and then the post-9/11 Afghanistan mission.

By 2005, only 83 Canadian military personnel were assigned to UN peacekeeping missions. Though the Canadian government promised that year that the Canadian Forces would “maintain their contributions to international organizations such as the United Nations,” the decline continued unchecked. In 2008, Canada and other governments voted to shut down the UN’s Multinational Standby High Readiness Brigade (SHIRBRIG), an innovative rapid-reaction peacekeeping unit that had once been championed by Canada, and the shutdown was completed in June 2009. As of October 2012, Canada contributes a total

of 30 military personnel (and 119 civilian police officers) to the cause of UN peacekeeping.

Canada’s switch from major supporter of UN peacekeeping to an almost exclusive focus on U.S.-led or NATO-led “coalitions of the willing” was not a result of the disappearance of UN missions. Notwithstanding the claim often heard in Canada that UN peacekeeping is dead, the demand for peacekeepers has actually grown in recent years. As of October 2012, there are 83,700 UN peacekeeping troops and military observers (and an additional 13,600 civilian police officers) serving in 16 operations over four continents. Of the 107 military contributors to UN peacekeeping, Canadians are tied with tiny Brunei for 66<sup>th</sup> in terms of personnel. Peru, which has one-tenth of Canada’s GDP, contributes more than 10 times as many personnel. The only Canadian contribution that remains substantial is a non-military one: our cash contribution to the UN peacekeeping budget, currently \$228 million a year. However, this payment, a legal obligation of our membership in the United Nations, comes out of the budget of Foreign Affairs and International Trade, not National Defence.

In the meantime, the overwhelming burden of current UN peacekeeping operations has been transferred to the poorer countries of the world, whose soldiers are normally much less well-equipped, and in some cases also less well-trained. “Middle powers” such as Canada are not bearing their share of the burden of these operations, and the resulting equipment and training shortfalls threaten to undermine the effectiveness of the operations currently underway.

---

## AFB Actions

The AFB resolves to take the following actions:



- Reduce Department of National Defence spending, with a goal of returning to pre-September 11, 2001 levels.

The DND budget must be brought in line with the changed realities that Canada faces in the world, a decade after the events of September 11, 2001. The most prominent threats facing the security of Canadian citizens are economic, rather than military, and an attitude of unlimited military spending only heightens the challenges of high unemployment and large deficits. With Canadian involvement in Afghanistan winding down and our commitment to addressing the global financial crisis, an immediate reduction in the defence budget and an eventual return to pre-2001 levels are realistic goals that would set Canada on the path to fiscal responsibility in the field of expenditures. Prior to September 11, 2001, the defence budget was the equivalent of \$15.3 billion in today's dollars, \$6.4 billion less than this year's estimated level. In order to return to pre-2001 levels in the next five years, the AFB will undertake *an immediate reduction of \$1.28 billion in the next fiscal year*. This reduction is to continue every year until 2016–17.

- Review planned equipment spending to ensure projects still meet Canada's national defence policy priorities.

Given that a major element of defence spending consists of materiel procurement, a review of all major equipment spending programs currently in the works is needed to ensure a reversal of the trends of the last decade. Many current projects have not been subjected to the intense scrutiny faced by other departments and programs in the government. Major Crown Projects such as the F-35 purchase plan, the awarding of naval and Coast Guard

contracts, and the future of Canada's submarine fleet would all be subject to this review. By comprehensively assessing whether these major capital expenses are essential to Canadian security, and whether the contract processes are producing the best value for public dollars, important fiscal adjustments can be made in line with current global realities.

- Increase oversight of DND equipment spending by establishing a parliamentary committee or sub-committee responsible for Major Crown Projects.

The Auditor General of Canada, the Parliamentary Budget Office, and other fiscal monitoring agencies have repeatedly warned about the dangers of unchecked spending increases in the Department of National Defence, but have had little effect. The lack of transparency and democratic mechanisms affecting the current military procurement regime must be addressed through greater parliamentary oversight. Contracts that must go through a parliamentary committee or sub-committee before receiving approval are significantly more likely to guarantee job offsets, include specific costs, and generally involve a greater degree of open competition for the public dollars involved.

- Freeze non-defence portions of the National Security Establishment, including Canada Border Security, CSIS, Corrections Canada, Public Safety and related programs. Stopping their significant growth will lead to incremental savings of approximately \$500 million a year.

---

## Notes

<sup>1</sup> *Public Accounts 2010, 2011, 2012.*

# Early Childhood Education and Care

---

## Background

### Canada's Market-Based Child Care

We're used to hearing that Canada has no national child care program and that early childhood education and care (ECEC) is severely under-provided and under-funded. While these criticisms are true, two important points are less often noted: first, how much Canada relies on the market for child care; and, second, the substantial negative effects of this approach.

The market approach shapes every aspect of ECEC in Canada: market-based development of services means that the private sector — both for-profit entrepreneurs and non-profit or charitable organizations — determine when and where services are located, often with little public planning. Private non-profit and for-profit operators finance much of the capital cost, and deliver most of the regulated child care services across Canada. Parents' private funds pay the bulk of the cost in both regulated and unregulated child care, while public funding is spent primarily through more market-oriented demand-side measures such as vouchers, cheques, or fee subsidies. There is little public management of services or public planning for expansion to meet needs. The role of governments is largely limited to developing and minimally monitoring health and safety regulations,

not standards for high-quality programming that benefits children.

The results of this failed market approach are visible, tangible and regularly documented. Not only is there significant variation, inequity, and gaps across Canada in affordability, supply of services, and quality, but many (if not most) families across Canada cannot find or afford high-quality child care.

### The Right Thing and the Smart Thing To Do

Child care has long been considered a key requirement for women's equality, social justice, and equity and a key part of good family policy aimed at work/family balance. More recently, a consistent body of evidence<sup>1</sup> shows that building a public ECEC system is not just the right thing to do for parents and children but the smart thing to do for Canada socially and economically. In 2012, TD Economics, in a special report titled *Early childhood education has widespread and long lasting benefits*, also urged increased public spending when "finances move back in balance." The report observed Canada lags far behind other countries but that "Overall, having an efficient, high-quality early childhood program in place, which is accessible for all children and affordable for parents, would be beneficial for children, parents as well as the broader economy."<sup>2</sup>

In its most recent review of Canada's compliance with the Convention on the Rights of the Child, the UN confronted Canada over its lack of a national child rights strategy and its lack of progress on child care in particular. The Geneva committee's report noted concerns regarding the "lack of funding directed towards the improvement of early childhood development and affordable and accessible early childhood care and services" and the "high cost of child care and lack of available places."<sup>3</sup>

### Too Little Money, Too Little Policy

"We would but we can't afford it" was the excuse for inaction on child care prior to 2000. Then, as federal and provincial surpluses began to mount annually — reaching a dizzying \$30 billion combined in 2007<sup>4</sup> — a small but increasing federal commitment to child care funding finally emerged. However, at the height of Canada's economic success, the current federal government terminated Canada's sole significant national child care initiative. As a result, federal transfers in 2007–08 were reduced by 37% from 2006, and by 61% from the previous government's commitment for 2009.<sup>5</sup> Canada's public spending on ECEC programs is only 0.25% of GDP — about one-third the OECD average (0.7%) and far short of the international minimum benchmark of *at least* 1% of GDP for ECEC for 0–5 year olds.<sup>6</sup>

In short, child care in Canada can be summed up by the comment "too little public money, too little public policy." Child care today is plagued by stagnant provincial and territorial budgets, expansion and contraction of services unconnected to planning or community need, and shockingly unaffordable parent fees. Fee subsidies are even more inadequate than in the past; subsidy avail-

ability for eligible low-income families has been relatively stagnant or even shrunk relative to 2001, although the supply of regulated spaces has grown by about 400,000 spaces since that time.

Comparing best policy practices with the current state of Canadian early childhood education and child care reveals a vast gap between what we know and what we do. The research suggests that delivering high-quality, equitable, accessible ECEC programs for children and families requires a systematic, coherent, integrated approach, with well-defined public management,<sup>7</sup> while pointing out the pitfalls of relying on services that are unplanned, fragmented, rely on private methods of financing and operate on a for-profit basis.<sup>8</sup> Overall, much good evidence is readily available on which to build a solid ECEC system but ECEC policy-making in 21<sup>st</sup> century Canada continues not to be based on the best available knowledge, leaving an extensive evidence gap.

---

## Current Issues

Child care in Canada today demonstrates multiple market failures<sup>9</sup>:

Parent fees are often higher than university tuition, while subsidy programs in some provinces/territories fail to make child care financially accessible to the low-income parents eligible for them. Parent fees range from those in Quebec (at \$154/month the lowest in Canada), to Manitoba, which sets maximum parent fees province-wide (\$414/month for a two-year-old), to other jurisdictions where parents pay, on average, up to \$700 or \$800/month for regulated child care. In large cities, child care costs are even higher. In Vancouver, for example, commercial child care

chain Kids and Company tops the chart with parent fees of \$1,915/month — almost \$23,000 annually — for toddler care, while the non-profit University of British Columbia Child-care Services' fee for a toddler of non-UBC-affiliated parents is \$1,570.<sup>10</sup>

The supply of services is far below either the demand or the need for child care yet expansion of child care spaces has been extremely slow, slowing to a crawl in the last few years. More than 70% of mothers of young children are in the paid labour force but in 2010 (the most recent available data) there were regulated spaces in child care centres for only about 21% of children 0–5 years old.

While low staff wages have shown some signs of improvement in some provinces/territories, wage levels, benefits and working conditions are still far too low to ameliorate ongoing staffing issues such as recruitment and retention across Canada.

Quality issues, which concern both regulated services and the unregulated arrangements that many parents are obliged to use, persist.

### **For-Profit Child Care: Growing Almost Everywhere in Canada**

Although the benefits of a more publicly-managed system are clear, and the failures of market-based ECEC are in plain sight across the country, from the perspective of quality and access, it is disturbing to observe that the for-profit child care sector is growing in almost all provinces/territories. In 2010, for-profits delivered 28% of all centre-based spaces, up from 20% in 2004. The most recent data show for-profit services dominating the limited overall expansion, accounting for more than two-thirds of growth in six provinces/territories between 2008 and 2010.

Child care chains are growing in Canada, but until recently most have been small-scale, local endeavours. The last few years have witnessed not only small chains become medium (5–10 centres) and even large (15 or more centres) chains but the addition of mega-sized, for-profit corporations such as Edleun, Canada's first publicly listed big-box child care chain, and the privately-held Kids and Company. Each of these now operates approximately 50 centres in multiple provinces, and purports to be positioned for expansion, as venture capital and mainstream investors provide significant capital. Business analysts such as the *Globe and Mail's* David Milstead have questioned their profitability potential, while a report authored by B.C. Certified Management Accountant Gerald Dragomir challenged the idea that the child care chain business model can provide and sustain the high-quality, affordable services that families need.<sup>11</sup>

Countries such as Australia, the United Kingdom and the United States, where for-profit big-box chains now dominate child care, provide useful lessons for Canada about our prospects if this threat isn't addressed.<sup>12</sup> In other words, public funds will support private profits rather than the public goals of quality, affordability, and access. The threat of even higher fees, lower wages, unmet demand, and quality concerns should be a wake-up call to governments about the fundamental ineffectiveness and inequity of their longstanding market-based approach to child care services. The evidence-based response to Canada's high rate of labour force participation among mothers and contemporary knowledge of the benefits of early childhood education should be a national policy framework laying out a publicly managed, publicly fund-

ed system that blends early childhood education and child care, and prioritizes equity in both access and service provision.

A key barrier to advancing a system of early childhood education and care in Canada has been the federal government's absence from the table. The current federal government has gone one step further than even previous governments by abandoning virtually all responsibility for the file. Indeed, funding for federal Aboriginal ECEC programs — for which the federal government has considerable responsibility — has been largely static since 2006, and even dropped in 2009.<sup>13</sup>

Doing nothing is poor policy. The federal government's lack of leadership on child care limits provincial, territorial and First Nations progress today and restricts our ability to act in the future.

---

## AFB Actions

There is compelling evidence that public investment in early childhood education and care — with its multiple benefits to multiple groups — offers among the highest benefits that nations can adopt. Studies have repeatedly shown that well-designed public spending on ECEC promotes health, advances women's equality, addresses child and family poverty, deepens social inclusion, and grows the economy.

But wishful thinking and a market-based approach won't make it happen. The federal government must move to accountability for results by beginning to build, with the provinces/territories, a system of high-quality, affordable, inclusive, and publicly owned early childhood education and care services across Canada, with equitable access for all children and families.

To protect and promote the public interest, the AFB provides leadership and significant funding support to provinces and territories that commit to building public systems of early childhood education and care. The goal of the AFB's early childhood education program is to reach at least 1% of GDP, starting this year with a \$2.3 billion investment that increases over the next 10 years.

A reallocation of current expenditures provides a starting place for realizing this funding commitment. We propose to incorporate the \$2.8 billion annual funds currently spent through the Universal Child Care Benefit (UCCB) into federal expenditures both on the early childhood education and care program, as described, and on improvements to the Canada Child Tax Benefit (CCTB), including the National Child Benefit Supplement. There is neither evidence that the considerable public expenditures on the UCCB furthers ECEC goals of improved access and quality nor is the UCCB an effective income support program that can help lift families with children out of poverty. Thus, these considerable public funds would be more effectively spent on ECEC and on the CCTB and should be moved into these columns.

The AFB will establish a policy framework to guide collaboration with provinces and territories, providing federal funds to those that are accountable for developing and maintaining:

- Public plans (including legislated universal entitlement, targets, and timetables) for developing comprehensive and integrated systems of ECEC services that meet the care and early education needs of both children and parents.



- Public expansion through publicly delivered and publicly managed ECEC services (including integration of existing community-based services into publicly managed systems).
- Public funding delivered to ECEC systems, not to individual parents, designed to create and maintain high-quality, accessible services.
- Public monitoring and reporting in the legislatures (federal, provincial/ territorial) on the quality of, and access to, the early childhood education and care system.

Within these broad recommendations, the AFB acknowledges the right of Canada's First Nations and Aboriginal peoples to design, deliver, and govern their own ECEC services while pointing out that Aboriginal ECEC programs have been especially neglected by the federal government. The AFB also respects Quebec's right to develop social programs. However, it is clear that additional federal funding and more focused public policy are required to further advance both quality in and equitable access to Quebec's system, so the AFB encourages the federal government to work with Quebec to achieve the province's goals for child care.

Finally, the AFB recognizes that, in addition to high-quality accessible child care, families with young children also require, and have a right to, well-paid maternity/parental leave. But many parents — mothers and fathers — cannot afford to take or are ineligible for the maternity/parental leave benefit as it currently exists. An improved, better-paid,

more inclusive, more flexible maternity/parental leave benefit program, including earmarked paternity leave, should be developed in the near future.

## Notes

1 Centre for Spatial Economics, (2009). *Literature Review of Socioeconomic Effects and Net Benefits: Understanding and Addressing Workforce Shortages in ECEC Project*. Child Care Human Resources Sector Council. Retrieved from [http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/2.8-WFS\\_LitSocioMain\\_Eng.pdf](http://www.ccscc-cssge.ca/sites/default/files/uploads/Projects-Pubs-Docs/2.8-WFS_LitSocioMain_Eng.pdf)

2 Alexander, C. & Ignjatovic, D. (2012). *Special Report: Early Childhood Education has widespread and lasting benefits*. TD Economics. Retrieved from [http://www.td.com/document/PDF/economics/special/di1112\\_EarlyChildhoodEducation.pdf](http://www.td.com/document/PDF/economics/special/di1112_EarlyChildhoodEducation.pdf)

3 UN Committee on the Rights of the Child (2012). Consideration of reports submitted by States parties under article 44 of the Convention. Concluding observations: Canada. Retrieved from [http://www2.ohchr.org/english/bodies/crc/docs/co/CRC-C-CAN-CO-3-4\\_en.pdf](http://www2.ohchr.org/english/bodies/crc/docs/co/CRC-C-CAN-CO-3-4_en.pdf)

4 Calculated from Canada. Department of Finance. (2008) Fiscal Reference Tables. Ottawa. [http://www.fin.gc.ca/toc/2008/firto8\\_-eng.asp](http://www.fin.gc.ca/toc/2008/firto8_-eng.asp)

5 <http://www.fin.gc.ca/taxexp-depfisc/2009/taxexp0901-eng.asp#taxexpnd>

6 The .07% and 1% come from Bennett, J. (2008). "Benchmarks for Early Childhood Services in OECD Countries," Innocenti Working Paper 2008-02. Florence, UNICEF Innocenti Research Centre. Retrieved from [http://www.unicef-irc.org/publications/pdf/iwp\\_2008\\_02\\_final.pdf](http://www.unicef-irc.org/publications/pdf/iwp_2008_02_final.pdf), p. 38. The 0.25% of GDP is *Starting Strong II*. (2006). Organisation for Economic Cooperation and Development. Directorate for Education. Paris: Author.

7 Public management is used here to mean a planned, coherent approach using public administration tools, by a level of government, usually local, on behalf of a "common good" rather than on behalf of individual or private interests.

8 Lloyd, E. and Penn, H. (Eds.) (2012). *Childcare markets: Can they deliver an equitable service?* Bristol, UK: The Policy Press; Friendly, M. and Prentice, S. (2009). *About Canada: Childcare*. Winnipeg: Fernwood Publishing.

9 The sources for the data in this section is HRSDC, 2012 and Friendly, 2013.

10 Coalition of Child Care Advocates of BC (2012). Letter to MCFD requesting moratorium on new approvals of Child Care Operating Funds (CCOF) for commercial child care chains. Retrieved from [http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC\\_Moratorium\\_CCOF\\_May12.pdf](http://www.cccabc.bc.ca/cccabdocs/pdf/CCCABC_Moratorium_CCOF_May12.pdf)

11 Milstead, D. (2012, February 8). The real daycare challenge: making money. *The Globe and Mail*. Retrieved from <http://www.theglobeandmail.com/globe-investor/investment-ideas/the-real-daycare-challenge-making-money/article544691/>; Pace Accounting Inc. and Coalition of Child Care Advocates of BC (2012). *Commercial child care in Canada: Can child care thrive in a speculative investment environment?* Pace Accounting Inc. and Coalition of Child Care Advocates of BC. Retrieved from [http://www.cccabc.bc.ca/act/actions/NFS/files/Commercial\\_Child\\_Care\\_in\\_Canada.pdf](http://www.cccabc.bc.ca/act/actions/NFS/files/Commercial_Child_Care_in_Canada.pdf)

12 Canadian Union of Public Employees (CUPE), (2012). *The pursuit of profit in Ontario child care: Risky business for parents and government*. Retrieved from <http://cupe.on.ca/a4488/Ontario%20Childcare%20At%20Risk.pdf>

13 Friendly, M. (2013). *The state of early childhood education and care in Canada 2010: Trends and analysis*. Toronto, ON: Childcare Resource and Research Unit.

# Employment Insurance

## Background

Employment Insurance (EI) is a vital part of Canada's social safety net. While prior AFBS have criticized key gaps in Canada's Employment Insurance program, EI and temporary enhancements in the Economic Action Plan helped hundreds of thousands of unemployed workers and many hard-hit communities to weather the worst stage of the economic crisis. The number of regular EI beneficiaries peaked at over 800,000 in mid-2009, equal to 53% of all unemployed workers. Some \$12–14 billion in regular EI benefits were provided to unemployed workers in each of 2009–10 and 2010–11, even though the average benefit paid was well under \$400 per week. Special measures to support work-sharing under EI helped prevent many layoffs, and some unemployed workers benefited from extended training benefits.

That said, even at the peak of the recession, most unemployed women and younger workers fell through the cracks, and one in four workers who were laid-off and qualified for EI exhausted their benefits before finding a new job.

Even though the jobs crisis is still a reality, special EI measures introduced as part of the Economic Action Plan in the 2009 budget have come to an end. On top of that, amendments to EI introduced in the 2012 budget, such as changes to the Working While on Claim Pilot Project, make the most vulnerable beneficiaries worse off.

The basic parameters of Canada's EI system are notoriously ungenerous. The benefit rate is low — just 55% of earnings averaged over the previous six months, which often include weeks of very low earnings. As women still face a significant earnings gap in Canada, their EI earnings are also lower. Between 2006 and 2011, women's average weekly benefits were consistently about \$60 lower than men's.<sup>1</sup>

A worker qualifies for benefits based on hours of work over the previous year, and depend upon the local unemployment rate. Fewer hours are needed to qualify in regions with high unemployment rates, and claimants in these regions receive more weeks of benefits. The qualifying level for new entrants and re-entrants to the workforce is 910 hours or almost six months of steady full-time work.

In an average EI region with a 7% to 8% unemployment rate, a worker needs at least 630 hours — about four months of full-time work — to qualify for EI. That worker will be eligible for between 17 weeks and 40 weeks of benefits, depending upon how long they've worked over the previous year. That leaves out many workers who work part-time or in temporary jobs, or combine such precarious work with spells of self-employment.

EI is not keeping up with the realities of today's job market in which one in five jobs are part-time, and one in seven jobs are contract or seasonal jobs. A key problem with temporary and part-time employment is that, when the job ends, a worker is unlike-

ly to qualify for EI, or may qualify for as few as 14 weeks of benefits.

Today there are still almost 1.4 million unemployed workers in Canada and the unemployment rate has been around 7.4% throughout 2012, well above the pre-recession level of 6.0%.

It is troubling that the number of regular EI beneficiaries has fallen much more rapidly than the number of unemployed workers over the course of the recovery. Between June 2009 (when the recession was at its worst) and August 2012, the percentage of unemployed workers collecting regular EI benefits fell sharply, from over 50% to a low of 37%. This is a lower proportion than before the recession, even though the national unemployment rate is higher than in 2008.

Unemployed workers find themselves increasingly ineligible for EI benefits for two key reasons. First, many (about 25% of all claimants) run out of benefits before they can find a new job. Second, many unemployed workers are laid off from temporary and part-time jobs that don't provide sufficient hours of work to qualify, or only qualify them for very few weeks of benefits.

The situation is especially grim in Ontario. Fewer than one in three (26%) of unemployed Ontario workers received regular EI benefits in August 2012. This is well below the national average of 37%, even though the Ontario unemployment rate was above the national rate (7.9% compared to 7.4%).

---

## Current Issues

There remains significant slack in the Canadian labour market, with over five unemployed workers to every job vacancy,<sup>2</sup> reaching just over 11 unemployed workers for every

job vacancy in Newfoundland and Labrador. There were nearly 300,000 more Canadians looking for work in October 2012 than there were in October 2008, at the start of the Great Recession. In October 2008, 63.5% of Canadians were employed. This number has been at or below 62% since February 2009.

Fewer than 40% of Canada's 1.4 million unemployed workers collect regular EI benefits. This is a lower proportion than before the Great Recession, even though the national unemployment rate is higher than in 2008. Our EI system fails the unemployed and fails to reflect the new realities of the job market.

In 2010 and 2011, 54% of new jobs for persons aged 25–44 were temporary, 57% of new jobs for women were temporary and 95% of new jobs for women aged 25–44 were temporary.

In 2011, the rate of eligibility for regular benefits from EI was the lowest since 2003, the earliest year that there is comparable data. The reason for the lower eligibility rate in 2011 was an increase in the number of workers without sufficient qualifying hours. And the reason for this, Statistics Canada says, is an increase in the proportion of unemployed workers who last worked a temporary, non-seasonal job.

Changes to EI made in the 2012 federal budget will result in lower wages and worsening working conditions for workers, by changing the definition of suitable work, and creating three categories of EI beneficiaries based on their claim history.

The definition of suitable work was removed from the legislation and placed in regulations. The clear intent of having suitable work defined in legislation was to allow for a period of job search to find a job matching previous employment wages and condi-



tions, making sure to appropriately match skills and work and to prevent the unemployed from driving down wages and conditions.

Instead, what constitutes suitable work is now dependent on a claimant's EI history. All three categories of claimants will be expected to accept work at lower wages at some point during their claim, or risk being cut off from benefits. Frequent claimants must accept work at a 20% pay cut immediately, and this rises to 30% after six weeks.<sup>3</sup>

The pan-Canadian Working While on Claim Pilot Project allowed claimants to earn 40% of weekly benefits without benefits being clawed back. This project had the greatest effect on women, single parents, part-time, and temporary workers.<sup>4</sup> The 2012 budget amended the clawback to start at 50% of all earnings. This makes work more expensive for those who can only find part-time employment.

Finally, as recently emphasized by the Organisation for Economic Co-operation and Development, there is a danger that the long-term unemployed will lose touch with the job market and current skills and become permanently unemployed. This would be especially regrettable in both human and economic terms, given that few new workers are projected to enter Canada's workforce in the years ahead as the baby-boom generation retires.

---

## AFB Actions

- The AFB renews the Extended Employment Insurance Benefits Pilot Project, phasing regions out only when their unemployment rate falls below 8% for 12 consecutive months. (Cost: \$400 million/yr.)
- The AFB replaces the Working While on Claim Pilot Project with an earnings exemption on the first \$100 per week *or* 50% of weekly earnings, whichever is greater. (Cost: \$200 million/yr.)<sup>5</sup>
- The AFB provides an additional benefit extension to long-tenure displaced workers who face the most difficulties finding new jobs, and often experience large income losses due to a permanent layoff. The government's own Expert Panel on Older Workers recommended special EI measures to support this group as a permanent feature of the EI system. (Cost: \$100 million/yr.)
- The AFB continues extended training benefits under EI for unemployed workers, and promotes work-sharing arrangements that have a training component. The Economic Action Plan provided special training benefits to 12,000 long-tenure unemployed workers under programs that have now expired. Extended income replacement is especially needed by displaced workers who lack the literacy and numeracy skills needed to enter vocational skills training programs. (Cost: \$300 million/yr.)<sup>6</sup>
- The AFB also introduces a pilot project to establish a uniform national entrance requirement of 360 hours. Only about four in ten workers now qualify for regular EI benefits due to the disproportionate growth of temporary and part-time jobs. The annual cost of a national 360-hour entrance requirement has been estimated by the Parliamentary Budget Officer to be \$1.1 billion. The pilot project will allow the government to judge whether concerns about the labour-market implications of a lower entrance requirement are well-founded. The lower entrance re-

quirement should also apply to new labour force entrants and re-entrants, who now must jump over a 910-hour hurdle. (\$300 million/yr.)

---

## Notes

**1** Canadian Employment Insurance Commission. (2012). *Monitoring and Assessment Report 2011*. Gatineau, Quebec. p. 211.

**2** Job vacancies, three-month average ending in September 2012, Statistics Canada <http://www.statcan.gc.ca/daily-quotidien/121212/dq121212a-eng.htm>

**3** <http://www.hrsdc.gc.ca/eng/employment/ei/BIA/defining.shtml>

**4** Canadian Employment Insurance Commission. (2011). *Monitoring and Assessment Report 2010*. Gatineau, Quebec., p.149.

**5** Budget 2011 estimated \$130 million for \$75 per week or 40% of weekly earnings.

**6** The average Career Transition recipient benefited from 36 extra weeks of EI regular benefits. \$300 million gives us 20,000 trainees at \$400 per week for 36 weeks.

# Energy

---

## Background

The “bitumen boom” is fundamentally reshaping Canada’s economy, our federation, our environment, and our place in the world – for decades to come.

Within the past 10 years, Canada has undergone an historic shift from being a country with a diversified export base, the majority of it value-added products, to being an exporter of predominantly unprocessed and semi-processed goods. The decline of manufactured exports has outweighed the expansion of resource exports, and hence Canada’s traditional merchandise trade surplus has turned into a deficit. Indeed, with the exception of the U.S., Canada has trade deficits with all its major trading partners. Since 2008, it has also registered large current account deficits (including goods, services, travel, and investment income).

The Harper government is reinforcing Alberta’s efforts to accelerate the extraction and export of unprocessed bitumen, including through proposed new pipelines to the U.S. and the Pacific coast.

Canadians, including Albertans, have been short-changed by the current development model, which deliberately suppresses the incomes flowing to workers and communities, and shows no interest in leveraging long-term opportunities associated with supply-chain deepening and other secondary development associated with the industry.

---

## Interprovincial Disparities

Income flows from commodity industries, as currently managed, are increasing inter-personal and interprovincial inequality and heightening social, economic and political tensions within Canada. Through its actions and inactions, the federal government is reinforcing these inequalities and economic imbalances.

In the wake of the petro-boom, Alberta is rapidly distancing itself from other provinces in its revenue-raising capacity and its income per capita. (It should be noted that inequality among Albertans is growing faster than the Canadian average and there is an increasing concentration of the super-rich in Alberta.) Rather than strengthen the federal-provincial transfer system to mitigate this growing interprovincial inequality the federal government has weakened it further.

The Harper government’s recently announced cuts to health transfers and especially to the equalization transfer program will make the Government of Canada less able to fulfill its constitutional obligation to ensure that all provinces have sufficient revenues to provide a comparable level of public services at comparable levels of taxation.

The federal government’s only direct access to petroleum revenues is through the 15% general corporate income tax (CIT), which has been gradually lowered from 29.1% in 2000. Factoring in tax subsidies, the oil and gas sector’s effective federal tax rate is just 7%.

---

## Climate Change

Along with fossil fuels generally, the bitumen industry has become Canada's fastest growing source of greenhouse gas (GHG) pollution. As carbon emissions from bitumen production continue to grow, they swamp efforts to reduce GHG emissions in other sectors of Canada's economy.

Canada has broken and formally abandoned its Kyoto commitments and will not likely meet even its much weaker Copenhagen commitments. The federal government refuses to put a price on carbon, either through a carbon tax or through an emissions trading system. Its regulations on the petroleum industry are weak, postponed and easy to avoid. Through its omnibus Bill C-38, the Harper government gutted the federal environmental review process in order to facilitate rapid resource and pipeline development.

Its current climate "plan" calls for performance standards for each of Canada's industrial sectors. Its recently announced regulations to cut emissions from coal-fired power plants will allow them to run for up to 50 years without any limit on their GHG emissions. Regulations for GHG emissions from oil and gas operations continue to be delayed.

Bill C-38, the 2012 budget implementation bill, and its sequel, Bill C-45, amended dozens of pieces of legislation. Many of these changes were aimed at facilitating faster unimpeded development of petroleum projects and associated export infrastructure, such as pipelines and shipping terminals. The implications of these unprecedented and far-reaching measures are only now becoming understood — sparking, for example, the Idle No More campaign's efforts to expose the im-

pacts of C-45 on environmental protection of First Nations lands.

Serious concerns exist about the infusion of public funds to help already-profitable petroleum companies develop carbon capture and storage (CCS) technology, which, without a realistic price on carbon, is not economically viable (not to mention the many technical and environmental safety obstacles facing the technology.) CCS funding is not remotely matched by support for conservation, renewable energy, or energy efficiency initiatives. Moreover, it is highly unlikely that existing CCS projects will make any meaningful contribution to meeting Canada's climate targets for 2020 and beyond.

With the increase in political power of the petroleum industry, the federal government has acquired the characteristics of a classic "petro-state": an industry-dominated lobby system, tight control over information, vilification of perceived enemies, unprecedented foreign lobbying, and general denial of the social and environmental problems associated with the bitumen boom (e.g., climate change and the impact on First Nations). The overall policy mentality of government seeks to reaffirm and reinforce the power and profitability of the petroleum industry.

Government politicians downplay the international scientific consensus on the seriousness of the climate threat, muzzle government scientists, exaggerate the effectiveness of their own measures and pit environmental priorities against the economy.

---

## Current Issues

The Alternative Federal Budget addresses the negative impacts of the current unregulated approach to energy extraction and ex-

port through a portfolio of measures aimed at managing and mitigating the economic and environmental side-effects of energy developments – and enhancing the net benefits of those projects that are allowed to proceed. The broad goals of the AFB’s energy strategy include:

- Macro-economic measures to proactively monitor and regulate Canadian currency fluctuations, stimulate capital investments in value-added non-resource sectors of the economy, and generate funds required to finance these public investments.
- Measures to achieve energy security for eastern Canadian provinces that are heavily dependent on insecure, expensive sources of imported oil.
- An energy policy that asserts more democratic control over Canada’s petroleum industry by regulating the export of oil to achieve energy and environmental conservation objectives, puts a moratorium on the construction of new pipelines for the export of bitumen, and redirects petroleum supplies to Eastern Canada.
- A foreign investment review process that provides a clearer definition of the “net benefit” to Canadians from foreign takeovers, specifies performance measures used to evaluate net benefit, and designates energy as a strategic sector in which foreign control is limited.
- A just transition strategy for workers affected by energy regulations that promotes the development of new green industries, which can adapt and use the knowledge and skills acquired in that industry, and that provides coordinated skills training

and upgrading for workers along with adequate income and mobility support.

- A long-term plan to transition to a low-carbon economy, shifting Canada’s economy from over reliance on the resource sector to a more balanced sectoral structure, and to a greater reliance on renewable energy sources. Some specific policy measures toward this end are described more fully in the following chapter on Sector Development Policy. They include:
  - Sector development councils that bring together stakeholders in strategic sectors to develop plans for the transition to a low-carbon economic future. These councils will access eco-industrial expertise, and assist in supporting the implementation of such plans through capital-financing, public procurement and related incentives.
  - A plan to develop new clean or green technologies through, for example, a national low-carbon energy grid, renewable energy (e.g., wind, solar, geothermal) industries, a high-speed public rail network in selected corridors, and the manufacture of greener products.
  - Bold actions on energy conservation and efficiency by setting green building standards and retrofitting residential, commercial, and public buildings in Canada over the next 20 years.

---

## AFB Actions

- Initiate a process to develop a national energy plan in collaboration with the provinces, territories and First Nations to: slow the pace of bitumen development,

use petroleum production for domestic needs first, upgrade and refine resources in Canada before export, and develop stronger linkages to upstream and downstream energy-related activities (thereby sparking more investment and employment in secondary and supply-chain industries). This plan would address and mitigate the effects on the climate and interprovincial inequality of bitumen development.

- To ensure that production and distribution of petroleum to eastern provinces is part of a clearly defined and timed transition strategy from oil dependency to a renewable energy future, a surtax will be applied (e.g., based on the difference between the lower cost of Alberta bitumen and the higher cost of current oil imports), with the revenue that is generated earmarked for public investments in renewable energy development in the eastern provinces. Such a plan would have clear phase-in and phase-out periods. To be effective, the initiative will be

conditional on the bitumen industry instituting a targeted plan for progressive reductions in carbon emissions in their bitumen production to ensure Canada meets and exceeds its international climate commitments.

- Reverse federal corporate income tax cuts on petroleum producers (both upstream and downstream) and restore the former 28% federal CIT rate that prevailed before 2000. This rate change is justified by both the extraordinary and excessive profitability of the sector, and by the need for the industry to internalize (via government fiscal policy) the broader external costs of their operations, including environmental costs. The proceeds of this higher CIT rate will help to capitalize the proposed National Investment Fund described in the next chapter on Sector Development Policy. Additional AFB measures (described in the Environment chapter beginning page 71) will seek to eliminate remaining fossil fuel subsidies and implement a harmonized national carbon tax.

# Environment

---

## Background

Canada's environment is central to Canadians' prosperity. It provides clean air and water for daily living, natural resources that power our lives and economy, and unique wild spaces and species.

Delaying action on environmental sustainability will result in missed business opportunities, increased financial and economic costs for future environmental protection, and greater risks to Canadians' health and the climate.

Two fiscal strategies are of particular importance:

### Subsidy Reform for Natural Resource Exploration and Development

Governments need to "level the playing field" for natural resource exploration and development (including recycling and conservation options) so that the fiscal treatment of different natural resources is equitable, or so that fiscal policies favour resources whose life-cycle and human health impacts are more positive.

The first step in implementing such reform is to end subsidies for energy sources that are non-renewable or whose development or use is significantly environmentally damaging.

### Market Prices That "Tell the Environmental Truth"

Market prices do not currently "tell the environmental truth." Indeed, as Sir Nicholas Stern has pointed out, "climate change is the greatest market failure the world has seen."<sup>1</sup>

Canada's economy will only be truly sustainable when market prices for goods and services reflect the true value of the resources they consume, and the full costs to the environment and human health created by their development, production, transportation, sale, use and disposal.

Adherence to the "polluter pays" principle<sup>2</sup> is central to both of these strategies.

Such policies will reward environmental business leaders, preserve natural resources for higher-value uses, stimulate environmental innovations with global export potential, and expedite the development of economies where success leads to concurrent environmental and human health benefits.

Implementing a well-designed price on greenhouse gas (GHG) emissions<sup>3</sup> is the most crucial step towards matching Canada's economy with a healthy environment, because it will set a price on pollution that spurs emission reductions throughout the economy. But market-based economic instruments alone cannot do the job. They must be combined with government leadership, strong regulations, education and R&D, pro-active industrial policies, and significant public investment. The necessary change will lead to job losses in some sectors, and gains in others.



Full-cost pricing to protect our climate and other resources will impose proportionately greater costs on lower-income families, who are less financially able to adapt to change. Polluter-pay and user-pay policies must therefore be balanced with the ability-to-pay principle.

---

## Current Issues

The Government of Canada has made some progress over recent years on conservation, subsidy reform, fresh water, and green infrastructure for First Nations communities. However, much more is needed to complete these efforts, and to strengthen Canada's crucial environmental law and science capacity. Taking these actions sooner rather than later will increase their benefits and decrease the related costs.

The AFB believes the best current budget opportunities in this area relate to:

- Implementing a price on greenhouse gas emissions through a carbon tax;
- Subsidy reform in the extractive industries;
- A national conservation plan: securing Canada's natural advantage for future generations;
- Strengthening Canada's environmental law and science capacity; and
- Sustainable energy for Canada: from research to deployment.

### Implementing a Price on Greenhouse Gas Emissions Through a Carbon Tax

Tackling climate change will involve an ongoing switch away from using fossil fuels such as coal, oil, and natural gas, and towards the

efficient use of clean, renewable energy. This switch will not happen overnight. But it has to begin now and be unrelenting for the next three to four decades in order for Canada's resulting GHG pollution to be reduced virtually to zero by 2050.

