CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
CENTRE CANADIEN
de POLITIQUES ALTERNATIVES

ALTERNATIVE
FEDERAL BUDGET
2014

STRIKING A BETTER BALANCE

CCPA
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Introduction

Five years of obsessive concern with reducing the federal budget deficit has succeeded in lowering the expectations of Canadians. Of the reduction in the unemployment rate since the worst of 2009, proportionally 20% was due to unemployed Canadians finding jobs and 80% was due to them giving up their search. For those that find work, that work is often insecure or temporary, and if Canadian workers haven't lowered their standards enough, employers can turn to temporary foreign workers. Since 2007, the number of Canadians who define themselves as middle class has dropped by more than 15%.[1]

Canada can do better.

The Alternative Federal Budget provides a concrete plan to raise the standard of living for everyone in Canada. Instead of providing tax breaks for those with money to spare, the AFB will close tax loopholes, replace boutique tax breaks with progressive taxes on the highest income earners, and provide income supports for those who need them most. Collectively, these changes will lift 855,000 Canadians out of poverty — including 260,000 children and 300,000 seniors.

Raising the incomes of those living in poverty is just the start. For Canada's unemployed, discouraged, and under-employed workers, the AFB will create almost 300,000 new jobs annually. The current federal government's policy of spending public revenues on corporate tax breaks, intended to stimulate re-investment in the Canadian economy, has failed. Rather than creating jobs and spending money on Canadian-made infrastructure, corporations have hoarded their government-subsidized profits to the tune of $572 billion, raised top CEO wages to 171 times that of the average Canadian worker, and shifted their workforce into increasingly precarious jobs.[2]

The AFB will stimulate job growth with a sectoral strategy that takes Canada out of the nineteenth century and into the twenty-first. The current government's emphasis on resource extraction has stripped Canada's economy of its value-added, processing jobs — with exports of unprocessed and barely processed resources now accounting for almost two-thirds of Canada's goods exports, up from 40% just before the turn of the century. Canada is increasingly dependent on non-renewable and environmentally unsustainable industries.

In addition to investing in a modern, green, sectoral development strategy, the AFB will create jobs through investments in much needed physical and social infrastructure — jobs with a double-benefit for all Canadians.

Federal program spending as a share of the economy is at its lowest level since the 1950s and the lowest of any national government in the industrial world. Cuts to federal-provincial health, social, and equalization transfers alone will amount to $60 billion over the next decade. The result has been a reduction to health and social services for Canadians at the time when they need them most — during the recession and slow recovery.

The AFB will restore public sector services — ensuring equal access for all Canadians to the health and social services they need and creating much needed permanent, full-time jobs.

For the more than 80% of Canadians who live in urban areas, the AFB will invest in much needed improvements to Canada's aging infrastructure. The costs associated with aging infrastructure deplete municipal resources and make it harder for cities to meet the needs of the most vulnerable. The current federal government approach has been inadequate to meet the back-log of infrastructure needs. Moreover, it has encouraged public-private partnerships — which diverts a portion of the public funds set aside for infrastructure spending to private enterprise profit margins.

Investing in public infrastructure is just one step towards improving the safety of Canadians. The AFB will reverse the current trend towards deregulation, which has contributed most recently to the Lac Mégantic rail disaster. At the heart of the Lac-Mégantic disaster is a deeply flawed and under-resourced regulatory regime that allows corporations to regulate themselves.

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.[3] The current federal government's *laissez faire* attitude to regulation is at odds with public concerns and with the evidence of the impact of deregulation.

The AFB will further ensure the safety of Canada's population and its environment, by restoring our capacity to make policy decisions based on evidence. The current federal government has eliminated vital scientific research facilities (such as the Experimental Lakes Area), dismissed scientists, and destroyed invaluable scientific library collections. Without support for objective, accurate assessments of our environmental well-being, our essential resources — such as our supply of fresh water — are at risk.

The AFB will ensure the safety and sustainability of Canada's most important resources by supporting scientific research and instituting a national policy framework designed to protect Canada's environment and ensure a safe, sustainable fresh water supply.

Finally, and most importantly, the AFB will restore the basic values of fairness and equality to federal public policy. The gap between rich and poor is growing at a faster rate in Canada than in the United States.[4] The top 10% of Canadian households now make 21 times the income of the bottom 10%. This gap is higher than at any point on record since 1976.[5]

Inequality in Canada has been exacerbated by economic policies that create jobs for a lucky few, profits for even fewer, and reduce access to services and income supports for those who need them. The AFB will address income inequality through a more equal distribution of public services and a more progressive tax system. It will provide additional supports for basic needs, through pharmacare, dental care for children, and safe, affordable childcare for working parents.

The AFB will further reduce inequality by addressing the deeply rooted social divisions that underlie it. Women, Aboriginal peoples, new immigrants, and racialized communities all carry a disproportionate burden of lower incomes, lower employment rates, and higher poverty rates. For example, employment rates for working age Aboriginal men are 15% lower than for their non-Aboriginal counterparts. Aboriginal women's employment rates are 5% lower yet.

Many First Nations communities in Canada continue to live without access to basic services — such as safe housing and clean drinking water. First Nations peoples experience higher rates of violent victimization and disproportionately high rates of incarceration. The level of violence experienced by Aboriginal women and girls in Canada has been condemned internationally and spurred visits by two United Nations expert bodies in the past year.

The AFB will fundamentally transform the fiscal relationship between First Nations and the Government of Canada by recognizing the spirit and intent of Treaties and inherent First Nations jurisdiction. The AFB will institute new funding mechanisms based in partnership and recognition of rights in order to meet communities' needs, ensure parity between First Nations and non-First Nations communities, and account for the real costs of delivery of services by First Nations governments. The AFB will address the epidemic levels of violence being experienced by Aboriginal women and girls by instituting a coordinated national policy to end that violence.

Women as a group continue to experience significant inequality, simply because they are women. Current federal policy has stripped funding for research and advocacy aimed at closing the gender gap in Canada. Yet closing the gap between women and men's employment in Canada could boost GDP by as much as 8% in the next two decades — contributing an additional $3.9 billion dollars to the economy in 2014 alone.[6] The AFB will contribute to gender equality and contribute to greater economic growth by removing the barriers to women's economic and personal security — including by investing in safe, affordable childcare and guaranteeing equal pay for work of equal value.

Collectively, these policies will restore balance to Canadian society. They will diminish inequality, raise living standards and restore public faith in the ability of the federal government to ensure equality and fairness for everyone in Canada.

Notes

1 Graves, Frank (2014). "Stephen Harper and the Middle Class Crisis." Ottawa: Ekos Politics. http://www.ekospolitics.com/index.php/2013/12/stephen-harper-and-the-middle-class-crisis/

2 "CAN-SIM Table 378-0121: National Balance Sheet Accounts quarterly (dollars x 1,000,000)." Ottawa: Statistics Canada; Mackenzie, Hugh (2014). *All in a Day's Work: CEO Pay in Canada*. Ottawa: Canadian Centre for Policy Alternatives.

3 Lee, Marc. (2010). *Canada's Regulatory Obstacle Course: The Cabinet Directive on Streamlining Regulation and the Public Interest*. Ottawa: Canadian Centre for Policy Alternatives.

4 "World Income Inequality: Is The World Becoming More Unequal?" Ottawa: Conference Board of Canada. 2011. Online at: http://www.conferenceboard.ca/files/hcp/pdfs/hot-topics/worldinequality.pdf

5 Custom tabulated data from the Survey of Labour and Income Dynamics. Ottawa: Statistics Canada.

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

Macroeconomic Policy

Let's Reboot This Sluggish Recovery

The federal government's message on Canada's economy has been relentlessly positive. In economic updates and budgets over the past several years, methodologies, measures, and timeframes have been selected that always put Canada in first place among developed countries. But, although this self-adulation may be a useful communications tool, it is not an honest assessment of how Canada's economy has performed after the 2008–09 recession.

The two measures that re-appear in government analysis are real GDP and employment recoveries from the worst of the recession.[1] These are compared within the G-7 club only. However, using more accurate indicators and a more representative sample of OECD countries, Canada's performance is revealed as being average, not superior.

Real GDP growth appears to be the preferred measure of wealth generation in federal government assessments. That measure would be representative if there was only one person in Canada who received that wealth, but Canada has one of the higher population growth rates in the OECD. For an economy to be functioning well, it should be increasing the average wealth of the population, or the per-capita real GDP.

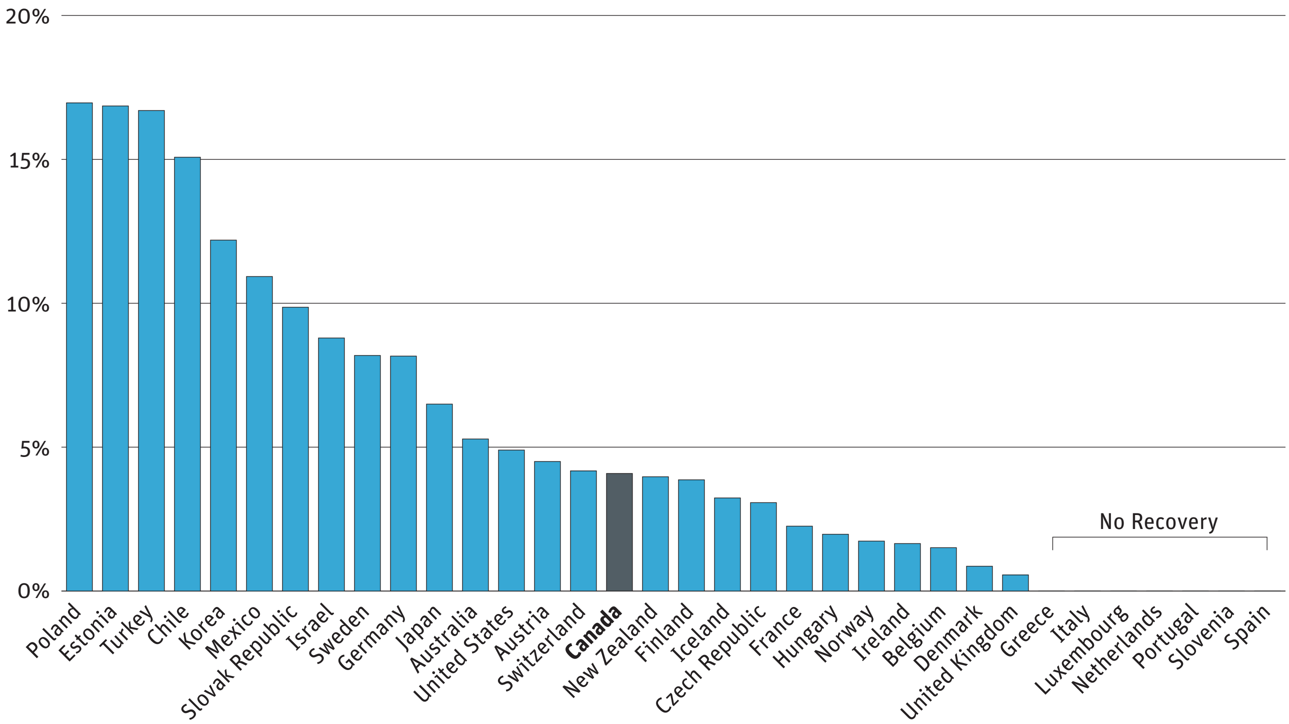
Using this measure, Canada's performance is 16th of 34 OECD ranking countries — in the middle, not first place. Canada's per-capita GDP has not recovered nearly as quickly as countries such as Sweden, Germany, Japan, and Australia. While we are doing better than countries like Italy, Spain, and Greece, which have experienced little or no recovery, Canada's rally from the recession has been far from the strongest. In fact, it has been downright mediocre.