The best climate science indicates that in order to have a likely chance of keeping global warming from exceeding dangerous levels, greenhouse gas pollution from rich, industrialized countries such as Canada must be virtually eliminated in the next forty years.<sup>4</sup>

The federal government's role, therefore, is to develop and implement policies that facilitate that transition, by reducing the amount of energy we need to power our economy, and shifting from dirty fossil fuels to the efficient use of renewable energy. The climate change-related policies presented in this chapter — funding sustainable energy programs, phasing out fossil fuel subsidies, and introducing carbon pricing — are important steps in the fight against climate change but are insufficient by themselves to get Canada on the path to virtual elimination of fossil fuel use.

To contribute fully to that goal, the federal government must implement a comprehensive suite of policies that addresses all the major users of fossil fuel and sources of greenhouse gas pollution. That suite must include broad policies, such as carbon pricing, that encourage the switch to clean, renewable energy. Many more policies must target specific sectors or activities, including: the electricity sector; the manufacturing sector; the oil, natural gas, and refining sectors; residential, commercial, and institutional buildings; transportation sub-sectors such as personal vehicles, freight transportation, public transportation, rail, domes-



tic and international aviation, and off-road vehicles; the waste sector; the agricultural sector; and energy-consuming goods such as furnaces, water boilers, appliances, and air conditioners.

Some of these require budgetary and fiscal measures. Others are best addressed using regulatory measures, but will nonetheless require budget allocations in order for sufficient capacity to exist within government for developing and implementing those regulations.

Implementing a robust price on GHG emissions is crucial, and will accelerate Canada's transition to a low-carbon economy.

The AFB will introduce a price-based carbon tax — a measure that noted economists and climate experts<sup>5</sup> say is more efficient and effective than a quota-based cap-and-trade system.

A carbon tax doesn't guarantee specific emission reductions, but it does allow businesses to plan for the future. It also eliminates the speculation, windfall profits, and false savings that accompany a cap-and-trade system.

- The 2013 AFB introduces a national Harmonized Carbon Tax (HCT), set at \$30 per tonne, which will commence on July 1, 2015. (See the Tax chapter for costing.)

Detailed analysis by Marc Jaccard, Canada's foremost climate-change economist, has shown that to meet the 2°C target to prevent significantly damaging climate change, Canada needs to introduce a carbon price of \$30 a tonne immediately and raise that price to \$200 a tonne by 2020.<sup>6</sup> If the federal government invests HCT revenues in renewable energy and tax refunds for individuals, Canada can achieve deep reductions in green-

house gas emissions, maintain strong economic growth, and generate jobs. The HCT will be integrated with and consistent with provincial carbon taxes — such as B.C.'s tax, which rose to \$25 a tonne on July 1, 2012 and is set to rise to \$30 a tonne by 2013 — with half the revenues going to provincial governments. The HCT will apply to all non-renewable fuels based on their CO<sub>2</sub> emission factors.

- The AFB will transfer half of HCT revenues to the provinces to fund tax reductions — including direct payments to individuals — and further climate-change abatement measures. (See the Tax chapter for costing.)

## **Subsidy Reform in the Extractive Industries**

Further reducing tax preferences for the oil and gas, and mining sectors will create multiple benefits, particularly in reducing the deficit, increasing the neutrality of the tax system, and advancing Canada's commitment to the G20 to eliminate inefficient fossil fuel subsidies. Many of these tax preferences were introduced in the 1970s, when corporate income tax rates were higher, the environmental assessment process was more thorough, and the resource sector was less dominant.

## **A National Conservation Plan**

The AFB will take action to begin implementation of Canada's National Conservation Plan — a commitment in the 2011 Speech from the Throne — and ensuring it focuses on scaling up efforts to value and conserve nature for the benefit of current and future generations of Canadians, and on ensuring all parties work together in a coordinated way to achieve this goal.

## Restoring Environmental Law and Science Capacity

The Government of Canada's environmental laws and science capacity are fundamental to its ability to protect Canadians' economic prosperity, health, and quality of life, and the ecosystems and natural resources on which they depend.

However, the Government of Canada passed two omni-budget bills in 2012 that could have serious impacts on the environment. The repeal and replacement of the Canadian Environmental Assessment Act resulted in the cancellation of 3,000 environmental assessments thereby stifling critical information on many oil, gas and other projects. The budget bills also clawed back environmental safeguards through the Fisheries Act, the Species at Risk Act and the Navigable Waters Protection Act.

To ensure Canada's environmental laws and science capacity continue to effectively fulfill their critical roles, the AFB will restore the enforcement and implementation of Canada's environmental laws by:

- establishing a comprehensive, web-accessible and continually updated database of all federal environmental enforcement and compliance data (\$2 million per year for five years); and
- financially supporting the provinces and territories to ensure they can effectively deliver these laws where intergovernmental arrangements have been adopted (\$5 million per year for five years).

As a fundamental complement, the AFB will also affirm the importance of existing environmental laws and science capacity by committing to:

- preserve current federal environmental science capacity; and
- ensure that any proposed changes to environmental laws are reviewed by the most relevant House of Commons committee(s), and that public input is incorporated.

## Sustainable Energy for Canada: From Research to Deployment

Last year, the global market for clean technologies reached US\$1 trillion. Canada has an excellent resource base for renewable energy and a strong track record of energy innovation. A federal sustainable energy strategy that spans the full spectrum of clean energy development – from innovation to deployment – will help Canada compete internationally. The AFB will invest in five targeted initiatives that encompass each phase of the clean technology spectrum.

## Canada's Next Long-Term Infrastructure Plan

A new ReBuild Canada Program has the unique potential to build on the Building Canada Plan's progress and to collaborate with provincial, territorial and municipal governments to strengthen and re-envision Canada's infrastructure to set us on a competitive and resilient path for the 21<sup>st</sup> century. (See Cities and Communities chapter on page 41 for more details.)

## Green Infrastructure in First Nations Communities

There are major opportunities to pursue co-benefits with First Nations communities by integrating green infrastructure thinking into the programs and policies needed for

planning, building, updating and repairing First Nations infrastructure. (See First Nations chapter on page 77 for more details.)

## Canada's Fresh Water

Canada's freshwater ecosystems are a tremendous asset deserving of world class protection. (See Water chapter on page 151 for more details.)

---

## AFB Actions

### National Harmonized Carbon Tax

- The AFB will implement a national Harmonized Carbon Tax (HCT) in July 2014, combined with strategic measures to protect Canadians and vulnerable trade sectors from adverse financial impacts. More than half of HCT revenue will fund a progressive annual green tax refund of \$300 per adult and \$150 per child.

Eligibility for the tax refund will start on January 1, 2015, preceding implementation of the HCT, to ensure that all middle- and low-income families are reimbursed with a credit equal to the direct impact of the carbon tax for an average family.

### Subsidy Reform in the Extractive Industries

The AFB will enact the following subsidy reforms (see Taxation chapter for costing):

- enabling the Canadian Exploration Expense only for unsuccessful exploration;
- removing the Accelerated Capital Cost Allowance for the mining sector; and

- not renewing the Mineral Exploration Tax Credit for flow-through shares (mining).

## Investments

The AFB will also invest in these priority environment and conservation measures:

### • A National Conservation Plan:

- Oceans: \$65 million per year, ongoing.
- New National Parks: \$20 million per year, ongoing, plus a \$50 million one-time investment.
- Protecting National Parks' Ecological Integrity: \$10 million in 2013–14, rising over five years to \$50 million per year, ongoing.
- Migratory Birds: \$30 million per year, ongoing.

### • Environmental Law and Science Capacity: \$7 million per year for five years

• **Sustainable Energy for Canada: From Research to Deployment:** The AFB will invest in five targeted initiatives that encompass each phase of the clean technology spectrum.

1. Fostering innovation in energy storage (\$100 million per year for 5 years).
2. Increasing investment in Sustainable Development Technology Canada (\$100 million per year for 5 years).
3. Supporting "Green Energy Bonds" to increase private investment in low-carbon initiatives (\$100 million per year for 5 years).

4. A National Green Homes Strategy to build on energy efficiency successes in Canadian houses (\$250 million per year for 5 years).
5. Securing Arctic and remote communities' local energy supply (\$12 million per year for five years).

---

## Notes

**1** October 30 2006, Press note: *Publication of the Stern Review on the Economics of Climate Change*, [http://www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2006/press\\_stern\\_06.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2006/press_stern_06.cfm)

**2** In Budget 2005, the Government of Canada defined “polluter pays” as meaning that “the polluter should bear the costs of activities that directly or indirectly damage the environment. This cost, in turn, is then factored into market prices.” [<http://www.fin.gc.ca/budget05/bp/bpa4e.htm>] On May 29, 2007, as Environment Minister, the Hon. John Baird re-affirmed the government’s commitment to this principle by telling the House of Commons Standing Committee on the Environment and Sustainable Development that the government “believes that the polluter should pay.” <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=2977081&Language=E&Mode=1>

**3** A price on greenhouse gas emissions — a “carbon price” — can be implemented through a cap-and-trade system or a carbon tax. For details on recommended design, see later in this chapter and the Green Budget Coalition’s Recommendations for Budgets 2008 and 2009, available at [www.greenbudget.ca](http://www.greenbudget.ca).

**4** Intergovernmental Panel on Climate Change, analyzed and cited in “A Copenhagen Climate Treaty: A Proposal for a Copenhagen Agreement by Members of the NGO Community,” pp. 16–18.

**5** <http://www.project-syndicate.org/commentary/stiglitz121/English>; <http://www.carbontax.org/>; [http://www.nytimes.com/2009/12/07/opinion/07hansen.html?\\_r=2](http://www.nytimes.com/2009/12/07/opinion/07hansen.html?_r=2)

**6** See Climate Leadership, Economic Prosperity, Pembina Institute and David Suzuki Foundation, October 2009. <http://www.pembina.org/pub/1909>

# First Nations

---

## Background

While economic crisis and austerity measures have become the focus of Canadian politics over the last few years, First Nations have experienced a prolonged state of crisis since the colonization of Turtle Island. As a result of dispossession and marginalization, First Nation citizens fare worse than Canadians on virtually every indicator of well-being — in high rates of poverty, lack of adequate housing, lack of clean drinking water, barriers to economic and educational opportunities, and high rates of violence experienced by Indigenous women and girls.

This crisis poses complex challenges that require a holistic and principled approach founded in the original nation-to-nation relationship between First Nations and the Crown. It requires an approach that must further the implementation of Treaties and recognize and support the restoration of First Nation nationhood, jurisdiction, and prosperity.

It is time for the federal government to make economically prudent decisions, fulfill its legal and fiduciary obligations, and abandon its paternalism so that First Nations can implement change. The following areas are highlighted as requiring a marked departure from current federal spending patterns and priorities:

- Transforming the fiscal relationship
- Investing in First Nations education
- Supporting safe and healthy communities

- Strengthening First Nations economies

## Transforming the Fiscal Relationship

First Nation governments seek fair and transparent fiscal transfers, reflective of the original nation-to-nation relationship. Establishing adequate, stable, and predictable federal transfers constitutes a prudent and effective policy and is the most fiscally responsible course of action.

Funding provided to First Nation governments is too low to meet the growing needs of their citizens. In 2010, First Nations received less than half of the per capita amount spent in local programs and services on Canadian citizens (\$8,750 compared to \$18,724). Current financial transfers are also not flexible enough to provide decision-making power for First Nation governments. Furthermore, funding is treated as “discretionary” without legal protections, resulting in unpredictable funding, instability, and the inability to engage in long-term planning. In addition, the true service population for many First Nation governments includes all citizens of the First Nation, not just status Indians living on-reserve, and in some cases the current approach excludes 50% or more of the actual membership.

A new funding relationship is required. It must reflect the spirit and intent of Treaties and inherent jurisdiction, be a mechanism to ensure parity with provincial funding rates, and reflect the real costs of delivering services.

## Investing in First Nations Education

A considerable gap between educational achievement and inputs exists with respect to First Nations education. A discriminatory double standard in the provision of comparable inputs has been allowed to exist despite: i) numerous pledges by the federal government to address the education attainment gap; ii) the fact that the First Nations population is growing at twice the rate of the Canadian population; and iii) that by 2020 over 50% of the First Nations population will be under the age of 25.

Significant long-term economic returns for the Government of Canada can be derived from improved educational outcomes for First Nation citizens. The ongoing cost of the status quo in lost productivity and increased support for First Nations may now be over \$12 billion per annum.

The federal government estimates that over 600,000 Indigenous youth will enter the labour market between 2001 and 2026. This presents a unique opportunity at a moment when the Canadian economy faces a huge wave of retirements and the problems associated with an aging population. Accordingly, access to professions and trades must ensure First Nation citizens can participate more fully in the job market as well as in creating jobs. This entails investing in all levels of First Nation education, training and skills development.

First Nations must have jurisdictional space to pursue their own initiatives related to productivity and economic growth. The priority must be on education and investments to create First Nation education systems that serve the needs and goals of First Nations, as well as benefiting the Canadian economy.

## Supporting Safe and Healthy Communities

Health outcomes are directly tied to a number of social determinants, including education, employment, gender, environmental health, cultural connectedness, housing, and degree of individual and collective self-determination. Improving First Nations health outcomes therefore requires significant investment in First Nations infrastructure, especially water, housing, education, health, and emergency services.

First Nations water quality continues to be a national concern. The National Engineering Assessment released by the federal government on July 14, 2011 concluded that 73% of First Nation water systems are at high or medium risk, which is particularly disconcerting given that the 2003 National Engineering Assessment identified 29% of First Nations systems to be at high risk. In any given month of 2012, approximately 120 First Nations communities were under a boil water advisory.

The housing crisis in Attawapiskat — the focus of media attention last winter — is not an isolated event but indicative of the urgent and massive housing needs in First Nation communities. A February 2011 evaluation of on-reserve housing concluded: “despite ongoing construction of new housing on-reserve, the shortfall still exists and appears to be growing rather than diminishing.”<sup>1</sup> Overcrowding and the prevalence of mould in many First Nation homes has heightened the urgency for funding to protect the health of occupants. Substandard housing has been exacerbated by environmental challenges, such as floods and forest fires. More than 18 months after the 2011 floods in Manitoba, almost 2,000 First Nation citizens remain



away from their homes, which are no longer habitable.

It is estimated that to fill the gap for First Nations education facilities, 40 new schools are needed at an average cost of \$12.5 million each. This figure does not include operations and maintenance (O&M) funding or needed renovations to existing schools. According to a 2009 report prepared by the Office of the Parliamentary Budget Officer, Aboriginal Affairs and Northern Development Canada's planned capital expenditures over the next three years are insufficient by \$169 million to \$189 million annually, while O&M expenditures will be underfunded by \$11 million annually.<sup>2</sup>

Another emerging consideration is the impact of climate change, especially on northern and remote communities. Forest fires, flooding, and the early closing of winter roads all have profound impacts on the health and safety of communities, and highlight the critical need for inter-governmental protocols and robust emergency services. The need for all-weather roads is becoming more evident, linking not only remote communities, but also providing access to resource development in conjunction with First Nation interests and economic development. For instance, linking Ontario's remote communities may require a \$3-billion investment.

Improving the health and wellness of First Nations will improve their economic prospects. Canada has a fiduciary responsibility to uphold the health of First Nations people, regardless of where they reside. Solutions to jurisdictional gaps and inequities abound – for example, by engaging federal, provincial and First Nations governments in a collaborative First Nations-controlled health care system, as exemplified by the British Columbia pro-

cess; and by ensuring that the Government of Canada respects its obligations to First Nations by undertaking negotiations on a 2014 Health Accord and including a parallel commitment for a First Nations Health Transfer.

First Nation leaders and communities have urged a coordinated and comprehensive approach to mental health and addictions programming. In addition, the federal government needs to provide continued support for culturally safe mental health services, such as those through the Cultural Support Providers, which are supported by the Indian Residential School Resolution Health Support Program and community-based healing programs by the Aboriginal Healing Foundation.

## **Strengthening First Nations Economies**

Maximizing economic opportunity for First Nations in the resource and energy sectors is a clear priority. Specific steps required include:

- Advancing and equipping First Nations with enhanced technical capacity to support engagement and development of First Nation proposals on resource revenue sharing and reinvestment funds.
- Establishing frameworks and principles for dialogue between jurisdictions to appropriately define Crown resource revenues and approaches to engagement with First Nations on resource revenues, re-investment and/or partnership, as well as affirming ongoing co-governance with an interest to ensuring environmental sustainability.
- Supporting First Nation governance and institutional capacity to ensure fairness,



equity and sustainability of resource revenues for the economic and social benefit of all members through transparent structures and processes accountable to the members.

As Treaty rights and title holders, First Nations seek willing partners to create economic opportunities. However, due to the unique relationship between First Nations and the lands we occupy, careful and thorough consideration must be given to major projects that may result in adverse environmental and cultural impacts. This requires adequate time and capacity, both of which have been reduced by federal program cuts and changes to legislation under Bill C-38. Since free, prior, and informed consent is the foundation for successful economic partnerships, and since strong relationships require accountability and transparency, the direction of Canada's fiscal policy and legislative agenda significantly impedes First Nations' ability to enter into mutually beneficial partnerships in the resource sector.

Furthermore, First Nations traditional economies are a rich source of economic, social, cultural and health benefits that need to be considered as part of larger socio-economic planning, particularly in the context of increased focus on resource development and energy generation. As such, First Nation economic pursuits (hunting, fishing, and other forms of harvesting like trapping, medicine gathering, etc.) should be supported through fully collaborative environmental regimes that respect First Nations as full partners.

---

## AFB Actions

The social and economic costs of the status quo are too high. The proposed structural changes and investments outlined below will have a significant positive impact on First Nations and our future generations.

### Transforming the Fiscal Relationship

A new funding relationship is required. It must reflect the spirit and intent of Treaties and First Nations' inherent jurisdiction, respond to the real costs of delivering services, and provide incentive for leveraging additional resources and maximizing performance standards.

- The AFB will implement stable, equitable, and long-term funding transfer mechanisms for First Nation programs and services.

### Investing in First Nations Education

According to First Nation studies, the total shortfall in the area of First Nations education is an estimated \$3 billion. For instance, to equitably fund First Nations post-secondary education, a 149% (or \$481 million) increase in federal support is required. Also, \$126 million is needed for First Nations language instruction in schools in order to be comparable with provincial funding.

- The AFB will invest \$800 million a year in First Nations education systems. This will slowly bridge the \$3-billion gap built up since 1996.

### Supporting Safe and Healthy Communities

The National Engineering Assessment released by the federal government on July 14,

2011 identifies needs of \$4.7 billion in the area of water treatment.

- The AFB will address this need by spending \$470 million a year on water treatment facilities over 10 years.

In addition, there is currently a demand of an estimated 85,000 new housing units to alleviate overcrowding and backlogs; approximately 44% of the existing housing stock needs major repair and another 15% requires outright replacement. Coupled with this is the requirement to provide lot servicing for every new housing unit. A conservative estimate to build a house is around \$150,000 and about \$25,000 per service connection.

- The AFB will spend \$1 billion a year to alleviate the housing need.

There is also an urgent need for new investments for the Non-Insured Health Benefits (NIHB) Program. The absence of these investments will mean a shortfall of approximately \$470 million next year, nearly \$573 million in 2013–14 and \$805 million overall by 2015–16. In 2010–11, NIHB program expenditures increased by 3.9% over 2009–10 levels. However, the Assembly of First Nations has estimated that increases of 6.3% to 9.3% are required in various benefit areas to properly account for growth of the existing client population, new clients generated from Bill C-3, inflation, changes in health service utilization and health status, and effects of technological change. Without a resolution to this funding crisis, First Nation children, adults, and

elders will face an uphill battle in addressing basic health care needs.

- The AFB will invest \$4.7 billion over ten years in First Nations water treatment systems, \$1 billion annually to address the housing crisis, as well as \$470 million in the NIHB Program in 2013–14 and \$805 million overall by 2015–16.

## Strengthening First Nations Economies

Maximizing economic opportunities for First Nations is a clear economic interest for all of Canada. As title and rights holders and Treaty signatories, First Nations must be full partners in decision-making on any development in their territories, based on the principle of free, prior, and informed consent, and must receive a fair share of the wealth generated from First Nation lands and resources.

- The AFB will support First Nations capacity-building in the area of resource revenue sharing and enhanced mechanisms to ensure free, prior and informed consent, as per the United Nations Declaration on the Rights of Indigenous Peoples. This entails investments as well as legislative and policy changes.

---

## Notes

**1** Aboriginal Affairs and Northern Development Canada. (2011). Evaluation of INAC's On-Reserve Housing Support (Project Number: 1570-7/07068). Ottawa: Evaluation Performance Measurement and Review Branch Audit and Evaluation Sector. <http://www.aadnc-aandc.gc.ca/eng/1325099369714/1325099426465#chp4>.

**2** Office of the Parliamentary Budget Officer. (2009). The Funding Requirement for First Nations Schools in Canada. Ottawa: Office of the Parliamentary Budget Officer.

# Food Sovereignty

## Background

Canada urgently needs a national food policy. More than two million Canadians are food insecure and over 882,000 turned to food banks each month in 2012, a 31% increase since 2008, when the recession began.<sup>1</sup> Farmers and fishers are going out of business, our natural environment is being pushed to the limit, a quarter of Canadians are overweight or obese, and we are one of very few industrialized countries without either a national food policy or student nutrition program.

Having no national food policy is expensive: we could be saving tax dollars by preventing chronic, diet-related diseases; we could be stimulating local economies by encouraging consumption of local foods; we could be revitalizing rural communities by supporting family farms; we could be protecting and enhancing our environment by promoting ecological food production; we could be developing policies that assist the hundreds of thousands of Canadians who still experience hunger on a regular basis. Yet we are doing none of these things.

The need for change is widely recognized and plans to develop national food policies or strategies are being advanced by many sectors, including all five federal political parties and influential industry groups. The Ontario Federation of Agriculture went so far as to trademark the expression “national food strategy,” while the Conference Board of Canada has brought together a group of corporate investors and government departments to

develop its own food strategy. Both of these initiatives are primarily about the prosperity of the industrial food system — now the biggest, and one of the most concentrated, manufacturing sectors in Canada. Many Canadians believe governments have an obligation to ensure that the essentials of life, particularly food and water, are regulated in the public interest, not controlled by a few corporations “too big to fail.”

The People’s Food Policy<sup>2</sup> was the first-ever national food policy to be developed through a genuinely public process. Led by the food movement — a diverse network of organizations and individuals working to build a healthy, ecological and just food system — it is rooted in the concept of food sovereignty.<sup>3</sup> This internationally recognized approach features several key policy elements, including:

- Ensuring that food is eaten as close as possible to where it is produced (e.g., domestic/regional purchasing policies for institutions and large food retailers).
- Supporting a widespread shift among food providers to ecological production in both urban and rural settings (e.g., organic agriculture, community-managed fisheries, indigenous food systems), as well as the entry of new farmers into agriculture.
- Enacting a strong poverty elimination and prevention program, with measurable targets and timelines, to ensure Canadians can afford healthy food.

- Creating a nationally funded Children and Food strategy that ensures all children at all times have access to the food required for healthy lives (including school meal and/or snack programs that provide healthy, minimally-processed and -packaged foods from nearby farms, school gardens, school cooking, school composting, and food literacy programs).
- Ensuring that the public, especially the most marginalized, are actively involved in decisions that affect the food system.

---

## Current Issues

The AFB focuses on five key issues: 1) a process for food policy development; 2) a national student nutrition program to combat hunger and malnutrition; 3) government procurement (i.e., purchasing power) as a means to improve our food system; 4) identifying key policies to support family farms; and 5) revamping the Nutrition North Canada program to better serve the needs of northern communities.

### National Food Policy Process

Despite an election promise to enact a National Food and Farm Strategy, the federal government has failed to include any process towards building such a strategy in its Growing Forward 2 policy framework. Rather, food policy remains *ad hoc* with the departments of Foreign Affairs and International Trade, Environment, Agriculture and Agri-food, Health, Aboriginal Affairs and Northern Development, and Fisheries and Oceans, all operating independently, with more regard for export markets than for domestic food needs. Likewise, despite many innova-

tive initiatives at the municipal and provincial levels on student nutrition, urban gardening, emergency food relief, healthy diets, chronic disease prevention, farmers markets, sustainable agriculture, etc., the federal government has largely ignored the increasing preoccupations of Canadians about what we eat — and in some cases are not able to afford to eat.

### National Student Nutrition Program

Canada is one of very few developed countries that does not have a national student nutrition program. Dr. David Butler-Jones, Canada's Chief Public Health Officer notes:

When children go to school hungry or poorly nourished, their energy levels, memory, problem-solving skills, creativity, concentration and behaviour are all negatively impacted. Studies have shown that 31% of elementary students and 62% of secondary school students do not eat a nutritious breakfast before school. Almost one quarter of Canadian children in Grade 4 do not eat breakfast daily and, by Grade 8, that number jumps to almost half of all girls. The reasons for this vary — from a lack of available food or nutritious options in predominantly low-income homes, to poor eating choices made by children and/or their caregivers. As a result of being hungry or malnourished at school, these children may not reach their full developmental potential — an outcome that can have a health impact throughout their entire lives.<sup>4</sup>

The benefits of a national student nutrition strategy are immediate — better learning, increased number of high school graduates — and long-term: higher incomes, lower

incidence of chronic diseases, lower health care costs. Networks of farmers, food processors, food distributors, educators, academics, and others across the country are seeking solutions. Only the federal government is missing.

### **Supporting Local Sustainable Procurement**

The benefits of local sustainable food procurement are vast and include reducing environmental impacts, supporting local economies, creating employment, and improving health. For these reasons, support for getting local, healthy, and sustainable food into schools, health care facilities, and other public institutions is growing. In 2011, a national Farm to Cafeteria network emerged to share information, ideas, resources, policies, and best practices. Provincial and municipal governments have begun to support local food procurement. In 2009, Ontario committed \$24 million to “develop the logistics to get more Ontario-grown food into the province’s schools, hospitals, food service companies and other institutions.”<sup>5</sup> In 2008, the City of Toronto also adopted a policy that aims to have 50% local food in city services. By June 2009, the city reported a 13.4% increase in local food procurement to a total of 33.4%.<sup>6</sup> Support for local food procurement is also strong in British Columbia where a provincial student snack program has provided fresh B.C. fruits and vegetables to students in more than 14,000 B.C. schools.

The Canadian government, however, continues to negotiate trade agreements likely to restrict the ability of sub-federal governments and public institutions to support local sustainable procurement. Under the Comprehensive Economic Trade Agreement (CETA) being negotiated with the European Union (EU), the EU is seeking access to sub-federal

government procurement, including provincial and municipal governments, crown corporations and the broader public sector. This would remove the ability for these actors to restrict tendering to local companies or to give preference to sustainable or local goods and services.<sup>7,8</sup> It would represent the loss to governments and public institutions of an important tool for supporting and strengthening local and sustainable food systems.

### **Family Farms**

At the same time that consumers and some governments are beginning to make a sustainable, healthy, and regional food supply a priority, our farming communities are aging, and structural, economic and practical challenges are preventing new and young farmers from getting into agriculture.

With the average age of farm operators now 54,<sup>9</sup> and 75% of current farmers seeking to sell or transfer their farms in the next 10 years without a successor,<sup>10</sup> agriculture faces difficult succession/intergenerational transfer issues. The imminent retirement of this aging cohort will mean the further disintegration of the social fabric of rural communities and of the long-term stewardship of our farmlands, unless there are young or new farmers to take its place. However, the difficulties in accessing land and capital, lack of appropriate processing and distribution, weather-related risks, and the social disincentives facing those who wish to start a farm enterprise are often overwhelming and discouraging.

### **Food Security for Northern Communities**

In many communities in Northern Canada, prices for goods and services (such as food,

housing and transportation) can be double or triple those in southern Canadian locations. The high cost of living in the North is a result of the distance from suppliers, as well as the extreme climate and isolated geography of most communities, many not accessible by road. When combined with relatively low earned income, this high cost of living often results in widespread hunger as people struggle to adequately feed their families. In 2005, the median after-tax income (15 years and older) in Nunavut was \$20,042 (nearly \$5,000 less than the Canadian average).<sup>11</sup> The after-tax income level for the aboriginal population, which makes up a majority of the territory, was even lower at \$16,069.<sup>12</sup> In comparison, the cost to feed a family of four in Nunavut in 2005 ranged from \$17,600 to \$21,100 per year.<sup>13</sup>

In response to the high cost of food in the North, the federal government, through Aboriginal Affairs and Northern Development Canada (AANDC), administers the Nutrition North Canada Program (NNC), a market-based subsidy program “designed to ensure that healthy foods are more accessible and affordable to Canadians living in isolated Northern communities.”<sup>14</sup> The NNC Program, which replaced the Food Mail Program on April 1, 2011, provides community-specific weight-based subsidies directly to retailers on eligible foods transported into communities by air. NNC also includes an education component administered by Health Canada. Community eligibility and NNC subsidy rates are based on past levels of Food Mail use. Many items previously covered under Food Mail are no longer eligible under NNC, including: most non-perishable foods (which can be transported by more cost-effective means), some perishable foods (deemed to be low in nutri-

tional value), and many non-food necessities (e.g., disposable diapers, baby wipes, feminine hygiene products, bathroom tissue, dental care items, non-prescription drugs, hunting and fishing equipment).

Although touted by AANDC as being transparent and successful at lowering the cost of healthy food, Nutrition North Canada fails to fully benefit Northerners for the following reasons:

- NNC does not serve Northerners based on “actual need” or inability to afford food.
- There is no formal process by which new communities can apply to participate in NNC, nor a plan to expand the program or budget.
- NNC cannot guarantee that any savings are passed on by participating retailers to northern consumers.
- NNC’s cumbersome retailer obligations limit competition on which the program’s “market-driven model” relies to reduce food costs.
- As of 2011, the federal government no longer effectively monitors the cost of food in the North, since it relies exclusively on unverified food price data fed to AANDC by a few northern retailers participating in NNC.
- AANDC’s assumption that retailers would use more cost-effective methods (e.g., sealift, barges, winter roads, warehousing) to stock an adequate supply of non-perishable food and necessities has not materialized.
- NNC was implemented without meaningful consultation with residents of isolat-



ed northern communities and consideration of traditional foods.

---

## **AFB Actions**

### **National Food Policy Process**

The AFB provides a transparent, cross-sectoral, multi-stakeholder process to establish a national food policy. This process brings together civil society, experts, food business interests (including small-scale, local farmers and fishers), various levels of government involved in food policy and all relevant federal departments to examine national priorities for making our food system fairer (reducing hunger, ensuring economically viable farms and fisheries, and ensuring access for Indigenous peoples to their traditional food lands and water), healthier (reducing obesity and other chronic diseases), and more sustainable (reducing the environmental footprint and specifically greenhouse gas emissions associated with industrial food production).

### **National Student Nutrition Program**

The AFB commits to pay 20% of the costs of a national mid-morning snack program delivering healthy, minimally processed and packaged foods from nearby farms to all elementary and secondary students. This program will be phased in over a three-year period, with a first-year allocation of \$200 million and the amount gradually increasing over time, according to local capacity and priorities, and the contributions of other levels of government. The federal contribution will build on existing partnerships at the local level rather than establish a new set of national priorities.<sup>15</sup>

To fund this initiative the AFB implements a 5-cent-per-litre tax on sugary soft drinks and energy drinks similar to that advocated by Quebec's Weight Coalition.<sup>16</sup> Canadians consume over 3.5 billion litres of sugar-sweetened beverages per year.<sup>17</sup> The tax should yield approximately \$150 million (roughly the entire first year of a three-year phase-in) while discouraging the consumption of unhealthy beverages that are much more costly in human and financial terms down the line.

### **Local Sustainable Procurement**

The AFB adopts a policy that all federal institutions, offices, and crown corporations (including prisons and military bases) set a goal that 25% of foods served, where suitable, will be local and sustainable. The AFB also supports local and sustainable procurement policies at public institutions at the sub-federal level, including schools and hospitals. This means that no trade agreements or investment protection agreements will be signed if they restrict the ability of governments, crown corporations, or the broader public sector to implement preferences for local and sustainable food procurement.

No genetically modified organisms shall qualify as local and sustainable under these programs and specific policies will favour organic food and fair trade products when imported. The AFB financially supports certification programs related to local and sustainable food so that farmers do not bear those costs alone. Greenhouse gas emissions (e.g., for transportation) will be integrated into the comparative cost analysis of foods sourced locally vs. those shipped from a distance. Funding incentives will be devised to assist farmers to reduce the use of pesticides and to compensate for short-term losses that could



occur from transitioning to a less chemical-ly dependent mode of production.

### Family Farms

The AFB launches a *Cultivating Agriculture* program that supports new, established and retiring farmers. The underlying goal of the program is to increase the number of farmers in Canada, reversing a seven-decade trend. The program consists of financial and educational components (Cost: \$650 million/yr.):

- Financial – income support and investment initiatives.
- Educational – training initiatives that cover production and specific business management needs of new and established farmers.

### Financial Incentives

The financial component of *Cultivating Agriculture* will provide stability and new potential for farm operations by including:

- Net farm income targets and programs to attain those targets. Net farm income targets will ideally be obtained from the marketplace and cover average costs of sustainable production as well as a reasonable income and return on investment. When the net farm income targets cannot be met due to weather conditions or market failure, a capped aid program that supports appropriate-scale family farms will be available.
- Incentives (e.g., tax reductions or classifications) for sustainable agriculture practices such as those demonstrated through Environmental Farm Plans, or for environmental goods and services provided by farms (e.g., a tax reduction for floodplain

water management or migratory wildlife habitat provision).

- Effective and affordable financing programs for new and young farmers that minimize interest and debt. These will take the form of loan guarantees, “patient capital,” start-up grants and equity financing programs, as well as partial student loan forgiveness for those who remain in the profession for a minimum of five years.

### Educational Incentives

The educational component of *Cultivating Agriculture* will foster knowledgeable and resilient farmers by establishing:

- Appropriate and responsive research and extension services focused on practices and technique rather than simple product development. These services will be delivered through farmer organizations and help farmers innovate, become resilient, farm better, and increase environmental goods and services. Farm organizations will set the research priorities and drive field and farm-centred innovations.
- New farmer training and support programs based on a sustainable livelihoods framework that provide business training, mentoring and apprenticeship programs, land-link and transfer programs, production practices, conservation strategies, marketing and market access. Programs tailored for new farmers will also include “farm experience” programs that help new entrants decide if agriculture is the right career for them.
- Extension services across Canada, utilizing a range of traditional and innovative service delivery models. Programs will

promote collaborative initiatives between agricultural organizations, new farmer initiatives, provincial and regional governments, and educational institutions.

## Food Security for Northern Communities

The AFB supports food security in northern communities by increasing the funding for Nutrition North Canada to a level that allows all isolated communities to take full advantage of the program, estimated to be \$100 million annually. It also undertakes a review of the program and of the needs of all isolated communities to determine how best to support food security in northern communities.

An interim NNC program expansion will include:

- Additional funds to maintain current subsidy rates for all “full subsidy” communities as well as subsidies for all isolated communities at levels sufficient to bring prices into line with those in “full subsidy” communities, and consistent annual funding for education.
- An enhanced NNC education program with a focus on cooking classes.
- A surface transportation subsidy on healthy food and hunting/fishing supplies, and a warehousing subsidy.

The purpose of the review will be to revamp the NNC program to work for people, not corporations and will include:

- A full, arms-length evaluation of the NNC program
- A needs assessment of all isolated communities that takes the form of direct and transparent consultations with Northerners.

The results of the research undertaken will be combined with an evaluation of the efficacy of the program expansion to determine a nutrition program that truly serves northern communities.

---

## Notes

1 Food Banks Canada. (2012). *Hunger Count 2012*, p. 4. (<http://www.foodbanksCanada.ca/getmedia/3b946e67-fbe2-490e-90dc-4a313dfb97e5/HungerCount2012.pdf.aspx>)

2 *Resetting the Table: A People's Food Policy for Canada*. (2011). <http://peoplesfoodpolicy.ca/policy/resetting-table-peoples-food-policy-canada>

3 See, for example, the Declaration of Nyéléni: <http://www.nyeleni.org/spip.php?article290>

4 David Butler-Jones, *The Chief Public Health Officer's Report on the State of Public Health in Canada 2009*, (Ottawa: Public Health Agency of Canada, 2009) at 31.

5 Office of the Premier. *More Ontario-Grown Food in Schools, Hospitals*. April 6, 2009 (<http://news.ontario.ca/opo/en/2009/04/more-ontario-grown-food-in-schools-hospitals.html>)

6 City of Toronto Staff Report. *Local Food Procurement Policy and Implementation Plan – Update*. June 8, 2009. ([www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22345.pdf](http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-22345.pdf))

7 Sinclair, Scott. *Negotiating from Weakness: Canada-EU Trade Treaty Threatens Canadian Purchasing Policies and Public Services*, Ottawa: Canadian Centre for Policy Alternatives.

8 Shrybman, Steven. *Municipal Procurement Implications of the Proposed Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union*, Vancouver: Centre for Civic Governance.

9 Statistics Canada. *Census of Agriculture 2011* (<http://www.statcan.gc.ca/pub/95-640-x/2012002/00-eng.htm>)

10 James, Lois. *A Canadian Perspective on Intergenerational Farm Transfers and Succession Planning*. Ottawa, August 2007; International Farm Succession Conference. (Department of Agriculture and Agri-Food Canada.)

11 Source: Statistics Canada, 2006 Census of Population, Statistics Canada catalogue no. 97-563-XCB2006014 (Nunavut, Code62; Canada, Code01)

12 Statistics Canada. 2007. *Nunavut (Code62)* (table). *Aboriginal Population Profile*. 2006 Census. Statistics Canada Catalogue no. 92-594-XWE. Ottawa. Released January 15, 2008.