Historically speaking, Canada's real-GDP recovery from the most recent economic slump has been the weakest in 30 years. Compared to previous recessions in the early 1980s and 1990s, Canada's GDP hit its low point faster after the 2008–09 meltdown. It did recover to its pre-recession real-GDP level sooner, but that was likely due to the stimulus programs implemented in Canada and abroad to forestall a much worse global depression.

The harsh austerity measures that followed, however, at both the federal and provincial levels, have led to a much weaker and more prolonged post-recession recovery. Five years after the onset of the recession, Canada's recovery now remains the weakest since the 1980s. What at first looked like a rapid exit from recession due to stimulative spending has been choked off by austerity cutbacks.

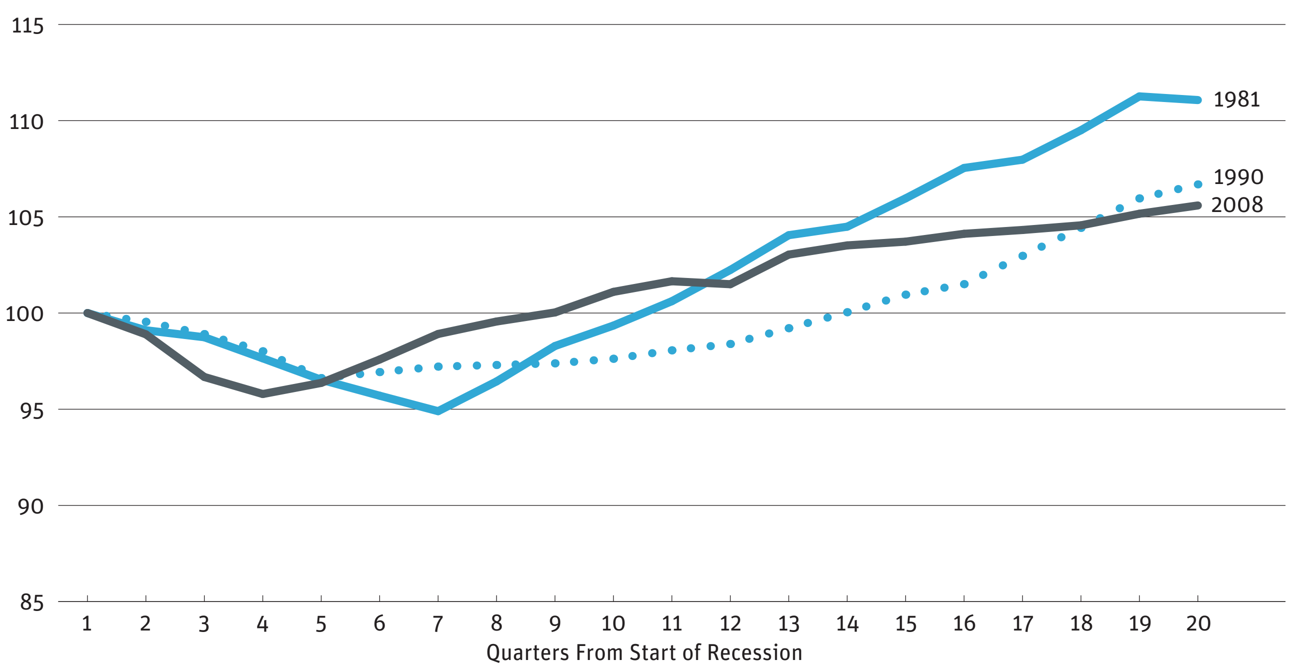
Government austerity has continued to bite into growth. Since the fall of 2012, governments and business firms have been contributing almost nothing to economic growth.

FIGURE 1 Real GDP Per Capita Recovery



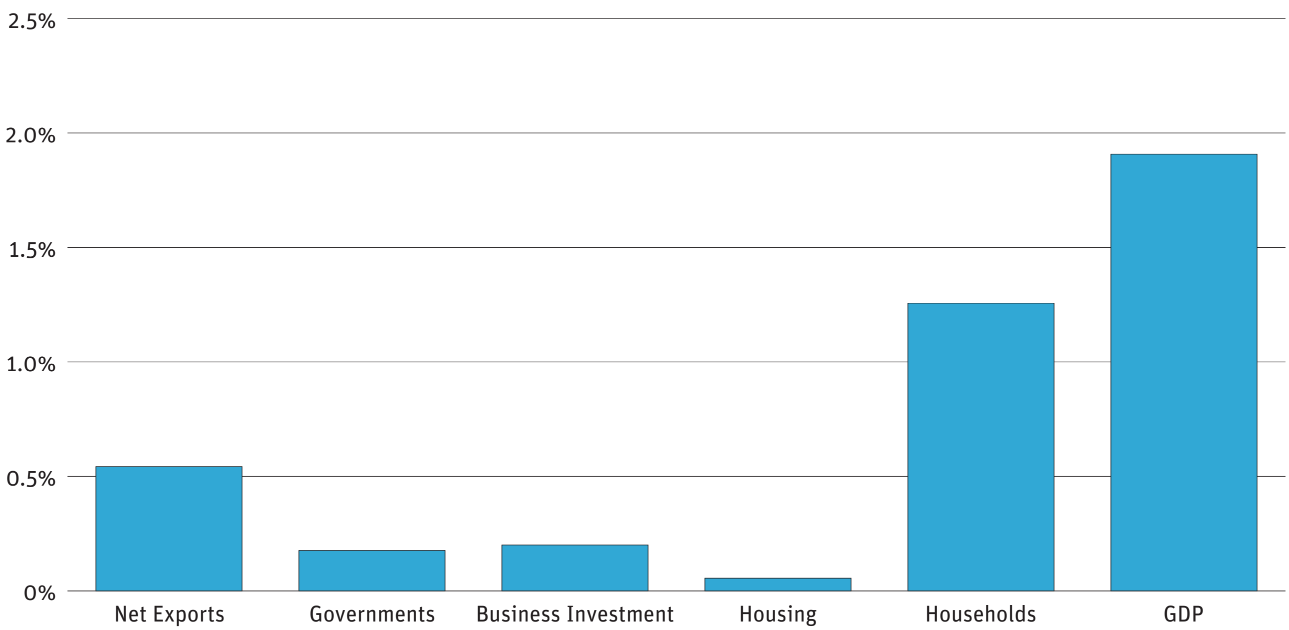
Source OECD. StatExtracts and author's calculations (http://stats.oecd.org/index.aspx?queryid=558).

FIGURE 2 Real GDP Recovery



Source Cansim 380-0064 and author's calculations.

FIGURE 3 Additions to Real GDP



Source Cansim 380-0064 and author's calculations Q3 2012 through Q3 2013. Selected sectors.

On the contrary, they have been dragging the economy down with job and spending cuts and the termination of stimulus measures.

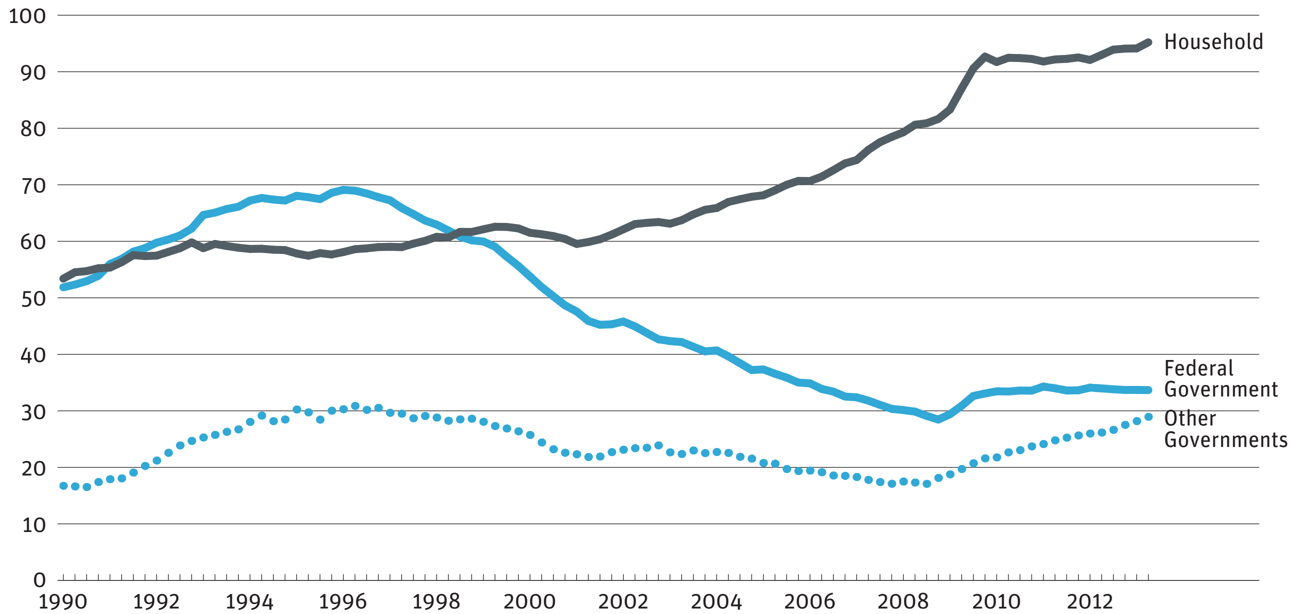
Net exports show a somewhat stronger addition to growth, although for an odd reason: Canada's negative balance of trade has narrowed slightly. We are still importing far more than we export, but are now doing it slightly less than a year ago, so the net impact on GDP is positive.

As has been the case for many of the post-recession periods, growth in household spending has been the mainstay of the economic recovery that has occurred. Over the past four quarters, households have created well over half of Canada's real GDP growth.

However, this continued stimulus from households has not come from traditional sources such as increasing real wages. Instead, it has come from the incurrence of unprecedentedly high levels of debt, the vast majority of which is mortgage debt. In fact, the indebtedness of Canada's economic sectors has changed dramatically since the 2000s and the start of rapid house price increases. Since the mid-1990s and the Martin budget cuts, the federal debt-to-GDP ratio has dropped precipitously and now stands well below where it was in 1990. Provincial debt ratios fell as well, although never below where they stood in 1990.