13 Based on the 2005 weekly cost of the Revised Northern Food Basket in Nunavut communities. Source: <http://www.aadnc-aandc.gc.ca/eng/1100100035967/1100100035969>

14 Source: <http://www.aadnc-aandc.gc.ca/eng/1100100035925/1100100035926>

15 See Food Secure Canada submission to Standing Committee on Finance, November 20, 2012 at <http://foodsecurecanada.org/sites/foodsecurecanada.org/files/FinanceCommitteesubmission20nov2012.pdf>

16 <http://www.cqpp.qc.ca/en/priorities/tax-on-soft-and-energy-drinks>

17 Sugar-sweetened beverages in this context are defined as liquids that are sweetened with various forms of sugars (monosaccharides and/or disaccharides) that add calories. These beverages include, but are not limited to fruit-flavoured drinks, soft drinks, sports and energy drinks, and sweetened hot or cold drinks. See Health Canada's Childhood Obesity program: <http://www.healthcanadians.gc.ca/kids-enfants/obesity-obesite/risks-risques-eng.php>

# Health Care

## Background

Canadians are less equal today than at any other time in the country's history, with the richest 1% taking a third of all growth in incomes between 1997 and 2007.<sup>1</sup> Growing market-driven income inequality along with government cuts to income supports are strongly associated with poor health.<sup>2</sup> Canada's universal health care system has helped mitigate income-related disparities in access to hospital and physician care, but other health care services are becoming increasingly inaccessible to a growing number of Canadians. Reduced federal health transfers and changes in the equalization formula,<sup>3</sup> delisting and privatization are threatening to undermine the achievements of the post-war period. Current federal policies also are frustrating efforts to move medicare beyond the narrow scope of doctors and hospitals, something that has been on the public agenda since Saskatchewan introduced North America's first system of universal health care.

Internationally, governments have opened up health care systems to both national and global investors, with an attendant increase in privatization, deregulation, and unequal access to services.<sup>4</sup> While Canadians have maintained a firm commitment to universal medicare,<sup>5</sup> there has been a significant rise of corporate involvement in health service delivery. Hospital administrators have outsourced maintenance, laundry, food, and other services to multinational companies such as Sodexo, Compass and Aramark, with a con-

sequent decline in workers' wages, working conditions, and morale.<sup>6</sup>

When the *Canada Health Act* was passed, 57% of total health spending went to physicians and hospitals,<sup>7</sup> compared to 43% today.<sup>8</sup> Many services once provided in hospitals, including psychiatric facilities, were shifted to community-based providers; hospitals, as a matter of public policy, were downsized. These actions, along with delisting and privatization, have contributed to a decline in the public share of health expenditures, from 75.5% in 1985 to 69.7% today.<sup>9</sup> There has been a significant increase in the role played by the insurance industry, which, in 1988, financed 29.2% of private health expenditures<sup>10</sup> compared to almost 40% today.<sup>11</sup> Mounting evidence suggests that there are growing gaps in how Canadians utilize private health services — including dental care, home care, long-term care, mental health, and rehabilitation services — based on ability to pay.<sup>12</sup>

Barriers to many preventative and outpatient rehabilitation services are rising at the same time that Canadians are seeing an increase in poverty and unemployment, declining access to higher education and to adequate, affordable housing — all determinants of health. Income inequality and poor living standards increase the need for health care services.<sup>13</sup> For example, studies have indicated that poor people are twice to three times more likely to develop Type 2 diabetes<sup>14</sup> regardless of ethnicity.<sup>15</sup> In addition, the poor, both working and non-working, are more likely to suffer the complications of diabetes,

including heart disease, kidney failure, and blindness.<sup>16</sup> And diabetes isn't the only problem linked to poverty: suicide rates are higher among the poor, along with cardiovascular disease and higher rates of chronic disease and disability. These facts have led many Canadian and international researchers to conclude that "Reducing inequalities in income and wealth through progressive taxation is a highly recommended policy option shown to improve health."<sup>17</sup>

Supporters of health care privatization have warned that public health expenditures are threatening to consume an ever-growing share of provincial budgets. But in relation to the overall economy, health care spending has remained stable over the last 25 years. It is provincial revenues that are shrinking, boosting health care's share of budgets. In fact, while total medicare costs since the mid-1990s have increased by 1.5% of GDP, the total amount spent on tax cuts was 6%.<sup>18</sup> During the last two years, data indicate that increases in public health expenditures slowed to 3.3% and 2.9% in 2011 and 2012, respectively. By way of comparison, private spending grew at a significantly higher rate of 5.4% and 4.6%, respectively during the same two years.<sup>19</sup>

What the data don't show is that the amount spent on services covered by the *Canada Health Act* (hospitals and doctors) consumes only 42% of total health expenditures, while another 26% of public spending went to private goods and services outside the "medicare basket": prescription drugs, home and long-term care, and services such as physiotherapy provided in the community. The portion of health services covered by the CHA hasn't increased since the introduction of universal health care; in fact, it has

gotten smaller, in part because hospital services as originally defined have moved into the community and into the home.

Technology has enabled many of what were once considered "core" hospital services — including surgery — to relocate outside the hospital sector. In 1995–96, researchers estimated that, on average, about 70% of Canadian surgeries were performed on an outpatient basis. By 2002, this percentage had increased to an average of 87% of all surgeries, a growing portion of which are being provided (sometimes illegally) in for-profit non-hospital facilities. A number of studies indicate that, for appropriate patients, surgery provided on an outpatient is more cost effective than inpatient surgery and that patient outcomes are similar. However, a recent Canadian study<sup>20</sup> found that outpatient knee surgery provided in a for-profit setting did not improve disability duration among injured workers. It found that the fee paid for expedited knee surgery in a for-profit surgical clinic was \$3,222 compared to \$859 for the same procedure performed in a public hospital. Despite the higher fee paid to for-profit surgical clinics there were minimal differences in wait times for the expedited surgeries and small differences in return-to-work outcomes that favoured public hospitals.

Provinces that are in violation of the *Canada Health Act* are subject to both mandatory dollar-for-dollar deductions in cash transfers and discretionary penalties. However, where mandatory penalties have been imposed they are inadequate and discretionary penalties have never been applied. In 2011, Health Canada reported that the most "prominent concern" about CHA compliance "remained patient charges and queue jumping for medically necessary health ser-

vices at private clinics.”<sup>21</sup> Yet, since 2000 only \$1 million has been deducted from federal cash transfers to the provinces,<sup>22</sup> despite widespread violations. Much more needs to be done, and this year’s AFB will continue to support the Canada Health Act Division, which is responsible for enforcement of national standards.

With the federal government negotiating a free trade agreement with Europe that could increase annual costs of prescription drugs by another \$2.8 billion a year,<sup>23</sup> the time has come for Canadians to insist on better cost management. We can do better using a single, public system<sup>24</sup> that manages drug costs through four levers: universal public insurance; a national formulary of essential drugs; independent evidence-based drug evaluation; and bulk purchasing. A National Pharmaceutical Strategy can save more than \$10.7 billion in annual costs for prescription medicines — or an estimated 43% of Canada’s \$25.1-billion drug bill.<sup>25</sup>

We must think seriously about ways to both improve our public health care system and expand it in ways that are cost effective and sustainable. The federal government must commit to discussions with provincial and territorial health ministers for a renewed Health Accord, with a particular emphasis on integration across the continuum of care and including health promotion and illness prevention. Discussions with the provinces and territories must also focus on a national strategy to strengthen the links between health and social care to better address determinants of health. We must also invest in non-profit mental health services, subject to the criteria of the *Canada Health Act*, to ensure those who require support are not ex-

ploited by pharmaceutical, health and insurance corporations.

---

## Current Issues

### An Alternative Vision

The Health Accord, which laid out the federal government’s financial commitment to health care in Canada for a decade, expires next year. Discussions among federal/provincial/territorial governments about renewing the Accord — and the foundations of medicare — should be well underway. Instead, the federal government unveiled a new unilateral funding formula that will continue to provide an automatic, no-strings-attached 6% a year increase in cash transfers to the provinces for health, but only until 2016–17. Thereafter, transfers will grow at 3.9% a year, well below the 5.1% annual increase expected in provincial and territorial spending. Changes to the escalator will significantly reduce the federal share of health expenditures from 20.4% to 18.6% over the next 25 years.<sup>26</sup> These revisions to the escalator and funding formula will reduce federal transfers by an estimated \$36 billion over the first ten years alone.<sup>27</sup>

The AFB provides an alternative vision for health care, with a strategy to increase both the public share of total health expenditures from its current level of 69.7% as well as federal contributions to provinces and territories. An integrated health system is key to supporting such a strategy, and to ensuring patients move seamlessly through a coordinated system of health services. But such efforts confront a number of challenges, including an increase in private delivery and funding that supports greater competition and



fragmentation;<sup>28</sup> the reliance on lower wages and salaries for non-physicians employed in the community to achieve cost savings; and hospitals with higher-than-safe occupancy levels above 85%. To address these challenges and achieve a system of integrated health care delivery medicare must expand its lens.

### **Expanding Medicare**

Despite declining hospital stays, Canadian hospitals are overcrowded and we have one of the lowest bed-to-population ratios<sup>29</sup> and highest occupancy rates<sup>30</sup> among OECD countries. Hospital cuts during the last two decades have compromised the safety of patients while pushing publicly insured and delivered services into the hands of private providers and insurers.

Many provinces hope to save money by transferring services out of the publicly-funded, highly-unionized hospital sector to unorganized, privately-funded, for-profit providers. But a better plan would include reductions in unnecessary diagnostic testing and the movement of alternate level of care patients to more appropriate providers.

Instead, privatization and delisting are undermining public access to community-based venues that are known to reduce reliance on the most expensive part of the health care system, emergency rooms. Corporations are targeting health services and in many provinces they are being encouraged to invest, especially in surgical services, long-term care, rehabilitation and home care. Between 2000 and 2012, private spending on many of these services increased by 140%, a much higher rate of growth than public expenditures for the same services.<sup>31</sup> We need strategies that will reduce private expenditures — both out-

of-pocket and private insurance — and increase the public portion of the health dollar.

We have known for years that we underinvest in measures that can prevent or manage ill health — including mental health services, home care, dental care, and physical activities for all. These measures can improve health and reduce costs in the current fiscal year; but the real return on such investments comes years down the road. Savings and improved outcomes can also be achieved by better managing what we spend. Pharmacare is one example. The development of a national formulary for a core set of commonly prescribed drugs and single-desk bulk purchasing of those pharmaceuticals could shave more than 40% off total drug expenditures.

Effective allocation of resources within the public system, a decrease in private spending and better management of pharmaceuticals can help contain the biggest cost drivers of health care — but only if we pursue these at a national scale.

---

## **AFB Actions**

### **The Health Accord**

The guarantee of a 6% increase in federal cash funds in each of the next five years adds an accumulated \$26 billion to provincial and territorial coffers over this period. In year one of the AFB, two percentage points will go towards provincial and territorial initiatives that advance primary health care reform. In each successive year an additional percentage point of the escalator will be dedicated to measures that support integration of community health services and decreasing the role of private for-profit providers. By year five the entire 6% increase will

be devoted to measures that speed the integration of health care services to support and strengthen continuity of care between hospitals and community providers.

### **Targeting the Federal Dollar, Expanding Medicare**

Canada lags behind most industrialized nations in the degree of public funding available for health care services.<sup>32</sup> The public portion of health spending has declined to 69.7%, lower than our international peers. The AFB will prohibit the use of out-of-pocket and private insurance to support queue-jumping. Cash transfers will be tied to compliance with the *Canada Health Act*, including its reporting requirements. The public portion of total health expenditures over the next decade will be increased using a multi-pronged approach including:

#### **Targeting federal dollars to public and/or non-profit providers**

The *Federal-Provincial Fiscal Arrangements Act* will be amended to prohibit the use of federal cash transfers to subsidize private, for-profit providers of acute, chronic, and rehabilitative care or to compensate physicians who practise in both the public and private sectors. Provinces will also be required to report on how federal funds are used to support the criteria of the CHA.<sup>33</sup>

#### **Supporting measures to establish wage parity across the health system**

The CHA stipulates that provinces must provide reasonable compensation to all physicians but is silent on others employed in the health care system. Provincial and territorial medical associations engage in a form of sectoral bargaining that applies to all of their

members working in the health system. The same standard, if applied to all health care workers, would support integration both between and within hospital and community providers. To facilitate integration incentives will be provided to help provinces and territories facilitate recruitment and retention of health personnel by providing home, community, and long-term care workers compensation levels on par with hospital workers.

#### **National Pharmacare**

The AFB will initiate a National Pharmacare Program to replace private spending on prescription drugs and significantly reduce public expenditures. This will preclude Canada's participation with the European Union in the Comprehensive Economic Trade Agreement, which would extend drug patents to up to 25 years. It allocates \$2 billion plus 10% of private expenditures, or \$1.39 billion, in 2012–13 towards a National Pharmacare Plan for a total expenditure of \$3.39 billion. In 2013–14, the AFB increases the allocation by 13% for a total of \$3.83 billion. In 2014–15, this amount increases by 20% to \$4.59 billion. Future savings will offset the program's start-up costs.<sup>34</sup>

#### **Apply 1995 Marleau ruling to all acute, rehabilitation and chronic care services, regardless of where they're delivered**

In 1995, then Minister of Health Diane Marleau ruled that user charges for surgical services were illegal “regardless of venue.”<sup>35</sup> At the time this ruling did not apply to other acute, chronic or rehabilitation services. This year's AFB changes that.

The AFB will re-establish a dedicated transfer for community-based services at 1995 levels, plus an annual escalator based on population growth and inflation. This would amount



to \$75 per capita, or \$2.6 billion, for community-based health services, including home care and allied health services, subject to the criteria of the *Canada Health Act* upon physician referral. A one-time \$300-million investment in 140 new community health centres to regions lacking this model of delivery will create 10,000 new jobs and increase access to necessary health services.<sup>36</sup>

### **Long-term care**

Total expenditures in long-term care reached \$20 billion in 2010, split among federal/provincial/territorial governments and out-of-pocket payers. The public share, \$14.4 billion, was divided between federal (20.4% or \$2.9 billion) and provincial/territorial governments (\$11.5 billion).<sup>37</sup> The remaining \$5.64 billion came out of the pockets of some of Canada's most economically vulnerable citizens.<sup>38</sup> At the same time, an estimated 7% of acute care beds (7,550) are occupied by patients awaiting rehabilitation or placement in a long-term care facility, at an annual cost of \$2.3 billion.<sup>39</sup>

It's time to bring these services into the public insurance system. The AFB invests \$2.3 billion in long-term/residential care to enable hospitals to move Alternate Level of Care patients currently in acute care beds to a more appropriate setting. This, in turn, will free up hospital resources to reduce unacceptably high occupancy rates and wait times and support the establishment of outpatient rehabilitation clinics. The AFB also invests \$3.2 billion to reduce health care user charges applied to residents of long-term care facilities by 50%.<sup>40</sup>

### **Dental Services**

Almost six out of ten Canadian children and youth have dental caries, as do a stunning 96% of adults. Yet tooth decay is a prevent-

able disease. Research shows poor oral health is also an indicator of other health problems like diabetes and cardiovascular disease.

The AFB seeks to improve access to basic dental care by putting a strategic focus on prevention. A good place to start is through a cost-shared school-based program that provides children and youth preventative and basic curative dental care, as per historic precedent. The AFB will offer \$90 per capita to any province undertaking such an initiative which, if fully implemented across Canada, would cost the federal purse \$280 million. The AFB allocates \$50 million to start the program, and doubles that contribution in the next two years of the AFB plan.

### **Health Equity**

In each of the next two years, the AFB allocates \$50 million to post-secondary institutions for Aboriginal students in health education programs who work to advance health outcomes of Aboriginal peoples and communities.

The AFB will end the remaining \$440 million, or \$73 million a year (from 2012–18), in funding to the Centres of Excellence for Commercialization and Research.<sup>41</sup> Of this, \$10 million a year will be used to restore and expand the Women's Health Contribution Program, which supported community-academic partnerships in the development and dissemination of policy research and information on the health of women and girls. The remaining \$30 million will be used to provide community-based services targeted at people with mental illnesses.

Annual funding of \$20 million will be restored to the Interim Federal Health Program to ensure that refugees, regardless of country of origin or designated category, have health care coverage equivalent to Canadian citizens in the same economic circumstances.

The AFB implements the long-delayed *Jordan's Principle*, a child-first policy to resolve jurisdictional disputes within and between federal and provincial/territorial government. *Jordan's Principle* requires that the government of first contact pay for the service to the child without delay or disruption. The paying government can then refer the matter to inter-governmental processes to pursue repayment of the expense. The AFB also reaches out to communities to allow them to set their own health care priorities with participatory budgeting through the "Community Health Innovation Fund" worth \$2 billion over 2 years. For more details see the Appendix.

## Notes

- 1 Yalnizyan, A. (2010). *The Rise of Canada's Richest 1%*. Canadian Centre for Policy Alternatives. Ottawa.
- 2 Bezuchka, S. (2009). "The effect of economic recession on population health." *CMAJ* 181, pp. 281–285. (doi:10.1503/cmaj.090553)
- 3 Office of the Parliamentary Budget Officer. (2012). *Renewing the Canada Health Transfer: Implications for Federal and Provincial-Territorial Fiscal Sustainability*. Matier, C.: Ottawa, ON
- 4 Hall, D. (2003). "Multinational corporations and the pattern of privatisation in healthcare," in Kasturi Sen (ed.) *Restructuring Health Services: Changing Contexts and Comparative Perspectives*, London: Zed Books.
- 5 Connor, F. and Tsang, E. "Healthcare in Canada: Privatization and How to Contain It," Editorial. *UBC Medical Journal*, Vol. 4, No. 1 (2012).
- 6 Zuberi, D. (2011). "Contracting Out Hospital Support Jobs: The Effects of Poverty Wages, Excessive Workload and Job Insecurity on Work and Family Life." *American Behavioral Scientist* 55(7), pp. 920–940.
- 7 Coyte, Peter. 2000. *Home Care in Canada: Passing the Buck*. Dialogue on Health Reform.
- 8 Canadian Institute for Health Information, National Health Expenditure Trends, 1975–2012 (Ottawa: CIHI, 2012).
- 9 Ibid.
- 10 This is the earliest year for which this figure is available. Canadian Institute for Health Information, National Health Expenditure Trends, 1975–2006 (Ottawa: CIHI, 2006).
- 11 CIHI (2012).
- 12 Hurley, J. and Guindon, E. (2008). *Private Health Insurance in Canada*. CHEPA Working Paper Series Paper 08–04.
- 13 Provincial Health Services Authority, (2011). *Towards Reducing Health Inequities: A Health System Approach to Chronic Disease Prevention*. A Discussion Paper. Vancouver, BC: Population & Public Health, Provincial Health Services Authority.
- 14 Dinca-Panaitescu, S., Dinca-Panaitescu, M., Bryant, T., Daiski, I., Pilkington, B., and Raphael, D. (2010). Diabetes prevalence and income: Results of the Canadian Community Health Survey. *Health Policy*, doi:10.1016/j.healthpol.2010.07.018
- 15 Riste L., Khan, F, Cruickshank, K.(2001). High prevalence of type 2 diabetes in all ethnic groups, including Europeans, in a British inner city: relative poverty, history, inactivity, or 21<sup>st</sup> century Europe? *Diabetes Care*; 24(8): 1377–1383;
- 16 Pilkington, B. & Daiski, I., Bryant, T., Raphael, D., Dinca-Panaitescu, M. and Dinca-Panaitescu, S. (2010). "The Experience of Living with Diabetes for Low-income Canadians." *Canadian Journal of Diabetes Care*.
- 17 *The Social Determinants of Health: The Canadian Facts*. Mikkonen J., Raphael D. (May 2010).
- 18 Mackenzie, H. and M. Rachlis. (2010) *The Sustainability of Medicare*. Ottawa: Canadian Federation of Nurses' Unions.
- 19 Canadian Institute for Health Information, National Health Expenditure Trends, 1975 to 2012 (Ottawa, Ont.: CIHI, 2012).
- 20 Koehoorn M., McLeod C., Fan J., McGrail K., Barer M., Côté P., Hogg-Johnson S. "Do private clinics or expedited fees reduce wait- or return-to-work times for injured workers following knee surgery?" *Healthcare Policy* August 2011;7(1): pp. 55–67.
- 21 Health Canada/Santé Canada. Canada Health Act annual report 2010–2011. Ottawa, Canada: Health Canada/Santé Canada; 2011
- 22 Op.Cit. CIHI, Health Care Cost Drivers, p. 4 (footnote)
- 23 Grootendorst, Paul and Hollis, Aidan, *The Canada-European Union Comprehensive Economic & Trade Agreement: An Economic Impact Assessment of Proposed Pharmaceutical Intellectual Property Provisions*, (Toronto: Canadian Generic Pharmaceutical Association, February 2011)
- 24 Gagnon, Marc-Andre (2010). *The Economic Case for Universal Pharmacare*. Canadian Centre for Policy Alternatives (Ottawa) and the Institut de recherche et d'information (Montreal)
- 25 Based on 2008 expenditures of \$25.1 billion, an estimated saving of 43% would apply to the \$24,995,800 spent in 2009.
- 26 Office of the Parliamentary Budget Officer. (2012). *Renewing the Canada Health Transfer: Implications for Federal and Provincial-Territorial Fiscal Sustainability*. Matier, C.: Ottawa, ON.
- 27 Council of the Federation Working Group on Fiscal Arrangements (July 2012). *Assessment of the Fiscal Impact of the Current Federal Fiscal Proposals*.
- 28 Béland, F. Services integration (geriatric). In: J.H. Stone, M. Blouin, editors. *International Encyclopedia of Rehabilitation*.
- 29 Organization for Economic Co-operation and Development. 2012. "OECD Health Data 2012."
- 30 Organization for Economic Co-operation and Development. 2011. "Health at a Glance: OECD Indicators."
- 31 Canadian Institute for Health Information, National Health Expenditure Trends, 1975–2006 (Ottawa: CIHI, 2006).
- 32 OECD citation.
- 33 In 2005, the NDP proposed the FPFAA be amended to target federal cash transfers, while both the NDP and Liberals proposed a prohibition on dual physicians practices. See Madore, O. (2006, March 20). Duplicate private health care insurance: Potential implications for Quebec and Canada [Report No. PRB 05-71E]. Ottawa: Parliamentary Information and Research service.
- 34 Gagnon, M-A.
- 35 Letter from D. Marleau to provincial and territorial Ministers of Health (6 January 1995).
- 36 Wellesley Institute (2009).
- 37 These figures are based on the federal share of public health expenditures.
- 38 The contribution from private insurers to the total bill was negligible at only \$12 million, the amount paid out in benefits. See Canadian Life & Health Insurance Association. *Improving the Accessibility, Quality and Sustainability of Long-Term Care in Canada*. (Toronto) June 2012.
- 39 Ibid. Based on an estimated \$842 per day for each acute care bed. See CLHIA
- 40 CIHI NHX 1975-2012; also Grignon 2011; MacGregor 2011.
- 41 <http://www.budget.gc.ca/2012/plan/chap3-1-eng.html>

# Housing

---

## Background

### A “Perfect Storm” Tears at Canada’s National Housing System

Affordable housing in Canada remains in crisis and the federal government’s long-term cuts to housing investments continue to make a bad situation worse. Despite making major housing investments in 2006 and 2009, the housing needs across Canada continue to grow.

Ongoing funding cuts and increasingly precarious housing conditions create a vicious circle in which the cuts trigger worse housing conditions, placing more pressure on austerity-obsessed governments to increase emergency support and services for the homeless, and prompting even more housing cuts to cover increased social costs.

Conditions on the ground in virtually every part of the country include: private ownership and rental markets that are increasingly out-of-reach for low-, moderate- and even middle-income households; a lack of new affordable homes to meet growing need; deteriorating physical conditions to Canada’s aging housing stock; and persistent homelessness (including hidden homelessness) in urban, rural, and Northern communities.

The impact of the housing crisis falls heaviest on groups pushed to the economic and social margins, including Aboriginal people, newcomers, racialized people, women, youth, and seniors. In many parts of the country, an overabundance of hous-

ing suitable for single people or small households creates significant housing challenges for larger households.

Canada’s ownership housing market — which provides for about two-thirds of households — is increasingly out of reach financially. RBC Economics, in its latest housing affordability report,<sup>1</sup> estimates that at the national level a standard condominium (the entry level to the private ownership housing market) requires an annual income of \$52,000 and a cash down payment of \$59,000. The actual cost of an entry-level condo in the nation’s biggest cities, including Vancouver, Toronto, Ottawa, and Calgary, is higher, which puts home ownership even further out of reach in many parts of the country.

Canada’s private rental housing market is also in deep distress. At the national level, the private rental vacancy rate continues to fall, and is a critically low 2.3%.<sup>2</sup> The vacancy rate in most major centres is lower. Meanwhile, although renter household incomes (which are about half of owner household incomes) have been stagnant or falling, average market rents continue to rise faster than the rate of inflation.

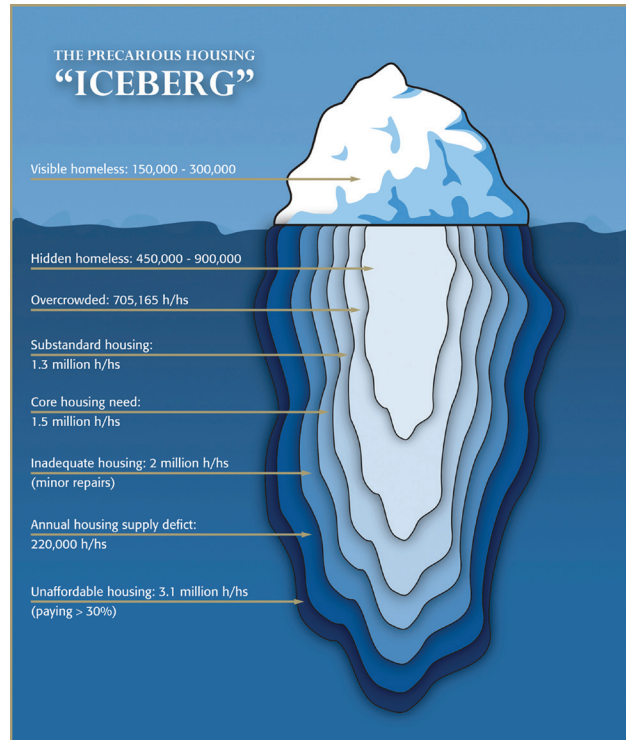
While Canada’s housing crisis is truly national in scope, experiences differ according to region. For example, areas experiencing a resource boom (parts of Saskatchewan, Alberta, Quebec, and Newfoundland and Labrador) often experience a severe housing crisis. Well-paid jobs may be available, but the high cost of housing or the absolute shortage of it in boom areas creates local crises.

Unable to find adequate housing in the private ownership or private rental markets, a growing number of Canadians are adding their names to wait lists for affordable housing in most parts of Canada. While there is no reliable national waiting list number, the figures from local communities presents a stark picture. For example, Toronto Housing Connections reported an all-time record 87,301 households (161,222 women, men, and children) on its central wait list in October 2012.<sup>3</sup> The Toronto wait list has set a new record every month since the recession of 2008. While the numbers are different in other communities, the trend is the same.

Another grim indicator of housing need is the annual Hunger Count from the Canadian Association of Foodbanks. Many Canadians are forced to rely on foodbanks because they cannot pay the rent *and* feed the kids. In March 2012, a total of 882,188 people were forced to rely on foodbanks.<sup>4</sup>

While unsheltered homeless people are visible on the streets, most housing needs are hidden from public view. The Wellesley Institute’s Precarious Housing iceberg shows that millions of Canadian households are quietly suffering from unaffordable, substandard and otherwise inadequate housing. The numbers generated in the iceberg rely on data from 2006, and are likely higher today, but the overall grim trend remains the same.

The Wellesley Institute, in its *Precarious Housing in Canada* research and policy compendium, notes: “People’s ability to find, and afford, good quality housing is crucial to their overall health and well-being, and is a telling index of the state of a country’s social infrastructure. Lack of access to affordable and adequate housing is a pressing problem, and precarious housing contributes to



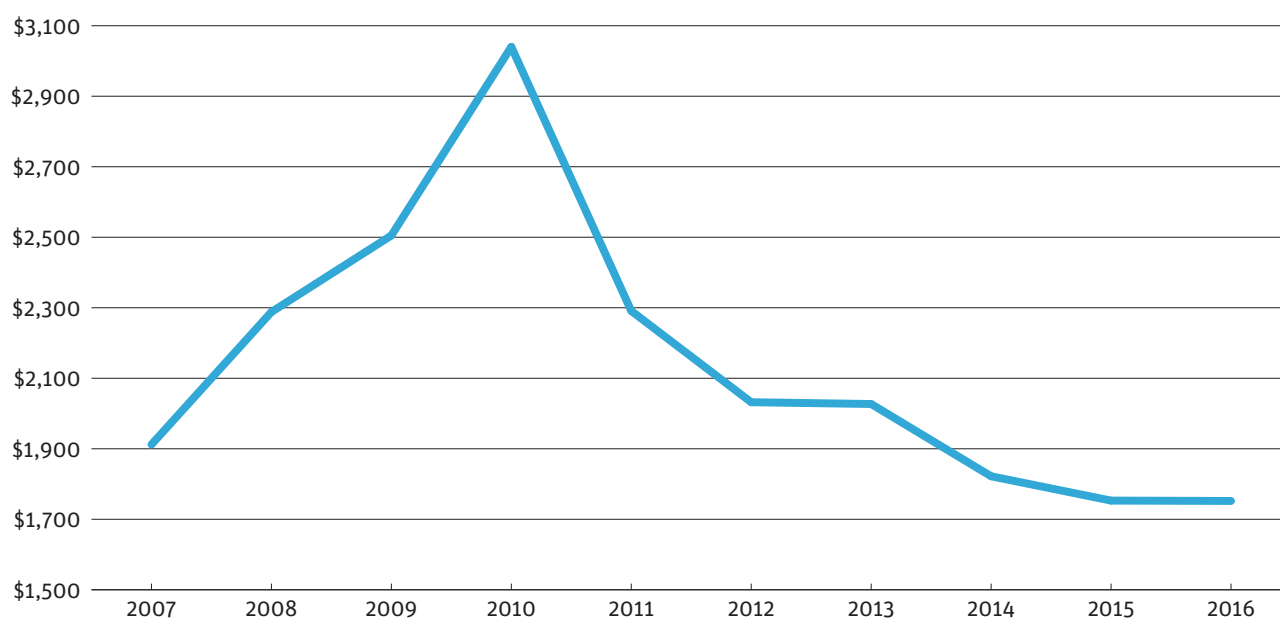
poorer health for many, which leads to pervasive but avoidable health inequalities.”<sup>5</sup>

Adequate housing is also critical to a strong and stable economy. It provides a base that allows individuals and households to fully participate in the economic life of their communities and the country. It also boosts economic activity by generating good jobs in a sound, sustainable economy. And good homes can reduce government health and other spending, providing fiscal benefits.

### No National Housing Plan, Eroding Federal Housing Investments

While every other major country in the world has a national housing plan that seeks to coordinate the efforts of government, non-profits, and the private sector, Canada’s federal government has no plan and remains com-

**FIGURE 10** Erosion of Federal Housing Investments (Millions)<sup>7</sup>



mitted to ongoing cuts in national housing investments that were set in place in the 1990s. The trend has been a steady downward decline in federal housing investments for more than two decades.

In 2009, Canada faced a harsh review of its international housing rights obligations in front of the United Nations' Human Rights Council. In June of that year, Canada's formal response to the UN's Universal Periodic Review acknowledged that the federal government had failed to meet its housing obligations and the federal government made this promise:

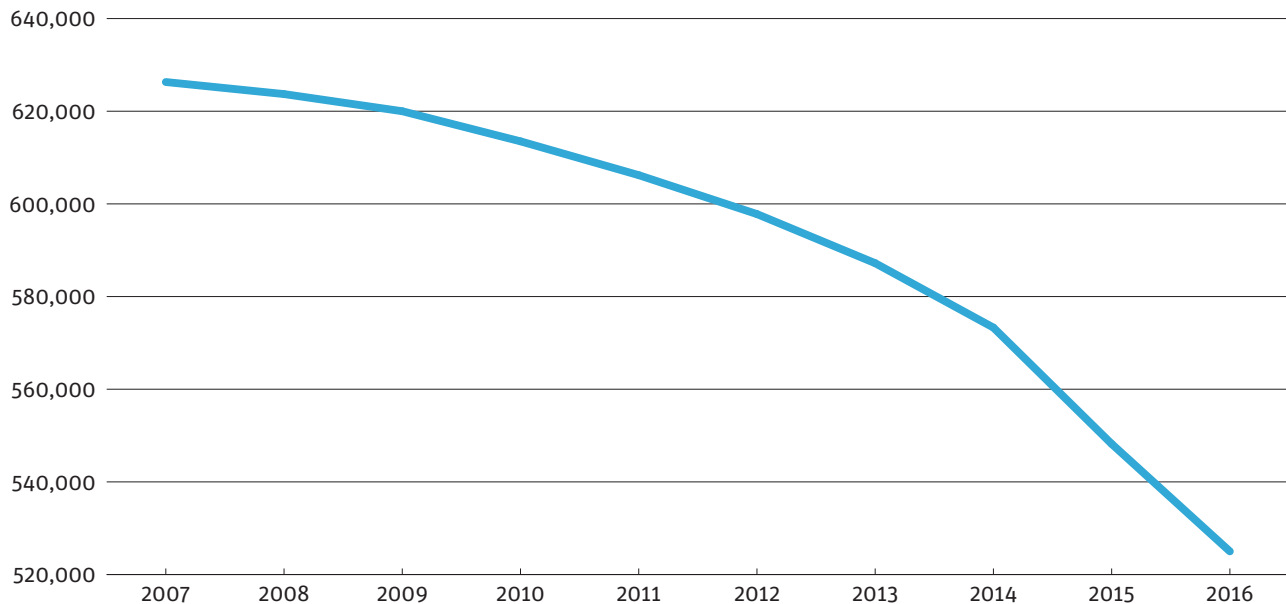
"Canada is working to improve housing choice and affordability. Governments are making substantial investments in housing through programs targeting affordability, housing renovation, homelessness and support for existing social

housing units. Addressing Aboriginal housing issues on reserve remains a priority. Canada provides support through programs targeting the construction of new housing units, the renovation of existing housing stock, and subsidies for existing rental housing. Since 2006, new funding for Aboriginal people has been dedicated to resolving challenges of poverty and housing...Canada...is undertaking measures to respond to the social and economic needs of Canadians. Canada acknowledges that there are challenges and the Government of Canada commits to continuing to explore ways to enhance efforts to address poverty and housing issues, in collaboration with provinces and territories."

After promising to the UN in 2009 to do more, the federal government then embarked on a new round of housing cuts in 2011. The



**FIGURE 11** Declining Number of Federally Subsidized Homes<sup>8</sup>



government has failed to meet the commitments that it made in Geneva, and the situation will worsen considerably in the coming years as the housing cuts continue.<sup>6</sup>

## Current Issues

### Federal Housing Cuts Now, More On the Way

The federal government launched several housing and homelessness initiatives four years ago. In September 2008, it announced a five-year extension of three national programs, promising \$387.59 million per year until March 31, 2014.

In its “economic stimulus” budget of 2009, the federal government announced funding of \$2.075 billion for affordable housing over two years. The short-term boost in housing and homelessness investments peaked in 2010,

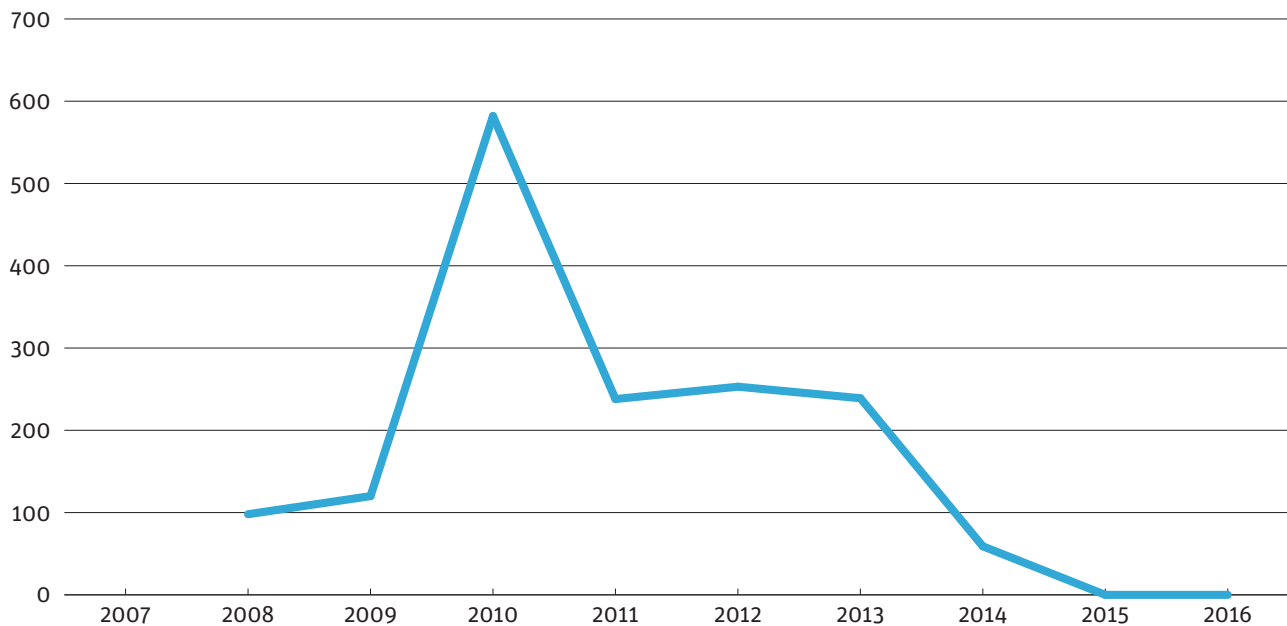
and there have been sharp cuts since, which are expected to bite even deeper until 2016.

As wait lists for affordable housing grow longer, the number of federally-subsidized affordable homes is scheduled to be cut by more than 100,000 by 2016 due to the ongoing erosion of federal housing investments, according to Canada Mortgage and Housing Corporation (CMHC).

Meanwhile, the federal government’s Affordable Housing Initiative, the signature national affordable housing program, is scheduled to be “terminated” in 2015 as investments reach zero.

Since the federal Affordable Housing Initiative, along with certain other national housing investments, is matched by provincial, territorial, municipal, private and community dollars, every federal funding dollar cut means up to \$3 or \$4 housing dollars lost at the community level.