Perhaps the most alarming change is the incredible increase in household debt since the 2000s. In 1990, the federal government and household debt-to-GDP ratios were essentially identical at just over 50%. Since the early 2000s, however, household

FIGURE 4 Debt to GDP



Source Cansim 378-0125, 378-0123 and author's calculations.

debt has skyrocketed to its present level of 96% of GDP.

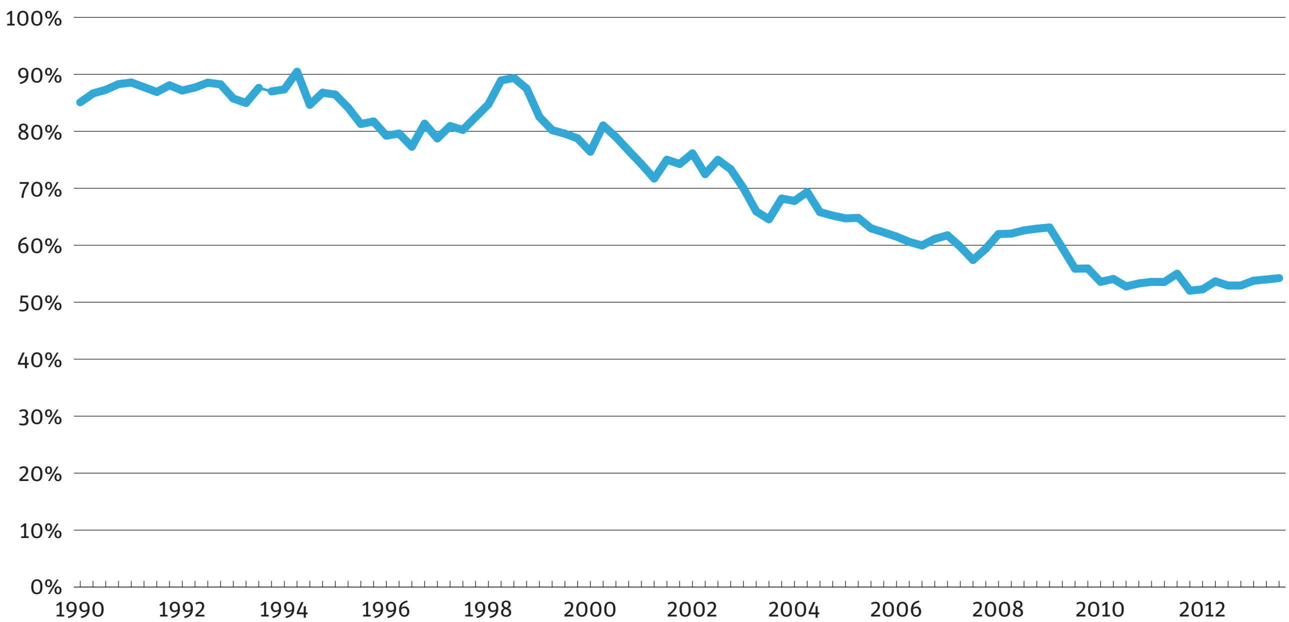
The Great Recession has been a clear inflection point for the provinces. Their debt ratios have spiked and are once again approaching the levels of the mid-1990s. The debt ratio of the federal government, on the other hand, although it did see a small initial uptick due to stimulus spending, has since been stable in the low 30% range and remains at one of its lowest points in the past 30 years.

Households, for their part, saw their ratios level out following the recession; but this does not mean that household debt stopped growing, rather that it was increasing at the same rate as nominal GDP growth. In the past year, however, household debt has started to accumulate more quickly than the economy is growing, meaning that the household debt-to-GDP ratio is once again climbing.

An alternative way of looking at this rising figure is that the growth that households contributed to the Canadian economy in the past year was entirely financed through household debt. Clearly this situation is not sustainable, but, at least in the short term, rising household indebtedness and the growth it generates will remain a mainstay of Canada's economic recovery.

The real concern for Canada lies ahead, when mortgage rates do inevitably increase from their present historic lows. At that time, highly leveraged households, along with their consequent support for economy growth, will be seriously constrained.

FIGURE 5 Non-Financial Corporate Credit Market Debt to Equity



Source Cansim 378-0124.

The corporate sector, for its part, has seen its debt ratio fall over this period. Much of the corporate debt ratio decline occurred during the 2000s, a period of strong growth for the Canadian economy.

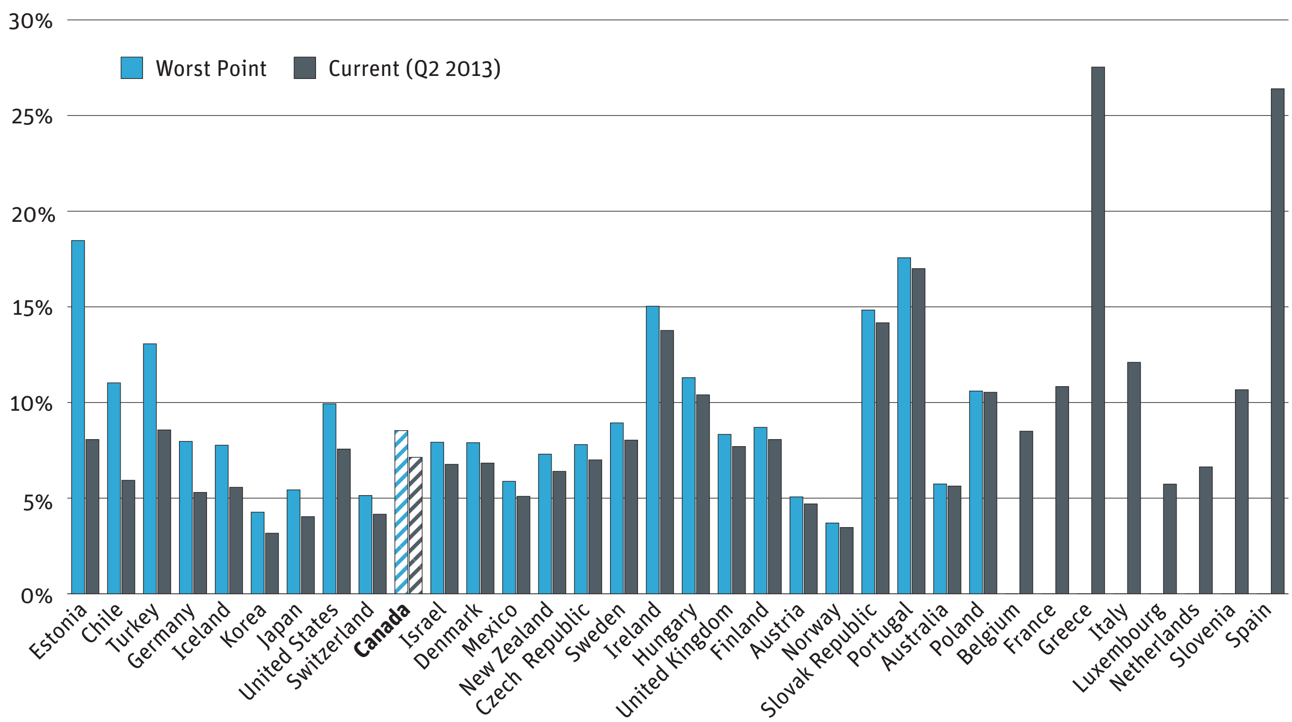
One of the clear conclusions from an examination of sectoral debt levels is that the federal government has absolutely no need to balance its books and is thus the best placed to drive economic growth through debt financing. With substantial increases in provincial debt levels and dangerously high household debt, the federal government has a more pressing responsibility to address the economic problems that plague other sectors of the Canadian economy instead of maintaining a narrow-minded focus on its own very stable finances.

The unemployment recovery mirage

The other measure of economic well-being favoured by the federal government is that Canada has the largest employment growth in the G-7. But again, using only a narrow group such as the G-7 for comparison doesn't adequately reflect the diversity of experience of all the industrialized countries. And, more importantly, focusing only on the jobs created excludes half of the job market equation, i.e., how many people are seeking jobs and how many can't find them.

The unemployment rate is a better measure of labour market health than jobs created, and when factored into international comparisons reveals that Canada does not really rank first. On the contrary, this more accurate measure of job creation places us

FIGURE 6 Unemployment Rates, Ranked by Proportional Improvement



Source OECD. StatExtracts and author's calculations.

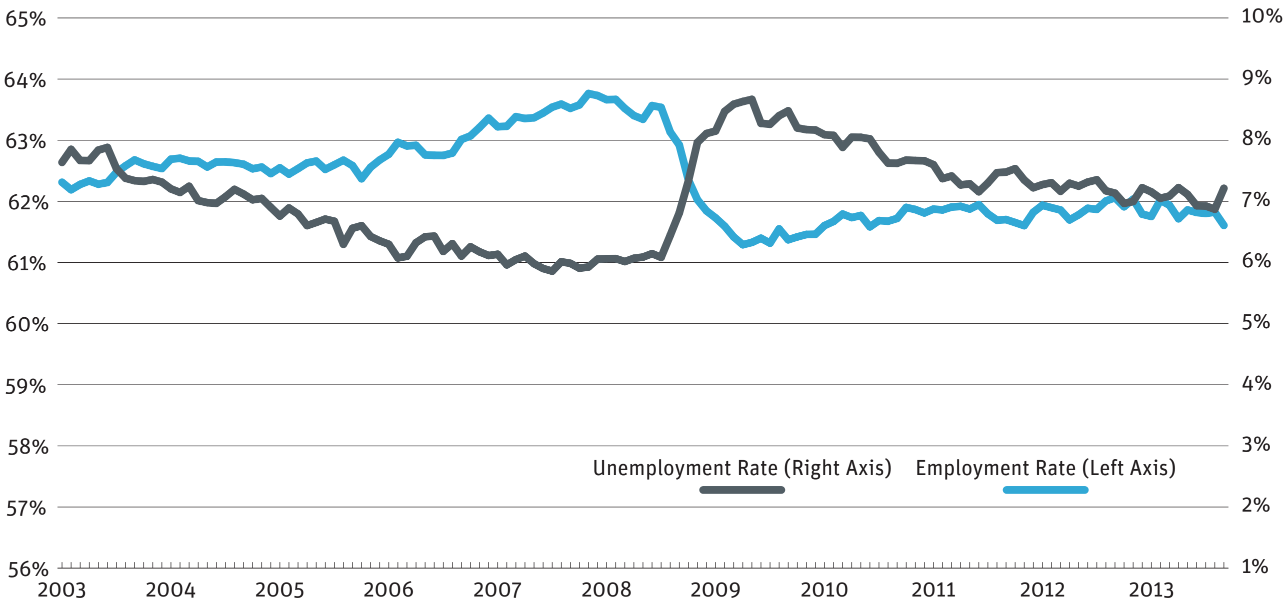
10th out of 34 countries in the OECD,[2] behind countries such as Germany, Japan, and Iceland, all of whom have seen proportionately larger drops in their unemployment rates.

Paradoxically, Canada's declining unemployment rate may not indicate that there are proportionally more Canadians working. One of the quirks of determining who is unemployed is that, if job seekers have given up looking because there aren't any jobs to be found, they are no longer counted as "unemployed." So the unemployment rate can "decline" because people give up looking for work as easily as it can drop because they find work.