**FIGURE 12** Termination of Federal Affordable Housing Initiative (Millions)<sup>9</sup>



Canada, unlike other major countries, doesn't have a national housing framework to allow for the quick and orderly flow of capital and operating funding from governments to the affordable housing sector. In Canada, the main structure for inter-governmental collaboration is the Canadian Inter-governmental Conference Secretariat. Between 2009 and 2012, the secretariat reports, there were 274 inter-governmental conferences on issues from health to taxation to immigration and sports and recreation. There have only been three meetings on housing: two in 2009, and one in 2010. No meetings were held in 2011 or 2012, and none planned for 2013 or subsequent years.

In 2001, the federal government signed a short-term Affordable Housing Framework Agreement with provinces and territories. Bilateral housing deals, pursuant to the 2001

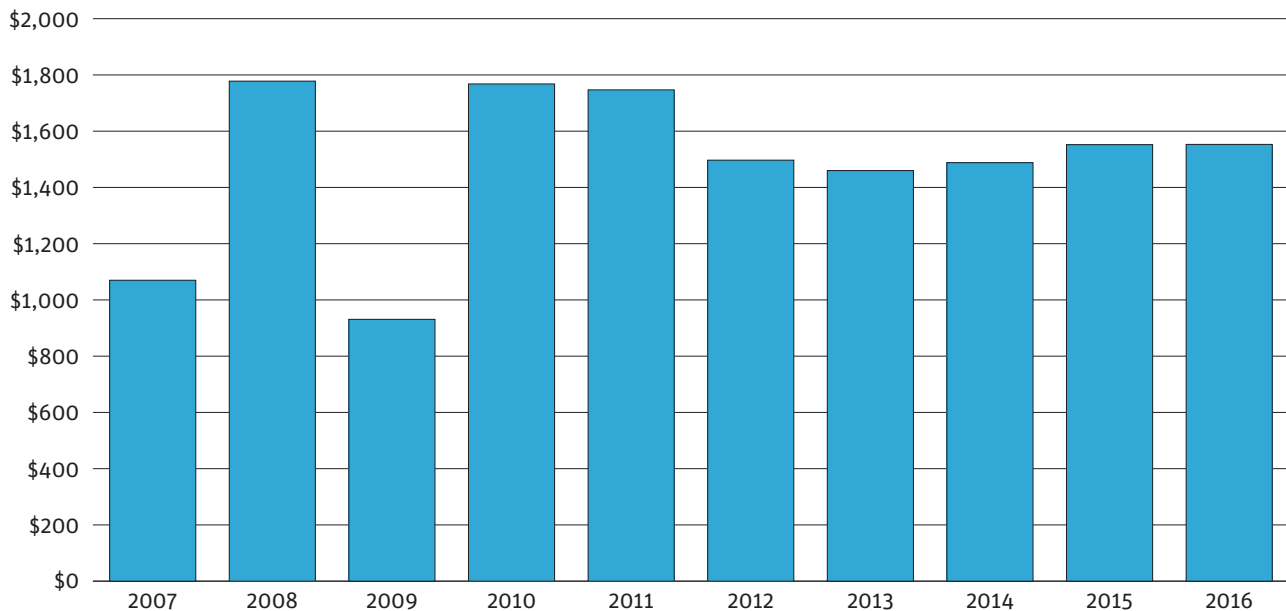
framework agreement, were also signed. The term of the original agreement has lapsed.

While affordable housing expenditures through CMHC are being cut, the agency reports a large and growing net income, mainly from premiums on the sales of mortgage insurance. CMHC revenues generated by housing-related activities could be used to finance affordable housing investments, but the federal government has refused to do so.

The massive housing cuts started in 2011 are part of a long-term erosion of federal housing investments begun in 1996, when the government announced it was transferring administration of most national housing programs to the provinces and territories. As long-term operating agreements with individual non-profit and co-op housing providers expire, federal funding is cut. The programs will terminate more rapidly over the



**FIGURE 13** Net Income, Canada Mortgage and Housing Corporation (Millions)<sup>10</sup>



next decade, leaving low- and moderate-income households to face the likelihood of large rent increases. If the hundreds of thousands of households that are affected in the coming years cannot pay these increases, they face eviction and the downward spiral towards homelessness.

The dramatic cuts to spending in the current fiscal year foreshadow more cuts scheduled for 2014 (the same year that the Canada Health Transfers and the Canada Social Transfers are due to be re-negotiated). The federal homelessness program – which was extended for five years starting in 2008 – will “terminate,” in 2014. The latest federal-provincial-territorial housing agreement, announced in 2008 and signed in July 2011, is also set to expire in 2014.

### Government-Backed Housing Financing Options

In 2008, Ontario launched a \$500-million affordable housing loan fund that was capitalized with government-backed bonds. Several affordable housing projects have been completed using the new provincial financing. Housing and finance experts are proposing that a new Government of Canada-backed bond (perhaps tax-exempt) could finance a national affordable housing trust fund to pay for new housing supply and repairs to existing housing. The fund would take pressure off the expenditure side of the federal budget by raising capital for housing infrastructure through financial markets.

Federal politicians have also announced their support for social finance options to fund housing initiatives, including social impact bonds. SIBs are used in the U.K. and U.S.

to generate private sector funding, with the government paying interest on the bonds to private investors based on social outcomes. There are many instances where government can achieve net savings by intelligently investing to prevent problems in the first place. Private money from banks and corporate social responsibility funds is not needed and the additional layers of complication for social service agencies can interfere with rapid deployment of programs.

The AFB proposes an alternative to Social Impact Bonds through the Scale-Up Implementation Fund. Like Social Impact Bonds, the Scale-Up Implementation Fund will identify programs that yield significant defined savings to governments and have been proven to work in other jurisdictions or on a smaller scale. These programs will be implemented with well-understood targets that will be rigorously tracked. However, if the project succeeds, instead of the private sector funder receiving a 15% profit, gains will be shared between the government and the social service agency. (See the Public Services chapter on page 128.)

---

## AFB Actions

### Stem the Bleeding, Make the Investments

To counteract the growing crisis in affordable housing in Canada, the AFB reverses

the ongoing cuts to federal housing investments begun in the 1990s. In addition to maintaining federal housing investments at the 2010 level,

- The AFB will commit \$2 billion annually to the affordable-housing sector. This will double the allocation for both the federal Homelessness Partnering Strategy and the Residential Rehabilitation Assistance Program and provide significant funding for new home construction. It will also support maintenance of the existing stock of affordable housing.

---

## Notes

1 RBC Economics, Housing Trends and Affordability, November 2012 <http://www.rbc.com/newsroom/pdf/HA-1122-2012.pdf>

2 Canada Mortgage and Housing Corporation, 2012 Spring Rental Market Report, <http://www.schl.ca/en/corp/nero/nere/2012/2012-06-12-0815.cfm>

3 Toronto Housing Connections, 2012 <http://www.housingconnections.ca/information/Reports.asp>

4 Canadian Association of Foodbanks, Hunger Count 2012. <http://www.foodbankscanada.ca/getmedia/3b946e67-fbe2-490e-90dc-4a313dfb97e5/HungerCount2012.pdf.aspx>

5 Wellesley Institute, *Precarious Housing in Canada 2010*.

6 Wellesley Institute, Submission to United Nation's Universal Periodic Review, October 2012 <http://www.wellesleyinstitute.com/news/canada-has-failed-to-meet-its-international-housing-commitments/>

7 Canada Mortgage and Housing Corporation, Corporate Plan to 2016.

8 Canada Mortgage and Housing Corporation, Corporate Plan to 2016.

9 Canada Mortgage and Housing Corporation, Corporate Plan to 2016.

10 Canada Mortgage and Housing Corporation, Corporate Plan to 2016.

# Immigration

---

## Background

That Canada's immigrants are not faring well economically is something about which all Canadians need to be worried. A declining birth rate coupled with an aging population means that immigrants will soon be the key driving force behind Canada's economic engine.

The 2011 Census found that Canada's population grew by 5.9% between 2006 and 2011, the highest among G8 countries. Statistics Canada has noted that two-thirds of the population growth in the last 10 years is due to immigration. Given the accelerated aging of the population between 2011 and 2031, the agency warns that without a sustained level of immigration or a substantial increase in fertility, Canada's population growth could be close to zero in 20 years.

Thanks to the substantial increase in immigration since the mid-1980s, the proportion of allophones in the population has more than doubled since 1981, growing from less than 10% to 20% in 2006. According to Statistics Canada projections, the allophone population could nearly double again to comprise around 29% to 32% of the total population by 2031.<sup>1</sup>

By 2017, nearly all new entrants into the labour market will be immigrants. Also by 2017, one in five Canadians will be a "visible minority"—due largely to the continuing trend of Canada receiving more and more immigrants from Asia, Central and South

America, and the Caribbean than other regions in the world.

Yet by any measure— income, employment, housing conditions, health, etc. — immigrants and members of racialized communities are falling behind their Canadian-born and/or non-racialized neighbours. The Canadian government should be developing policies and committing resources to address growing socio-economic racial inequities. Instead, the approach adopted by successive governments has been to treat this sizeable segment of the population as an afterthought.

---

## Current Issues

### Persistent, Growing Disparities

The 2006 Census reported one in five Canadians as foreign-born, the highest proportion in 75 years. Recent immigrants born in Asia made up the largest proportion of newcomers (58.3%). Another 10.8% were born in Central and South America and the Caribbean. Not surprisingly, 68.9% of recent immigrants lived in three metropolitan areas: Toronto, Montreal, and Vancouver.<sup>2</sup>

In 2006, most recent immigrants experienced higher unemployment rates and lower employment rates than their Canadian-born counterparts. The exceptions were immigrants from the Philippines and those born in Europe, who had labour market outcomes similar to the Canadian-born. Immigrants born in Africa had the most difficulties in the labour market, regardless of how long they had

lived in Canada. For the very recent African-born immigrants, their unemployment rate, at 20.8%, was four times higher than that of the Canadian-born.<sup>3</sup> Higher unemployment rates are also found among younger, recent immigrants between the ages of 15 and 24, irrespective of where they were born.<sup>4</sup>

In case anyone is wondering whether the high unemployment rates among recent immigrants are due to their inferior educational background, statistical studies have conclusively disproved that assumption. With few exceptions, very recent immigrants who had any level of post-secondary education had employment rates lower than their Canadian-born peers. This was true irrespective of where they obtained their post-secondary education. Statistics Canada reports that, in 2007, very recent immigrants aged 25 to 54 who received their highest university education in Canada were less likely to have significant Canadian work experience than their Canadian-born peers. The same study showed that almost one in five very recent immigrant university graduates were attending school in Canada in 2007, even though they already had a university degree, yet the majority of university-educated very recent immigrant students were not participating in the 2007 labour market.<sup>5</sup>

Despite higher workforce participation, people of colour (racialized people) are more likely to be un- or under-employed or living in poverty.<sup>6</sup> While a larger share of racialized workers is looking for work, fewer of them have found jobs. Even when employed, racialized people suffer lower wages and are disproportionately represented among the ranks of precarious and unprotected workers.

Gender also seems to play a role in this respect. Although immigrant women repre-

sented nearly half of university-educated very recent immigrants, their participation in the labour force was significantly lower, particularly for those born or educated in Asia.<sup>7</sup>

The only exceptions to this troubling pattern of employment gaps are recent and established immigrants who received their highest university education in Canada or Europe; they had comparable employment rates in 2007 to the Canadian-born. In contrast, many of those who obtained these credentials in Latin America, Asia, or Africa had lower employment rates, with the one exception being immigrants who received their university degree from a Southeast Asian (mainly Filipino) educational institution.<sup>8</sup>

If immigrants are not getting employed at the same rates as others, they are not earning the same levels of income, either. The immigrant's birthplace — a proxy for ethnicity — turns out to have the strongest influence over the immigrant's earnings, as a Statistics Canada study has shown. This finding coincides with the repeatedly noted fact that immigrants to Canada increasingly come from “non-traditional” sources, are members of visible minorities, and are more likely to be educated than persons born in Canada. Despite an increasing number of university graduates among immigrants, the relative earnings of immigrants have not improved in recent times.<sup>9</sup>

Hiding behind the statistics is the disturbing trend of the ever-growing racial inequities in Canada among immigrant group members, as well as racialized individuals born in Canada. Disturbingly, the employment inequities and the resulting income inequities experienced by recent immigrants with degrees (excepting those with European or Filipino background) are shared by

young visible minority men born in Canada to immigrant parents. Everything else being equal, their annual earnings are significantly lower than those of young men with native-born parents.<sup>10</sup> Canadian-born members of racialized communities, who have even higher levels of education than other Canadians in the same age group, are faring the worst.<sup>11</sup> Immigrants and those of racialized background are 2.5 times more likely to live in poverty than all Canadian residents.<sup>12</sup>

## Refugees

With the passage of Bill C-31, the *Protecting Canada's Immigration Act* of 2012, the federal government passed regulatory changes that significantly cut down on the amount of time to file refugee claims and submit appeals to the Refugee Appeal Division, and that treat claimants differently based on the country of origin.<sup>13</sup> Through Bill C-31, the government has passed measures previously contained in Bill C-4, which give broad power to the Immigration Minister to detain asylum seekers — including women and minors 16 or above — for an extensive period of time. All these new measures will result in significant cost to Canadian taxpayers, not to mention the deprivation of the right to life, liberty and security of refugees as well as their equality right under the *Canadian Charter of Rights and Freedoms*.

## Other Bills, Regulations

Bill C-10, the omnibus crime bill, professes to protect women from being trafficked, and proposes to give overseas visa officers the power to deny women work visas for their own good and to protect them from being trafficked. Meanwhile, the government has not imple-

mented any of the recommendations that would truly make a difference to a woman who is trafficked, such as not tying the temporary resident permit to the requirement to testify in court, or clearly delineating a pathway to permanent residency and citizenship for those who wish to stay in Canada.

Bill C-10 introduced mandatory minimum sentencing, as well as increasing sentences for some crimes including petty crime. One of the outcomes is that minor, non-violent offences will require mandatory jail time, and the resulting increase in individuals thus sentenced will require that new prisons are built. This Bill will have its greatest impact on Canada's most vulnerable residents such as aboriginal people and racialized individuals of whom many are likely to be born outside Canada. Although the price tag is not known, its implementation would have significant financial costs attached. Despite major concerns from a broad segment of society, including those in law enforcement, the Bill was rushed through Parliament and became law in March 2012, less than five months after first reading.

Shortly after, the government introduced Bill C-43, which reduces the threshold for deporting immigrants who have served a criminal sentence from two years to six months. It is no coincidence that it was introduced after the passage of Bill C-10, which imposes a minimum six-month sentence for even petty crimes. The Bill aggravates the double punishment already imposed on immigrants of subjecting them to deportation in addition to serving a sentence. Included in its broad sweep is the very real possibility of deporting those who arrived in Canada as infants to countries they have never known and forcibly separating them from family.

In addition, the government has passed regulations to impose conditional permanent residence on sponsored spouses. Such regulations will trap women victims of spousal abuse in abusive relationships. While the government proposes to exempt women who are abused from this regulation, most newly arrived women do not know their rights and are often isolated within the sponsoring family. As a result, the exemption will still leave women vulnerable to spousal abuse and control. The government justified the changes on the basis of curbing marriage fraud, but has not released any evidence of its extent or shown that it cannot be addressed under existing laws.

At the same time, the government has imposed a two-year moratorium on the sponsorship of parents and grandparents. Such a measure effectively prevents Canadian permanent residents and citizens from reuniting with their parents, many of whom are an important part of the family network and provide much-needed emotional and other support to family members in Canada. The government's promise to ease the visa requirements for parents and grandparents to visit their loved ones in Canada, even if implemented, will only benefit families with sufficient funds to cover the frequent travel and associated medical insurance costs. The government portrays parents and grandparents as a burden on the Canadian society, without considering the familial and emotional support they bring and the resulting positive impact on the Canadian society.

The five-year sponsorship ban on those convicted of a violent offence came into effect in January 2012. This is a blanket ban that will prohibit anyone convicted of such offences to sponsor family members. There

is no room to look at circumstances, and the ban will effectively punish the family member who is waiting to be sponsored.

Finally, the government introduced new evidentiary (paper) proof of language proficiency on those applying for citizenship. This requirement creates new barriers to citizenship for many immigrants and refugees, especially those who are less educated and those who have no or limited access to English language programs. Even those who have lived in Canada for many years and have a sound knowledge of English will be forced to pay to take the test to provide the paper proof required.

### **Immigrant Settlement Services**

Immigrant settlement services help newcomers deal with systemic barriers, including barriers to economic integration. The federal government has different bi-lateral immigration agreements with all the provinces and territories. In 2012, the federal government reclaimed control of the administration of immigrant settlement programs in Manitoba and B.C., the only two provinces where the federal government devolved control over settlement service funding. That control allowed B.C. and Manitoba to work around federal government restrictions on eligibility for services. This loss of provincial control will likely reduce service access for immigrants. In addition, the bi-lateral agreement with Ontario has ended and the federal government is unlikely to negotiate a new one.

After increasing investment in immigrant settlement in 2006 by \$1.4 billion over five years, in December, 2010, the federal government cut \$53 million from settlement agencies and programs across Canada, excluding Quebec. The government also brought



all provinces and territories into the national funding formula that is tied to a rolling three-year average of immigrant arrival numbers in each province. Provinces that have seen an increase in immigration numbers will receive an increase in funding, some of which can offset previous cuts. However, the formula does not account for specific settlement challenges that immigrants may face in a particular province or territory.

Ontario bore more than \$43 million of the 2010 funding cuts, forcing the closure of some agencies and resulting in job losses across the sector. Ethno-specific agencies that serve racialized communities were over-represented among those who lost 100% of their settlement funding. The Ontario sector faced a further 6% cut to settlement funding in 2012.

The cuts were imposed at a time when more complex interventions are needed to facilitate labour market participation by new Canadians and to address complicated social and health issues of refugees. Apart from the destabilizing effects of the cuts, there is concern that the current investment is insufficient to address the many systemic barriers that immigrants (especially racialized immigrants) face in the settlement process.

The federal government has also closed a number of Citizenship and Immigration Canada service offices across the country. This has had the impact of increasing the service burden for immigrant-serving agencies.

### **Temporary Foreign Workers**

Employer demand for temporary foreign workers (TFWs) has continued unabated. In 2007 and 2008 more TFWS than immigrants entered Canada. In 2011, 190,842 TFWS entered Canada, representing a 6.5% increase from

2010.<sup>14</sup> Meanwhile, on April 1, 2011 changes to the TFW program came into force that, in the words of the Canadian Council for Refugees, will ensure “a revolving door of migrant workers willing to accept inferior wages and working conditions [is] available to Canadian employers.” The most problematic of the changes is the provision that there be a four-year limit on the stay of a TFW and a subsequent four-year period during which the worker is not allowed to work in Canada.<sup>15</sup> Included with this is an additional change that prohibits an employer who violates the terms of the agreement with the worker from hiring any more TFWS for a two-year period. However, the government has not implemented a mandatory employer monitoring system to protect workers. The failure of the program to protect workers was evident in the recent controversy surrounding the use of temporary foreign workers from China by a northern B.C. coal mine company, which purportedly advertised the jobs for \$10 to \$17 less than what is paid at a nearby mine for similar work.<sup>16</sup> While the federal government has since promised a review of the temporary workers program in light of this controversy, it remains to be seen what, if any, changes will be implemented.

### **Live-In Caregiver Program**

Research continues to show that family separation has a significant negative impact on families separated for long periods under this program. Findings include increasing intergenerational conflict (parent-children), a sense of alienation felt by children left behind and who join their mother years later, and general upheaval in the family. Groups such as the Canadian Council for Refugees have urged the removal of the requirement



for caregivers to live at their place of employment so as to allow them to migrate with their families as other TFWS (excluding seasonal farm workers) do.

## Employment

The 2011 report by the Wellesley Institute and Canadian Centre for Policy Alternatives found racialized workers — both immigrants and Canadian-born — are falling behind in earnings. In Canada’s colour-coded labour market, researchers found that earnings by male newcomers from visible minorities were just 68.7% of those who were white males.<sup>17</sup>

Racialized and immigrant workers are over-represented in contingent-type work and such work conditions don’t allow them to qualify for EI even though they pay into the plan. The report by the Mowat Centre EI Taskforce<sup>18</sup> concluded that workers who have not made significant contributions to the program (over time) cannot collect benefits and new immigrants and young workers are disproportionately affected. At the same time the report found unemployment among new immigrants and young workers was higher than the Canadian average. The government has yet to implement the recommendations of the report.

The majority of government investment in immigrant-centred employment programs are devoted to “improving” the immigrant. There is little or no acknowledgement of systemic labour market barriers that immigrants face and no attempt to dismantle them. Recently, non-government initiatives to educate and encourage employers to hire immigrants, and mentoring programs for internationally-trained immigrants are receiving a limited amount of government support. These initiatives have proven successful for some

immigrants and would benefit from increased government investment.

## Long-Form Census

The cancellation of the Long-Form Census has a disproportionate impact on equity-seeking groups, particularly racialized groups. To add injury to insult, while allowing certain questions based on gender to remain in the mandatory short-form census, the government refused to include questions regarding race and disability, making it impossible for these equity-seeking groups to collect any data that will assist in policy development.

The federal government has also ended funding for Canada’s Metropolis Project, a national network of researchers and a major source of data and research for immigration policy in Canada. The project will be sustained at a smaller scale. The federal government has signaled that it expects the initiative to sustain itself.

---

## AFB Actions

To address challenges faced by new Canadians and those within racialized communities, the AFB will:

- Ensure that funding in immigrant settlement services is predictable, flexible and based on the level of need of all immigrant and refugee groups.
- Provide paid internships for recent graduates from equity-seeking groups.
- Provide financial incentives for employers to practice employment equity, including tax incentives to hire, train, retain and promote workers from equity-seeking groups/backgrounds and recent im-

migrants who have been in Canada for 10 years or less.

- Reinstate the Court Challenges Program.
- Reform the Temporary Foreign Worker's program by introducing periodic rotating workplace inspections, and/or providing funding to provinces to strengthen provincial employment standards enforcement programs and create workers' rights information materials for individuals in the TFW program.
- Bring back the long-form census to ensure that Canada collects data on equity-seeking groups.
- Require all government ministries to collect, track and disclose disaggregated data for racialized groups — particularly as recommended by the Canadian Human Rights Commission in its report *Human Rights Accountability in National Security Practices*<sup>19</sup>
- Conduct an in-depth costs analysis of the implementation of the new refugee determination system and release the analysis to the public.
- Lift the moratorium on the sponsorship ban for parents and grandparents.
- Repeal the conditional permanent residence on a sponsored spouse.

## Notes

1 Statistics Canada (2011). Languages. <http://www.statcan.gc.ca/pub/11-402-x/2011000/chap/lang/lang-eng.htm>

2 Statistics Canada. (2007). Immigration in Canada: A Portrait of the Foreign-born Population, 2006 Census. Ottawa, pp. 5, 19.

3 Gilmore, Janice. (2007). The Immigrant Labour Force Analysis Series, The Canadian Immigrant Labour Market in 2006: Analysis by Region or Country of Birth. Ottawa. p.6.

4 Ibid, p.7.

5 Statistics Canada. (2008). The Immigrant Labour Force Analysis Series, The Canadian Immigrant Labour Market in 2007: Analysis by Region of Postsecondary Education. Ottawa. p.6.

6 Sheila Block, Canadian Centre for Policy Alternatives, *Ontario's Growing Gap: The Role of Race and Gender* (June 2010).

7 Ibid. p.6.

8 Ibid, p.7.

9 Ostrovsky, Yuri. (2008). Statistics Canada Analytical Studies Branch Research Paper Series: Earnings Inequality and Earnings Instability of Immigrants in Canada. Ottawa.

10 <http://www.cbc.ca/consumer/story/2007/10/29/immigration-statscan.html>

11 Leslie Cheung, October 2005. Racial Status and Employment Outcomes. Research Paper #34, Canadian Labour Congress. Ottawa: CLC.

12 Campaign 2000. *Needed: An Action Plan to Eradicate Child and Family Poverty in Canada*; Campaign 2000 Report Card — 2012. Toronto. 2012.

13 Canadian Council for Refugees: <http://ccrweb.ca/en/protect-refugees-c31-statement>

14 Citizenship and Immigration Canada. (2012). Annual Report to Parliament on Immigration 2012, Section 2: Managing Permanent Immigration and Temporary Migration.

15 Canadian Council for Refugees (2011). "Changes to the Temporary Foreign Worker Program Leave Workers Unprotected."

16 <http://bc.ctvnews.ca/coal-mine-looked-for-chinese-workers-at-lower-pay-union-1.1041983>

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

18 Mowat Centre (2011). *Making It Work: Final Recommendations of the Mowat Centre EI Taskforce*. School of Public Policy and Governance, University of Toronto. Toronto.

19 [http://www.chrc-ccdp.gc.ca/publications/srp\\_2011\\_rsp/toc\\_tdm-eng.aspx](http://www.chrc-ccdp.gc.ca/publications/srp_2011_rsp/toc_tdm-eng.aspx)

# International Development

---

## Background

### Canada, International Development, and the MDGs

On October 17, 2013, approximately six months after the federal government will have tabled Budget 2013, the world will mark the 20<sup>th</sup> anniversary of the International Day for the Eradication of Poverty. In 1993, as the United Nations (UN) began a series of international conferences on a range of social and environmental issues, the UN General Assembly designated a day to promote awareness that poverty and destitution in all countries must be wiped out.

2013 will also see donors and developing countries put forth a range of proposals to replace the Millennium Development Goals (MDGs), which expire in 2015. To be successful, this will require accepting the challenge of ensuring inclusive social and economic development, environmental sustainability and peace and security for all as a global public good.

While donor commitments at the turn of the century helped reverse the downward trend of official development assistance (ODA) spending to help countries realize the MDGs, since the global financial meltdown in 2008, many donor countries have broken past promises and begun slashing aid budgets.

As the “Global Aid Trends” chapter in the 2012 Reality of Aid report notes, after a 63% increase between 2000 and 2010, the Organization for Economic Cooperation and De-

velopment’s (OECD) Development Assistance Committee (DAC) signaled that “ODA in 2011 fell by 2.7% in real terms, breaking 14 years of real growth in aid since 1997 (discounting years of unusually high debt relief).”<sup>1</sup> DAC projections for 2013–14 are no more hopeful, anticipating a further decline in core aid resources, particularly for Africa.<sup>2</sup>

That said, several donors, including the U.K. and Australia, are bucking the trend. Despite much harder economic conditions than Canada, they have continued to honour ambitious commitments for aid increases. The U.K. will achieve 0.7% of Gross National Income (GNI) in 2013 and Australia will move from 0.32% in 2010 to 0.5% in 2016–17.

Canada, however, announced in Budget 2012 that Canadian aid will decline over the next three years. The International Assistance Envelope (IAE)<sup>3</sup> that was frozen in Budget 2010 at \$5 billion — and with it the aid budget — will now drop, relative to the 2011 budget, by more than \$350 million over the next three years to \$4.6 billion in 2014 and beyond, just ahead of the 2015 MDG milestone date.

Over the past decade, the global community has made significant progress towards achieving the MDGs. At a time when MDG commitments have begun to make a real difference in the lives of people living in poverty, now is not the time to decrease resources for international development. Europe has entered into a second recession. Growth in China is on the decline. Food prices threaten to increase again. Along with climate change, these crises continue to have a detrimental

and highly unequal impact on the lives of the poorest and most marginalized.

In 1990, 94% of people below the poverty line lived in low-income countries (LICs); twenty years later, some of these countries have “graduated” to “low middle-income countries,” and the vast majority (74%) of poor people continue to live in these middle-income countries.<sup>4</sup> Despite sometimes marginal increases in wealth, income is concentrated among a more wealthy minority and many people live precariously on the margins of poverty. This is not the time to abandon targeted aid programs aimed at increasing the capacities and sustainability of the progress made to date.

Globalization and free trade may have brought with it growth in some parts of the world, but it certainly has not been equitable — neither between countries and regions, nor within them. Ahead of 2015, we need to redouble our efforts to eradicate global poverty, and Canada must do its part, including recommit the resources required to keep its aid program on a modest growth track.

---

## Current Issues

### From Flatline to Free Fall: Canada’s International Development Budget

#### Overview of the 2012 Budget Cuts

Against this backdrop, Budget 2012 delivered a punishing message to the world’s poor. Between FY2011–12 and FY2014–15, the IAE for Canadian aid is set to decrease by 7.6%, from \$5 billion in 2011 to \$4.66 billion in 2014–15. Between 2011–12 and 2015–16, when the time period to reach the MDGs will have elapsed, Canada will have reduced Canadian ODA by close to \$1.2 billion.<sup>5</sup>

Between 2011–12 and 2012–13 alone, it is estimated that Canada’s ODA will drop by

almost \$320 million, assuming no additional supplementary estimates in 2012–13. This is equivalent to the Canadian International Development Agency (CIDA) pulling all of its funding for the Global Fund to fight HIV AIDS, Tuberculosis and Malaria (\$180 million), for water and sanitation (\$70 million), and for the World Food Programme (\$70 million).

These cuts are also projected to move Canada from 0.34% of GNI in 2010 to 0.25% of GNI by 2014–15. The last time the ODA ratio performance for Canada was as low was in 2003–04, just as Canada began to increase its aid annually by 8%.

### Where Will the Impact Be Felt?

Canada’s ODA is implemented mainly through three departments: Finance (World Bank), Foreign Affairs (UN mandatory dues) and CIDA (about 72% of ODA). Relative to 2010–11 (\$3.59 billion), the cut to CIDA’s share of ODA between 2010–11 and 2014–15 will be 8.9%. Over this period, CIDA will be completely cutting its geographic funding to eight countries (Cambodia, China, Malawi, Nepal, Niger, Rwanda, Zambia, and Zimbabwe) and will reduce program funding by \$69 million to five of its 20 countries of focus (Bolivia, Ethiopia, Mozambique, Pakistan, and Tanzania). African countries, where poverty is still endemic, are taking a big hit, with eight countries in this continent losing funding. Ten of the 13 countries affected lie in the bottom quarter of the United Nations Development Programme’s Human Development Index (HDI) ranking for 2011.<sup>6</sup> In fact, according to CIDA’s 2012–13 Plans and Priorities (RPP),<sup>7</sup> LICs will take the biggest overall cut both in terms of actual cuts and as a percentage of their budget — \$126.4 million and 13.2%. The

government will at least maintain its commitment to respond to humanitarian crises.

### **New Priorities at CIDA?**

Contrary to the ODA Accountability Act which requires that poverty reduction and human rights standards be the determining factors, Canada is following in the footsteps of other bilateral donors, who are using aid to promote their country's national economic interests. Former CIDA Minister, Beverley Oda, said as much in an interview, when asked how she separates Canada's trade and foreign policy interests from Canadian development goals. Minister Oda replied, "I really don't separate them."<sup>8</sup>

In November 2012, CIDA Minister Julian Fantino delivered a speech to the Economic Club of Canada,<sup>9</sup> confirming CIDA's intent to engage the Canadian private sector more actively in its Sustainable Economic Growth strategy. While envisaging a more engaged private sector as the only way to achieve the MDGs, he also noted the huge business opportunities available to Canadian companies in developing countries (especially in the extractive sector), and that working together, the two (aid and business) could contribute to "Canada's long-term prosperity and security."

Cognizant of the fine line that donors are treading in terms of promoting their own country's commercial interests over development objectives, the OECD-DAC's most recent Peer Review called on Canada to ensure that development objectives and partner country ownership are paramount in the activities and programs Canada supports.<sup>10</sup>

---

### **AFB Actions**

The AFB will provide leadership on a post-

2015 global framework for sustainable, inclusive and equitable growth and development for all by implementing the following:

- Help build an accountable and effective framework to ensure sustainable development outcomes for all, in particular the most marginalized and impoverished. Minister Fantino has recognized the risk that disparity in the world poses to our own security.<sup>11</sup> In 2013, the UN will be assessing progress on the MDGs and preparing the ground for 2015. The AFB provides international leadership for this agenda and proposes a set of indicators and an accountability framework that address the root causes of poverty for the post-2015 world, building on its experience with the UN Commission on Information and Accountability for Women and Children's Health.
- Increase and enhance Canada's aid commitments to end global poverty in the world. To achieve this, the AFB will follow the OECD-DAC's suggestion<sup>12</sup> and peg ODA at 0.31% of GNI (DAC donor performance as a whole) until such time as the economy recovers. Using the latest figures for GNI for 2013, 2014 and 2015 from the November Fiscal Update, this would entail increasing Canada's IAE to \$5.22 billion in 2013-14, \$5.48 billion in 2014-15 and \$5.78 billion in 2015-16.<sup>13</sup> Although the leap from 2012-13 would be a big one (\$401 million or 8.3%), subsequent years would be 5.0% and 5.5% respectively, lower than the increase the government was implementing up until 2010. Any increases would also be linked to growth of the Canadian economy and Canada's capacity to pay. In keeping with the criteria



of the Official Development Assistance Accountability Act and the recommendation of the OECD-DAC, these resources should be prioritized for the poorest and most marginalized populations in Africa.

- Enhance the quality and effectiveness of Canadian aid. In 2013, Canada needs to develop a forward-looking agenda and action plan on aid effectiveness that builds on the outcomes of the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011. Among other aspects, this should align Canadian aid spending with developing country priorities and development plans, make our spending more predictable and continue to make progress on aid transparency. Issues of ownership, harmonization, alignment, results, and accountability will become even more pressing as Canada increasingly engages new actors like the private sector. Finally, CIDA should reassess its current funding arrangements in Partnerships with Canadians Branch to align with the Busan commitment to provide an enabling environment for Civil Society Organizations (CSOs) “consistent with international rights, that maximizes the contributions of CSOs to development”.
- Echo efforts to tackle poverty abroad with leadership and robust action at home. The federal government must urgently address poverty, homelessness, and hunger in Canada starting with the adoption of national intergovernmental strategies based on national and international human rights principles including equality and non-discrimination. This should include independent monitoring and review with enforceable targets and timelines. (See the Poverty chapter on page 121.)

## Notes

**1** Tomlinson, Brian (2012). “Global Aid Trends” in *Aid and the Private Sector: Catalysing Poverty Reduction and Development?*, Reality of Aid Network. Philippines: IBON Books for the Reality of Aid Network, p. 118. On-line at <http://www.realityofaid.org/roa-reports/index/sectid/377/Aid-and-the-Private-Sector>

**2** Organization for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) (November 2011). 2011 OECD Report on Aid Predictability: Survey on Donors’ Forward Spending Plans, 2011–13. Paris: OECD. On-line at [http://www.oecd.org/document/30/0,3746,en\\_2649\\_3236398\\_46010014\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/30/0,3746,en_2649_3236398_46010014_1_1_1_1,00.html)

**3** The International Assistance Envelope contains the budgetary allocations by the federal government to programs for international cooperation. This includes allocations to CIDA, Foreign Affairs, the Department of Finance and other departments. However, not all of the allocations in the Envelope are eligible to be counted as Canadian aid or ODA. This includes some disbursements for peace and security (decommissioning of nuclear warheads in the former U.S.S.R., security programs in non-ODA eligible countries). Nor does the Envelope include all items that can be included when calculating Canadian ODA since they are allocated through other government expenditures (first year of supporting refugees from developing countries in Canada), are non-budgetary (bilateral debt forgiveness) or are imputed values (developing country students studying in Canada). Total Canadian Official Development Assistance is therefore made up of: ODA-eligible line items in the International Assistance Envelope less IAE items not eligible for Canadian ODA plus non-budgetary items that can be included as ODA.

**4** Sumner, Andy (September 2012) *Where Will the World’s Poor Live? An Update on Global Poverty and the New Bottom Billion*. Working Paper 305. Washington: Center for Global Development. On-line at [http://www.cgdev.org/files/1426481\\_file\\_Sumner\\_where\\_in\\_the\\_world\\_FINAL.pdf](http://www.cgdev.org/files/1426481_file_Sumner_where_in_the_world_FINAL.pdf)

**5** The Alternative Federal Budget interprets the cuts differently than CIDA. The AFB counts the cuts cumulatively to the flatlined \$5bn IAE, whereas CIDA counts just the individual successive cuts. For example, in 2012–13 and 2013–14, they would be \$180.7mn + \$242.1mn = \$422.8mn. For CIDA, this would be 180.7mn + (242.1mn-180.7mn) = \$242.1mn.

**6** Available on-line at [http://hdr.undp.org/en/media/HDR\\_2011\\_EN\\_Table1.pdf](http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf)

**7** The numbers included here are derived from an Order Paper that asked CIDA specific questions on the Budget 2012 cuts. Numbers here vary significantly from the numbers in the 2012 RPP. This is because the RPP was prepared prior to the Budget announcements and was only able to anticipate cuts but not their amounts. It therefore did not actually reflect the real 2012 numbers. Departments will reflect the real budget cuts in their Departmental Performance Reports (tabled Fall 2013). See Canada, Parliament (2012). *Sessional Papers*, Paper no. 578, pp. 2–22.

**8** Payne, Elizabeth (2012). “Private Sector becomes key player in Canada’s overseas aid.” *The Ottawa Citizen*, Jan. 26. On-line at <http://www.ottawacitizen.com/business/Private+sector+becomes+player+Canada+overseas/6057931/story.html>

**9** CIDA (November 23, 2012). Speaking notes for the Honourable Julian Fantino Minister of International Cooperation for the Economic Club of Canada “Reducing Poverty – Building Tomorrow’s Markets”. Ottawa: Canadian International Development Agency.

**10** Organization for Economic Cooperation and Development - Development Assistance Committee (OECD-DAC) (2012). *Canada - Development Assistance Committee (DAC) Peer Review*. Paris: OECD, p. 11. On-line at <http://www.oecd.org/development/peerreviewsofdacmembers/canadapeerreview2012.pdf>.

**11** CIDA (2012).

**12** OECD-DAC (2012).

**13** Using the estimate of GNI from the November fiscal update for each of the years 2013–14 (1,880), 2014 (1,965), 2015 (2,060), multiply the GNI (1,880) by 0.0031 to get the ODA number; then subtract refugees (280), students (160) and non-aid estimates (170) in the IAE to arrive at the aid-related IAE for 2013–14 of \$5,218 million.

# Official Languages

---

## Background

The vitality of Official Language Minority Communities (OLMCs) and linguistic duality are core values and help build a strong, unique Canadian identity. In fact, ever since the *British North America Act*, French and English have had special status as languages in Canada. In 1969, to implement the recommendations of the *Commission on Bilingualism and Biculturalism*, the federal government passed the *Official Languages Act*. This legislation, which has since been amended, covers the status equality, usage rights and privileges of French and English as Canada's official languages and seeks to better define the support that the federal government must provide to OLMCs for promoting the development of francophone and anglophone minorities. This legislation also sets out the powers and obligations of federal institutions with respect to official languages. In 1982, the *Canadian Charter of Rights and Freedoms* strengthened the Canadian government's commitment by codifying French and English as the country's two official languages and by entrenching them in our constitution.

Over the years, the federal government has equipped itself with many tools for properly fulfilling its official language commitments. Among those efforts, there is the creation of the Commissioner of Official Languages position, a set of federal-provincial/territorial agreements, the creation of the *Official Languages Support Programs* at the Department of Canadian Heritage, as well as implementa-

tion of the *Action Plan for Official Languages* and the *Roadmap for Linguistic Duality*, two horizontal initiatives that consolidate a number of initiatives intended to support the vitality and development of official languages and linguistic duality in Canada.

The federal government's investments supporting the development of official language minority communities have helped establish a strong organizational and institutional network made up of associations, schools, colleges, theatres, galleries, artist centres, cultural and community centres, etc., that is the product of the ceaseless work of thousands of stakeholders across the country. Today, it is a service continuum that ensures the community, cultural, economic and educational development of 2.6 million francophones and nearly 1 million anglophones in Quebec who live in a minority situation in the country.

The government has also invested considerable amounts in supporting Canadians who wish to learn the other official language. Second language education is still a priority investment that produces concrete results throughout the country. In fact, the number of students registered in immersion programs across the country is remarkable (over 1.8 million students across Canada, according to Canadian Parents for French), and the number of Canadians who know both official languages continues to increase.

Interest in official languages has not stopped growing, and Canada's two official languages are more vibrant than ever. At the same time, due to the contribution of French



language immigration, the face of Canadian *francophonie* is increasingly diversified.

---

## Current Issues

Over the coming year, the Government of Canada will launch a new official languages strategy that will be the successor to the *Roadmap for Linguistic Duality*, which expires in March 2013. It will renew all the federal-provincial/territorial agreements in minority language and second language education, as well as the federal-provincial/territorial agreements supporting the development of OLMCS. It is therefore a pivotal year for the future of official languages in Canada.

However, the amounts allocated through these various mechanisms have barely increased in 20 years, with the result that the intervention power of the organizations that deliver services has been slowly whittled away. The government must not only renew the amounts allocated to OLMCS, it must enhance its investments. Therefore, it is important for the amounts needed for this to be provided for in the 2013 federal budget.

---

## Actions

The AFB will strengthen service delivery capacity in the minority language through increased investment in funding the programming of OLMC organizations, associations and networks. Those programming investments will be indexed with the current cost of living. Such support would ensure that the association environment, a major employer for OLMCS and an essential service-delivery partner, would be better able to develop and retain a specialized, high-end workforce and

provide adequate services to citizens. That investment would add many high-quality jobs, which will contribute to the economic growth of the regions and the country as well as to the community and cultural development of OLMCS over the coming years.

The AFB will renew the federal government's commitments in the *Roadmap for Linguistic Duality*, by launching a new horizontal framework on official languages. To better maximize returns on the government's investments as part of the next Roadmap, the AFB will double the amounts available for the key initiatives in step with the provinces/territories (intergovernmental components of various programs) that will be included in the next Roadmap, over the amounts invested from 2008 to 2013. (Cost: \$200 million/year)

Lastly, the AFB will enhance the government's investments by incorporating the following initiatives into the strategy that will follow on from the Roadmap:

- \$2.5 million over 5 years for a market and audience develop program for OLMC artists and arts organizations;
- A programming contribution equal to 30% of the annual budgets of community radio stations and community newspapers in OLMCS to ensure their long-term survival; (Cost: \$10 million/year)
- Creation of an initiative promoting increased integration of arts and culture into French language education, and increased participation of young people in artistic and cultural activities outside the school environment. (Cost: \$10 million/year)

# Post-Secondary Education

---

## Background

Since the federal funding cuts of the mid-1990s, an increasing portion of the cost of post-secondary education has been passed on to students and their families. Although post-secondary education is within the jurisdiction of provincial governments, the federal government also has a responsibility to ensure the best possible system of post-secondary education and has the ability to use its spending power to intervene without altering the Constitution's division of powers. Despite the federal government's significant role in post-secondary education, Canada is one of few industrialised countries without a national oversight for higher education.

Between 1979 and 2009, government grants as a share of university operating revenue plummeted from 84% to nearly 58%. As a direct result, the share of university operating budgets funded by tuition fees more than doubled during the same period of time, from 12% to 35%.<sup>1</sup> Unsurprisingly, in the last 15 years, tuition fees have become one of the largest expenses for university and college students, increasing on average over five times the rate of inflation.

In 2012–13 alone, average tuition fees in Canada increased by 5% to a total of \$5,581. Combined with additional compulsory fees that most institutions charge to circumvent provincial tuition fee regulation, total average undergraduate fees climbed to over \$6,331.<sup>2</sup> In specialised programs such as medicine, law, and dentistry, students often pay three

or more times the Canadian average, driving student debt for many future health professionals into the six-figure range.

The most recent funding increase for post-secondary education came with the 2009 economic stimulus budget: \$2 billion was allocated for college and university infrastructure. Though this funding provided much-needed material resources on campus (as well as an economic stimulus to the economy), it did little to resolve the gap in core funding.

The 2012 federal budget provided no increase in core funding for post-secondary education and did little to address barriers to access and the student debt crisis.

---

## Current Issues

### Core Funding

Starting in 1967, federal funding was provided on a cost-sharing model. The provinces made spending decisions and administered the system and the federal government matched their spending dollar-for-dollar. Under this arrangement, federal expenditures on higher education tripled. In 1977, the government abandoned this cost-sharing model and introduced the Established Program Financing (EPF) framework, whereby funds were transferred through tax points and cash transfers. The EPF was replaced by the Canada Health and Social Transfer (CHST) in 1996 and the Canada Social Transfer (CST) in 2004. These changes not only reduced the overall funding allocated to the transfer, but also reduced

the accountability of transfers to the provinces for post-secondary education and provided no guarantee that federal monies intended for post-secondary education would reach students and their families. Thus, the level of funding for the transfer reached its peak in 1981 at 0.56% of GDP, before declining through the remainder of the 1980s and 1990s to reach a low of 0.15% in 2005. Currently, the federal transfer for post-secondary education stands at 0.21% of GDP.<sup>3</sup> The CST will be re-negotiated in 2014. These inter-governmental negotiations provide an opportunity for the federal government to play a much stronger role in funding post-secondary education.

The 2007 federal budget took a step in the right direction by earmarking increased funds for post-secondary education, but while it seemingly added some degree of transparency, provincial governments are still under no obligation to ensure that federal monies transferred to them are actually directed to increasing the quality of post-secondary education. There is consensus in the post-secondary education community that the current design of transfer payments is insufficient to meet any objectives set out by the federal government for post-secondary education.

The Canadian Federation of Students estimates that the federal contribution is \$1.7 billion short of 1992–93 levels<sup>4</sup> after university-specific inflation and enrolment growth are factored in. Lagging federal funding for colleges and universities is directly connected to higher tuition fees, as costs are passed on to students. As the value of federal transfers diminished in the 1990s, tuition fees for full-time students increased significantly from an average of roughly \$1,460 in 1990 to over three times that in 2012 of \$5,581. Lower lev-

els of funding also impair the ability of institutions to hire an adequate number of instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.<sup>5</sup>

This situation was not inevitable, nor is it now beyond government control. A similar situation existed with federal funding for health care, until the introduction of the Canada Health Act in 1984. This act established guiding principles to maintain high standards in quality and accessibility, and made federal funding conditional on these principles being respected.

### **Student Financial Aid**

Past government decisions at the federal and provincial levels are forcing students and their families to assume more education-related debt than any previous generation, during a time when earnings for the majority of families have been stagnant for the past 20 years. High tuition fees and an increasing reliance on loans have pushed student debt to historic highs. In 2011, the total amount of student loans owed to the government approached \$15 billion, the legislative ceiling set by the Canada Student Financial Assistance Act. This figure only accounted for a portion of total student debt; it did not include provincial and personal loans, lines of credit, and education-related credit card debt. In response, the government altered the definition of "student loan" to exclude over \$1.5 billion in federal student debt and amended the Canada Student Financial Assistance Act to increase the limit to \$19 billion while at the same time dramatically reducing parliamentary oversight of the program.

Student debt driven by high tuition fees has been linked to lower degree completion

rates and a reduced likelihood of continuing studies beyond a bachelor's degree or college diploma. Heavy debt loads are also a negative factor in an already weakened economy. Student loan obligations reduce the ability of new graduates to start a family, work in public service careers, invest in assets, build career-related volunteer experience, or take lower-paying work in order to get a "foot in the door."<sup>6</sup>

In fall 2009, the federal government established the Canada Student Grants Program (CSGP). This new program greatly increases support for students but, in order to meaningfully reduce student debt, a much larger investment is required. The CSGP will distribute roughly \$614 million this year, while the Canada Student Loan Program expects to lend \$2.3 billion.

Although a substantial amount of funds are being distributed through the CSGP, it pales in comparison to the \$2.81 billion the government spends on education-related tax credits and savings schemes. Despite their large price tag, federal tax expenditures are a poor instrument to either improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. The federal government is diverting vast sums of public funding where they are not necessarily required.

The non-refundable education and tuition fee tax credit alone will cost the federal government over \$1.54 billion this year. Tax credits are found to disproportionately benefit wealthy families.<sup>7</sup> For those students who do earn enough to claim the credits and get money back on their taxes at the end of the financial year, these rebates do little to help them afford tuition fees in the first semester.

## First Nations Students

The federal government has both a moral and legal responsibility to provide for the well-being of First Nations peoples, including access to post-secondary education. First Nations' rights and treaty rights, including the right to access education, are recognized and affirmed in the Canadian Constitution Act of 1982. These rights are further recognized in the United Nations Declaration on the Rights of Indigenous Peoples, which Canada endorsed in 2010. The Post-Secondary Student Support Program (PSSSP), which is only available to status First Nations and Inuit students, is the primary mechanism by which status First Nations students receive financial support from the federal government.

Since 1996, annual growth in funding for the PSSSP has been capped at 2%. With inflation, population growth, and tuition fee increases in most jurisdictions, this cap actually results in an annual *decrease* in per-capita funding. In fact, the number of First Nations students receiving funding from the PSSSP declined from 22,938 in 1997 to 18,729 in 2009. It is estimated that between 2006 and 2011, over 18,500 students were denied funding, with roughly 3,200 more students per year denied funding since as a result of the funding cap.

This is not solely a matter of equity of access. It is also estimated that the additional GDP contribution of First Nations peoples, if all educational attainment gaps were closed between First Nations and non-First Nations populations, would exceed \$400 billion over a 25-year period.<sup>8</sup>

## University Research

A highly educated workforce is the foundation of a knowledge-based economy. Graduate students are instrumental in the production of basic research that lays the groundwork for future innovation and a better and broader understanding of our world.

Recent federal budgets have invested heavily in university research. However, much of the investments are directed towards producing a commercially beneficial end product, while offering comparatively little new investment to basic research. By funding a narrow range of research disciplines — mostly in science, engineering, and business — funding decisions have led to a deterioration of a comprehensive research environment based solely on the academic merits of the work. Federal granting councils have seen a steady decline in base funding over the past five years. Since 2007, funding for the Social Sciences and Humanities Research Council (SSHRC) has decreased by 11%; the Natural Science and Engineering Research Council (NSERC) saw funding decline by 1.2%; and the Canadian Institutes of Health Research (CIHR) saw a 4.1% drop in funding.<sup>9</sup>

The federal government's science and technology strategy is focussed on generating products that can yield short-term results, with little consideration to long-term innovation. In addition, federal funding increases directed towards market-driven research programs are leading to an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada lagging behind other OECD countries<sup>10</sup> in private-sector investment in in-house research and development capacity. As this trend deepens, Canada's private-sector research and de-

velopment infrastructure will give way to a publicly backed university system that does not have a consistent track record of bringing innovation to the marketplace.

---

## AFB Actions

- The AFB will introduce a new, dedicated post-secondary education cash transfer, to be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom. This new cash transfer will return post-secondary funding to pre-1992 levels by 2014–15, allowing for the reduction of tuition fees. (Cost: \$1.7 billion/yr.)
- The AFB will eliminate the need for new federal student loans by increasing the value and number of up-front grants available to students. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes to up-front grants through the Canada Student Grants Program.<sup>11</sup> (Savings: \$1.5 billion/yr, Cost: \$1.5 billion/yr, Net Cost: \$0.)
- To reduce socio-economic disparities between First Nations and non-First Nations students, the AFB will remove the cap on funding for the Post-Secondary Student Support Program and increase funding and expand eligibility to meet the needs of all First Nations post-secondary students. The AFB will also clear the backlog of students who have been denied funding (see the First Nations chapter on page 77). (Cost: part of \$800 million/yr education investment in First Nations chapter.)

- Recognizing the importance of funding based on an independent, peer-reviewed, and merit-based approach, the AFB increases the federal granting agencies' base budgets by 10%, with greater funds allocated to the social sciences and humanities.<sup>12</sup> (Cost: \$231 million/yr.)
- The AFB will increase the number of Canada Graduate Scholarships to 3,000 — consistent with the average growth of the program since 2003 — to be distributed proportionally among the research granting councils according to enrolment figures. (Cost: \$17 million/yr.)

## Notes

- <sup>1</sup> *Almanac of Post-Secondary Education in Canada*. Canadian Association of University Teachers (2012).
- <sup>2</sup> *The Daily* (2012). University Tuition Fees. Ottawa: Statistics Canada.
- <sup>3</sup> *Almanac of Post-Secondary Education in Canada*. Canadian Association of University Teachers (2012).
- <sup>4</sup> [http://www.cfs-fcee.ca/downloads/CFS-2011-Public\\_Education\\_for\\_the\\_Public\\_Good-EN.pdf](http://www.cfs-fcee.ca/downloads/CFS-2011-Public_Education_for_the_Public_Good-EN.pdf)
- <sup>5</sup> Newstadt, Eric. "Key Performance Indicators: A Policy Critique." November 25, 2012. <http://citizenspress.org/pdfs/key-performance-indicators-a-policy-critique-1>
- <sup>6</sup> UK Higher Education Statistics Agency, 2012: <http://www.bbc.co.uk/news/uk-wales-17663300>;
- Kwong, Jeff C. et al. "Early Effects of Rising Tuition Fees on the Medical Student Population." *Canadian Medical Association Journal* Vol. 166, No. 8, April 2002.
- Ontario Bar Association. "Money, Jobs, and Fear: Tuition report from the OBA student division." *Young Lawyers' Division Newsletter*, Vol. 10, No. 2, January 2003.
- <sup>7</sup> Registered Education Savings Plans: A Grant Program for the Wealthy, CFS Research, 2012.
- <sup>8</sup> Sharpe, Arsenault, Lapointe, Cowan. (2009). "The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance." Ottawa: Centre for the Study of Living Standards.
- <sup>9</sup> Canadian Association of University Teachers. "Statement Regarding the 2012 Federal Budget". [http://www.caut.ca/uploads/2012\\_CAUT\\_FinanceBrief.pdf](http://www.caut.ca/uploads/2012_CAUT_FinanceBrief.pdf)
- <sup>10</sup> *The Global Competitiveness Report 2012–13*. World Economic Forum (2012).
- <sup>11</sup> Canadian Federation of Students. (2010). *Post-Secondary Education Tax Credits: Billions in misdirected "financial aid"*. Ottawa: Canadian Federation of Students.
- <sup>12</sup> Specifically, increase granting portions of NRC, CIHR, SSHRC, NSERC by 10%.



# Poverty and Inequality

---

## Background

The Occupy Movement and a growing chorus of national and international reports have propelled the issue of income inequality onto the public stage — and with it renewed calls for governments to tackle the problem.

At the sub-national level, all the provinces and territories with the exception of British Columbia and Saskatchewan have poverty-reduction plans in place or in development. At the federal level, in 2009, all parties supported a House of Commons motion directing the federal government to “develop an immediate plan to eliminate poverty in Canada for all.” A Senate report the same year also urged the federal government to “adopt a poverty-eradication goal.”<sup>1</sup> In November 2010, a House of Commons Committee released a report on the federal role in poverty reduction, recommending “That the federal government join with the provinces to introduce an action plan for reducing poverty in Canada.”<sup>2</sup>

Thus far, all that has occurred federally is that a group of MPs has formed an all-party anti-poverty caucus. While most provincial governments are taking steps, the Government of Canada has the lead responsibility for poverty rates among Aboriginal people, seniors, children, recent immigrants, and people with disabilities. It must also ensure Canada abides by the relevant conventions to which we are signatory, such as the International Covenant on Economic, Social, and Cultural Rights.

For millions of Canadians, the economic crisis is far from over. Hundreds of thousands have exhausted their EI coverage and are discovering a provincial social assistance system that is a shadow of what it was during the recession of the early 1990s. Real welfare benefit rates are much lower, while new rules have made provincial assistance much less accessible, often forcing people to liquidate their savings before receiving help.<sup>3</sup> Those in desperate need of income support — due to a job loss, the loss of a spouse, the loss of good health, old age, or any number of other life circumstances — find that the social safety net meant to catch them has been shredded.

Yet there is nothing inevitable about poverty in a society as wealthy as ours. Evidence from other countries demonstrates how governments that commit to bold action plans get results.<sup>4</sup> Canada had a similar experience when we chose to tackle poverty among the elderly in the 1960s: as a result, the lowest rate of poverty for any demographic group in Canada has been, by far, that for seniors.

## Inequality

Poverty and income inequality are distinct yet related phenomena. Without question, reducing poverty is a matter of urgency. But inequality shapes our view of that urgency. International research reveals an important link: the higher the rate of inequality among people, the higher the rate of poverty that is tolerated.<sup>5</sup> That could explain why high poverty levels have continued to be politic-

ally abided in Canada, even when the economy was firing on all cylinders.

Between 1997 and 2007, the Canadian economy enjoyed the most sustained period of robust growth since the 1960s, resulting in a gradual decline in the prevalence of poverty.<sup>6</sup> Simply put, when there are jobs, people work. But this period also witnessed unprecedented growth in income inequality. By 2010, the average after-tax income of the richest 10% of non-elderly households was 21 times that of the average incomes of the poorest 10%, and rising. That's much higher than for much of the 20 years preceding the mid-1990s, when average incomes of the richest were between 13 and 15 times that of the poorest. The richest 1% enjoyed 32% of all income gains from economic growth in the decade before the crisis, and their share of total income rose to almost 14%, rivaling the levels of the Roaring Twenties.<sup>7</sup> In the wake of the crisis, there are no signs that these trends are abating. And while inequality in Canada may be less extreme than in the U.S., according to a recent report by the Conference Board of Canada, it is growing at a faster rate here.<sup>8</sup>

Income inequality in Canada is also highly racialized. As a March 2011 CCPA report notes, “a colour code is still at work in Canada’s labour market.” The study found that racialized Canadian workers earned only 81.4 cents for every dollar paid to non-racialized Canadian workers.<sup>9</sup>

In very concrete terms, in more unequal societies the rich bid up the cost of basics, such as housing, causing affordability problems for lower-income households.

The squeeze-play on household incomes (downward pressure on wages, rising costs) is being managed by higher household debt

or just spending less. And so it turns out that rising inequality is bad for business too.<sup>10</sup>

## **We All Pay for Poverty and Inequality**

Study after study links poverty with poorer health and higher health care costs, higher justice system costs, more demands on social and community services, more stress on family members, and diminished school success, not to mention huge costs associated with reduced productivity and foregone economic activity.

A study published by the Ontario Association of Food Banks calculated the cost of poverty in Canada to be between \$72.5 billion and \$86.1 billion (or about 6% of Canada’s GDP).<sup>11</sup> A more recent report by the National Council of Welfare (shortly before the Harper government cut its funding) notes:

- “The poverty gap in Canada in 2007—the money it would have taken to bring everyone just over the poverty line — was \$12.3 billion. The total cost of poverty that year was double or more using the most cautious estimates.”
- “There is a consistent pattern of studies from Canada and other countries showing that investing to eliminate poverty costs less than allowing it to persist.”<sup>12</sup>

And just as we all pay for poverty, so too inequality itself is correlated with a host of higher societal costs. The groundbreaking work of epidemiologists Richard Wilkinson and Kate Pickett, for example, surveys industrialized countries and finds that income inequality is correlated with a great number of social ills, including more addiction and mental health problems, more teenage pregnancy, and more violence and crime. Critic-

ally, their evidence shows it is not just the poor who experience worse health in more unequal societies, but middle- and upper-income households as well.<sup>13</sup>

Recent academic attention has turned to the fact that greater income inequality is linked to diminished generational income mobility.<sup>14</sup> This speaks directly to the widely held Canadian value of equality of opportunity. And in concrete terms, when inequality means lower-income children are more likely to remain poor, we are all denied their future economic contributions. Given an aging population, the economy of the future can ill afford to discount the skills and contributions of a significant and growing share of the next generation.

---

## Current Issues

### The Case for a Federal Plan

Employers are looking to trim costs, and increasingly expect workers to accept wage and benefit cuts in return for the privilege of working. Job growth has been concentrated in temporary positions and self-employment in the private sector, while in the public sector, it has been due to health care and stimulus spending (now coming to an end). Thus far the private sector has shown no signs it will add enough jobs to fill the breach, let alone jobs offering similar incomes or benefits. Even without a further downturn, the number of working poor is increasing.

Indeed, a majority of poor people live in households with people employed in the paid labour force. While deep poverty is primarily a story of inadequate provincial social assistance, the breadth of poverty is primarily a low-wage story. This reality is only worsened

by increasing inequality in earnings, and by the Harper government's approval of increasing numbers of temporary foreign workers, whose acceptance into Canada now outpaces that of economic immigrants, for the first time in our history.<sup>15</sup>

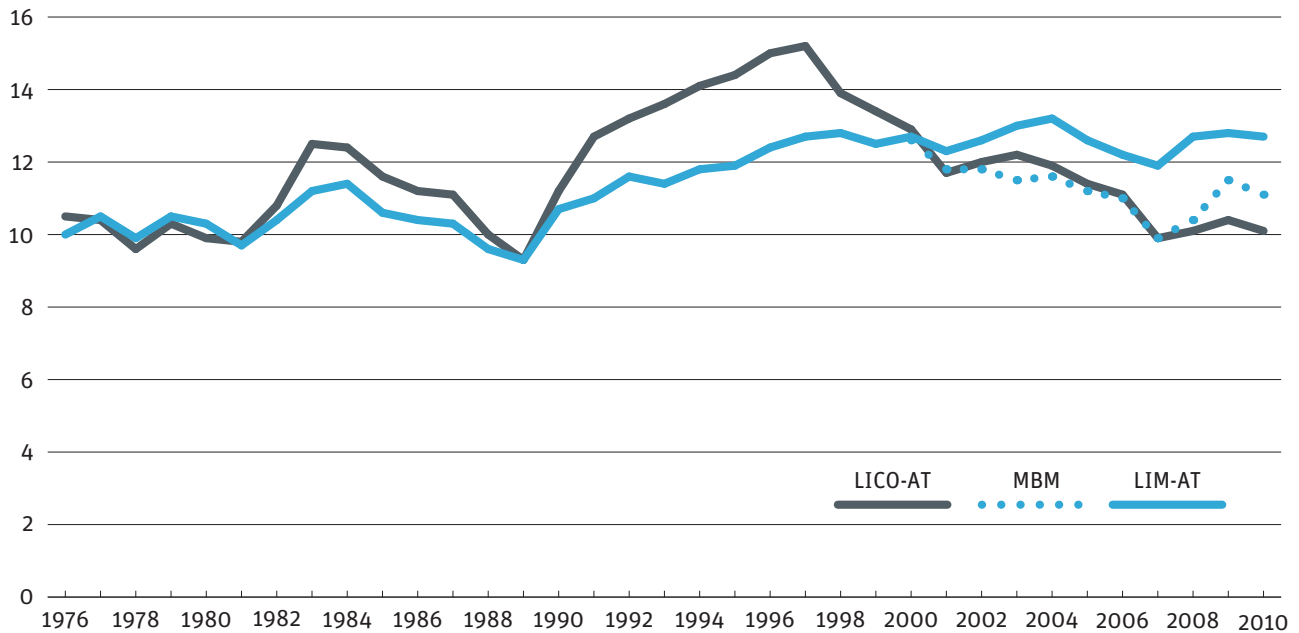
Historically low levels of income support and a growth in insecure, poor-paying jobs led an estimated 882,000 individuals to food banks across Canada in March 2012, an all-time high and a 31% increase over the same month in 2008 (before the recession hit).<sup>16</sup>

Poverty rates in Canada moved upwards with the onset of the recession. According to Statistics Canada's low-income cut-off after-tax (LICO-AT), in 2010, the overall poverty rate returned to its pre-recession level (a low of 9%).<sup>17</sup> But other poverty measures tell a different story. According to Statistics Canada's low-income measure (LIM), the poverty rate in 2010 remained at 13%, well above its pre-recession level.

As *Figure 14*, a chart of poverty rates for adults in Canada, shows, the choice of measure speaks to different trends.<sup>18</sup>

Depending on the measure used, between three and four million Canadians — more than 600,000 of them children — live in poverty. In First Nations families, one in four children live in poverty. Poverty rates are also higher for recent immigrants, off-reserve Aboriginal people, and people with disabilities. Campaign 2000's most recent report card notes that a greater proportion of Canadian families raising children are living in poverty today than in 1989, when parliamentarians of every political stripe committed to eliminating child poverty by the year 2000. The rate of child poverty was higher despite the fact that Canada's inflation-adjusted GDP grew from roughly \$800 billion in 1989 to \$1.3 trillion in

**FIGURE 14** Adult Poverty Rate in Canada (18–64), Three Measures



2010. Of concern, 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, full-year (36% in 2010, compared to 33% in 1989).<sup>19</sup>

For these Canadians, the issue is not just making ends meet, but being able to plan for the future, develop skills, or participate in the social, cultural, and political life of their communities. Temporary bouts of poverty may be overcome, but evidence shows that the depth of poverty is deepening and its duration lengthening, leaving a scarring legacy on individual lives and communities across the country. Persistent poverty represents a violation of economic and social rights enshrined in international law, and a squandering of human potential.

## AFB Actions

### Setting Clear Targets

The AFB adopts the following indicators, targets, and timelines:

- Reduce Canada's poverty rate by 25% within five years (by 2018), and by 75% within a decade.
- Ensure the poverty rate for children and youth under 18, lone-mother households, single senior women, Aboriginal people, people with disabilities, and recent immigrants also declines by 25% in five years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations.

- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line.
- In two years, ensure there is sufficient emergency shelter that no one has to sleep outside, and within 10 years ensure there is sufficient stock of quality, appropriate, and affordable housing for all Canadians.
- Reduce the number of Canadians who report both hunger and food insecurity by half within two years.
- Reduce, every year, the share of workers earning less than two-thirds the median wage.

To achieve these targets, the AFB will take action in the following key policy areas:

1. Establish a legal framework by which the federal government will provide leadership on poverty and inequality issues.

- Work collaboratively with the provinces, territories and Aboriginal organizations to renew and extend the Canada Social Transfer.

2. The AFB introduces a new federal transfer payment to the provinces, tied to helping them achieve their poverty-reduction goals (as recommended in the 2010 HUMA report).

This innovative transfer will be worth \$2 billion in both the first and second year, over and above the costs associated with the federal measures outlined below. It is specifically designed to assist provinces and territories to meet clear poverty-reduction targets. In the first year, there are no strings attached to the transfer. In subsequent years, however, only provinces that demonstrate improvement in income supports and show progress on a number of other outcome indicators will

continue to receive federal support. The intent of this transfer is to ensure that the lion's share of these funds helps provinces improve social assistance and disability benefit rates and eligibility.

3. Provide adequate and accessible income supports.

- Legislate an Act to reinstate minimum national standards for provincial income assistance (to ensure that welfare is accessible and adequate).

- Immediately double the refundable GST credit and lengthen the phase out to include more families. (Cost: \$4.3 billion/yr.)<sup>20</sup>

- Increase the Canada Child Tax Benefit to a maximum of \$5,400 per child. (Cost: \$1.5 billion/yr.)

4. Improve the earnings and working conditions of those in the low-wage workforce.

- Re-establish a federal minimum wage (set at \$12 and indexed to inflation).

- Commit the federal government to becoming a Living Wage employer, and ensure that federal contracts go only to service providers who similarly pay the Living Wage.<sup>21</sup>

- Review and scale-back the Temporary Worker Programs, and extend to those who come to Canada for work landed immigrant status with full labour rights.

5. Prioritize the needs of those most likely to be living in poverty.

- The plan focuses its efforts on those groups with higher poverty rates, such as Aboriginal people; people with disabilities, addictions and mental illness; recent im-

migrants and refugees; single-support mothers; and single senior women.

6. Address homelessness and the lack of affordable housing.

- Pass a National Housing Strategy (see the Housing chapter on page 96).
- Immediately start building *new* units of social housing (not counting conversions, rental subsidies, or shelter spaces), starting with at least 20,000 units per year.

7. Provide universal publicly funded child care.

- Within one year, develop a comprehensive plan and timeframe for the implementation of a high-quality, universal, publicly funded Early Learning and Child Care program. Initial phase-in should start immediately (see the Child Care chapter on page 58).

8. Provide support for training and education.

- Immediately increase the availability of post-secondary grants for low-income students, and increase overall transfers for post-secondary education (see the Post-Secondary Education chapter on page 116).
- As part of a Green infrastructure initiative, provide Green Jobs apprenticeship training to the unemployed and to economically marginalized groups (Aboriginal people, women, recent immigrants, etc.), so that they gain skills in the higher paid jobs that will be in high demand as we take action on climate change (see the Sectoral Development chapter on page 135).

## Reducing Inequality

The AFB's comprehensive strategy to tackle the growing gap in Canada will be based on a five-point plan:

1. Halt and reverse Canada's drift towards an economy based primarily on resource extraction and a low-paid service sector by establishing an industrial policy that emphasizes the creation of value-added jobs in the primary sector of the economy, rebuilds manufacturing capacity with well-paid jobs, and invests in R&D to accelerate energy-efficient production and use of sustainable energy sources.
2. Enhance the infrastructure and public services upon which most Canadians rely (child care, housing, transit, etc.), thereby stretching paycheques and improving the purchasing power of the broad middle class.
3. Rebalance the bargaining relationship between capital and labour. A larger share of Canada's income is going to corporate profits, at the expense of wages. This trend can be reversed by measures that support collective bargaining, enforce and enhance the employment standards of vulnerable workers, and rethink the use of temporary foreign workers. The federal government has a leadership role to play on all these fronts.
4. Prioritize improvements in the incomes of all low- and middle-income households (better public pensions, higher minimum wages, the widespread adoption of living wage policies, and improved supports for the ill, unemployed, young and old).



5. Increase the progressivity of Canada's overall tax regime, and reduce tax exemptions for high income and highly profitable corporations. (See the Tax chapter.) These two sets of measures would better offset rapid growth in market income inequality and raise more public revenues required to provide better services for all Canadians and tackle poverty.

## Notes

- 1 The Standing Senate Committee on Social Affairs, Science and Technology. (December 2009). *In from the Margins: A Call to Action on Poverty, Housing and Homelessness*. Ottawa: Report of the Subcommittee on Cities.
- 2 The House of Commons Standing Committee on Human Resources, Skills and Social Development, and the Status of Persons with Disabilities. (November 2010). *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*. Ottawa: Report of the HUMA Committee. p. 249.
- 3 For a full review of provincial social assistance rates and eligibility rules, see: National Council of Welfare. (2010), *Welfare Incomes, 2009*. Ottawa: NCW.
- 4 See for example, Waldfogel, Janet (2008). "Improving Policies for the Working Poor: Lessons from the UK Experience." *Policy Options*. September.
- 5 Fortin, Pierre. (2010). "Quebec is Fairer", *Inroads*, Winter/Spring, Issue No. 26, pp. 58–65.
- 6 Statistics Canada. (2012). *Incomes in Canada 2010*, CANSIM Table 202-0804
- 7 Yalnizyan, Armine. (2010) *The Rise of Canada's Richest 1%*. Ottawa: Canadian Centre for Policy Alternatives.
- 8 See: <http://www.conferenceboard.ca/hcp/hot-topics/worldInequality.aspx#anchor6a>

9 Block, S., and Grace-Edward, G. (2011). *Canada's Colour Coded Labour Market: The Gap for Racialized Workers*. Ottawa: CCPA and Wellesley Institute.

10 See <http://www.canadianbusiness.com/article/39123--inequality-is-bad-for-business>

11 Laurie, Nathan. (2008). *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario*. Toronto: Ontario Association of Food Banks.

12 National Council of Welfare. (2011). *The Dollars and Sense of Solving Poverty*. Ottawa: NWC, p. iv.

13 Wilkinson, R., and Pickett, K. (2009). *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London: Penguin Allen Lane.

14 Corak, M., Curtis, L., Phipps, S. (2010). *Economic Mobility, Family Background, and the Well-Being of Children in the United States and Canada*: [http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp\\_id=4814](http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp_id=4814)

15 Yalnizyan, A. (2012). "Changes to Immigration Policy Could Transform Society" *The Globe and Mail*, May 3: <http://www.theglobeandmail.com/report-on-business/economy/economy-lab/changes-to-immigration-policy-could-transform-society/article4105208/>

16 Food Banks Canada. (November 2012). *Hungercount 2012*. Toronto.

17 For a helpful summary of the most recent poverty trends, see Citizens for Public Justice. (2012). *Poverty Trends Scorecard: Canada 2012*. Ottawa.

18 The chart also includes the more recent market-basket measure (MBM), which shows little recovery since the recession. But some methodological concerns have been raised about the MBM. See: <http://www.policyalternatives.ca/publications/commentary/how-destroy-good-poverty-line>

19 Campaign 2000. (2012.) *Needed: A Federal Action Plan to Eradicate Child and Family Poverty in Canada - 2012 Report Card*. Ottawa, November 21. <http://www.campaign2000.ca/reportCards/national/C2000ReportCardNov2012.pdf>

20 Specifically the Federal Sales Tax for filer, for spouse and for dependents is doubled. The credit reduction rate has been changed from 0.05 to 0.037. The credit reduction level remains unchanged. This analysis is based on Statistics Canada's Social Policy Simulation Database and Model. The assumptions and calculations underlying the simulation results were prepared by David Macdonald and responsibility for the use and interpretation of these data is entirely that of the authors.

21 The living wage is understood here to be the living family wage, as calculated by the CCPA for numerous Canadian cities. For more on this definition and methodology, see: <http://www.policyalternatives.ca/livingwage2012>

# Sustaining Public Services

---

## Background

Strong, effective public services are essential to address the challenges Canadians face. Publicly owned and operated services are more efficient, less expensive, of higher quality, and more accountable than privatized services. They have been shown repeatedly to reduce inequality and promote economic, social, and environmental security.

The 2012 federal budget announced direct cuts to ongoing spending of \$5.2 billion and cuts of 19,200 public service workers over three years. Ordinarily, personnel estimates and services would be detailed in the Reports on Plans and Priorities (RPPs) that the government publishes around the time the budget is released. In an unprecedented move, seemingly designed to hide the impacts of personnel cuts on services, the government eliminated this information from the RPPs when they were finally released.<sup>1</sup>

---

## Current Issues

### Attacks on Public Services Are Part of a Broader Agenda

Government spending cuts are undermining the ability of public service workers to do their jobs. Important environmental and human rights protections are being eliminated along with the public service workers who regulate and enforce them. Other important services are being stripped of resources. The ability of workers and seniors to collect em-

ployment insurance and old age benefits, of statisticians to collect statistics, of veterans to access services to which they're entitled, of regulators to protect the food supply — all are being undermined. Ideological decisions that celebrate austerity and the undemocratic protection of global investor rights are transferring correctional, health care, and other regulatory costs and burdens to provinces and municipalities.

### Debt and Austerity

The current government pretends to address the deficit through cuts to public spending and the public sector. In reality, public costs are transferred to the private sector and downloaded to the public, with questionable, if any, impact on the deficit. In any other sector the deliberate elimination of 30,000 well-paying jobs<sup>2</sup> over seven years would be viewed a travesty and a failure, especially when unemployment has stubbornly remained above 7% and the jobs being created are temporary and low-paying. A recent paper from the Chief Economist of the International Monetary Fund concludes that austerity has a depressing effect on weak economies, and that the premature turn to austerity in the EU and the U.K. has made things worse. Deficits haven't been reduced. In fact, deep spending cuts have slowed the economy in those countries causing increased unemployment and reduced revenues. The U.K.'s deficit has actually increased.<sup>3</sup>

The full onslaught of cuts and the collateral damage to the Canadian economy have yet to be fully absorbed. It is unlikely, however, that the public service cuts announced now will have much impact on Canada's relatively small deficit. Any savings will likely be short-term and, in the case of regulatory cuts to the environment, food safety, and health, lead to crises and long-term costs for future generations.

### **Privatization and Public-Private Partnerships**

Privatization can be defined as "the transfer of responsibility and control from the public sector to the corporate and voluntary sectors, or to families and individuals."<sup>4</sup>

Public Private Partnerships (P3s), sometimes called Private Finance Initiatives, Strategic Service Delivery Partnerships and other obtuse titles designed to blunt public opposition, are all types of privatization. The public interest and public dollars are transferred to the private sector so private individuals can profit.