Another perspective on the labour market that can be gained by examining the employment rate is to establish the percentage of the working age population that is employed. This exposes the percentage and thus the number of Canadians who have given up looking for work. It is significant that, although the official unemployment rate has been falling since the recession, the employment rate is not increasing. The percentage of Canadians employed has recovered only marginally from the worst of the recession when it dropped to 61.3%. Since that time, it has never come close to regaining the high of almost 64% that prevailed before the recession.

The hard reality is that the official unemployment rate statistics, far from being a true measure of labour market health,

FIGURE 7 Employment and Unemployment Rates



Source Cansim 282-0087.

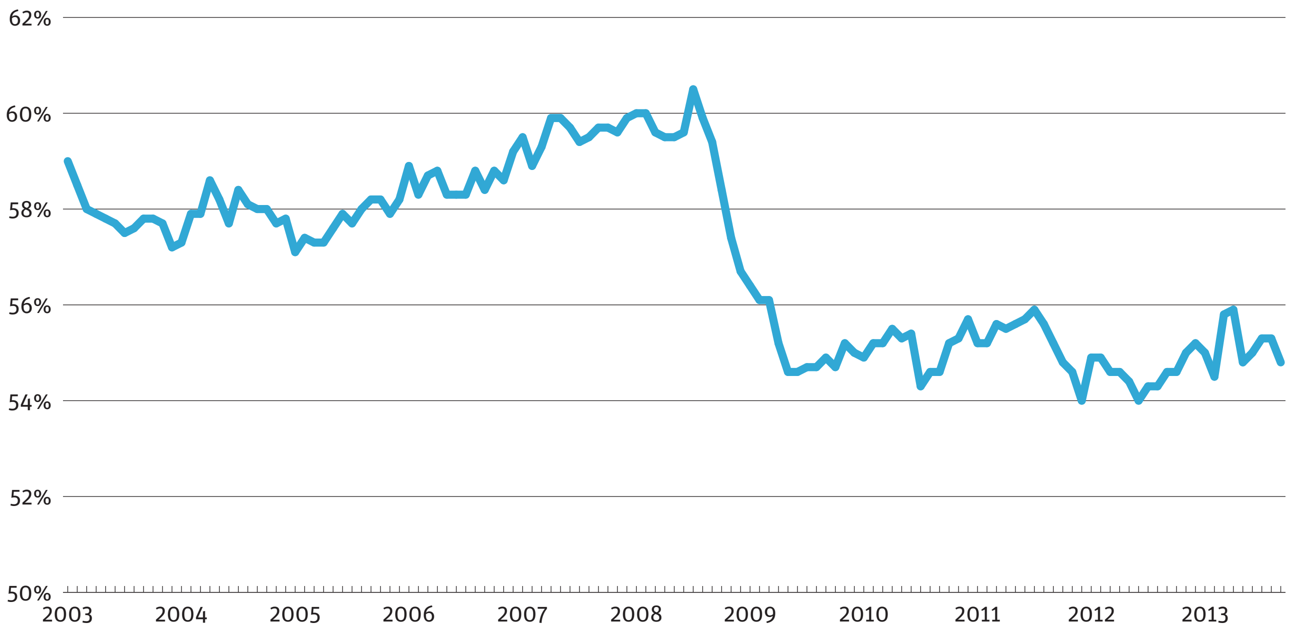
actually conceal a severe stagnation in the country's employment situation. The modest decline reported in the unemployment rate between September 2009 and today has been the result of one in five of the workers then unemployed finding a job and the remaining four out of five giving up their job search.

The lack of paid employment is even worse for some subgroups. Young people between the ages of 15 and 24, for example, have borne the brunt of the declining health of the labour market. Although the official figures show a decline in youth unemployment from 16% when the financial meltdown struck in 2009 to approximately 14% today, this statistical decline has entirely been effected by the large number of our youth who have simply given up looking for work and are therefore not officially counted among the number of unemployed.

Another disturbing development has been a wide shift from permanent to temporary or part-time employment — to jobs that are on contract, limited term, or seasonal. Prior to the 2008–09 recession, just over 13% of all jobs were temporary. During the recession, there was an initial fall in temporary work since these workers are usually the first to be laid off in bad times. But, since 2011, the ratio of temporary workers has shot up even higher today, to 13.5%.

The federal government is fond of claiming that most of the jobs created since the onset of the recession have been permanent. This is technically true, since most of the jobs in Canada are still permanent. But the changing nature of employment is missed by looking exclusively at absolute figures.

FIGURE 8 Youth Employment Rate (15–24)



Source Cansim 282-0087.

Proportionally, there has been a clear and significant replacement of previously permanent jobs with new temporary ones.

Improved indexes of "good jobs" are needed to understand not just part-time vs. full-time or temporary vs. permanent jobs but also the quality of employment. Changing pay rates, the availability of pension plans and other benefits are often also important indicators of employment, once a job is obtained.

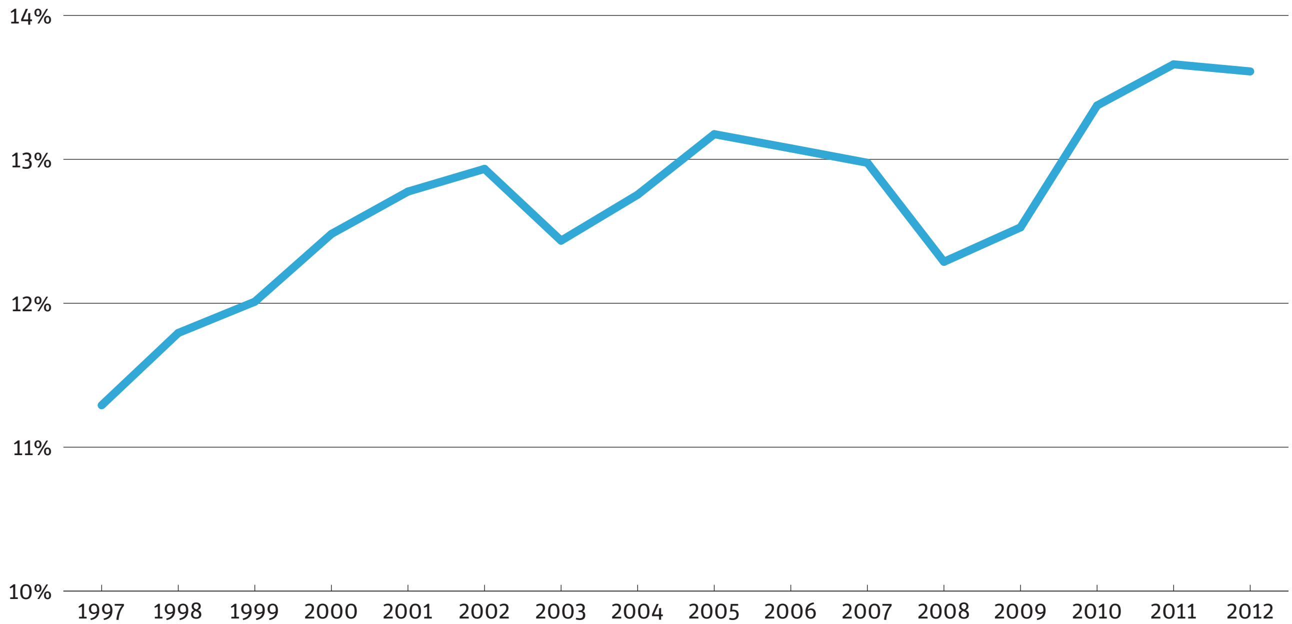
The federal government cutting its way to stagnation

Neither Canada's economy nor its labour market are in nearly as good health as the federal government has advertised. The provinces are running significant deficits, the household sector is over-leveraged with debt, and employment rates are stuck at about the same level they were during the worst of the recession.

Corporate Canada is flush with cash, hoarding a new high in 2013 of $572 billion[3], an amount that is equivalent to 92% of the entire federal government debt. In other words, corporate Canada's cash holdings could pay off all but 8% of the federal debt. Despite already strong balance sheets, Canadian corporations continue to pad their bank accounts instead of investing in Canada's economy, socking away an additional $38 billion dollars more than they had at this time last year.[4]

The Alternative Federal Budget 2014 (AFB) is using Finance Canada's base case from the Update of Economic and Fiscal Pro-

FIGURE 9 Ratio of Temporary Employees



Source Cansim 282-0080 and author's calculations.

jections of November 2013. This allows the AFB to be directly compared to the federal projections from that time.

The base case projects continued slow growth far into Canada's future, even though the country's real GDP growth still is not recovering nearly as rapidly from this recession as it did from previous ones — to the standard level of 5% nominal growth and 3% real growth. In fact, for the entire immediate three-year forecast horizon, economic growth will almost certainly stay below these previous averages.

Despite such feeble growth, however, the federal government is planning to reduce its spending to levels not seen since the Second World War. Revenues are on a similar downward path, sinking to levels not seen in the past 50 years. The consequent reduction in spending — allegedly made to eliminate the federal deficit by 2015 — was accomplished through the austerity budget cuts of 2011, as well as the ongoing and indefinite freeze of operational budgets. These cuts are increasingly curtailing the vital services provided by the federal government to citizens in need of them, including the unemployed, veterans, and Aboriginal communities. But the government remains unmoved by concerns over its cuts in services, arguing that the elimination of its deficit is more important than maintaining its social programs.

Further erosion of revenues is being proposed through income splitting and increasing Tax-Free Savings Account (TFSA) limits. If such proposals were to come into force, they would accelerate the already rapidly falling revenue-to-GDP ratio.

TABLE 1 Base Case (Finance Canada)

Macroeconomic indicators (mil)	2013	2014	2015	2016
Nominal GDP	$1,875,000	$1,954,000	$2,044,000	$2,136,000
Nominal GDP Growth	3.0%	4.2%	4.6%	4.5%
Real GDP Growth	1.6%	2.5%	2.6%	2.4%
Participation Rate	66.50%	67.10%	67.10%	67.20%
Employed (000s)*	17,803	18,254	18,569	18,897
Employment Rate (As % of Working Age Population)*	61.8%	62.5%	62.7%	62.9%
Unemployed (000s)*	1,361	1,353	1,312	1,292
Unemployment Rate	7.1%	6.9%	6.6%	6.4%
Budgetary Transactions (mil)	**2013–14**	**2014–15**	**2015–16**	**2016–17**
Revenues	$265,200	$277,400	$293,900	$307,000
Program Spending	$253,600	$253,100	$259,400	$268,800
Debt Service	$29,500	$29,700	$30,800	$33,200
Budget Balance	-$17,900	-$5,400	$3,700	$5,000
Closing Debt (Accumulated Deficit)	$617,900	$623,300	$619,600	$614,600
Budgetary Indicators as Percentage of GDP	**2013–14**	**2014–15**	**2015–16**	**2016–17**
Revenue/GDP	14.1%	14.2%	14.4%	14.4%
Expenditures/GDP	13.5%	13.0%	12.7%	12.6%
Budgetary Balance/GDP	-1.0%	-0.3%	0.2%	0.2%
Debt/GDP	33.0%	31.9%	30.3%	28.8%
Effective Interest Rate		**4.8%**	**5.1%**	**5.7%**

Source Finance Canada, Update of Economic and Fiscal Projections, November 12, 2013. Figures followed by "*" are derived by the author from existing projections.

The federal government is projected not just to balance its budget through its austerity measures, but actually to run a surplus of $3.7 billion in 2015–16. It should be noted that this includes a $3 billion "risk adjustment." That is to say, the government is actually projecting a $6.7 billion surplus — a huge sum that will provide it with plenty of wiggle room.

Economic growth rates have been very sluggish after the recession. This sluggishness is caused by lack of demand due to declining government spending and slow wage growth, not from a shortage of corporate profits. Slow productivity is also a side effect of lack of demand. Households are constrained by high debt ratios and stagnant wages. The path out of this stagnation is higher corporate taxes and higher government spending as a stopgap until wage gains commence in earnest.

TABLE 2 Economic Multipliers

Type of Spending	For Every $1 Spent, Real GDP Growth By
Measures for Low-Income Households	$1.7
Infrastructure Investment	$1.6
Housing Investment Measures	$1.5
Other Spending Measures	$1.4
Personal Income Tax Cut	$1.0
Employment Insurance Premiums Cut	$0.6
Corporate Income Tax Cut	$0.3

Source Reproduced from Federal Budget 2009, pg 240.

The Alternative Federal Budget: Striking a better balance

The Alternative Federal Budget is prepared and presented on the basis that balanced budgets should not be the main focus of the federal government. If there is any debt problem in the Canadian federation, it is surely with households and not the federal government. The AFB is much more concerned with slow growth, a weak labour market, and income inequality than the federal government's historically low (and falling) debt levels.

Without breaking the bank, the AFB focuses on job creation and reducing inequality, while providing programs like affordable child care and improved health care. The AFB will create an environment where those forced to the labour market sidelines since the recession, particularly our youth, will be rescued from enforced unemployment and given the opportunity to participate productively and gainfully in the work force.

Creating a more equal tax system while increasing spending can provide a powerful economic boost to Canada's economy. The AFB utilizes the power of economic multipliers to accelerate economic and job growth. A dollar spent on infrastructure or social programs is far more effective at propelling growth than a tax cut. By taxing more at the top end of the income spectrum and spending that money effectively, all Canadians can benefit.

The AFB increases federal spending immediately in 2014–15 with a corresponding bump in both economic growth and employment. While this does increase the deficit that year, the increase is small compared to the size of Canada's economy and so our debt ratio declines in 2014–15. In fact, although the AFB delays balancing the budget by one year, the debt-to-GDP ratio declines over the entire forecast horizon. In other words, the AFB shows how the federal government can drive economic recovery while still reducing Canada's debt burden.

While economic growth is somewhat better under the AFB than under the federal government's plan, the employment picture improves markedly. The AFB rapidly drives

TABLE 3 AFB Case

	2013–14	2014–15	2015–16	2016–17
Nominal GDP	$1,875,000	$1,979,889	$2,071,289	$2,160,069
Nominal GDP Growth	3.0%	5.6%	4.6%	4.3%
Revenues (mil)	**2013–14**	**2014–15**	**2015–16**	**2016–17**
Base Case	$265,200	$277,400	$293,900	$307,000
Net AFB Revenue Measures		$36,505	$36,984	$48,789
Multiplier Effect		$4,128	$5,618	$7,161
Total	$265,200	$318,034	$336,502	$362,950
Expenditures (mil)	**2013–14**	**2014–15**	**2015–16**	**2016–17**
Base Case	$253,600	$253,100	$259,400	$268,800
Net AFB Program Measures		$45,759	$46,527	$54,392
Total	$253,600	$298,859	$305,927	$323,192
Debt Service	$29,500	$30,164	$32,172	$35,802
Budget Balance (Deficit)	-$17,900	-$10,990	-$1,598	$3,956
Closing Debt (Accumulated Deficit)	$617,900	$628,890	$630,487	$626,532
Budgetary Indicators as Percentage of GDP	**2013–14**	**2014–15**	**2015–16**	**2016–17**
Revenue/GDP	14.1%	16.1%	16.2%	16.8%
Expenditures/GDP	13.5%	15.1%	14.8%	15.0%
Budgetary Balance/GDP	-1.0%	-0.6%	-0.1%	0.2%
Debt/GDP	33.0%	31.8%	30.4%	29.0%
AFB Employment Impact	**2013**	**2014**	**2015**	**2016**
AFB Jobs Created (000s)		278	269	264
Employed (000s)	17,803	18,532	18,838	19,162
Employment Rate (as % of Working Age Population)	61.8%	63.4%	63.6%	63.8%
Unemployed (000s)	1,361	1,163	1,132	1,088
Unemployment Rate	7.1%	5.9%	5.7%	5.4%

down unemployment to pre-recession levels while at the same time raising the employment rate. In other words, those who were pushed so far to the sidelines during the recession that they are no longer even looking for work will be able to re-enter the workforce. The proportion of the working age population will also return to pre-recession levels.

As well as improving economic growth and the labour markets, the AFB will also make Canada a better place to live by curbing the rise of income inequality that has afflicted us in recent years. The projections

TABLE 4 AFB Numeric Impact on Poverty (AT-LIM) (2015)

Age Range	Number in Poverty (000s)	Number in Poverty After AFB (000s)	Lifted Out of Poverty by AFB (000s)	% Reduction in Poverty
Children (<18 yrs)	1,027	760	266	26%
Adults (18–64 yrs)	2,845	2,564	281	10%
Seniors (>=65 yrs)	665	356	308	46%
All	**4,536**	**3,681**	**855**	**19%**

Source SPSDM 21.0 and author's calculations.

TABLE 5 AFB Impact on Poverty (AT-LIM) (2015)

	Poverty Rate	Poverty Rates Post-AFB
Children (<18 yrs)	14.8%	10.9%
Adults (18–64 yrs)	12.5%	11.2%
Seniors (>=65 yrs)	11.3%	6.1%
All	**12.7%**	**10.3%**

Source SPSDM 21.0 and author's calculations.

TABLE 6 AFB Impact on Poverty by Gender (>65 yrs, AT-LIM, 2015)

Sex	Poverty Rate	Poverty Rate Post AFB	% Change in Incidence of Poverty
Male	7.4%	5.3%	-29%
Female	14.6%	6.8%	-54%
Both	11.3%	6.1%	-46%

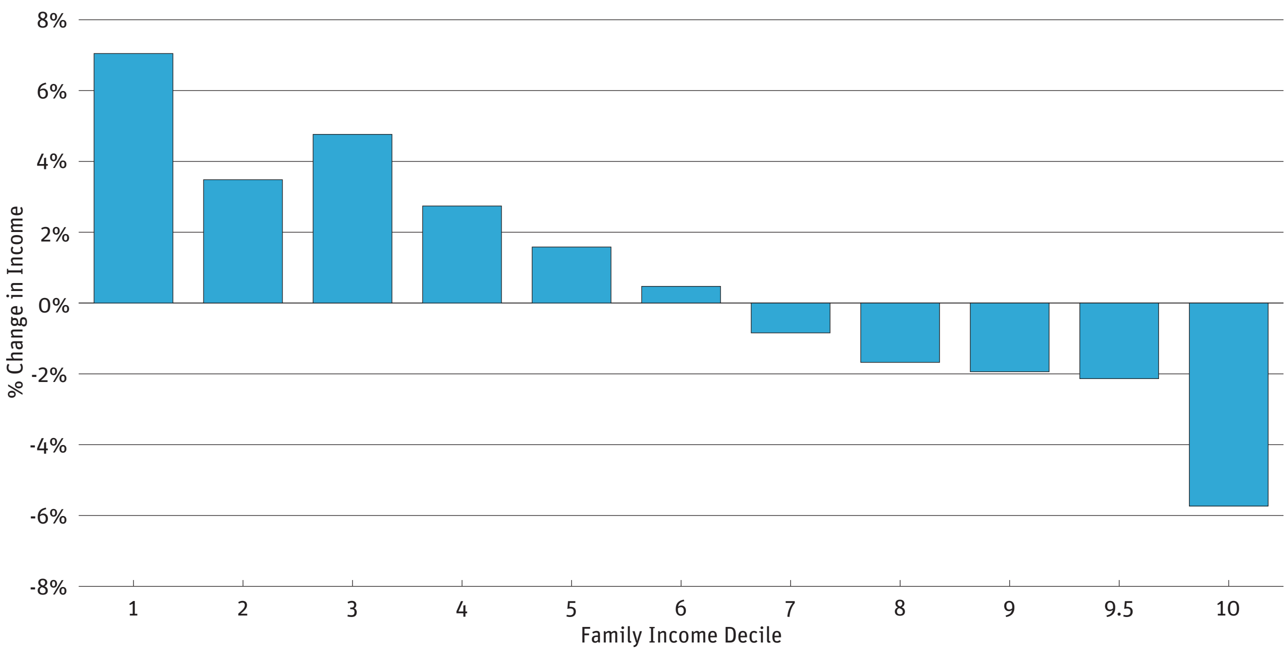
Source SPSDM 21.0 and author's calculations.

below only include AFB programs that are implemented through the personal tax system.[5,6]

The 2014 AFB will not only have job-creation effects, but has also been designed to have a decisive remedial impact on poverty. In total, the AFB will lift 855,000 Canadians out of poverty, or 20% of all those now forced to subsist on incomes below the poverty line. This effect is targeted specifically at seniors, who will see a 46% reduction in poverty, and children, who will benefit from a 26% reduction. Numerically, over 300,000 seniors and over 260,000 children will be lifted from poverty by the measures in the AFB.

In addition to bringing down poverty rates substantially for seniors and children, the AFB also moderately lowers the adult poverty rate for those aged 18 to 64 from 12.5% to 11.2%. The largest impacts are on

FIGURE 10 Distributional Impact



Source Cansim 282-0080 and author's calculations.

the seniors' poverty rate, which will plummet from 11.3% to only 6.1%. The child poverty rate will also fall from 14.8% to 10.9%, and, as a result, for one of the few times in Canada's history, proportionally fewer children than adults will be living in poverty.

Older women living in poverty will greatly benefit from the AFB changes, which will almost equalize the poverty rates between retired men and women. Instead of being seven percentage points apart, the AFB will reduce the gap to only 1.5 percentage points, while lowering both rates dramatically.

Distributionally, the bottom six deciles benefit from the AFB, while the top 40% of Canadian families will pay more. However, the burden is placed disproportionately on the top 5% of families. Tax loopholes in general benefit the wealthiest, so cancelling stock option deductions and capital gains exemptions, and implementing a new high income tax bracket will mostly affect the top 5% of families. By disallowing them the use of lucrative tax loopholes, the AFB will reduce their incomes by just under 6%. This is a small price to pay for the skyrocketing income gains that this top sector of Canadians has made in recent years while incomes in the lower brackets remained stagnant.