P3s are multi-decade contracts that include private-sector financing, construction, management, and ownership or operation of vital public services or infrastructure. The main supporters of P3s are investment banks, law firms that organize P3 consortia, and governments that hope to be re-elected by appearing to be good fiscal managers. They are not. P3s result in higher costs, lower quality, and loss of public control.<sup>5</sup>

Governments try to hide the long-term costs of P3s by claiming they enable much-needed infrastructure to be built without incurring more debt. In fact, public-sector accounting processes create the illusion that P3s are paid for by the private sector, when the

debt is only postponed to another time, another government, and a future generation. Although the federal government is only beginning to ramp up its P3 activity there are a lot of provincial examples. For instance, year-end Public Accounts published by the B.C. Finance Department demonstrate the extent of this sleight-of-hand. In 2009, B.C. government contingencies and contractual obligations to its P3 partners were calculated to be more than \$50 billion.<sup>6</sup>

P3 consortiums borrow money from international investment banks at higher interest rates than do governments.<sup>7</sup> Over the average 25-to-30-year span of a P3 contract, the public pays much more than it would have had the government borrowed the money directly to finance a traditional design/build contract.<sup>8</sup> The long-term outcomes of such privatized, hidden debt erode government's flexibility to provide public services as more and more public money becomes tied up paying private providers, guaranteeing private profits, and institutionalizing private for-profit monopolies.<sup>9</sup>

Because the details of private-sector contracts become the property of the contractor, the public isn't allowed to view the books of their P3 partner, even though it is ultimately responsible for the costs.

The public rightly expects governments to deliver services, regardless of whether P3 projects or their funders meet their obligations. Citizens and their governments bear the ultimate risk for the provision of public services. P3s fail regularly and must be bailed out by the public.<sup>10</sup> Business must make money for its shareholders and, as recent experience shows, won't hesitate to take quick action, including bankruptcy and liquidation, to protect investor interests.

Federal governments have a history of supporting P3 growth. The Harper government created PPP Canada Inc, a Crown corporation dedicated to encouraging P3s at all levels of government, P3 funding criteria like that found in the Building Canada Fund, and the \$1.25 billion P3 Canada Fund, which subsidizes the development of P3 projects in provinces, territories, municipalities, and First Nations communities. PPP Canada actively encourages federal government departments and agencies to use P3 solutions for infrastructure and service renewal.

The most recent federal budget further commits to ongoing reviews of federal corporate assets, including Crown corporations, especially those that the government believes compete with the private sector. The criteria for selling these assets are arbitrary, based on an ideologically driven interpretation of “core responsibilities.” In addition to helping to fund and support provincial and municipal P3s, PPP Canada is supporting other federal departments in implementing P3s, including the Public Health Agency of Canada, Public Works and Government Services Canada (PWGSC), Indian and Northern Affairs Canada, and Library and Archives Canada, and is exploring opportunities for others.<sup>11</sup>

### **Social Impact Bonds**

On November 8, 2012, the Conservative government elaborated on a 2012 budget promise to implement Social Impact Bonds,<sup>12</sup> a form of public-private partnership for social services that allows banks and financiers to profit from government services. Copying the failing “Big Society” program in the U.K.,<sup>13</sup> the initiative plans to replace frontline public-sector workers with volunteers, retirees, and subsidized, low-wage private sector workers

funded by private institutions, and to substitute secure public funding with more risky private sources of finance. Canadians’ tax dollars will be diverted to leverage their participation. Those who need public services covered by social impact bonds will be forced to rely on the charity of financial institutions.

### **Privatization By Strategic Review**

Recent federal budgets have announced strategic reviews that include criteria that eliminate public capacity. The criteria for such reviews are arbitrary and secretive. The Parliamentary Budget Officer has taken the government to court over its unprecedented secrecy about the strategic review cuts announced in the 2012 budget. He has told Canadians that the lack of government co-operation is preventing him from properly analyzing the country’s finances. Government department and agency responses have for the most part been inadequate.<sup>14</sup>

In 2012, the federal government announced that it was cutting 19,800 public-sector jobs and \$5.2 billion in spending from its operational budget. Canadians still don’t know how this will impact them. On November 16, 2012, Treasury Board announced that 10,980 jobs had been eliminated in the preceding six months. Public service workers were already over-extended.<sup>15</sup>

In 2010, the Treasury Board Secretariat published a demographic snapshot of the public service. It stated that between 1983 and 2010, the Canadian population expanded by almost 34% from 25.4 million to 34 million, while the size of the public service over this period increased from 251,000 to 283,000 workers, or 12.7%.<sup>16</sup> Federal program spending has not kept up with Gross Domestic Product (GDP) growth. Real GDP has increased by

almost 100% since 1983, while federal program spending has only increased by 60.9%. Federal program spending as a proportion of GDP decreased over the last three decades from 18.8% in 1983 to 14% in 2011–12.<sup>17</sup> The 2012 federal budget forecasts a further drop to 12.7% by 2016–17.

Cutting 1,144 jobs from the Canada Revenue Agency, 3,008 from Agriculture and Agri-foods, 2,008 from Human Resources Skills Development Canada, and 1,416 from Health Canada and the Public Health Agency doesn't mean the demand for services from those departments and agencies is eliminated. It only means that someone else is going to provide them or the work will be downloaded to the public in the form of self-service and much longer wait times.<sup>18</sup>

Government departments have included as yet un-costed contracting-out plans as part of deficit reduction plans submitted to Treasury Board. Without transparent business plans that authentically examine the benefits, costs, and risks there is no evidence this does anything but transfer public dollars to the private sector.<sup>19</sup>

### **Privatization of Regulatory Oversight and Enforcement**

Recent budgets have included measures to increase competitiveness and reduce “red tape.” As a result, federal inspectors in all sectors have seen their numbers and enforcement powers diminished.<sup>20</sup> Strategic Review programs further undermine inspectors' ability to do their job. Their responsibilities have largely been transferred to individuals and businesses that sell goods and services or extract Canada's natural resources.<sup>21</sup> The 2012 federal budget and the government's Red Tape Reduction Action plan only make the prob-

lem worse. The recent food safety recall at XL Foods was no accident and was predicted. In order to cut Red Tape for the former operators of XL and increase production capacity food safety officers were directed to ignore contaminated carcasses since 2008 until the problem finally came to light.<sup>22</sup>

Polls have shown that 90% of Canadians believe the government should do much more to protect the environment and public health and safety, and 83% believe that inspectors who enforce regulations should work for government agencies, not the industries being regulated.<sup>23</sup> The government is seriously undervaluing the public's demand for strong regulations and regulatory enforcement with its plans to enact the recommendations of its Red Tape Action Plan in 2013.<sup>24</sup> One example of the length the government is prepared to go is “the one-for-one rule,” which requires regulators to remove a regulation when a new one is introduced.<sup>25</sup> Health and Safety advocates involved with the Canada Labour Code, for example, report that if a new regulation is required to provide for the health and safety of workers then one that already protects them will have to be eliminated.

### **Contracting-Out, Marginal Jobs, and Temporary Staffing Agencies**

The federal government has relied increasingly on contractors and temporary staffing agency contracts. There is no evidence that this saves money. On the contrary, growing evidence suggests that it costs the government more money and undermines federal public service staffing legislation.<sup>26</sup>

Workers hired under these arrangements often feel marginalized. Some may prefer temporary employment relationships, but others become disillusioned and see little



opportunity for job security, advancement, or equitable wages and benefits.<sup>27</sup> There are indications in some departments that casualization is increasing,<sup>28</sup> but lack of transparency surrounding the current cuts makes it impossible to assess the extent.

The 2011–12 Main Estimates indicate that the government plans to spend \$9.96 billion on contracting out for professional and special services.<sup>29</sup> Rather than consult Canadians and departments about the services Canadians require the government contracted Deloitte Inc., at \$90,000 a day, to recommend the kind of cuts that should be put in place.<sup>30</sup>

---

## AFB Actions

The budgetary process must be transparent, accountable, and democratic. The Auditor General, the Parliamentary Budget Officer, and the people of Canada must understand the relationship between the programs that are wanted and needed, and the revenues that the government receives.

Existing programs and services must be leveraged to achieve social and environmental outcomes for both current and future generations.

The AFB is committed to public service renewal and ensuring transparent public spending and public spending decisions.

The AFB will introduce a transparent Program Review Process to examine strategies that:

- explore the impact of cuts made in the last two federal budgets and omnibus bills and restore programs that have been lost where it is in the public interest to do so;
- determine the economic and human costs of a citizen-centred program renewal;

- recommend revenue targets and tax initiatives to intelligently support federal public service programs;
- reconcile public service staffing, training, and retention strategies with citizen-centred program goals;
- treat all federal government employees equally, and ensure temporary staffing agencies are used only for short-term unanticipated work;
- enact legislation that protects all temporary workers employed by the federal government, and review and reduce contracting-out where required with a view to redirecting the anticipated savings into programs and projects in the broader public interest;
- reinstate the integrity and timing of the government’s reporting cycle to increase the quality of information included, and ensure that government spending and cuts to programs are transparent; and
- introduce social impact “weighting” that includes a combination of price, quality, environmental and social impact criteria as part of all decisions. Community Benefit Agreements (CBA), including employment objectives, employment equity goals, and local content requirements should be a mandatory consideration for all federal government programs and contracts above \$1 million.

The AFB supports strong public regulatory oversight and enforcement. To that end, it will:

- review Canada’s regulatory regime in a transparent and balanced way to ensure that regulations support all public inter-



ests, not conform to ideologically-based formulas; and

- ensure the interests of Canadians are proactively protected and that adequate resources are attached to federal monitoring and enforcement obligations.

The AFB will convert PPP Canada into a Public Assets Office that will:

- stop forcing federal departments, municipalities, provinces, and territories to use P3s for their infrastructure projects;
- eliminate the P3 Canada fund;
- assist in the creation of a green economy through training and the renewal of crumbling infrastructure through environmentally sustainable practices;
- work internally with departments and agencies, and externally with other levels of government, to examine infrastructure priorities, green infrastructure practices, and comprehensive investment strategies; and
- cancel all planned federal P3 projects where possible.

The AFB will create a Scale-Up Implementation Fund

- The AFB will create a \$300-million revolving Scale-Up Implementation Fund that will replace the Social Impact Bonds currently being proposed. This fund will only back projects that have been rigorously proven to work in other jurisdictions or on a smaller scale and will be transparently tracked. Private-sector money will not be sought and the gains will be shared with social service agencies and the government with no profit paid to banks or corpora-

tions. The fund will not have a fiscal impact as savings in other government departments will pay for it, as would have been the case with social impact bonds.

---

## Notes

**1** The Parliamentary Budget Officer, Parliament and unions representing impacted workers have all asked for more transparency, without receiving any. Federal government directors have been muzzled. A CCPA report on job loss in Atlantic Canada tried to conduct interviews with thirty federal department directors, or individuals in similarly senior positions in the Atlantic Region. Four consented to be interviewed, seven declined, and the remainder did not respond. Michael Bourgeois, Joanne Hussey, Christine Saulnier, and Sara Wuite (2012) *Public Disservice: The Impact of Federal Government Job Cuts in Atlantic Canada*, p.36 and McKenna, Barrie "Ottawa's true spending and cuts shrouded in a fog of baffle-gab," *Globe and Mail*, May, 13, 2012

<http://www.theglobeandmail.com/report-on-business/rob-commentary/ottawas-true-spending-and-cuts-shrouded-in-a-fog-of-baffle-gab/article4170461/>

**2** Macdonald, David. (2012). Federal job cuts: Clarity is always one year away, *Progressive Economics Forum* <http://www.progressive-economics.ca/2012/05/17/federal-jobs-cuts-clarity-is-always-one-year-away/>

**3** Krugman, Paul. "The Big Fail," *New York Times*, Jan. 6, 2013. [http://www.nytimes.com/2013/01/07/opinion/krugman-the-big-fail.html?\\_r=1&](http://www.nytimes.com/2013/01/07/opinion/krugman-the-big-fail.html?_r=1&)

Blanchard, Olivier. (2012). *World and Economic Outlook: Coping with High Debt and Sluggish Growth* IMF

Sanger, Toby. (2012). "Austerity isn't working: Europe in recession, deficits rising" *Economy at Work*, CUPE Research [http://cupe.ca/updir/Economy\\_at\\_Work\\_ENG\\_Final\\_Web.pdf](http://cupe.ca/updir/Economy_at_Work_ENG_Final_Web.pdf)

**4** Whitfield, Dexter. (2010). *Global Auction of Public Assets*. Spokesman.

**5** There is a lot of evidence of this, see Whitfield, Dexter. (2010). *Global Auction of Public Assets*. Spokesman

and *P3s Flawed, Failed and Abandoned*, 2009, and recently, NUPGE Research (2012) *New Forms of Privatization* [http://www.nupge.ca/files/publications/New\\_Forms\\_of\\_Privatization.pdf](http://www.nupge.ca/files/publications/New_Forms_of_Privatization.pdf) and McKenna, Barrie "The hidden price of public-private partnerships," *Globe and Mail*, Oct. 14, 2012.

**6** \$1 billion of this is for the Sea to Sky Highway alone, not to mention other B.C. P3 obligations. McInnis, Craig. (2009). "P3 financing wins favour by limiting political risk," *Vancouver Sun*, Oct. 28.

**7** McKenna, Barrie. "The hidden price of public-private partnerships," *Globe and Mail*, Oct, 14, 2012.

"Based on a new study of 28 Ontario P3 projects worth more than \$7-billion, University of Toronto assistant professor Matti Siemiatycki and researcher Naeem Farooqi found that public-private partnerships cost an average of 16 per cent more than conventional tendered contracts. That's mainly because private borrowers typically pay higher interest rates than governments. Transaction costs for lawyers and consultants also add about 3 per cent to the final bill."

**8** The Sea to Sky Highway would have cost taxpayers \$300 million less over the life of the 25-year contract if the government had chosen the traditional contracting method as opposed to a P3. McInnis, Craig. (2009). "P3 financing wins favour by limiting political risk," *Vancouver Sun*, Oct. 28.

**9** Whitfield, Dexter. (2010). *Global Auction of Public Assets*. Spokesman, p. 36.

**10** Mehra, Natalie. (2005). *Flawed, Failed and Abandoned*. Ontario Health Coalition.

**11** PPP Canada website <http://www.p3canada.ca/federal-p3-projects.php>

**12** Government of Canada News Release, (2012) The Government is Taking Action to Address Local Challenges, Toronto

- 13** Scofield, Heather. (2012). "Ottawa Courts Private Sector Funding for New Approach to Social Policy," The Canadian Press <http://www.canadianbusiness.com/article/105984--ottawa-courts-private-sector-funding-for-new-approach-to-social-policy>
- 14** The argument is made in government circles that the lack of information is as much a result of poor planning and of departments and agencies simply not knowing the impact of the cuts. If this is true then it only means that the secrecy is intended to hide bad management practices associated with strict centralized government management of the cuts.
- 15** The 2011 Federal Public Service Employee Survey found that 21% of federal public service employees or about 42,000 workers could only sometimes, rarely or never complete their assigned work. This will only get worse with the 2012 budget cuts. Scratch, Lydia. (2010). *Public Service Reductions in the 1990s: Background and Lessons Learned*, p. 11, wrote that "The quality of federal program delivery arguably suffered in the 1990s. In addition, following the Program Review exercise, the workload for the public servants who remained had increased, in some cases, to unmanageable levels. The Program Review exercise led to, among other things, the downloading of services to provinces and the reduction in the size of the Canadian forces. In any future reduction in the size of the public service, the government should be mindful of the level of service it wishes to provide to Canadians."
- 16** Treasury Board Secretariat (2011) Demographic Snapshot of the Federal Public Service 2010 <http://www.tbs-sct.gc.ca/res/stats/demo-eng.asp#t0c1-1>
- 17** Fiscal Reference Tables 2012 Table 8 <http://www.fin.gc.ca/frt-trf/2012/frt-trf-1202-eng.asp#tbl8>
- 18** Treasury Board Secretariat (2012) Harper Government Announces 10,980 Public Sector Positions Eliminated in Past Six Months <http://www.tbs-sct.gc.ca/media/nr-cp/2012/1116-eng.asp>
- 19** In their discussions with unions representing members who work in these departments and agencies, officials specified contracting-out as part of the reason they were cutting jobs.
- 20** The government-appointed commission made 57 recommendations following the 2008 Listeriosis outbreak. The government appears unwilling to implement many of them. At the time of the outbreak the Canadian Food Inspection Agency employed 220 inspectors to verify compliance with meat preparation safety procedures. CFIA, despite the Commission's recommendation that more inspectors were needed, now estimates it only needs 150 inspectors to do the same work. Kingston, Bob. (2010). "Government Spins Food Safety," Press Release, Nov. 4.
- 21** For a broader discussion of the government's deregulatory actions see: Campbell, Bruce and Lee, Marc. *Putting Canadians at Risk: How Deregulation Threatens Health and Environmental Standards*. (2006). CCPA, and Lee, Marc. (2010). *Canada's Regulatory Obstacle Course: The Cabinet Directive on Streamlining Regulation and the Public Interest*. (2010). CCPA
- 22** Kane, Laura. (2012). "Inspectors Told to Ignore Contaminated Carcasses," *Toronto Star* <http://www.thestar.com/news/canada/article/1294763--xl-foods-inspectors-told-to-ignore-contaminated-carcasses>
- 23** Lee, Marc. (2010). *Canada's Regulatory Obstacle Course: The Cabinet Directive on Streamlining Regulation and the Public Interest*. CCPA.
- 24** Treasury Board Secretariat (2012) Red Tape Reduction Action Plan <http://www.tbs-sct.gc.ca/rtrap-parfa/index-eng.asp>
- 25** Treasury Board Secretariat (2012) "One-for-One Rule" <http://www.tbs-sct.gc.ca/rtrap-parfa/fof-upu-eng.asp>
- 26** An investigative study prepared by the Public Service Commission of Canada shows that expenditures for temporary help services increased by 178% over the 10-year period ending 2009, from \$108 million in 1999–2000 to \$299 million in 2008–09, while overall government expenditures only increased by 35.5%. Research by David MacDonald clearly shows that personnel contracting costs rose to around \$1 billion by 2011. Macdonald, David. (2011). *The Shadow Public Service: The swelling ranks of federal government outsourced workers*. Ottawa: CCPA.
- 27** May, Kathryn. (2009). "Ontario law rewrites rules for temp firms." *Ottawa Citizen*, Nov. 6.
- 28** This is certainly the case at DND. The Public Accounts show that spending for Professional and Special Services at National Defence went from \$2.7 billion in 2009–10 to \$3.2 billion in 2011–12. Army commander, Brigadier General Omer Lavoie wrote a letter to staff on October 31, 2012, saying that "In essence, we have to lay off people only to hire them back for other initiatives" because of growing workload. He also noted that term and casual hiring to do the work of those being laid off wasn't working and that full-time experienced workers were required.
- CBC News (Jan. 19, 2013) Ex-top army commander sounds the alarm on defence spending <http://www.cbc.ca/news/politics/story/2013/01/19/pol-the-house-retired-lieutenant-general-andrew-leslie.html>
- Pugliese, David. (2013) "Ontario army chief worries about DND civilian cutbacks," *Ottawa Citizen*, Jan. 13. <http://www.ottawacitizen.com/business/Ontario+army+chief+worries+about+civilian+cutbacks/7813775/story.html>
- 29** The government estimates that the major areas where contracting for services in the federal public service occur are found in the Professional, Special, Purchased, Repair Maintenance and Information Services line estimates of the Main Estimates. Main Estimates by Standing Object <http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/beso-dbacd-eng.xls>.
- 30** Beeby, Dean. (2011). "Tories hire \$90,000 a day consultant to help cut spending," *CP/Globe and Mail*, Sept. 20. <http://www.theglobeandmail.com/news/politics/tories-hire-90000-a-day-consultant-to-help-cut-federal-spending/article4256641/>

# Sector Development Policy

---

## Background

The goal of sector development policy is to promote more investment, production, employment, and exports in strategically important sectors of the economy. The result is a more desirable sectoral mix of output and employment, with a stronger presence of high-value, high-wage, innovation-intensive, export-oriented sectors. These types of sector-focused interventions have played an important role in Canada. Ever since Confederation, policy-makers have recognized the over-arching challenge of developing secondary and value-added industries, and escaping Canada's historical reliance on the extraction and export of unprocessed natural resources. The "staples trap,"<sup>1</sup> created a self-reinforcing reliance on foreign capital, foreign markets, and expensive export-oriented infrastructure in resource industries. To escape the "trap" requires pro-active measures to limit and manage resource developments, channeling national capacities (including capital, labour, and innovation) into building a more diversified sectoral structure. Designing and implementing these policies confronted a political challenge, not just an economic one: namely, to overcome the vested interests of a domestic business sector oriented around the profits (temporary as they may be) associated with resource extraction and export.

Decades of pro-active efforts to support industrialization and diversification paid dividends through the latter half of the 20<sup>th</sup> century, as Canada became a major indus-

trial power in its own right, gradually escaping its dependence on resource extraction. Since the turn of the century, however, this progress has been reversed. A global commodity price boom, the dramatic expansion of resource sectors (especially the bitumen industry), and structural crises in several of Canada's traditional secondary success stories (such as the automotive industry) have all combined to produce a sustained deindustrialization of Canada's economy. On top of the cyclical problems associated with the 2008–09 recession and the subsequent halting recovery, Canada is also grappling with a structural reorientation of the national economy, re-establishing the primacy of resource extraction.

Canadian innovation and productivity performance has been chronically weak in recent decades, but this lagging performance has deteriorated further under deindustrialization. Labour productivity grew by just 0.5% per year over the last decade (the worst record of the entire post-war era); the declining productivity of resource industries (reflecting the exhaustion of readily available deposits, and dependence on more expensive and less productive extraction strategies) has been a major factor in that performance. The dramatic shrinkage of manufacturing (which demonstrates higher-than-average productivity) reinforced the decline. Despite a universal recognition of the importance of innovation, R&D spending by Canadian business remains far below levels of the 1990s. Resource sectors spend less than average on innovation, and

so the growing resource orientation of the economy is only reinforcing Canada's poor innovation performance. Apart from resource sectors, very few Canadian-based firms have successfully penetrated international markets for high-value, technology-intensive products. Ironically, therefore, despite the supposedly increasing reach of globalization, Canadian exports have declined markedly as a share of GDP (suppressed in part by a petroleum-fueled exchange rate trading far above its fair value). The decline in non-resource exports has far outweighed the expansion of resource exports, so Canada's overall trade performance has suffered as we become more reliant on resource extraction. Canada now experiences a large and chronic balance of payments deficit, which translates into growing international indebtedness. Our structural underdevelopment is the root cause of our trade woes — yet the Harper government's only response is to call for the signing of still more free trade agreements, which only reinforce the dominance of resource industries over our economic trajectory.

The market-oriented policies of the Harper government (including free trade agreements, tax cuts, and the weakening of environmental regulations implemented as part of last year's omnibus budget exercise) are reinforcing the primacy of resource exports (and particularly petroleum) in Canada's economic development. This whole direction imposes substantial economic, environmental, and geopolitical risks on Canada. Non-renewable resources eventually run out, and commodity price bubbles always collapse. Already there are growing signs that an economic strategy based on unconstrained resource exports is reaching a limit: the southward flood of unprocessed Canadian petroleum has artificial-

ly depressed prices for our own production; global oil price uncertainty is undermining further energy investments; environmental concerns are (quite rightly) inhibiting further infrastructure expansion; and Canadians are increasingly concerned about the growing degree of foreign control (including from foreign state-owned corporations) over our resource industries. It is time for Canadians to question our renewed status as “hewers of wood and drawers of water.”

The successful state-led policies of several Asian and Latin American economies in recent decades suggests that innovative, productivity-enhancing growth does not occur spontaneously from market forces. The toolbox used by these other countries is diverse and creative: including targeted subsidies, strategic trade interventions, active industrial strategies in high-tech industries, domestic procurement strategies, and even public ownership of key firms. These approaches have been far more effective in promoting innovation and export success than Canada's hands-off approach.

---

## AFB Actions

We hope for a Canadian economy in which high-value, innovative industries have a larger presence, creating higher-income jobs, enhancing environmental sustainability, and generating adequate revenues from successful international trade.

The following are the major components of the AFB's vision for sector development:

## Establish a System of Sector Development Councils

The federal government will work with other stakeholders (including provincial governments, labour organizations, industry associations, businesses, universities, and colleges) to establish a network of Sector Development Councils. These councils will be established in a range of goods- and services-producing industries that demonstrate many or all of the following characteristics: technological innovation, productivity growth, higher-than-average incomes, environmental sustainability, and export intensity. The councils will identify opportunities to: stimulate investment and employment in Canada, develop and mobilize Canadian technology, utilize technologies developed in educational institutions for broader commercial applications, invest in sustainable products and practices, and better penetrate export markets. In this way, the councils will constitute the first step in rebuilding Canada's broader national capacity for sector development planning (a capacity which has atrophied in the wake of decades of *laissez faire* orientation). Each council will develop a medium-range plan for developing its sector, and a short-list of actionable items to help attain that plan's targets. The Sector Development Councils will be given an annual operating budget of \$50 million to support their work, commission research, and perform other infrastructural tasks. (The actionable items that arise from their recommendations will be financed through other policy vehicles, including those listed below.)

## Enhance Value-Added Production and Investment in Key Sectors

The Sector Development Councils will begin the medium-term task of developing comprehensive strategies for key tradable sectors. In some sectors, immediate measures can be taken. These initiatives will include:

**Green Energy Manufacturing:** Current initiatives in energy policy hold great potential to stimulate the Canadian manufacture of components for solar, wind, and other green energy systems. Federal policy can complement and support these initiatives with a 10% refundable investment tax credit for new capital and tooling in green energy manufacturing, and support for skills development for newly hired "green collar" jobs. These initiatives will be budgeted at \$50 million per year.

**Automotive:** A comprehensive new auto industry strategy will include support for product development and tooling for alternative fuel vehicles (including electric and hybrid vehicles); skills support to assist the industry through the coming demographic transition of its skilled workforce; and trade policy measures to address the debilitating one-way imbalances in automotive trade between North America, Asia, and Europe. The auto strategy would also feature a new Extended Producer Responsibility (EPR) initiative, consisting of investments in motor vehicle recycling, end-of-life conversion, and green motor vehicle components production. This EPR program will be self-financed from a new \$200-per-vehicle Green Car Levy imposed on all sales of new motor vehicles in Canada (raising a total of \$300 million per year).

**Aerospace:** The federal government recently undertook a comprehensive review of Canada's aerospace industry. This review recognized the strategic importance of the indus-



try, and confirmed the need for continuing public participation in major investments (including training) and product developments. The first priority of the AFB's national aerospace strategy will be to maximize Canadian production of domestic civil aviation products. This will require further active partnerships with Canadian aerospace producers, with special emphasis on supporting new product programs to improve fuel efficiency and reduce greenhouse gas emissions.

**Forestry:** Forestry and wood/paper products are important export industries that employ workers in many regions of Canada. Sadly, the industry has been hammered by the decline in the U.S. housing market, the overvalued Canadian dollar, and a vast insect infestation in Western Canada induced by global warming. Support for the industry's sustainable recovery will be provided through a \$300-million-per-year fund to enhance the production of value-added forestry, wood, and paper products; implement energy conservation and other sustainable practices; and invest in skills required for sustainable forestry and forestry products production.

**Agriculture:** Farm incomes in Canada have been devastated by the recession and low prices, and will be further undermined by the Harper government's abolition of the Canadian Wheat Board. Farm income supports must be restructured to emphasize production that is sustainable, organic, and for local use (reducing much of the pointless trade in foodstuffs that can be produced locally). Operating income supports must be capped at \$250,000 per farm, to avoid making subsidy payments to large corporate farms. To achieve these aims, the AFB proposes a \$650-million annual Cultivating Agriculture program. (See the Food Sovereignty chapter on page 82.)

Much of the cost of the program will be offset by the elimination of subsidies for bio-fuel crops (saving \$200 million per year). The collective marketing authority of the Canadian Wheat Board will be reinstated.

## National Green Industries Initiatives

The AFB recognizes that adjustment to a sustainable, greener economy entails significant costs and challenges, but also many benefits. To maximize the environmental upside and facilitate faster growth of green industries, the AFB proposes a \$100-million-per-year National Green Skills Initiative to support college and on-the-job training to enhance the capacity of Canadian workers to perform high-level services in green industries.

## Higher Corporate Tax Rate for Petroleum Producers

As described in the previous chapter on Energy Policy, the AFB will reinstate corporate income tax rates on petroleum production to the former 28% rate that prevailed prior to the series of corporate tax reductions that began in 2001. This measure will raise in excess of \$1 billion per year in additional revenues for the federal government (to be used to capitalize the Canadian Development Bank, as described below). Together with stricter environmental regulations on new energy developments and greenhouse gas pollution (as described elsewhere in this budget), the higher tax rate will help to slow down the overheated expansion of new petroleum projects. (See the Tax chapter.)

## Replace the Investment Canada Act

Continuing foreign ownership and control is both a consequence and a cause of the



structural regression in the sectoral make-up of our economy. The Investment Canada Act, with its vague and ineffective “net benefit test,” will be scrapped and replaced with a new Canadian Ownership Act, which will specify the methodology for a transparent cost-benefit test. For a takeover to be approved, a foreign investor will have to make binding commitments to production and employment levels, new investments in fixed capital and technology, and an expansion of Canadian content in supply contracts and other inputs. In general foreign takeovers of resource properties will be prohibited, unless a strong case is made that the application of technology and capital by the foreign purchaser will truly enhance the productive capacity of Canadian firms.

### **Target a Lower Canada-U.S. Exchange Rate**

Canada’s currency has been trading at levels far above its “fair value” for most of the last several years, driven higher by speculative financial pressures and global commodities prices. This over-valuation has contributed substantially to the deterioration of all non-resource export industries in Canada, including manufacturing, tourism, and tradable services. The OECD and other international agencies estimate that the fair value of the Canadian dollar, based on comparisons of purchasing power, unit production costs, and other benchmarks, is around 80 cents (U.S.). The efforts described in this and the previous chapter to rein in the rampant, unplanned development and foreign takeover of energy extraction and export projects, and to regulate and limit foreign takeovers, will automatically lead to an immediate and substantial pullback in the Canadian currency.

The Bank of Canada can play a complementary role by indicating its intention to move the exchange rate closer toward its purchasing power parity value; this stance will help to shift the expectations of financial investors and currency traders.

### **A New Approach to International Trade**

The federal government is pressing hard for several new free trade agreements (FTAs), including a comprehensive trade pact with the EU that poses enormous threats to Canadians in numerous areas, ranging from the liberalization of public procurement to stronger intellectual property rules (and hence higher prices) in pharmaceuticals and the general loss of jobs and markets for a wide range of manufactured products. In fact, our exports have grown more slowly with FTA partners than with other trade partners, but our imports have grown more quickly, and bilateral balances have deteriorated.<sup>2</sup> Other trade agreements being pursued by the Harper government include deals with Korea, Japan, India, and the so-called Trans-Pacific Partnership.

Instead of more FTAs, the federal government should pursue a different model of trade agreement with key partners. This model would seek to extract commitments to balanced two-way trade flows, recognize the need for and the legitimacy of government policies to promote sectoral development and economic diversity, and spread adjustment costs more evenly across all parties (both surplus and deficit nations).

**TABLE 6** 2013 AFB Sector Development Measures

Policy Measure	Annual Impact (\$million)	
	Revenue	Expense
Sector Development Councils	-	\$50
Corporate Tax Increase to 28% for Petroleum Industries	\$1,000	-
Reduce Exchange Rate	-	-
New Model for Trade Negotiations	-	-
Canadian Ownership Act	-	-
Canadian Development Bank • Including Social Enterprise Division		\$1,000 share capital
Other Sector Initiatives		
• Automotive EPR program	\$300	\$300
• Aerospace Canadian content offsets	-	-
• Green energy manufacturing	-	\$50
• Green skills development	-	\$100
• Sustainable forestry & skills	-	\$300
• Eliminate biofuel crop subsidies	\$200	-

### Establish a Canadian Development Bank

To provide financing for the ambitious development programs prepared by the Sector Development Councils, the federal government will create and endow a new publicly-owned economic development bank, the Canadian Development Bank. This new public bank will have the power to create credit and allocate it to innovative projects in targeted sectors of the economy. This expansion of public lending capacity will reduce the extent to which key long-term economic development priorities are vulnerable to

the cyclical whims of private finance. It also allows for potential projects to be evaluated and funded on the basis of broader criteria, including an integrated social cost-benefit analysis.

### Notes

<sup>1</sup> The classic reference is Harold Innis, *The Fur Trade in Canada: An Introduction to Canadian Economic History*, revised ed. (Toronto: University of Toronto Press, 1956). For more modern statements of the problem see Mel Watkins, "Staples Redux," *Studies in Political Economy* 79 (2007), pp. 213–226; Jim Stanford, "Staples, Deindustrialization, and Foreign Investment: Canada's Economic Journey Back to the Future," *Studies in Political Economy* 82 (2008), pp. 7–34; and Brendan Haley, "From Staples Trap to Carbon Trap: Canada's Peculiar Form of Carbon Lock-In," *Studies in Political Economy* 88 (2011), pp. 97–132.

<sup>2</sup> Stanford, Jim. (2010). *Out of Equilibrium*. Ottawa: Canadian Centre for Policy Alternatives, pp. 29–32.

# Seniors and Retirement Security

---

## Background

Canada's aging population and the implications for retirement incomes have been high on the policy agenda for the past four or five years — although by the end of 2012, other issues were being given priority. The only mention of pension reform in the Harper government's omnibus budget bill, put before Parliament in October 2012, was legislation to establish Pooled Registered Pension Plans (PRPPs), which are supposed to provide pensions for those workers who do not have them. Minor administrative changes to the Canada Pension Plan (CPP) were also included in the bill. The government had already announced its intention to extend the age of eligibility for Old Age Security from 65 to 67. Other than changes to income tax provisions for income splitting and changes to the pension plans of public sector workers, these two measures were the only actions the Harper government has taken to address the pension crisis. Neither action does anything meaningful to address the pension crisis now facing Canadians.

Following the meltdown of financial markets in 2007–08 many workplace pension plans were underfunded — i.e., the funds were insufficient to pay the promised benefits. As well, people who were saving for retirement through Registered Retirement Saving Plans (RRSPs) found the value of their investments had dropped so much they now

faced having to postpone their retirement. Since workplace pension plans are regulated by the provinces (the federal government regulates only those plans sponsored by employers under federal jurisdiction), several provinces set up pension committees to consider what was then viewed as the “pension crisis” and recommendations for changes in the rules governing workplace pension plans were made. Federal and provincial finance ministers continued to meet regularly to discuss pension reform and their discussions were expanded to review the status of the retirement income system as a whole.

While finance ministers were concerned mainly with the rules governing workplace pension plans, it was noted that most Canadian workers do not have a workplace pension plan. Coverage under these plans has dropped from 45% of employees in 1992 to just 38.8% in 2010. The reality is that 11 million Canadian workers don't have a workplace pension plan.

To make matters worse, most Canadians are not making up for their lack of a pension plan by saving for retirement on their own. In 2009, only 31% of those eligible to contribute to an RRSP actually did so. This number dropped significantly in 2010 to just 26%. Among people about to retire — i.e., those age 55 to 64 — the typical person with an RRSP has saved about \$55,000. That's enough to provide a monthly income of about \$250. There is now more than \$600 billion in un-

used RRSP contribution room being carried forward. And the Canadian Institute of Actuaries says “only about one-third of Canadian households are currently saving at levels that will generate sufficient income to cover their non-discretionary expenses in retirement.”

Public pension plans available to everyone — Old Age Security (OAS) and the Canada Pension Plan — don’t provide enough for people to live on in retirement. The expectation is that people will supplement the benefits available from these plans with membership in a workplace pension plan or with their own savings. Clearly that has not happened.

Finance ministers were then faced with two key issues: how to expand pension coverage so that most Canadians are covered by the system, and how to make sure the pension system provides them with adequate incomes in retirement. The simplest and most straightforward way of addressing these issues would be to improve the Canada Pension Plan. The coverage problem would be addressed since the CPP covers all workers, whether employed or self-employed. (It also provides benefits for their dependants.) It is also fully portable from one job to another. And the adequacy issue would be addressed by increasing the benefits available from the CPP.

Improving the replacement rate of CPP retirement benefits would provide better retirement pensions to virtually all Canadians. A relatively modest increase in contribution rates would be required, but that could be phased in over a period of time. This option would address the two key issues in the pension system causing concern: the lack of coverage of workplace pension plans, and the fact that individuals are not saving for retirement on their own.

The AFB will address these issues by expanding the CPP. Since changes to the CPP must receive the approval of two-thirds of the provinces representing two-thirds of the population, each of the provincial governments will have to pass enabling legislation to complete the process. The AFB will negotiate this commitment at the federal, provincial and territorial levels so that increased CPP contributions will commence in 2016.

---

## Current Issues

The doubling of CPP retirement benefits will require a modest increase in contribution rates — about 0.43% of pensionable earnings each year for seven years. This proposal will mean increasing the replacement rate of CPP retirement benefits from 25% of covered earnings to 50% of average adjusted pensionable earnings. The worker contribution (matched by the same percentage of wages contributed by the employer) is estimated to rise from 4.95 % of covered earnings in 2010 to 7.95% by 2016. Combined employer/employee contributions will then be 15.9% of earnings up to the Year’s Maximum Pensionable Earnings (YMPE), currently \$50,100. The YMPE is roughly equivalent to the average wage. (It should be noted that a doubling of benefits does not require a doubling of contribution rates since part of the current premium is used to bring down the previous unfunded liability, whereas an expansion of benefits will be fully pre-funded — a requirement of the CPP legislation. In fact, while higher contributions could be phased in over a seven-year period, a doubling of benefits would take 40 years to achieve.)

Expectations were high that federal and provincial finance ministers would finally take

action on pension reform at their meeting in Alberta in December 2010, and it was widely believed they would favour CPP expansion. But that idea was shelved in favour of a private-sector solution in which employers will be able to offer defined contribution pension plans run by financial institutions such as insurance companies. Insurance companies had lobbied hard for this option for the past couple of years. The ministers agreed their officials would continue to work on a “modest expansion” of the CPP. It is believed that all provinces except Alberta and Quebec supported CPP expansion.