Below the top 5% of families, some families will owe slightly more, but by an amount no more than 1% to 2% of their income. Substantially increased services provided elsewhere in the AFB, such as affordable child care, expanded health care, and improved infrastructure will be paid for by these modest increases in taxation on the highest income earners.

The bottom six deciles of the population will see improved incomes from implementation of the 2014 AFB, with the poorest Canadian families seeing an average increase of 7%. These improved incomes would be over and above the many other new services presented in the AFB, which would benefit all Canadians.

This year's AFB has introduced an explicit poverty and distributional effect to its budgeting framework so Canadians can better understand its overall impacts.

Notes

1 For a fuller treatment of this argument see: http://behindthenumbers.ca/2013/12/02/grading-canadas-economic-recovery-behind-the-spin-on-our-economy/

2 For a more indepth treatment of this argument see: http://behindthenumbers.ca/2013/12/03/grading-canadas-economic-recovery-the-truth-about-job-creation-and-unemployment-in-canada/

3 Cansim 378-0121

4 Cansim 378-0121

5 Specifically they include: cancelling the UCCB, doubling the NCBS, full inclusion of capital gains less inflation, cancelling the stock option deduction, cancelling pension income splitting, implementing a 35% bracket above 250,000, increasing the GIS top up, capping RRSP contributions, doubling the GST tax credit

6 The estimates in this section, unless otherwise specified, are from "glass box" changes made to Statistics Canada's Social Policy Simulation Database and Model (SPSDM) version 21.0 for year 2015. The assumptions and calculations underlying the simulation results were prepared by the author and the responsibility for the use and interpretation of these data is entirely that of the author.

TABLE 7 AFB Program List ($mil)

Program Name	2014–15	2015–16	2016–17
Agriculture			
Reverse Cuts to Farmer Programs	13	13	13
Arts & Culture			
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
Child Care: Early Childhood Education and Care			
Expand Affordable Child Care	1,000	2,000	3,000
Cities and Communities			
Community Renewal Fund: Public Transit	1,350	1,350	1,350
Community Renewal Fund: Core Infrastructure	1,250	1,250	1,250
Community Economic Development Framework	2.5	2.5	2.5
Neighbourhood Revitalization Program	100	100	100
Defence			
Military Spending Back to Pre-9-11 Levels	-1,280	-2,600	-3,200
Employment Insurance			
Renew Extended Employment EI Benefits Pilot	500	500	500
Working While on Claim Exemption	200	200	200
Continued Support for Long Tenured Employees	100	100	100
Alternate Canada Jobs Grant	600	600	600
Pilot Universal Entrance of 360 Hours	300	300	300
Environment and Climate Change			
Remove Extractive Industry Subsidies	-375	-340	-340
National Conservation Plan	454	154	154
Sustainable Energy: Strategic Opportunities	272	275	295
Support International Adaptation and Mitigation	400	400	400
First Nations			
First Nations Water Treatment Systems	470	470	470
First Nations Housing	1,000	1,000	1,000
First Nations Education	715	715	715
Non-Insured Health Benefits (NIHB) Program	573	805	805
First Nations Skills Training	100	100	100
Double Family Violence Prevention Programming	30	30	30

National Public Commission on Missing and Murdered Indigenous Women and Girls	5	5	0
Support Community Based Healing Programs	51	51	51
Gender Equality			
National Plan to Address Violence Against Women	498	498	498
Increase Funding for Status of Women	100	100	100
Implement Equal Pay at the Federal Level	10	10	10
Cancel Pension Income Splitting	-1,505	-1,558	-1,620
Health Care			
National Pharmacare	3,390	3,831	4,597
Community-Based Services	2,600	2,704	2,812
140 New Community Health Centers	300	0	0
Long Term Care Facilities	2,300	2,369	2,440
Reduce Long Term Care User Charges by 50%	3,200	3,296	3,395
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
Housing			
New Affordable Housing Supply	2,000	2,000	2,000
International Development			
Boost Development Funding to 0.31% of GNI	1,083	1,362	1,648
Internet Communications			
Modernize Broadband	400	450	500
Restart the Canadian Access Program	40	40	40
Post-Secondary Education			
Reduce Tuition to 1992 Levels	2,890	3,036	3,190
Create New Income Tested Grants	2,208	2,248	2,277
Cancel Textbook Tax Credit	-41	-41	-41
Cancel Scholarship Tax Exemption	-44	-44	-44
Cancel Tuition Fee and Education Tax Credit	-1,055	-1,055	-1,055
Cancel RESP	-155	-155	-155
Cancel Canada Education Savings Program & Canada Learning Bond	-913	-953	-982
Eliminate the Backlog in the PSSSP Program for First Nations Students	590	620	650
Increase Research Funding by 10%	231	231	231
Add 3000 New Canada Graduate Scholarships	17	17	17

Poverty and Income Inequality			
Poverty Reduction Transfer to Provinces	2,000	2,000	2,000
Double the Refundable GST Credit	4,460	4,550	4,650
Double the NCBS	3,060	3,090	3,140
Cancel the Universal Child Tax Benefit (UCCB)	-2,040	-2,060	-2,080
Public Services			
Scale-Up Implementation Fund	300	0	0
Sectoral Development			
Sectoral Development Councils	50	50	50
Passenger Rail Support	800	800	800
Sustainable Forestry	300	300	300
National Green Industries Initiatives	150	150	150
Reinstate 28% Rate on Oil and Gas Industries	-1,000	-1,000	-1,000
Capitalize Canadian Development Bank	1,000	0	0
Seniors and Retirement Security			
Improve the GIS Top Up	1,100	1,150	1,210
Limit RRSP Contributions to $20,000/Year	-1,140	-1,320	-1,520
Taxation			
Reinstate 2007 Corporate Tax Rates	-11,500	-11,500	-11,500
New Income Tax Above $250,000 (35%)	-2,465	-2,639	-2,835
Eliminate Tax Loopholes & Simplify the Tax System	-9,600	-9,792	-9,988
Tax Havens Withholding Tax	-2,000	-1,800	-1,620
Financial Transactions Tax	-4,000	-4,080	-4,162
Inheritance Tax on $5 Mil+ Estates	-2,000	-2,000	-2,000
Carbon Tax	0	0	-11,250
National Green Tax Refund	0	1,875	7,500
Trade			
Reverse Cuts to the Trade Commissioner Service & U.S. Consular Offices	99	99	99
Water			
National Public Water and Wastewater Fund	2,700	2,700	2,700
Implementation of Wastewater Systems Effluent Regulations	1,000	1,000	1,000
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
Comprehensive Action Plan to Protect to the Great Lakes	500	0	0
Environmental Assessments for All Energy and Mining Projects	50	0	0
Study on Water Effects of Tar Sands, Climate Change & Fracking	32	0	0

Youth			
Youth Workers Initiative	100	100	100
Youth Voting Study	10	0	0
Total AFB Expenditure Changes	**45,759**	**46,527**	**54,392**
Total AFB Revenue Changes	**-36,505**	**-36,984**	**-48,789**

Fair and Progressive Taxation

Introduction

Successive tax cuts largely for the benefit of corporations and the affluent have reduced the federal government's tax revenues to the lowest share of the economy they have been in 70 years.[1] As a result, Canada has an increasingly regressive tax system and shrinking revenues that are being used to justify spending cuts, wage suppression, and inadequate support for public services.

There is now broad recognition that these types of regressive tax cuts have failed to stimulate the economy. The federal government's halving of its corporate tax rates and reduced tax rates on investment income were supposed to boost the economy through increased business investment. Instead, these tax cuts have been associated with lower rates of business investment, slower productivity growth, and stagnant wages.[2] Instead of trickling down for the benefit of all, they have resulted in a greater concentration of economic and political power in the hands of a select few, promulgating even more regressive economic policies.

The growth of citizen-based organizations advocating for fairer taxation around the world and in Canada—including Canadians for Tax Fairness, Doctors for Fair Taxation and Attac-Québec—have helped turn the tide towards more progressive taxation. Traditionally fiscally conservative organizations such as the International Monetary Fund have suggested governments increase taxes on top incomes and on wealth.[3] Even some of the world's most renowned investors—including Warren Buffett and Bill Gross, manager of the largest mutual fund in the world—have urged governments to increase taxes on top incomes and eliminate the tax breaks that allow investors to pay much lower tax rates than working people.[4]

Other governments have taken steps to reverse the regressive tax trends of recent decades, by increasing top income rates, closing tax loopholes, hiking corporate tax rates, eliminating subsidies for fossil fuels, and introducing taxes on the financial sector.

In Canada, a number of provinces have reversed corporate tax cuts and increased rates on top incomes. The Business Council of New Brunswick successfully urged that province to increase corporate income taxes, stating that previous reductions did not help stimulate the economy, so they didn't see that raising them would hurt much either.[5] However, provinces are limited in what they can achieve alone as differential provincial taxes rates can cause leakages of business to other provinces when their rates are significantly higher.

Unfortunately, the federal government remains far behind the times. Research has found Canada's tax system to be one of the worst in the developed world when it comes to reducing inequality, but already the federal government is planning additional tax measures that will make it even more regressive, including income splitting and increasing the amounts that can be sheltered in tax-free savings accounts (TFSAs).[6] The benefits of both these measures will overwhelmingly go to top incomes and the wealthy.

The federal government's plan for income splitting of up to $50,000 for families with children under 18 will cost an estimated $3 billion in tax revenues annually and an additional $1.9 billion annually for provinces, according to analysis by the Canadian Centre for Policy Alternatives.[7] If income splitting were extended to all families, the federal government would lose $7.5 billion and provinces would lose an additional $4.3 billion.

Doubling annual limits for Tax Free Savings Accounts will accelerate the sheltering of capital assets from taxation, and could lead to a loss of over 5% of federal tax revenues (equivalent to over $10 billion annually for the current year).

There has been a major expansion in the cost of federal tax expenditures, with a large share of the benefits going to higher incomes. One of the major reasons why the top 1% are able to pay an overall lower rate of tax than middle- and low-income taxpayers is because of tax loopholes or tax expenditures, such as the stock option deduction and lower rates of tax on investment income such as capital gains, all of which primarily benefit high-income earners. There is no evidence that these tax policies have been effective or beneficial for the economy, instead they appear to have been detrimental and destabilizing. The existence of these tax loopholes and the ability to evade taxes through tax havens or tax shifting also makes it much more difficult to maintain progressive tax rates. The Parliamentary Budget Office and the Institute for Competitiveness and Prosperity have called for a comprehensive review of all tax expenditures and credits.[8]

Tax measures proposed in the Alternative Federal Budget are based on fundamental principles of good tax policy:

- *Equity:* More revenues should be raised from those with the greatest ability to pay and income from different sources should be subject to relatively similar rates of tax. The tax system should be designed as an integrated system, with relatively more regressive taxes balanced with much more progressive income tax rates and tax credits to make the overall system fair and progressive, and to promote intergenerational equity.