More recently, CPP expansion has reappeared on the agenda as officials discuss possible options for expansion. However, federal finance minister Jim Flaherty has said that increasing CPP contributions at this time is not possible due to “the fragile economy.”

In effect, the ministers proposed a voluntary savings scheme to be operated by insurance companies and other financial institutions — the Pooled Registered Pension Plan — which pools the savings of those who sign up in a defined contribution plan. Employers will be able to sign up their employees for the scheme (self-employed workers will be able to register too) but will not be required to contribute to the plan. Employers will select a plan for their employees, but they will also apparently be able to choose to stop offering the plan if they wish.

It was described by the federal finance minister as “a major breakthrough for the Canadian Pension Market,” which would make “low-cost private-sector pension plans accessible to millions of Canadians who have up to now not had access to such plans.” However, employees and self-employed workers already have access to RRSPs and to Tax-Free

Savings Accounts (TFsas) through which they can save for retirement. Self-employed workers are covered by the CPP.

Like other defined contribution plans, amounts contributed to PRPPs will represent a percentage of the employee’s salary and will be invested by the insurance company or financial institution, which will of course charge fees to run the program. No particular pension will be guaranteed. PRPPs will be regulated by pension regulatory authorities, so rules could vary from one province to another. Since very few people take advantage of existing voluntary retirement savings schemes, it is not clear why officials are claiming the proposed PRPPs will prove more attractive than existing programs. So far, the only advantage being promoted for PRPPs is that management fees will be lower than for individual RRSPs, since contributions will be pooled. But, of course, there is no guarantee of lower fees, nor is there any certainty that this will prove a big selling point for the plans. It’s also worth noting that there is no evidence people are not saving through RRSPs because of high management fees.

Access to this “private pension plan” will depend on whether or not employers decide to opt into the scheme. There will be no requirement for them to do so — although since the proposed plans will be regulated by the provinces, a province could decide to make PRPPs mandatory for employers under their jurisdiction.

The federal government introduced the *Pooled Registered Pension Plans Act* on November 17, 2011 (Bill C-25), claiming it would “make saving for retirement easier for millions of Canadians.” The government said provincial enabling legislation will need to

be introduced for the framework to become fully operative. To date, no province has introduced PRPP legislation. While Quebec had a version of PRPPs, its legislation died on the order paper when the recent provincial election was called, although the province has committed to tabling new legislation in the spring.

---

## AFB Actions

It is estimated that total government spending on OAS and the Guaranteed Income Supplement (GIS) for 2012–13 will be \$40 billion — payable to just over 5 million seniors. Together, OAS and GIS provide a guaranteed annual income for 95% of Canadian seniors aged 65 or older and do not depend on the recipient's participation in the workforce. Different GIS rates apply for singles and couples, with the rate for each spouse in a couple depending on the joint income of both.

Effective July 1, 2011, GIS was amended to provide a top-up benefit of up to \$50–\$70 per month for GIS recipients. These top-ups will be indexed to inflation as the OAS and GIS are currently.

Despite this paltry sum, the Finance Department estimates that in 2012 about 700,000 Canadian seniors will be entitled to receive these additional GIS benefits. The top-up for single GIS recipients is recognition of the extreme poverty among single elderly women in Canada.

The AFB will further increase GIS benefits to ensure GIS recipients receive at least \$16,000 (including OAS benefits). These measures should help to eliminate poverty among older women, recent immigrants, First Nations people, and seniors with disabilities. Since GIS payments are targeted to low-income in-

dividuals, who are more likely to spend every additional dollar provided to them, this will be a direct economic stimulus to the communities, large and small, where Canadian seniors live and spend their money.

The AFB will reverse the decision to change the age of eligibility for OAS from 65 to 67 and restore age 65 as the age at which individuals become eligible for OAS and GIS.

- The AFB commits the federal government to examining ways in which immigrant seniors living in poverty who do not necessarily benefit from OAS payments can be better supported.
- The AFB increases the GIS to ensure that all senior households meet at least the after-tax low-income measure (LIM) poverty line, which is approximately \$19,000 for a single-person household in 2013. (Cost: \$1.4 billion/yr.)<sup>1</sup>
- The AFB will double the CPP's replacement rate from 25% to 50% of a retiree's pensionable earnings. Increased contributions will be phased in over a seven-year period. Also, the basic personal exemption in the tax system will be doubled to offset the impact on lower-income workers.
- The AFB will phase in a new regime of indexing for public pensions (OAS, GIS and CPP) based on wages instead of prices.
- The AFB will cap RRSP contributions at \$20,000, a level that will affect only those making \$110,000 or more, saving \$232 million a year.<sup>2</sup> The provinces would also collect more in taxes.
- The AFB will withdraw the flawed PRPP legislation, and enhance the only parts of our pension system that have actual-



ly demonstrated success over successive generations — OAS/GIS and the Canada Pension Plan.

---

## Notes

**1** This analysis is based on Statistic Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors.

**2** This analysis is based on Statistic Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors.

# Trade Policy

## Background

Modern trade and investment treaties are less about trade and more about limiting how societies organize themselves democratically and restricting the authority of governments to influence their national economies. The treaties create maximum freedom for international traders and investors. Supporters claim that the benefits of international trade and globalization will trickle down, but Canada's experience since the North America Free Trade Agreement (NAFTA) indicates that this laissez-faire approach has not worked for most Canadians.

There has been a significant restructuring of the Canadian economy and society, particularly in the following areas:

- Canada has become increasingly dependent on the production and export of unprocessed or semi-processed natural resources.
- The manufacturing sector is in decline and our manufacturing trade balance has swung sharply downward.
- Productivity has continued to stagnate, slumping to 70% of U.S. levels. Canada currently ranks 30<sup>th</sup> of 34 OECD nations in productivity growth.<sup>1</sup>
- Inequality has increased significantly, with the biggest share of income growth accruing to the very richest, while incomes of those below have stagnated.

- The environmental costs of overreliance on natural resource exploitation, particularly of unconventional fossil fuels such as tar sands and shale gas, have become clear.
- The regulatory authority of all levels of government has been weakened, in part by investors using the NAFTA's notorious investor-state dispute settlement mechanism.

Canada's trade and investment treaties have clearly reinforced these troubling trends.

Multilateral trade negotiations at the World Trade Organization (WTO) are at an impasse, with many developing countries convinced that WTO rules went too far, too fast, in opening their domestic markets and in restricting the ability of governments to promote goals such as economic development.

The stalemate in Geneva underlines the need for rethinking the trade treaty agenda. Yet the federal government's response has been simply to redirect its negotiating efforts towards bilateral trade and investment treaties with willing partners.

Since taking power in 2006, the government has concluded six bilateral trade deals.<sup>2</sup> It is currently negotiating or considering at least 11 more.<sup>3</sup> No other country in the world has a more aggressive trade and investment treaty negotiating agenda than Canada. Because existing tariffs are generally very low,<sup>4</sup> current trade treaty negotiations now deal primarily with regulatory and other so-called "non-tariff barriers" to trade.

---

## Current Issues

### CETA

The Canada-European Union Comprehensive Trade and Economic Agreement (CETA) is the latest attempt to limit democratic policy options and enhance corporate power in this country. The on-going negotiations mainly concern government purchasing, investor rights, regulatory standards, public services, intellectual property, labour mobility and other primarily non-trade matters.

The benefits to Canada of such an agreement are unclear. The federal government constantly asserts that the CETA would result in a \$12-billion boost to Canada's GDP, based on a 2008 study commissioned by the EU and Canada. Jim Stanford has debunked this dubious claim, noting that the computer model which generated the estimate assumed constant full employment, balanced trade, no international capital flows, and no impact from fluctuating exchange rates.<sup>5</sup> But even these unrealistic assumptions generated only a small boost in Canadian GDP; the modellers had "to go further, with more farfetched assumptions, to boost their prediction."<sup>6</sup>

While the gains invoked to support the CETA are mostly spin, the potential costs are real. Some of the most significant include:

- The impact of extended terms of patent protection on Canadian drug costs and the sustainability of the Canadian health care system.
- The effects of powerful foreign investor rights and investor-state dispute settlement on democratic authority and the right to regulate in the public interest.

- The loss of provincial and municipal government autonomy to use government purchasing as a tool for local and regional economic development.
- The erosion of Canada's supply management system, through increased market access for European dairy products.
- The curtailment of Canada's ability to create new public services or to reverse failed privatizations, without facing litigation and demands for compensation from affected foreign investors.
- Undermining the ability of governments at all levels to pursue policies that add value to natural resources prior to export and maximize local benefits.

In return for this long list of concessions, Canada is pressing for additional market access for a mere handful of agricultural exports, notably cereals, pork and beef.

### Canada-China Foreign and Investment Promotion and Protection Agreement (FIPA)

On September 9, 2012, the Conservative government signed a Foreign and Investment Promotion and Protection Agreement (FIPA) with China. The treaty was quietly tabled in the House of Commons in late September.<sup>7</sup> There was a rising wave of public protest, however, when it became clear that the government intended to ratify the FIPA without any parliamentary vote or debate.

While the treaty's formal obligations are the same for both parties, it is fundamentally imbalanced in its effects. China exempted all existing discriminatory measures governing foreign investment, of which there are many more than in Canada.<sup>8</sup> While Canada excluded

the Investment Canada Act, China exempted the full range of its current restrictions on inward investment, including at the state and local level. Finally, China's stock of foreign direct investment in Canada is much larger than our investment in China. This asymmetry will only increase as China's prodigious appetite for natural resources spurs further investment in Canada.

But the greatest public controversy was generated by the treaty's inclusion of an investor-state dispute settlement mechanism. This powerful investor right continues to be abused under the NAFTA.<sup>9</sup> Under the FIPA, for example, if an established Chinese investor objects to stronger environmental regulation over the oil sands or shale gas fracking, it would be left up to an unaccountable arbitration tribunal to decide if these new measures are "necessary" or applied in an "arbitrary" or "unjustifiable" manner. In another nod to the Chinese government's concerns, the FIPA's transparency requirements for investment arbitrations are weaker even than those under the NAFTA. Finally, the treaty, once ratified, will remain in effect for a minimum of 31 years.

### **Trans-Pacific Partnership Agreement (TPP)**

During the last year, Canada has also joined the Trans-Pacific Partnership Agreement (TPP) talks with the U.S. and nine other Pacific Rim nations. Canada already has trade and investment treaties with four current TPP members (U.S., Chile, Peru, and Mexico). The other six (Australia, New Zealand, Malaysia, Singapore, Brunei, and Vietnam) combined account for less than one per cent of Canada's exports.<sup>10</sup> As a brief from the United Steelworkers points out, "any conceivable increase

in exports to these markets would be almost insignificant in terms of total Canadian output and employment."<sup>11</sup>

Nonetheless, the federal government has pursued TPP membership with its characteristic fervour. While claiming that it made no substantive concessions to gain entry, the government almost certainly signalled its flexibility on key stumbling blocks such as agricultural supply management and the protection of intellectual property rights.

Canada's terms of entry to the talks can only be described as demeaning. The United States Trade Representative set out tough conditions for Canada's admission. Sight unseen, the Government of Canada agreed to accept any negotiating text on which the nine current members had already reached consensus.<sup>12</sup> This acceptance telegraphed a desperation to be part of this agreement, whatever the ultimate cost to Canadians. The high price to dairy, poultry and egg farmers, our artists and cultural industries, Internet freedom, health care, and a wide range of other public interests will eventually become all too obvious.

### **Conclusion**

This pattern of unbalanced trade-offs and concessions raises the question: Why would anyone embrace this agenda? The current federal government views these sacrifices of basic interests or key policy flexibility as desirable, but unpopular, domestic reforms. Similarly, the most vociferous corporate supporters, such as the brand-name pharmaceutical companies or agri-food corporations, advocate trade and investment treaties as a way to change Canadian domestic policies. Altering key domestic policies through the backdoor of international trade treaties, while

locking in unpopular policy reforms, is fundamentally illegitimate and anti-democratic.

---

## AFB Actions

The AFB makes the following commitments:

That Canada follow Australia's lead and refuse to sign any further bilateral or regional trade and investment agreements that include investor-state dispute settlement.

- Under investor-state dispute settlement claims Canada faces unfunded liabilities that could amount to hundreds of millions, perhaps billions, of dollars.
- Nevertheless, federal government officials assert that "Canada has not estimated a potential fiscal liability under the [Canada-China investment agreement] because it has no intention of violating the terms of this or any other International agreement to which it is a Party."<sup>13</sup>
- Canada has already paid out approximately \$160 million to investors to settle NAFTA investor-state claims and incurred tens of millions more in legal costs.

That Canada reject demands by the EU in the CETA and by the U.S. in the TPP to extend patent terms for brand-name pharmaceuticals (averting cost increases in drugs estimated at hundreds of millions of dollars annually).

- Hollis and Grootendorst estimate the cost of implementing EU demands for changes to Canada's patent system for drugs at \$2.8 billion annually.<sup>14</sup>
- The federal government is actively considering meeting one of these EU demands by extending patent terms by the time be-

tween the date when a company applies to Health Canada for regulatory approval and the date when Health Canada grants market authorisation to a drug, up to a maximum of five years.<sup>15</sup>

- The federal government's own research estimates that this counter-proposal would extend patent terms on new drugs by an average of 1.23 years. The study estimates that implementing this option would result in an increase in Canadian drug costs of between \$317 million and \$903 million annually.
- Any concessions on drug patents made in the CETA would become the starting point for further negotiations in the Trans-Pacific Partnership negotiations, leading to further cost increases.

That the Department of Foreign Affairs and International Trade shift its focus from negotiating new bilateral and regional free trade agreements to the promotion of Canadian trade, especially high value-added exports of goods and services, including cultural services.

- The AFB will reverse the cuts to the Trade Commissioner Service, which assists Canadian businesses to sell their goods and services in international markets.
- The AFB will restore funding to consular offices and services in the U.S., which advise and assist Canadian exporters in our largest foreign market.

---

## Notes

<sup>1</sup> Stanford, Jim. (March 2012). "A Cure for Dutch Disease: Active Sector Strategies for Canada's Economy," Technical Paper, Alternative Federal Budget. Ottawa: Canadian Centre for Policy Alternatives, p. 5.

- 2** With Colombia, Peru, Jordan, Panama, Honduras and the European Free Trade Association (comprised of Iceland, Norway, Lichtenstein, and Switzerland).
- 3** Canada is in various stages of negotiations with: South Korea, Morocco, the Caribbean Community, Dominican Republic, Costa Rica, Turkey, Ukraine, India, Japan and the European Union. Canada also recently joined the Trans-Pacific Partnership negotiation. Trade talks with China are also under consideration.
- 4** In 2010, Canada's simple average tariff was 3.7%. World Trade Organization. (2011). *World Tariff Profiles*, 2011.
- 5** Stanford, Jim. (October 2010). "Out of Equilibrium: The Impact of EU-Canada Free Trade on the Real Economy." Ottawa, Canadian Centre for Policy Alternatives.
- 6** Stanford, Jim. (November 2, 2012). "\$12 bil CETA GDP Claim from Sim-City, not Real World," Progressive Economics Forum blog. "They assume that invisible, unspecified non-tariff barriers will be fully eliminated by the CETA. They assume Canadian service providers will do as much business in Europe as European firms currently do. Finally, they assume Canadians will save a strong share of new income, all of which is invested in new capital here (thus spurring even more growth). This latter effect alone accounts for over half the predicted \$12 billion."
- 7** Curry, Bill and Shawn McCarthy. (September 27, 2012). "Tories quietly table Canada-China investment treaty," *Globe and Mail*.
- 8** With the exception of the most-favoured nation obligation, the FIPA largely applies to investments only *after* they have been established in either country.
- 9** To date, Canada has faced over 30 investor-state claims under the NAFTA, lost or settled five cases, been forced to pay over \$157 million in damages, and incurred tens of millions more in legal costs. Scott Sinclair. (November 4, 2010). "NAFTA Chapter 11 Investor-State Disputes," Ottawa: Canadian Centre for Policy Alternatives. <http://www.policyalternatives.ca/publications/reports/nafta-chapter-11-investor-state-disputes-1>.
- 10** Stanford, Jim. (June 19, 2012). "Trans-Pacific Partnership: A Few Questions," *Progressive Economics Forum*, <http://www.progressive-economics.ca/2012/06/19/trans-pacific-partnership-a-few-questions/>.
- 11** United Steelworkers. (February 12, 2012). United Steelworkers' Submission to the Government of Canada on the Trans-Pacific Partnership, p. 2. <http://www.progressive-economics.ca/wp-content/uploads/2012/02/TPP.pdf>.
- 12** According to the USTR, this includes all agreed text within chapters that are still open, not just completed chapters. See Inside U.S. Trade. (June 22, 2012). "Mexico Stresses It Will Be a Full TPP Partner, Despite Terms of Entry." Washington: World Trade On-line (subscription required).
- 13** Department of Foreign Affairs and International Trade (October 18, 2012), Response to questions by MP Wayne Easter, House of Commons Standing Committee on International Trade (CIIT), p. 1. [http://www.liberal.ca/files/2012/11/CIIT\\_18Oct2012\\_Suivi\\_Follow-up.pdf](http://www.liberal.ca/files/2012/11/CIIT_18Oct2012_Suivi_Follow-up.pdf).
- 14** Grootendorst, Paul and Aidan Hollis. (February 7, 2011). "The Canada-European Union Comprehensive Economic & Trade Agreement: An Economic Impact Assessment of Proposed Pharmaceutical Intellectual Property Provisions." [http://www.canadiangenerics.ca/en/news/docs/02.07.11CETA\\_Economic\\_Impact\\_Assessment\\_Final\\_English.pdf](http://www.canadiangenerics.ca/en/news/docs/02.07.11CETA_Economic_Impact_Assessment_Final_English.pdf).
- 15** Scofield, Heather. (October 14, 2012). "EU drug demands would cost Canadians up to \$2B a year: federal research." The Canadian Press, <http://www2.macleans.ca/2012/10/14/eu-drug-demands-would-cost-canadians-up-to-2b-a-year-federal-research/>.



# Water

---

## Background

Canada needs a national water policy based on the principles of water as a commons, public trust, and human right. The notion of the “commons” asserts that water is a common heritage owned by no one yet belonging to everyone — not just us but future generations, other species, and the Earth itself. A commons framework requires a shift in water governance to prioritize the human right to water, public participation, and the inclusion of First Nations and communities in decision-making. Public trust principles would require governments to protect water sources for communities’ reasonable use, and to make private use subservient to community rights.

On July 28, 2010, 122 countries voted to pass a resolution at the UN General Assembly recognizing the human right to water and sanitation. On September 23, 2011, the UN Human Rights Council (HRC) passed a resolution (A/HRC/18/L.1) on the human right to safe drinking water and sanitation<sup>1</sup> and called upon governments to:

- develop comprehensive plans and strategies, including clearly defined responsibilities for all water and sanitation sector actors;
- monitor and assess the implementation of plans of action and ensure the free, effective, meaningful, and non-discriminatory participation of all people and communities concerned, particularly those

living in disadvantaged, marginalized, and vulnerable situations;

- ensure the maximum available financing and that services are affordable for everyone; and
- provide a framework of accountability with adequate monitoring mechanisms and legal remedies.

After opposing the human right to water and sanitation and attempting to undermine advances at the UN, Canada finally recognized the human right to safe drinking water and sanitation last year at the Rio+20 UN Conference on Sustainable Development. The AFB supports Canada’s recognition and implements concrete action on the human rights obligations set out by the UNHRC resolution. The AFB advances the human right to water and sanitation by rolling back changes to environmental legislation in the omni-budget bills; investing in infrastructure; improving water quality and sustaining water quantity; protecting the Great Lakes Commons; and protecting water sources from hydraulic fracturing, tar sands development, the Schedule 2 loophole, and trade agreements.

---

## Current Issues

### Omni-Gutting Environmental Legislation

The omni-budget bills implemented sweeping changes to environmental laws and removed

**TABLE 7** Water Infrastructure in Canada (\$ billions)<sup>3</sup>

	Replacement value of assets in fair condition	Replacement value of assets in poor or worse condition	Replacement value of assets in good or better condition	Replacement Value of Total Assets	20-year maintenance costs for fair assets (2% of total replacement value)	20-year maintenance costs for good or better (1% of total replacement value)
Drinking Water	23	3	145	171		
Wastewater	31	8	83	122		
Stormwater	12	4	53	69		
<b>Total</b>	<b>66</b>	<b>15</b>	<b>281</b>	<b>362</b>	<b>26</b>	<b>56</b>

critical safeguards for water protection. The Canadian Environmental Assessment Act was replaced with a new act that eliminated 3,000 federal environmental assessments. The federal government also gutted the *Fisheries Act*, abdicated responsibility for 99% of lakes and rivers by overhauling the *Navigable Waters Protection Act*, and put in question work safety and disclosure of fracking and other chemicals by eliminating the Hazardous Materials Information Review Commission. The bills not only marked a troubling move that stifled democratic debate on environmental policy but also cast doubt on the government’s ability to uphold the human right to water and sanitation.

The AFB will rollback the changes to environmental legislation within the omnibus budget bills and require that any subsequent amendments be introduced separately and trigger thorough assessments, including public hearings and consultations with First Nations.

### National Public Water and Wastewater Infrastructure Fund

The total replacement value of water, wastewater, and stormwater assets is \$362 billion.

The Federation of Canadian Municipalities (FCM) estimates the cost of replacing systems graded “poor” or “very poor” to be \$15 billion. These systems need to be replaced (see *Table 7*).<sup>2</sup>

The AFB will embark on an ambitious 20-year program to maintain and replace water infrastructure across the country. Over the next six years, the AFB will replace the \$15 billion worth of water infrastructure currently rated “poor” or worse. The remainder require a transparent, long-term maintenance plan. In order to maintain water infrastructure assets currently graded “fair,” a total investment of \$26 billion over the next 20 years is needed, assuming an annual re-investment rate of 2% of the total value of water, wastewater, and stormwater assets currently worth \$66 billion. Systems graded “good” or better will require a total investment of \$56 billion over the next 20 years, assuming an annual re-investment rate of 1% of the total value of water, wastewater, and stormwater assets currently worth \$281 billion. The total value of water system maintenance and replacement will be \$97 billion over the next 20 years.

As with other infrastructure programs, the AFB will require matching funding from the provinces and municipalities. However,

given the disproportionate burden that municipalities already carry for infrastructure,<sup>4</sup> the federal government will pay 40%, the provinces 40%, and municipalities only 20%.

Of the total \$97 billion from all levels of government, the federal government will therefore contribute \$39 billion over the coming 20 years. The AFB allocates \$2.6 billion annually for the first six years to maintain “fair” or better water systems and replace “poor” or worse infrastructure.

After the first six years, the AFB commits \$1.67 billion annually for the remaining 14 years to maintain water systems that are currently “fair” or better. The provinces will match this funding and municipalities will pay 50% of those levels to maintain the federal-provincial-municipal split specified above.

Over 150 billion litres of raw sewage are flushed into waterways every year.<sup>5</sup> While the federal government has passed new wastewater regulations, municipalities depend on federal and provincial funding to implement the regulations and protect wastewater treatment as a public service. The FCM calculates that the new regulations will cost at least \$20 billion for plant upgrades alone, with further spending on system-wide upgrades required over the next two decades.<sup>6</sup>

Canada drew lessons from the Walkerton disaster and established provincial regulations and mandatory certification requirements for water operators. The AFB commits \$150 million over two years for water operator training, public sector certification and conservation programs, including restoring the water efficiency labeling program cut in May 2011. More needs to be done, however, including enacting national, legally binding standards for drinking water to replace the current guidelines.

## First Nations' Water Rights

Despite repeated pledges from the federal government to ensure clean drinking water, Health Canada reports approximately 120 boil water advisories in First Nations communities in any given month of 2012.<sup>7</sup> There are routinely over 100 water advisories in effect, with some communities living under advisories for over 10 years.<sup>8</sup> The “Safe Drinking Water for First Nations Act” was reintroduced in Parliament in February 2012. The AFB makes a significant 10-year investment in on-reserve water and wastewater facilities worth \$4.7 billion. For more details, see the First Nations chapter on page 77.

The AFB respects Aboriginal self-determination, the authority of Indigenous governments and First Nations' water rights. It incorporates Indigenous knowledge and seeks the consent of and participation of Indigenous peoples on water and wastewater policies, including the development of legislation of drinking water standards for First Nations reserves.

## Sustaining Quantity and Improving Quality

The responsibility for monitoring water quantity and quality is shared among all three levels of government. Canada has the resources to be a leader in environmental research but Canadian scientists are concerned that research is under threat because of legislative changes, severe funding cuts and a lack of coordination.

The Harper government's cuts to the Experimental Lakes Area (ELA) and other critical environmental programs will hinder the ability to develop freshwater policies and respond to threats to water. Since 1968, the

ELA, a world-renowned freshwater research centre, has conducted groundbreaking studies on the health of freshwater, including the impacts of human activities and chemical contamination, acid rain, climate change and the effects of mercury on fish and water.

To address the numerous information gaps in water quality and quantity the AFB will reinstate the ELA and include funding for the UN Global Environmental Monitoring System/Water Programme, a global water quality database. As advocated by Liberal water critic Francis Scarpaleggia in 2007,<sup>9</sup> the AFB will create a water minister position to coordinate the more than 20 departments that set federal policies affecting water.

Since a third of Canadian communities rely on groundwater for drinking water, the AFB commits to implementing a thorough groundwater protection plan including:

- the application of the public trust doctrine to groundwater, which will give priority to basic human needs and water for ecosystems;
- prohibiting the extraction of groundwater in quantities that exceed its recharge rate; and
- a “local sources first” strategy that gives first rights to local people, farmers, and communities.

### **Water Withdrawals and Exports**

Although Canada holds nearly 20% of the world’s fresh water, only 1% of our water is renewable, or replenished by rain or snowfall every year. A 2010 Statistics Canada study showed that renewable water in southern Canada declined 8.5% from 1971 to 2004.<sup>10</sup>

Canada is a top net exporter of bottled water.<sup>11</sup> The AFB introduces stricter regulations that require bottled water corporations to identify their sources on labels and work with provinces to demand restrictions on water-taking permits.

In recent years, right-wing think-tanks in both the United States and Canada have floated proposals to export water from Manitoba and Quebec. The AFB bans bulk water exports as these projects would be tremendously costly, require vast amounts of energy, and pose serious threats to watersheds. It will allocate \$3 million to identify and map Canada’s groundwater sources, coordinate a strategy to prioritize water use and introduce stricter regulations on the bottled water industry.

Virtual water is the amount of water used to produce or process a good or a service. Canada net exports 59.9 Bm<sup>3</sup> of virtual water each year, making it the second net virtual water exporter in the world.<sup>12</sup> The government must track how much virtual water is exported from Canada. The AFB commits \$1 million to complete a comprehensive review on virtual water exports from Canada.

### **Protecting the Great Lakes Commons and Other Priority Waterways**

The Great Lakes hold the majority of Canada’s fresh water and provide drinking water to 42 million people. They also face significant threats, including pollution, extraction, loss of wetlands, and invasive species. The last federal budget failed to commit any new funding to the Great Lakes.

The AFB commits \$500 million to establishing a Great Lakes commons framework<sup>13</sup> based on empowering local decision-making and a co-management model that ensures true collaboration between commun-

ities and governments. Funding will also be dedicated towards cleaning up areas of concern and priority zones, controlling invasive species, calculating the amount of water in the Great Lakes and total water withdrawals, protecting wetlands, and creating an inventory on pollutants that are not covered by the Great Lakes Water Quality Agreement and the National Pollutant Release Inventory.

The AFB also calls for a moratorium on oil and gas in the Gulf of St. Lawrence. The Gulf of St. Lawrence borders five provinces: Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, and Quebec. The fishery is vital to the region, but oil and gas interests are looking to the Gulf for the next big oil production boom. Commentators have suggested that the Gulf of St. Lawrence is the Northern Gateway pipeline of the East. The risks posed to aquatic species, ecosystem health and coastal communities are far too great for any type of drilling to move ahead.

### **A Just Transition from Fossil Fuels**

Tar sands projects release four billion litres of contaminated water into Alberta's groundwater and natural ecosystems every year. Toxins connected to tar sands production have been found as far downstream as the Athabasca Delta, one of the largest freshwater deltas in the world.

Incidents of rare forms of cancer, respiratory diseases, and cardiovascular diseases in communities nearby and downstream have increased with the accelerated rate of tar sands development. Major proposed pipeline projects, including the Enbridge Northern Gateway and Kinder Morgan Trans Mountain Pipeline in British Columbia as well as the reversal of Line 9 in Ontario and Que-

bec, would transport oil from Northern Alberta across the country, exacerbating climate change and putting water, food, and public health at risk. The AFB allocates \$30 million to conduct an in-depth study on the effects of tar sands development on water. The study will include ongoing monitoring and the development of a strategy to reduce and eliminate water pollution from tar sands development.

First Nations and communities across Canada are raising concerns about hydraulic fracturing (fracking), a controversial method that uses sand, water and chemicals to blast rock formations to extract natural gas. There are many risks associated with fracking, including groundwater contamination, the impacts on air quality and climate change, the lack of safe options for disposing of fracking wastewater, and the links to earthquakes. The Minister of the Environment has requested that Environment Canada and the Council of Canadian Academies conduct reviews on fracking. The AFB calls for a moratorium on fracking until these reviews are complete and allocates \$2 million to ensure public input in the reviews.

The 2008 report by the Intergovernmental Panel on Climate Change highlighted the effects of climate change on water in Canada, including droughts, intense precipitation, and increased temperatures. The federal government has failed to plan for the impact of climate change on Canadian watersheds and water infrastructure. A just transition away from the tar sands and all fossil fuels, given the reality of climate change, is imperative. In the meantime, the AFB allocates \$5 million for research on the impacts of climate change on watersheds and infrastructure, renewal of the Flood Damage Reduction Pro-



gram, drought and flood planning, and support for Indigenous communities.

## **Removal of Schedule 2 from Fisheries Act**

The AFB removes the Schedule 2 loophole from the *Fisheries Act*. Lakes that would normally be protected as fish habitat by the *Fisheries Act* are now being redefined as “tailing impoundment areas” in a 2002 schedule added to the Metal Mining Effluent Regulations of the Act. Once added to Schedule 2, healthy freshwater lakes lose all protection and become dump-sites for mining waste. Canada is the only industrialized country to allow this practice. By closing this loophole, the AFB will save taxpayers millions in remediation, wastewater treatment, and health care costs as well as protect our watersheds for current and future generations.

## **Exclude Water from NAFTA, CETA and All Other Trade Agreements**

The AFB excludes water as a good and service from all international trade agreements, including the North American Free Trade Agreement (NAFTA) and the Canada-EU Comprehensive Economic and Trade Agreement. When water is considered a tradable good and service under international trade agreements, water-related policy and other measures become vulnerable to investor-state challenges that involve a proprietary interest in water. In 2010, the federal government settled a NAFTA challenge brought against the Government of Newfoundland and Labrador by AbitibiBowater, one of the largest pulp and paper mills in the world, for \$130 million. Part of this amount was understood by the firm to include compensation for

provincial water rights that it cannot legally own in Canada, setting a dangerous precedent. By excluding water in trade agreements, the AFB will avert threats to Canada’s water and costly NAFTA challenges. It will also protect the rights of municipalities, provinces, and territories to regulate or create new public monopolies for the delivery of water services and sanitation without having to worry about trade and investment challenges. The AFB will ensure Foreign Investment Protection and Promotion Agreements such as the one being negotiated with China are no longer signed and that existing treaties are cancelled to protect communities’ rights to develop regulations on water protection, including bans on fracking.

---

## **AFB Actions**

The following measures begin the process of developing a national water policy that makes the conservation and protection of our water a public trust and safe, clean drinking water and sanitation a human right.

### **Recognizing the Human Right to Water and Sanitation**

The AFB allocates:

- \$97 billion to be invested in a National Public Water and Wastewater Fund over the next 20 years from all levels of government. The federal portion, making up 40% of the funding, would start at \$2.6 billion a year for the first six years and \$1.67 billion a year for the following 14 years;
- An additional \$1 billion for implementing the new Wastewater Systems Effluent



Regulations with a further \$1 billion per year over the next 19 years.

## Sustainability

The AFB allocates:

- \$500 million to implement a comprehensive action plan to protect the Great Lakes and an additional \$950 million/year for four years to clean up priority waterways;
- \$327.5 million (over three years) to implement water quality and water quantity monitoring frameworks, increase the number of monitoring stations, train staff in water monitoring, contribute to the UN Global Environment Monitoring System, and create a new junior water minister position; and
- \$2 million to reinstate the Experimental Lakes Area.

## Pollution

The AFB allocates \$50 million for environmental assessments of all energy and mining projects as well as \$32 million for an in-depth

study of the effects of tar sands development and incorporating public input in the federal reviews on fracking.

## Notes

1 UN Human Rights Council, September 23, 2011, A/HRC/18/L.1 The human right to safe drinking water and sanitation, [www.ewash.org/files/library/water%20res.sep.2011%5B1%5D.pdf](http://www.ewash.org/files/library/water%20res.sep.2011%5B1%5D.pdf).

2 Federation of Canadian Municipalities, The Canadian Infrastructure Report Card, <http://www.canadainfrastructure.ca/en/index.html>

3 Federation of Canadian Municipalities, The Canadian Infrastructure Report Card, p. 20, <http://www.canadainfrastructure.ca/en/index.html>

4 Mackenzie, Hugh. (2013). *Canada's Infrastructure Gap: Where It Came from and Why It Will Cost So Much to Close*. Canadian Centre for Policy Alternatives. Ottawa. <http://www.policyalternatives.ca/publications/reports/canadas-infrastructure-gap>

5 Environment Canada, Wastewater. <http://www.ec.gc.ca/eu-ww/default.asp?lang=en&n=BC799641-1>

6 Federation of Canadian Municipalities, The Canadian Infrastructure Report Card, <http://www.canadainfrastructure.ca/en/index.html>

7 Health Canada, Drinking Water and Wastewater, <http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#adv>

8 Health Canada, First Nations Communities with Drinking Water Advisories as of December 31, 2010, <http://www.scribd.com/mobile/documents/52564707>.

9 Canwest News Service, "Liberal government would name water minister," December 5, 2007, <http://www.canada.com/topics/news/national/story.html?id=f5doda84-1d9a-4553-949d-100a96535d2f>

10 Statistics Canada, Study: Freshwater supply and demand in Canada, September 13, 2010, <http://www.statcan.gc.ca/daily-quotidien/100913/dq100913b-eng.htm>

11 Agriculture and Agri-Food Canada, Agriculture, Food and Beverages Profile – Republic of Korea 2010, updated April 12, 2010, <http://www.ats.agr.gc.ca/asi/4379-eng.htm>

12 Rahman, N., Barlow, M., and Karunanathan, M. (2011). *Leaky Exports: A Portrait of the Virtual Water Trade in Canada*. Ottawa: Council of Canadians. <http://canadians.org/water/documents/virtual-water-0511.pdf>.

13 Maude Barlow, Our Great Lakes Commons: Protecting Our Great Lakes Forever, <http://canadians.org/water/documents/greatlakes/GreatLakes-0311.pdf>.

# Women's Equality

---

## Background

Sustainable economic policy must address the distinct roles of women and men within the economy and the distinct impact of economic crisis and recovery strategies on women and men. To do so is good fiscal sense and good public policy. The AFB will foster sustainable economic growth by ensuring that women are able to participate fully in the economic and social life of Canada. The AFB will address the key barriers to that participation: the wage and income gap between women and men; the lack of investment in social infrastructure; and the personal, social, and economic devastation caused by violence against women.

According to the OECD, “rising female participation in the labour force has been the mainstay of per capita real income growth [for Canada] over the last decade.”<sup>1</sup> Following the economic crisis of 2008, women were among the first to return to the post-recession labour force. Their return, however, did not lead to increased economic security for them or sustainable growth for Canada. The jobs women filled tended to be part-time or temporary, an ongoing trend in women’s employment.<sup>2</sup> In Canada, 27% of working women work part-time, compared to 12% of working men.<sup>3</sup> This percentage has remained nearly unchanged over 30 years, from 26.1% in 1981 to 27% today. Closing the gap between women’s and men’s shares of paid work would not only increase women’s economic well-being and their access to economic supports, it would

also contribute to economic growth. A recent analysis of developed countries, estimates that closing the gap between male and female employment rates would boost GDP by at least 9%.<sup>4</sup>

The Canadian gender pay gap is the fifth-largest among 28 OECD countries.<sup>5</sup> In Canada, women with full-time jobs earn 23% less than men. The pay gap is particularly pronounced among single mothers, racialized women, First Nations women, and women with disabilities. For these groups there is both a wage gap between women and men of the same group, and a significant gap between their earnings and the national average. For example, the average income for women with disabilities in Canada is 32% lower than women in Canada overall at \$22,013; their income is 33% lower than the income of men with disabilities and their income is 57% lower than men in Canada overall.<sup>6</sup> Racialized women earn only 70.5% as much as racialized men, and First Nations women living off-reserve earn 68.5% as much as First Nations men living off-reserve.<sup>7</sup> The average income for racialized women is \$22,993, and for First Nations women, living off-reserve, the average income is \$22,035. It is therefore unsurprising that, in spite of increasing levels of education and work experience, these women are disproportionately affected by the economic recession.<sup>8</sup> Not only are these gaps a violation of the basic principle of equality and non-discrimination, but they represent a huge loss in potential revenue for governments at all levels. Even the most conservative estimates

state that closing the gender wage gap could increase Canada's GDP by as much as 10%.<sup>9</sup>

During a period of economic contraction and slow recovery, Canada cannot afford to leave such a large economic resource untapped. Closing the gap between women's and men's economic status in Canada will provide a significant engine for long-term economic growth, as well as an immediate increase in women's social and economic well-being.

---

## Current Issues

The government's current economic policies come at a high price to women and the economy. They do not create jobs in industries where women work, they increase the tax burden on working women while decreasing access to pension and income supports, and they continue to undermine basic equality rights. Moreover, they do so in a manner that allows for little public debate or scrutiny.