- *Efficiency*: The tax system should be relatively simple, with limited administrative costs for the government with effective enforcement. To minimize economic distortions, taxes should be broadly based, with limited tax exemptions, expenditures or loopholes, except where justified for reasons of equity or effectiveness. It should be simple enough for the public to fill out their tax return without having to pay a high-priced accountant or for tax-filing programs.

- *Effective:* Tax rates should be sufficient to raise revenues to pay for quality public services over the longer term. The tax system can be used to promote economic, social or environmental objectives with varying rates, exemptions, deductions and credits, but these should be limited to instances where they are proven to be more effective and less costly than alternatives.

Major Initiatives

Restore corporate tax rates

The federal government has slashed the general corporate income tax rate down from 29.1% in 2000 to 15% in 2011. This has led to an escalation of corporate profits, but no increase in rates of business investment, productivity or economic growth. Instead, corporations — which have also benefited significantly from other tax cuts — have over $500 billion in cash surpluses.[9] With much of this excess cash going into speculative and other financial investments, these tax rate reductions have contributed to economic instability, slower overall economic growth, and increases in the use of tax havens.

Claims that cuts in corporate and business taxes stimulate growth are based on analyses and data from before the financial crisis, when countries such as Ireland, Iceland and Greece helped lead the race to the bottom by cutting corporate taxes. The result has been devastating.

It would be better for the economy if governments restored corporate income tax rates so they are closer to tax rates on personal income and put the excess cash to work with increased infrastructure investments and improved public services. Every dollar spent on public services or invested in public infrastructure generates an average of five times the number of jobs and amount of immediate economic activity as a dollar spent on corporate tax cuts.

Finance Canada calculated that the federal government would lose $6.1 billion in annual revenues when the federal government announced it was cutting the corporate income tax rate from a planned 18.5% in 2011 to 15% — or $1.75 billion per percentage point.[10] More recently, the Parliamentary Budget Officer (PBO) calculated that a one percentage point increase in the general corporate tax rate would generate $1.85 billion while a percentage point increase in the small business rate would generate $0.59 billion.[11]

The AFB is more cautious in its calculations and estimates that each percentage point increase of the general corporate tax rate would generate $1.4 billion (or 25% less than the PBO estimates) in order to account for tax shifting and economic and behavioural responses. The AFB will restore the general federal corporate income tax rate to 22%, just slightly below its 2006 rate of 22.1%. This will generate an estimated $9.8 billion annually in additional revenues.

As the Canadian Federation of Independent Business has argued, it makes sense to preserve proportionality between the small business rate and the general corporate tax rate, so the small business rate should be increased proportionately with the general rate.[12] Small businesses are less productive than larger businesses and the lower small business tax rate is distortionary, discourages growth and should be phased out.[13] Accordingly, the AFB will increase the small business tax rate from 11% to 15%. This will generate an additional $1.75 billion annually, assuming 25% lower revenues than the PBO estimates.

The additional revenue from restoring corporate tax rates totals $11.5 billion.

As outlined in the Sectoral Development chapter, the corporate income tax rate on the oil, gas and minerals sector will be restored to 28%, the same rate that applied until 2002. These sectors 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 at the expense of the environment and future generations. Profit levels in the industry can be highly variable, but the revenues from this higher industry tax rate are expected to average $1 billion annually.

Close regressive 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 make sense and are effective and progressive, others do little more than benefit the wealthy and distort the tax system.

The most regressive and outrageous tax loopholes are:

- **The stock option deduction,** which allows CEOs and executives to pay tax on their compensation in stock options at half the rate the rest of us pay on our hard-earned employment income.[14] This loophole is expensive and unfair, costing the federal government $800 million, with 90% of the benefits going to the top 1%. It is also bad for the economy because it creates a big incentive for CEOs to use a company's cash to inflate short-term stock prices through share buybacks, instead of putting it into long-term productive investments.[15] Stock options are so bad for the economy that one of Canada's top business experts, Roger Martin, wrote a book calling for them to be eliminated. Yet still federal and provincial governments continue to provide tax preferences for them.
- **The capital gains deduction** enables individuals and corporations with income from capital investments, such as stocks and real estate, to pay tax on the increase in their value when sold at half the tax rate others pay on income from doing something productive, such as working. This is a very expensive loophole, costing the federal government approximately $9 billion annually, with most of the benefits going to corporations and the wealthiest Canadians.[16] It is also bad for the economy: renowned investor Bill Gross, who runs the largest mutual fund in the world recently emphatically stated: "The era of taxing 'capital' at lower rates than 'labour' should end."[17] The AFB would do just this: tax income from capital at the same rate as employment income, after adjusting for inflation. Other existing capital gains exemp-

tions, such as for principal residences, family farming, fishing, small business and personal use property, would be maintained. Net revenues after adjusting for inflation, behavioural and other factors would amount to $8.4 billion.[18]

- **The corporate meals and entertainment expense** allows businesses to deduct half the cost of meals and entertainment expenses, including the cost of private boxes at sports events. This loophole is widely abused, can be used for inappropriate lobbying, and inflates ticket prices, and makes some sports events inaccessible for ordinary Canadians. Eliminating this loophole would save the federal government $400 million annually.[19] It could also make it possible for ordinary fans, without the right corporate connections or oodles of cash, to obtain and afford tickets to sporting events.

- **Tax-free savings accounts** (TFSAs) now provide Canadians with $5,500 each in tax-sheltered investment income every year. That is more than enough: most Canadians don't have any extra money to put into RRSPs, let alone TFSAs. Yet the federal government is increasing this amount by $5,500 per year and plans to increase it by $11,000 a year. This will only benefit the very affluent and will further erode federal revenues, costing over $6 billion annually.[20] The AFB will cap TFSAs at a total lifetime rate of $25,000. The savings from this may be relatively low in initial years, but they escalate in future years.

- **Fossil fuel and mining subsidies**: the federal government still provides significant tax preferences and other subsidies to the fossil fuel and mining industries, including accelerated depreciation, exploration, and development expenses, flow-through shares and mineral exploration tax credits — called one of the dumbest tax expenditures on the books by University of Victoria public administration professor Lindsey Tedds.[21] We don't need to keep subsidizing the rapid exploitation and export of our natural resources at the expense of the environment, future generations and the creation of good sustainable jobs. See the Environment and Climate Change chapter for costing.

The AFB will also eliminate or limit a number of other tax credits and significantly increase funding for public programs — such as for public transit, post-secondary education, child care, post-secondary education, public pensions, recreation programs, research and development, and services for the disabled — where direct funding is more effective and equitable.

The federal government has multiplied the number of boutique tax credits in our tax system. While providing the appearance of doing something, these have achieved little except to complicate our tax system and create work for tax accountants. In addition to eliminating ineffective and regressive tax preferences to simplify the tax system, the AFB will make filing taxes much easier and less expensive by providing online software for free filing of all tax returns through the Canada Revenue Agency. Canadians shouldn't have to spend money — or any more time than is necessary — to file their taxes.

In total, closing these loopholes will save the government $9.6 billion a year.

Increase enforcement and tackle tax havens to reduce tax evasion

An estimated $280 billion is lost from public revenues worldwide from the $20-$30 trillion sheltered in tax havens.[22] Those in low-income countries are harmed most, while banks, big corporations, and the wealthy benefit the most. Canadians for Tax Fairness estimates that Canada loses up to $10 billion annually as a result of the use of tax havens. Estimates of revenue lost just through the operations of Canada's big six banks amounts to between $1 billion and $2 billion annually.

Canadians for Tax Fairness has urged the federal government to reduce the use of tax havens by requiring automatic information sharing between tax authorities, a public registry of ultimate beneficial owners of companies and trusts, increasing compliance and enforcement activities, imposing stronger penalties, and, if necessary, introducing withholding taxes on assets held in tax havens. Unfortunately, the federal government has done little to achieve this goal and has even cut funding for enforcement activities. The federal government has promised repeatedly to crack down on tax avoidance through tax havens, but the problem is growing rapidly worse.

The officially reported assets that Canadian corporations have sheltered in tax havens has grown from $13 billion in 1981 to $74 billion in 2001 and to $165 billion in 2011.[23] At 8% annual average rates of growth, the amount sheltered will increase to an estimated $190 billion in 2013 and over $200 billion in 2014.

Together with much stricter enforcement and international cooperation, the AFB will apply a modest 1% withholding tax on the assets held in tax havens. This is equivalent to or less than what many asset managers charge in management fees and is also equivalent to what they would pay in tax, assuming modest rates of return. It is also consistent with IMF proposals for a 1% net wealth tax. This would generate approximately $2 billion annually and encourage those sheltering their assets offshore to bring their money back home.

Introduce a new top income federal tax bracket of 35% on incomes over $250,000

Canada's most affluent 1% have kept much of the country's income growth for themselves over the past three decades, but pay a lower overall rate of tax than all other income groups, including the poorest 10%.[24]

Because sales, property and other taxes are regressive, we need progressive income taxes (as well as higher taxes on capital, corporate and investment income) to keep the whole tax system fair and progressive.

In 1981, Canada's top federal personal income tax rate was 43% for taxable income over $119,000 (equal to about $295,000 today); now it is only 29% for taxable income over $136,270.[25] This applies whether your income is $150,000 or $15 million. Canada's top rate is far below high income rates in many other countries, including the United States, where income over $400,000 is taxed at a federal rate of almost 40%. Combined with provincial tax rates, Canada's top rate is also considerably below optimal rates of up to 80% as identified by leading economists.[26]

About two thirds of the revenue from an increase in the top rate would come from incomes over $250,000, so after accounting for behavioural responses, tax shifting, and other factors, a new tax bracket of 35% for income over $250,000 would generate revenue of $2.5 billion in 2015.[27]

Inheritance and wealth taxes

Unlike the United States and most European countries, Canada has no wealth, inheritance or estate tax. Property taxes function as a form of wealth tax, but they are ultimately a regressive form of wealth tax because they only apply to gross real estate values, not to net wealth and not to other forms of wealth such as financial and other assets that are more concentrated at the top. Capital gains taxes may be levied on some portion of inheritances, but they don't apply to the base amounts and are often avoided.

The International Monetary Fund recently suggested countries increase high income tax rates and/or also taxes on wealth to generate more revenues. [28] The IMF estimates Canada could generate 0.6% of GDP (or $11 billion for 2014) from a 1% tax on the net wealth of the wealthiest 10% of households and 1.1% of GDP (or over $20 billion) for a progressive net wealth tax of 1% on the top 10 wealthiest and another 1% on the top 5% wealthiest. These are general estimates, but give some indication of the potential revenue that could be generated.

The AFB proposes a minimum inheritance tax of 45% on estates of $5 million or more. It would apply in a similar way as the Estate Tax in the United States, integrated with capital gains taxes, and at similar rates. 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.

It is not clear exactly how much this tax would generate, but given that Estate and Gift Taxes have generated between $20 billion and $30 billion in revenue annually in the United States, we estimate a similarly designed estate tax in Canada would generate approximately $2 billion a year in revenues.