Set to "fuel the next wave of job creation"<sup>10</sup> the government's budget has depended on infrastructure projects to fill the tank.<sup>11</sup> Infrastructure projects have been successful in creating jobs, but they do so in the very industries in which women are least likely to find work. An equal investment in industries such as health care, child care, and education would yield a double benefit. It would create more jobs in sectors in which women are likely to be employed and would decrease the burden of unpaid work for both men and women by strengthening Canada's social infrastructure. A recent review by TD Economics reiterates the economic and social benefits of investing in child care and early childhood education: "it can help to foster greater labor force participation.... It

raises employment prospects and reduces duration of unemployment if it occurs.... It can also reduce poverty and help to address income inequality."<sup>12</sup>

The current budget is also looking to fuel job creation in the private sector while cutting jobs in the public sector. Yet the public sector has been the place where women have realized the greatest level of economic equality. These gains were significantly undermined in the 2009 budget, which stripped public employees of the right to pay equity — making equality rights subject to market forces. In 2012, Bill C-38 made similar changes to the Federal Contractors Program, leaving compliance with the Employment Equity Act for contractors of the federal government to the discretion of the Minister. Marjorie Griffin Cohen points out that "there would be no reason to change this legislation if the Minister intended to continue to apply the employment equity provisions."<sup>13</sup>

The current job cuts being rolled out in the public sector are having a disproportionate impact on women. Women working in the public sector earn an average of 4.5% more than their peers in the private sector.<sup>14</sup> Women seeking comparable work in the private sector, even if economic stimulus were to generate those jobs in the private sector, would see an estimated \$2,000 reduction in their annual income.<sup>15</sup> Overall, this means that women seeking paid work will have fewer employment choices, earn less income where they are able to secure employment, and experience no relief from their burden of unpaid work.

For women who do experience unemployment, there is little respite. The gap between men's and women's access to EI benefits continues to expand: "At the outset of the 2008/9

recession, when female employment rates were at an all-time high, the gender gap between women vs. men receiving EI benefits was only 2.3%, but grew to 14% during the recession.”<sup>16</sup> The lack of affordable child care and the concentration of women in part-time work further decrease their access to EI. In the period immediately following the recession, married women lost the largest proportion of jobs: “176 percent of all jobs lost by women were lost by married women. Married men also lost the largest share of men’s jobs, but on a much smaller scale than married women (98 percent of all men’s jobs were lost by married men)...of the 176 percentage points of jobs lost by married women, 102 percent were lost from full time employment and 74 percent from part time employment. In contrast, while single women gained 230 percent of the number of women’s jobs lost during the recession, all these gains were in the form of *temporary* full time employment.”<sup>17</sup>

One final irony of the government’s current economic policies is that unemployed workers will likely have to wait longer to receive EI, if they do qualify, because public sector job cuts are diminishing Service Canada’s capacity to process EI claims.<sup>18</sup>

At the end of their working lives, women will also feel the impact of changes made in the 2012 and 2013 budgets. First, only 30% of women employed in the private sector have pensions of any kind. Second, everyone is going to have to work two years longer before they are eligible to receive OAS. However, because women’s earnings peak in their 40s, while men’s earnings peak in their 50s, the first generation of women to be affected by the phase in of the OAS changes (in 2023) will be less able to mitigate against the im-

pact on their incomes than will their male counterparts.<sup>19</sup>

For young women, the continued roll-back of equity guarantees, the changes to the age of retirement, and the failure to invest in industries where women work, mean that those women will have fewer job opportunities, will earn less, will work two years longer before they can access OAS, and will pay more for the privilege.

### **Inequality and Insecurity**

Violence against women and girls is an endemic social ill and a violation of the basic rights of security of person and non-discrimination. Violence against women and girls is exacerbated by economic insecurity and is itself a cause of long-term economic insecurity. A recent study found that women who had left abusive domestic partners relied on food banks at nearly 20 times the rate of average Canadians, up to three years after leaving the abusive situation.<sup>20</sup>

Current estimates suggest that intimate-partner violence alone costs the Canadian economy nearly \$7 billion per year.<sup>21</sup> Although notoriously difficult to track, the violence directed at women and girls *because* they are women or girls is prevalent across the Canadian population. Statistics Canada reports that “6% of Canadians with a current or former spouse reported being physically or sexually victimized by their spouse in the [past] 5 years.”<sup>22</sup> Eighty-three percent of victims of spousal violence are female. Government estimates suggest that as many as 70% of incidents of spousal violence are never reported.<sup>23</sup> Rates of sexual assault remain stable, with approximately 2 of every 100 Canadians over the age of 15 reporting that they have experienced a sexual assault in the previous

year.<sup>24</sup> However, only 1 in 10 sexual assaults is reported and police have recorded a further decrease in reporting over the past decade.<sup>25</sup> Rates of violence against women and girls vary by region and group, with Aboriginal women, women with disabilities, young women, and women living in northern Canada experiencing significantly higher than average rates of violence.<sup>26</sup>

The federal government continues to make minimal investments in addressing a problem that directly affects at least 2.8 million Canadians.<sup>27</sup> Status of Women Canada currently spends an average of \$10 million per year. The mandate of Status of Women precludes advocacy and research, thus the \$10 million is directed largely at the provision of services for the 2.1 million Canadians experiencing domestic violence and the 0.7 million Canadians who have *reported* a sexual assault. Yet a longitudinal study of interventions to combat violence against women has demonstrated that support for civil society organizations and feminist activism has been the most significant factor in a successful public policy response to violence against women.<sup>28</sup>

While Status of Women carries the mandate to address this issue, the Department of Aboriginal Affairs and Northern Development has spent over \$30 million per year over the past three years on grants and contributions to organizations addressing violence against women. Additional funds are dispersed by HRSDC and Health Canada. This scattershot approach is plainly inadequate. The United Nations Secretary General has called on all states to implement a national action plan to address violence against women by 2015.

---

## AFB Actions

The AFB will:

- Invest in a National Action Plan to Address Violence Against Women (cost: \$380 million<sup>29</sup> over 3 years).
- Invest in social infrastructure, including a federal child care program (see the Early Childhood Education and Care chapter on page 58).
- Increase funding for Status of Women Canada and fund women's groups to carry out independent policy research and advocacy.
- Provide consistent and secure funding for a non-partisan, arm's length, independent research body to focus on issues and policies relating to and affecting women and that would be free to publish without ministerial consent.
- Take pro-active measures to ensure equal pay for work of equal value by repealing the Public Service Equitable Compensation Act, establishing pro-active pay equity legislation, and implementing the recommendations of the 2004 Pay Equity Task Force (cost: \$10 million/year).
- Eliminate inequitable tax breaks and tax policies that exacerbate women's economic insecurity, such as income-splitting measures for pension income (~\$1 billion savings), and including for Retirement Compensation Arrangements and Tax Free Savings Accounts (see the Tax chapter).
- Implement the recommendations of the 2009 Report of the Auditor General on gender-based analysis, including provid-



ing adequate human resources to conduct gender-based analysis in all government departments and agencies.

## Notes

- 1 Bibbee, Alexandra. (2008). "Tax Reform for Efficiency and Fairness in Canada: Economics Department Working Paper No. 631." Paris: Organisation for Economic Co-operation and Development. p. 22.
- 2 *Living With Economic Insecurity: Women in Precarious Work* (2011). International Trade Union Confederation; Elson, Diane and Devaki Jain. (2010). *Vision for a Better World: From Economic Crisis to Equality*. New York: United Nations Development Program.
- 3 "Full-Time and Part-Time Employment by Sex and Age Group." CANSIM table: 282-0002. Ottawa: Statistics Canada, last modified: January 6, 2012.
- 4 Daly, Kevin. (2007). "Gender Inequality, Growth and Global Ageing." *Global Economics Paper No. 154*. New York: Goldman Sachs Economic Research Group.
- 5 "Gender Wage Gap: Full Time Employees." OECD. Available online at: <http://www.oecd.org/gender/data/genderwagegap.htm>
- 6 *Disability in Canada: A 2006 Profile*. (2011). Ottawa: Human Resource and Skills Development Canada.; Galarneau, Diane and Marian Radulescu. (2009). *Employment Among the Disabled*. Ottawa: Statistics Canada.
- 7 "Average Incomes by Racialized Census Groups and Gender." (2007). *2006 Census of Population*. Ottawa: Statistics Canada.
- 8 "Study: Aboriginal People and the Labour Market." *The Daily*. Statistics Canada. November 23, 2011.
- 9 Oostendorp, Remco H. (2009). "Globalization and the Gender Wage Gap." *World Bank Economic Review*. 23(1): pp. 141–161.
- 10 *Jobs, Growth, and Long-Term Prosperity: Canada's Economic Action Plan 2012: The Budget in Brief*. Department of Finance, Government of Canada, 2012.
- 11 Infrastructure spending in the 2012 budget consists primarily of the \$33-billion Communities Infrastructure Fund. However, there are clear plans for further infrastructure spending in the near future, including the \$35-billion National Shipbuilding Procurement Strategy, over \$30 billion for shipyards contracts, \$5.2 billion for the Canadian Coast Guard fleet, and continued spending on the F-35 jets.
- 12 Alexander, Craig and Dina Ignjatovic (2012). *Early Childhood Education Has Widespread and Long Lasting Benefits*. Toronto: TD Economics. [http://www.td.com/document/PDF/economics/special/di1112\\_EarlyChildhoodEducation.pdf](http://www.td.com/document/PDF/economics/special/di1112_EarlyChildhoodEducation.pdf)
- 13 Cohen, Marjorie Griffin (2012). "Budget Bill and the Federal Contractors Program." *Progressive Economics Forum*. [www.progressive-economics.ca/2012/05/31/budget-bill-and-the-federal-contractors-program](http://www.progressive-economics.ca/2012/05/31/budget-bill-and-the-federal-contractors-program)
- 14 Sanger, Toby (2011). *Battle of the Wages: Who Gets Paid More, Public or Private Sector Workers?* Ottawa: Canadian Union of Public Employees. [cupe.ca/updir/Battle\\_of\\_the\\_Wage\\_ENG\\_Final-o.pdf](http://cupe.ca/updir/Battle_of_the_Wage_ENG_Final-o.pdf)
- 15 Sanger, Toby (2011). *Battle of the Wages: Who Gets Paid More, Public or Private Sector Workers?* Ottawa: Canadian Union of Public Employees. [cupe.ca/updir/Battle\\_of\\_the\\_Wage\\_ENG\\_Final-o.pdf](http://cupe.ca/updir/Battle_of_the_Wage_ENG_Final-o.pdf)
- 16 Lahey, Kathleen A (2012). *Canada's Gendered Budget 2012: Impact of Bills C-38 and C-45 on Women: A Technical Report*.
- 17 Lahey, Kathleen A (2011). "At the Intersection of Global Economics Crisis and State Anti-Feminism: Women in Canada, 2008–09." *Investigaciones Feministas*. Vol. 2.
- 18 Galloway, Gloria. (2012). "Growing backlog of EI claims forces Service Canada to boost staff." *Globe and Mail*. Jan. 13. [www.theglobeandmail.com/news/politics/growing-backlog-of-ei-claims-forces-service-canada-to-boost-staff/article542476](http://www.theglobeandmail.com/news/politics/growing-backlog-of-ei-claims-forces-service-canada-to-boost-staff/article542476); Galloway, Gloria. (2012). "Pensioners, unemployed still facing long waits with Service Canada." *Globe and Mail*, Nov. 1. [www.theglobeandmail.com/news/politics/pensioners-unemployed-still-facing-long-waits-with-service-canada/article4806279/](http://www.theglobeandmail.com/news/politics/pensioners-unemployed-still-facing-long-waits-with-service-canada/article4806279/)
- 19 Lahey, Kathleen A (2012). *Canada's Gendered Budget 2012: Impact of Bills C-38 and C-45 on Women: A Technical Report*.
- 20 Varcoe C. et al. (2011). *Attributing Selected Costs to Intimate Partner Violence in a Sample of Women Who Have Left Abusive Partners*. Canadian Public Policy, vol 37.3.
- 21 Varcoe C. et al. (2011). *Attributing Selected Costs to Intimate Partner Violence in a Sample of Women Who Have Left Abusive Partners*. Canadian Public Policy, vol 37.3.
- 22 Mahony, Tina Hotton. (2011). "Women and the Criminal Justice System." *Women in Canada: A Gender-Based Statistical Report*. Ottawa: Statistics Canada.
- 23 *Family Violence in Canada: A Statistical Profile*. Statistics Canada. Government of Canada, 2009.
- 24 *Sexual Assault in Canada 2004 and 2007*. Statistics Canada and Canadian Centre for Justice Statistics. Government of Canada, 2008.
- 25 *Sexual Assault in Canada 2004 and 2007*. Statistics Canada and Canadian Centre for Justice Statistics. Government of Canada, 2008.
- 26 Brennan, Shannon. *The Violent Victimization of Aboriginal Women by Canadian Provinces*. Juristat, 2011; "Family Violence in the Canadian Arctic." Pauktuutit, 2009; Perreault, S. (2009). *Criminal Victimization and Health: A Profile of Victimization Among Persons with Activity Limitations or Other Health Problems*. Ottawa, Ontario: Canadian Centre for Justice Statistics.
- 27 Mahony, Tina Hotton. (2011). "Women and the Criminal Justice System." *Women in Canada: A Gender-Based Statistical Report*. Ottawa: Statistics Canada; *Sexual Assault in Canada 2004 and 2007*. Statistics Canada and Canadian Centre for Justice Statistics. Government of Canada, 2008.
- 28 Htun, Mala and S. Laurel 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.
- 29 Estimate based on current expenditures towards Ontario's action plans to address domestic violence and sexual violence — calculated on a per capita basis for Canada. Ontario currently spends \$141 million/year or \$11.06 per capita.



# Youth

---

## Background

There are currently an estimated 10.2 million people under the age of 25 in Canada, and 12.7 million under age 30.<sup>1</sup> The fact that “youth” account for about one-third of the population may seem like a lot, but it is substantially less than what it used to be. Indeed, the Canadian population is ageing, with the median age rising markedly from 26.2 years in 1971 to 39.9 years in 2011.<sup>2</sup>

Population ageing might, at first glance, offer a partial explanation for the fact that the concerns and challenges of young people often fail to factor as political and government priorities. However, the under-25 demographic is still more than double the number of seniors (65+). Moreover, they are among the first impacted, the last heard, and the longest “scarred” whenever the economy struggles.<sup>3</sup>

This is not to say that young people are not a government concern. On the contrary, they are prime targets for government intervention and societal anxiety. There is a broad sense that young people are mainly important (and dangerous) insofar as they will be the political leaders, voters, tax base, consumers, and stewards of the environment in the future. Therefore, much effort goes into ensuring that they grow up “right.” Their lives are carefully governed, through compulsory education, laws and social programs (to name only a few influences), with the purpose of creating productive, obedient, “normal” citizens.<sup>4</sup> Thus, “youth issues” tend to be de-

finied from the perspective of major institutions rather than by young people themselves.

No matter whose perspective dominates, however, it is difficult to consider or deal with “youth issues” in isolation, because young people’s concerns and challenges cut across a wide range of spheres of social life and policy.

For example, nearly half (44%) of all Canadians aged 15–29 are pursuing some form of schooling, and are therefore directly affected by public policy on secondary and post-secondary education.<sup>5</sup> The amount of money governments commit to education, the proportion of the cost that is individualized, credit transfers between institutions, the presence or absence of an overarching national strategy — all impact the institutions and systems young students encounter.

Yet more than half of Canada’s young people are *not* in school, so it is incorrect to assume that attention to “student issues” suffices as attention to “youth issues.” A majority of young non-students (and roughly half of all young students) are also in the labour force, either employed or looking for employment.<sup>6</sup> These people have a stake in labour policy and legislation, as do prospective graduates who hope for employment. Labour and employment policy at the other end of the life course — for example, age of retirement, access to the Canada Pension Plan and Old Age Security, retirement income security — affect the behaviours of older workers, and subsequently the job prospects of younger workers. Labour legislation that affects unpaid internships is also extremely relevant in

shaping the job opportunities available to recent graduates.<sup>7</sup>

Taking an even wider view, the relationships between school, work, and home have shifted dramatically over the last several decades, with significant consequences for the timing of major life events and transitions. The average ages at which people marry, leave their parents' homes, settle into full-time jobs, finish school, and start families have all risen, spurring a flurry of writing about "delayed life transitions" and "extended adolescence."<sup>8</sup> Much of this research has pointed to political and economic shifts, such as the expansion of post-secondary education, the increasing participation of women in the labour force, the stagnation of median wages, and the shift towards a so-called "knowledge economy," as explanations for protracted pathways to adulthood.

Research has also shed light on the diversity of young people's pathways, raising the important point that "youth" by no means constitute a homogeneous group. Young people from rural areas and low-income families, those who leave school early, aboriginal youth, recent immigrants, young people with physical and cognitive disabilities, young parents, LGBTQ, racialized, homeless, and unemployed young people, each face different challenges. Disproportionately marginalized, these subsections of "youth" often lack social, financial, and cultural capital to overcome common barriers to employment, civic participation, family and personal stability, as well as post-secondary education.

Complicating this still further is the fact that young people's participation in Canada's electoral system is waning. There is a growing sense that party politics and elected governments fail to connect with younger "genera-

tions" coming of age in a world where conditions demand radically different structures and practices of government than those developed by preceding generations.

---

## Current Issues

In recent years, three topics have dominated political and public discourse around youth in Canada: unemployment, electoral participation, and mental health. However, all three have yet to elicit much in the way of concrete policy responses from the federal government.

### Youth Un- and Underemployment

Record-breaking levels of youth unemployment around the world have thrust the issue into the media spotlight. Worldwide youth unemployment has reached crisis proportions, with 75 million young people unemployed globally.<sup>9</sup> Fortunately, the situation in Canada is not as dire: around 14%<sup>10</sup> of 15-to-24-year-olds here are unemployed, compared to over 50% in Spain and Greece, and 35% in Italy.<sup>11</sup> However, there has been a substantial rise in part-time, non-permanent work among young Canadians — jobs that tend to be lower-paid and lack access to benefits and training opportunities — increasing the precariousness of many young workers' employment situations.<sup>12</sup>

Moreover, youth unemployment in Canada has risen over the last decade. The last time it was this high was in the 1990s, although it is considerably lower today than in the early 1980s, when it passed 20%.<sup>13</sup> Nevertheless, in the 1980s, the federal government introduced several measures under the umbrella of a "youth employment initiative," which

included wage subsidies for “employment disadvantaged” young people, funding for community projects with a youth focus, and “youth units” at Canada Employment Centres.<sup>14</sup> 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, its effects on individuals and the economy, and the significant political economic transformations that have taken place since the 1980s (e.g., the expansion of post-secondary education, and the decline in permanent, full-time work).<sup>15</sup>

### Electoral Participation

During the last two federal elections, young Canadians were singled out as a particularly apathetic segment of the voting-age population. In 2011, only 38.8% of eligible voters under age 25 voted in the federal election; in 2009, turnout was slightly lower, at 37.4%.<sup>16</sup> In comparison, the overall voter turnout in 2011 was 58.5%, and the oldest voters turned out in droves — for example, 75% of those aged 65–74 cast ballots.<sup>17</sup> Although Elections Canada has developed some campaigns to encourage young people to vote, most action on this front has been undertaken at the civic level by organizations such as LeadNow, or through events such as “Vote Mobs.”

### Mental Health and Bullying

Several high-profile teen suicides in Canada, along with related grassroots and celebrity-led campaigns to end bullying, have helped promote the understanding of bullying as a social problem (rather than an isolated, interpersonal issue) that is deeply interconnected to the holistic health of young people. Many

politicians at the municipal, provincial and federal levels have tried to deal with bullying through government legislation and motions for a National Anti-Bullying Strategy. The current federal government has said, however, that bullying should be dealt with at the local or community level.<sup>18</sup>

---

## AFB Actions

The AFB will introduce several measures under the umbrella of a “Youth Employment Initiative.” Notably, the definition of “youth” for each measure will be people aged 16–29, in acknowledgement of the increasingly protracted period of education and economic dependence or semi-dependence that youth experience. Measures will include:

- *Wage subsidies for employers that hire 31,000 young workers.* Employers that hire new workers aged 16–29 will be eligible to apply for a \$10/hr wage subsidy for the first two months of employment (or \$3,200). Conditions include that the wage meet provincial living-wage standards, that the jobs offer some training component, are above entry level and/or offer realistic possibilities for advancement within the organization, and are *permanent*, not temporary. (Cost: \$100 million.)
- *Linking young workers with employers.* The AFB will improve upon the existing Service Canada youth job bank<sup>19</sup> by creating a stand-alone job bank that explicitly connects young workers with the employers and industries facing labour shortages. Data on industry job openings and losses, as well as graduate placement rates of university and college programs, will be housed on the website, to assist young people who are deciding if

and where to train for a specific job. Workers and employers that connect with one another via this program will be supported in applying for and accessing the subsidies and relief funding available.

- *Public Works projects for young workers:* All federally funded infrastructure projects will reserve, at minimum, one-third of the jobs they create for young workers (aged 16–29).

The AFB will make it an explicit government priority to assess and address the problem of youth electoral participation. It will hire an independent research firm to conduct an in-depth, nationwide study of youth electoral participation, using quantitative survey methods as well as qualitative focus groups and town hall meetings. The study will also include a survey of global youth electoral participation, in search of “best practices” or the conditions that appear to lead to increased youth participation. The goal will be to identify possible changes to the elections process and legislation, as well as the political system, in Canada. Specifically, it will explore the potential of online voting and compulsory voting, and the connection between public education curricula (e.g., the presence or absence of civics classes) and voting behaviour.

The AFB will acknowledge that mental health issues among young people are embedded in wider socio-political and economic contexts. Adopting a “social determinants of health” perspective, it will launch the development of a mental health strategy that seeks to identify and address the contextual factors that contribute to mental illness as a social problem and exacerbate its negative effects.

## Notes

- 1 Statistics Canada. Table 051-0001 - Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual (persons unless otherwise noted), CANSIM (database).
- 2 Human Resources and Social Development Canada. (2012). “Canadians in Context—Aging Population.” Online at <http://www4.hrsdc.gc.ca/.3ndic.1t.4t@-eng.jsp?iid=33>
- 3 International Labour Office. (2011). *Global Employment Trends for Youth: 2011 update*. International Labour Organization, Geneva.
- 4 Comacchio, Cynthia. (2006). *The Dominion of Youth: Adolescence and the Making of a Modern Canada, 1920 to 1950*. Waterloo, ON: Wilfrid Laurier University Press; Foster, Karen and Spencer, Dale. 2012. *Reimagining Intervention in Young Lives*. Vancouver, BC: UBC Press.
- 5 Statistics Canada. (2012). “Education indicators in Canada: An international perspective, 2010.” *The Daily*, June 21. Online at <http://www.statcan.gc.ca/daily-quotidien/120911/dq120911b-eng.htm>
- 6 Unpublished data from the Statistics Canada labour force survey, 2012 (author’s calculations).
- 7 For ongoing coverage of the use of unpaid interns in Canada, follow Andrew Langille’s blog, *Youth and Work*: [www.youthandwork.ca](http://www.youthandwork.ca)
- 8 Beaujot, Roderic. (2004). *Delayed Life Transitions: Trends and Implications*. Ottawa: Vanier Institute of the Family; Clark, Wayne. (2007). *Delayed Transitions of Young Adults*. Statistics Canada. Accessed November 6, 2012 at <http://www.statcan.ca/english/freepub/11-008-XIE/2007004/pdf/11-008-XIE200700410311.pdf>
- 9 International Labour Organization. (2012). *Global Employment Trends for Youth*. Online at [http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2012/WCMS\\_180976/lang-en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2012/WCMS_180976/lang-en/index.htm)
- 10 Cansim 282-0087
- 11 [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-31102012-BP/EN/3-31102012-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-31102012-BP/EN/3-31102012-BP-EN.PDF)
- 12 Foster, Karen. (2012). *Youth Employment and Un(der)Employment in Canada: More Than a Temporary Problem?* Ottawa: Canadian Centre for Policy Alternatives.
- 13 <http://www.statcan.gc.ca/pub/75-001-x/2012002/charts-graphiques/11639/cg00c-eng.htm>
- 14 Employment and Immigration Canada. (1982). “What does the new employment initiative mean?” *The Windsor Star*, Friday, Sept. 17, p. B5.
- 15 For the official line on the new Youth Employment Strategy, see <http://actionplan.gc.ca/en/initiative/enhancing-youth-employment-strategy>. For an evaluation of the YES program from 1997–2002, see Human Resources and Skills Development Canada. (2004). “Youth Employment Strategy (YES) 1997–2002: Summary of Recent Summative Evaluation Results.” Online at [http://www.hrsdc.gc.ca/eng/publications\\_resources/evaluation/2007/sp\\_ah\\_211\\_05\\_04e/page01.shtml](http://www.hrsdc.gc.ca/eng/publications_resources/evaluation/2007/sp_ah_211_05_04e/page01.shtml). On economic transformations since 1980, see Vosko, Leah F. (2009). *Managing the Margins: Gender, Citizenship, and the International Regulation of Precarious Employment*. OUP Oxford.
- 16 Horgan, Colin. (2011). “Canada’s Youth Vote Edges up in 2011, but Still a Drag on the Total Turnout.” *Ipolitics.ca*. Online at <http://www.ipolitics.ca/2011/11/24/canadas-youth-vote-edges-up-in-2011-but-still-a-drag-on-the-total-turnout/>.
- 17 Elections Canada. (2011). “Estimation of Voter Turnout by Age Group and Gender at the 2011 Federal General Election.” Online at <http://www.elections.ca/content.aspx?section=res&dir=rec/part/estim/41ge&docum=ent-report41&lang=e#p4>
- 18 Kirkup, Kristy. (2012). “NDP accuses Tory of bullying following anti-bullying strategy debate.” *The Welland Tribune*, Oct. 16. Online at <http://www.wellandtribune.ca/2012/10/15/ndp-pushes-for-national-anti-bullying-strategy>.
- 19 <http://www.jobbank.gc.ca/rch-eng.aspx?ProvId=02&OpPage=50&Stdnt=Only>

# Appendix

One of the values of the Alternative Federal Budget process is to create a more inclusive budget. Far too often, budgets are developed in secret and revealed to Canadians with little opportunity for input. The federal government could do a much better job at involving Canadians in the budget process.

By involvement, the AFB envisions something very different from the current pre-budget consultations that the federal government conducts. There is little connection between the ideas generated from those consultations and the actual federal budget. Instead of the top-down nature of the consultations, the AFB would adopt a more bottom-up approach that allows individual Canadians to come together and discuss how programs are created and implemented.

This year's the AFB will create a Health Care Innovation fund worth \$2 billion over 2 years. The goal of this new fund is to allow communities to decide how the money is spent on the priorities that matter to them. As part of the process, the AFB implemented an online tool that allowed Canadians to balance how they'd like to see the money spent on the various program choices. The available choices were:

- Improved home care services to allow seniors to live longer in dignity in their homes
- Improved access to family physicians and primary care teams
- A dental care program for low income children

- Funding for a safe injection/consumption site
- Better mental health outreach
- Prescription drug coverage for seniors
- Increased support for Community Health Centres

The results of that poll are detailed below.

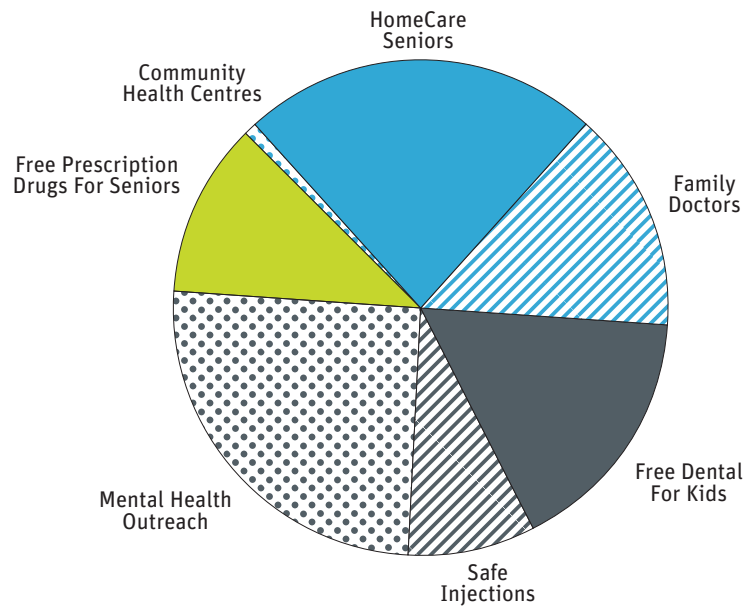
A preferable scenario for implementation would forgo an online poll in favour of actual community meetings where Canadians could more fully participate with their neighbours in implementing policy. Unfortunately, such engagement was outside of the scope of the AFB process this year.

The three Canadian cities with the largest response rate to the online tool were Toronto, Ottawa and Vancouver. Across all three, the three largest priorities were home care for seniors, mental health outreach, and dental care for children.

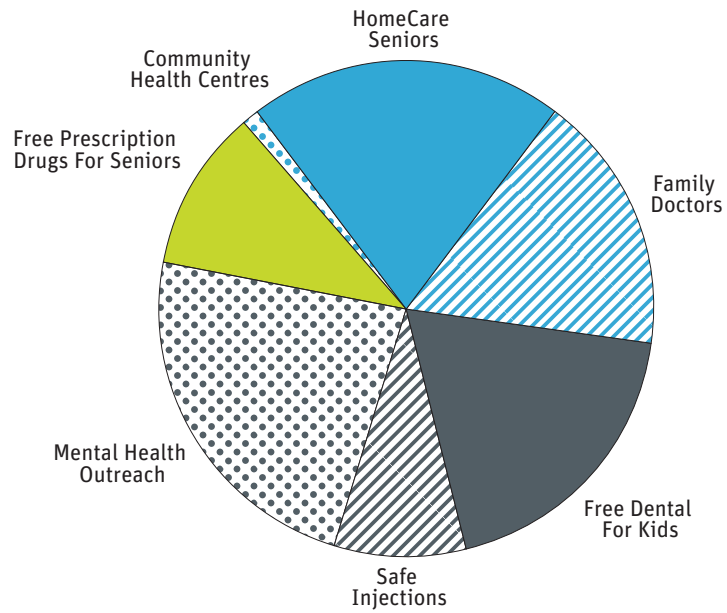
Based on its population, Vancouver would have \$36 million of the overall fund. The largest priority for Vancouverites was mental health outreach to which they'd devote \$9 million. Their second largest priority was home care for seniors to which they'd devote \$8.6 million. Their third priority was dental care for children which would receive \$5.8 million

Based on its population, Toronto would have \$156 million to spend. Its top priority was mental health outreach to which it would devote \$35.9 million. The second priority would be home care services for seniors which would receive \$32.3 million. Its third

**FIGURE 15** Poll Results, Vancouver, BC

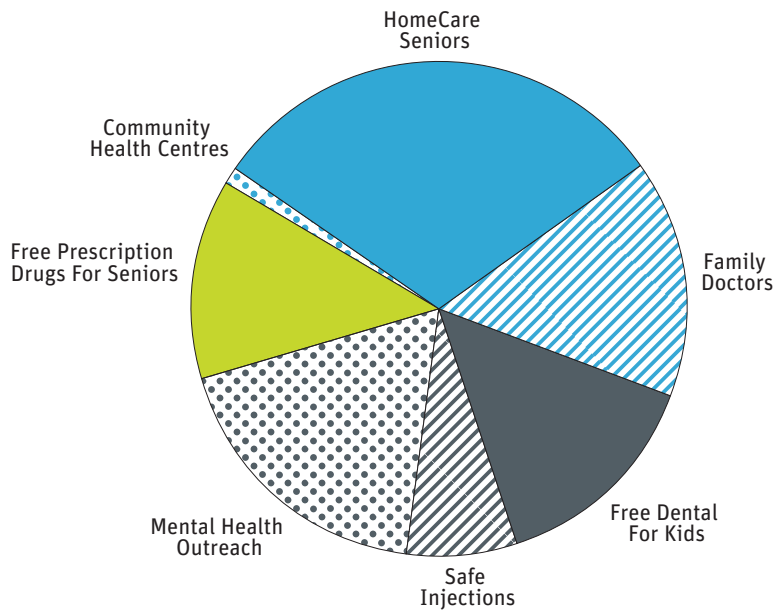


**FIGURE 16** Poll Results, Toronto, ON





**FIGURE 17** Poll Results, Ottawa, ON



priority was dental care for children which would have a budget of \$29.6 million.

The amount for Ottawa would be \$53 million based on its population. Ottawa's top priority was home care for seniors which would

receive \$16.4 million. The city's second highest priority was mental health outreach which would receive \$9.8 million. Its third largest priority was more family physicians, that portion would receive \$8.3 million.

# Acknowledgements

From its beginnings, the fundamental premise of the Alternative Federal Budget is that budgets are about choices and choices reflect the values and priorities of those who make them. 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, church, students, teachers, education and health care, cultural, social development, child development, international development, women, disability, Aboriginal.

The AFB's credibility speaks volumes about what can be achieved by a dedicated group of volunteers working together far away from the ivory and glass towers of the government and corporate worlds. We would like to acknowledge the very valuable financial assistance provided by the Canadian Labour Congress, the Canadian Auto Workers, the Canadian Union of Public Employees, the Canadian Union of Postal Workers, the National Union of Provincial and General Employees, the Public Service Alliance of Canada, the Communications, Energy and Paperworkers Union, and the United Steelworkers.

This document was prepared thanks to the generous volunteer contributions of many people, including:

**Lynell Anderson** (Child Care Advocacy Association of Canada), **Adam Awad** (Canadian Federation of Students), **Ken Babich** (Farm to Cafeteria Canada), **Joanne Bays** (Farm to Cafeteria Canada), **Morna Ballantine** (Public

Service Alliance of Canada), **Kirsten Bernas** (Canadian Community Economic Development Network), **Peter Bleyer** (Professional Institute of the Public Service of Canada), **Sheila Block** (Wellesley Institute), **Diana Bronson** (Food Secure Canada), **Abra Brynne** (Food Secure Canada), **Charles Campbell** (United Steelworkers), **Karen Campbell** (Assembly of First Nations), **Ryan Campbell** (Professional Institute of the Public Service of Canada), **Amy Casipullai** (Ontario Council of Agencies Serving Immigrants), **John Connolly**, **Eve-Lyne Couturier** (l'Institut de recherche et d'informations socio-économiques), **Graham Cox** (Canadian Union of Public Employees), **Roxanne Dubois** (Communication, Energy and Paperworkers Union of Canada), **Judy Duncan** (Acorn Canada), **Myles Ellis** (Canadian Teachers' Federation), **Susan Eng** (Canadian Association of Retired Persons), **Nick Falvo** (Carleton University), **Leilani Farha** (Canada Without Poverty), **Debbie Field** (FoodShare Toronto), **Michael Fitzgerald**, **Karen Foster**, **Martha Friendly** (Child-care Resource and Research Unit), **Colleen Fuller** (PharmaWatch), **Kathleen Gibson** (Food Secure Canada), **Avvy Go** (Metro Toronto Chinese & Southeast Asian Legal Clinic), **Tam Goossen** (Urban Alliance on Race Relations), **Joe Gunn** (Citizens for Public Justice), **Sue Hamilton**, **Dawn Harvard** (Native Women's Alliance of Canada), **Teresa Healy** (Canadian Labour Congress), **Guillaume Hébert** (l'Institut de recherche et d'informations socio-économiques), **Brian Hendry** (Assembly of First Nations), **Fred Hill**, **Dennis Howlett** (Canadians for Tax Fairness), **An-**

**drew Jackson** (Canadian Labour Congress), **Norma Kassi** (Arctic Institute of Community Based Research), **Cathleen Kneen** (Ram's Horn), **Julie Lalonde** (Feminist Alliance for International Action), **Jarrett Laughlin** (Assembly of First Nations), **David Lepage** (Enterprising Non-Profits), **Joshua Libben** (Rideau Institute), **Keith Lowe** (CCPA Manitoba Board), **Emma Lui** (Council of Canadians), **Angella MacEwen** (Canadian Labour Congress), **Jessica McCormick** (Canadian Federation of Students), **Bob McGahey** (Canadian Teachers' Federation), **Kate McInturff** (Amnesty International), **Don Mills** (Local Food Plus), **Anil Naidoo** (Council of Canadians), **National Farmers Union**, **Michael Nicin** (Canadian Association of Retired Persons), **Fraser Reilly-King** (Canadian Council for International Co-operation), **Kate Rexe**, **Laurel Rothman** (Campaign 2000: End Child Poverty in Canada), **Toby Sanger** (Canadian Union of Public Employees), **Sylvain Schetagne** (Canadian Labour Congress), **Paul Shaker** (Centre for Community Study), **Michael Shapcott** (Wellesley Institute), **Brynne Sinclair-Waters** (Food Secure Canada), **Vicky Smallman** (Canadian Labour Congress), **Sri-Guggan Sri-Skanda-Rajah** (Urban Alliance on Race Relations), **Isabelle St Germain** (Farm to Cafeteria Canada), **Jim**

**Stanford** (Canadian Auto Workers), **Steven Staples** (Rideau Institute), **Anne Taylor** (Kairos), **Simon Tremblay-Pepin** (l'Institut de recherche et d'informations socio-économiques), **Julie-Ann Tomiak** (Assembly of First Nations), **Rebecca Torretti** (Feeding My Family), **Monica Townson** (Monica Townson Associates), **Pat Van Horne** (United Steelworkers), **Andrew Van Iterson** (Green Budget Coalition), **Howie West** (Public Service Alliance of Canada), **Erin Weir** (United Steelworkers), **Tony Wohlfarth** (Carleton University Academic Staff Association), **Megan Yarema** (Canada Without Poverty), **Christie Young** (FarmStart).

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: Melanie Allison, Bruce Campbell, Simon Enoch, Lynn Fernandez, Ed Finn, Kerri-Anne Finn, Anskia Gingras, Trish Hennessy, Iglia Ivanova, Kaley Kennedy, Seth Klein, Marc Lee, David Macdonald, Hugh Mackenzie, Shauna MacKinnon, Marita Moll, Jason Moores, Jennie Royer, Tim Scarth, Erika Shaker, Scott Sinclair, Diane Touchette, Emily Turk, and Armine Yalnizyan.