Increase taxes on banks and finance

Not only did Canadian banks and other financial institutions benefit more than any other industry from corporate tax cuts, but they also benefit from the exemption of financial services from value-added taxes such as the GST and related provincial sales taxes.

Following the financial crisis, there has been a strong revival of interest around the world in financial transactions taxes (FTTs) not only to help pay for the costs of the crisis, but also to reduce excessive financial speculation and activity, steer resources into more productive activities, 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 wealthier individuals.

A number of European countries have introduced financial transaction taxes during the past two years, with another eleven agreeing to introduce a harmonized FTT through the European Union's process of "enhanced cooperation." In the United States, Senator Tom Harkin and Congressman Pete DeFazio introduced legislation on 28 February 2013 to tax financial transactions of stocks, bonds and derivatives at 0.03% or three basis points, which is expected to generate $40 billion annually. The European Commission estimates a Europe-wide FTT at a rate of 0.1% on stocks and at lower rates on bonds and derivatives could generate $85 billion annually.

Financial transactions taxes are more effective if they are implemented through international agreements at a global level, but that hasn't stopped many countries — including Switzerland, the U.K. and China — from having effective financial transactions taxes in places for decades.

The AFB would seek an agreement with the provinces to introduce a broad-based financial transactions tax at a rate of 0.5% on transactions of stocks — similar to the rate in the U.K. — and at lower rates on bonds and financial derivatives. This would generate over $4 billion annually, assuming a 50% reduction in trading volumes.[29]

If there are obstacles to this, the AFB will instead proceed with a Financial Activities Tax, as proposed by the IMF, at a rate of 5% on profits and remuneration in the financial sector to compensate for the exemption of financial services from value-added taxes, such as the GST. This would generate an estimated $5 billion annually.[30]

Green taxes

The Kyoto Accord to reduce greenhouse gas emissions ultimately failed not only because of the political opposition of countries such as Canada, but also because the process and methods for achieving the Accord's goals were flawed.

There has been little progress in reaching international agreement on the proposed international cap and trade scheme. Even operational regional cap and trade schemes, such as Europe's Emission Trading System, have been plagued by problems.[31] Despite costing close to $300 billion, the ETS and other cap and trade schemes appear to have had no effect in reducing emissions and at the same time have provided funding to projects that have often had perverse and negative consequences for Indigenous and impoverished people.[32]

With worldwide greenhouse gas emissions now more than 50% higher than they were in 1990 and not 5% lower as they were supposed to be, it is time to move forward with a new approach — and one that most economists prefer — a carbon tax.

The AFB will introduce a national harmonized carbon tax integrated with existing 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 will be better off after accounting for their increased costs as a result of the carbon tax. Cap and trade schemes increase costs for consumers but they do so indirectly, without transparency and without compensation to households.

Carbon taxes are more efficient, transparent and less corruptible mechanisms for putting a price on carbon than cap-and-trade quantity quotas. 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 countries have had effective carbon taxes in place for decades.

A national carbon tax would also include border tax adjustments to ensure Canadian industry is not put at a competitive disadvantage. Imports from countries that don't have similar measures would be taxed at appropriate rates to reflect emissions associated with their production, processing and transport, with specific exemptions for highly impoverished nations. Exporters to countries without comparable provisions could receive rebates. These border tax adjustments would put pressure on other countries to enact climate change measures while also benefiting Canadian industry.

The AFB would introduce a $30/tonne national carbon tax on July 1st, 2016. The national harmonized carbon tax would apply where provincial carbon taxes are not in effect or are at a lower rate. It would generate approximately $10 billion from the 350 megatonnes emitted annually from transportation, heating and other smaller sources and another $7.5 billion from the approximately 500 large industrial facilities responsible for more than a third of Canada's total GHG emissions. Gross revenues net of provincial and border tax adjustments would be approximately $15 billion annually.

As with all forms of carbon pricing or regulations, 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. Accordingly, 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 actually pay out in carbon taxes. Cheques of $300 would be sent out at the beginning of the year to all Canadians where the national carbon tax is in effect, with amounts gradually clawed back for family incomes above $100,000. This amount is higher than the quarterly GST credit payments and would be available at more than twice the income thresholds. Additional credits would be provided for those living in northern and rural communities where fuel and energy use is higher.

The carbon tax would be increased as required to meet Canada's greenhouse gas reduction targets and the credit would be increased together with it 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.

Carbon Tax Revenues will total $15 billion. A Green Tax Refund will cost $7.5 billion, leaving a net revenue of $7.5 billion.

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Agriculture

Background

The numbers of farms and farmers in Canada have been declining over many decades, while the average age of farmers is increasing. Farmers are caught in a cost-price squeeze, where they are price-takers when they purchase inputs, and also when they sell their products. Input prices are constantly rising and commodity prices, while subject to volatility, have remained low.

The dramatic decline in farm numbers is policy-driven, not a result of natural evolution in individual career choices. Low farm prices are beneficial to exporters who are selling commodities on the world market, competing largely on the basis of price. Low prices also help food manufacturers, making it easier for them to be profitable.

The long-term depression of farm prices in relation to input prices and the cost of living means that margins are constantly tightening, forcing farmers to produce ever more product just to maintain the same income. To produce more, farmers have to purchase more land, buy bigger equipment, increase herd size, rely more on purchased farm chemicals, and take on more debt. Most farmers have to take off-farm jobs to support their families and are thus subsidizing the price of food with their own unpaid labour on the farm. The size of a "viable" farm keeps increasing — and the goalposts of "success" keep receding into the distance as farmers struggle to keep up. The beneficiaries of the growth side of the dynamic are the input companies and the banks, while farmers are left with higher risks, fewer neighbours, depleted communities, less time and more stress.

The loss of farms and the increasing average age of farmers indicate an alarming failure of intergenerational transfer and a shift towards concentration of land ownership. Many younger people have decided not to farm due to the bleak economic prospects, or have been prevented from entering farming due to the high debt load they would have to take on. As a result, older farmers are not passing on their knowledge to the next generation, and this body of practical and cultural knowledge is being lost.

In many parts of Canada land is being purchased by absentee investors through speculative land investment corporations, and then rented back to farmers or operated with hired labour. The farmland investors are not interested in food production, but in a revenue stream, and thus make cropping decisions based on profitability rather than land stewardship. The lack of a long-term relationship to the land means there is a high risk of soil depletion, erosion, water contamination and other environmental problems, as short-term gains are the shareholders' priority.

Canada's agriculture policies are focussed on expanding exports and are used to implement the terms of so-called trade agreements. This approach became dominant in 1989 when the Free Trade Agreement between Canada and the USA was implemented, and intensified following the signing of NAFTA in 1994. Canada continues to pursue bilateral trade agreements with various countries, and is currently negotiating CETA with the European Union. Canada has also entered the Trans Pacific Partnership.

Canada has succeeded in increasing trade, but this has not helped farmers. As trade increased, expenses and debt also increased and overall farmer numbers declined. Net farm income remained stagnant. In addition to single-minded promotion of agriculture exports, the "trade agreements" are not just about trade — they are about restricting governments' policy-making space so as to prevent domestic laws from inhibiting global corporations' ability to do business profitably and seamlessly, regardless of which country they are operating in. The laws, policies, programs and regulations that a nation might implement based on the democratic will of its population are reframed as "tantamount to expropriation" and subject to unaccountable investor-state dispute resolution mechanisms.

There was a wholesale shift in Canada's public support for research in the 2012 federal budget. Virtually all public support is now directed to research with direct commercial application. University-based basic research has undergone a shift over the past decade, as public funding increasingly requires a significant percentage of the project's fund to be raised by the scientist. In practice, this means researchers must find a private sector partner — a corporation — to fund their work. Only research that has a commercial benefit is amenable to this type of funding, so Canada has lost a great deal of our capacity to get valuable research done that is in the public interest — such as improved water management, soil-building, agro-ecology, low-input systems, etc. Results of corporate-funded research are patented or otherwise licensed so that farmers have to pay for the research repeatedly if they buy the resulting new product, whether it is a seed, farm chemical, veterinary drug, or machine.

Current Issues

In 2013 we saw:

- Agreement in principle on CETA, joining TPP and engaging in bilateral trade negotiations with India, Japan, Turkey, and other countries.
- Growing Forward 2 Strategic Initiatives Suite signed, dedicating federal-provincial dollars to export-oriented, high-input, corporate agriculture, regulatory changes to facilitate corporate self-regulation and regulatory harmonization, support for private/commercial research at the expense of public-interest research
- Loss of public sector research capacity with closure of several Agriciulture Canada research stations and the Cereals Research Centre, as well as cuts to pub-

lic plant breeding funds, beef research centre, blueberry research centre, etc.

- Loss/impairment of important public institutions — PFRA Community Pastures, Indian Head Agro forestry Centre and Tree Nursery, privatization of CFIA seed field crop inspection, changes to variety registration to give less protection to farmers, etc.
- Introduction of Bill C-18, an agriculture omnibus bill, that if passed, will hand over control of seed to multinational seed companies, impair Canada's sovereignty regarding food and agriculture-related regulations, deepen farm debt and facilitate land-grabbing by giving farmland investment companies access to government-backed credit.
- Entry of Canada Pension Plan into farmland grabbing with purchase of Assiniboia Capital's 115,000 acres of Saskatchewan farmland.
- Chaos in the grain trade as the fallout from killing the Canadian Wheat Board and hampering the Canadian Grain Commission unfolds. Transportation is a disaster as elevators, railways, ships and port terminals are unwilling and unable to coordinate logistics. As transportation costs mount and bottlenecks intensify farmers are left to watch as prices drop to record lows.
- The registration of genetically modified alfalfa.
- The closure of significant food processing plants that were supplied by local farmers.
- Serious questions regarding the use of neonicotinoid insecticides in agriculture and their impact on bees, aquatic insects, other invertebrates and birds.

AFB Actions

The AFB will shift federal-provincial agriculture framework spending into programs that support food sovereignty, local food processing and marketing, and young farmer development. No more tax dollars will be spent on trade junkets by commodity organizations. No more tax dollars will be directed to corporate agribusiness capital projects. Regulatory changes will be developed and reviewed by farmer-consumer bodies with a food sovereignty mandate.

The AFB will shift all agriculture research funding into public research for public interest purposes, including public plant breeding with 100% funding. A new fund will be created to support farmer-to-farmer research to develop agroecology in all agricultural regions. Funding to existing public-private-partnerships will be capped, phased out, and made conditional upon all results being made available to the public via general public licensing (copyleft, open source, commons). Research done by universities and public institutions will also be made accessible through general public licensing.

The AFB will launch a farm debt reduction strategy to promote access to land by young and new farmers, retirement with dignity by older farmers, and prevent land price inflation and speculation. Farm Credit Corporation will be given a new mandate to promote these goals and will be restructured to have no retained earnings.

The AFB will implement recommendations from the International Year of Cooperatives to improve the legislative framework to facilitate farmer/consumer cooperatives taking a larger role in the economy throughout the food chain.

Farm support payments will be capped and directed towards small and medium scale family farms. Funds will be available to support farmers to carry out projects and make changes in their farming practices which protect and enhance water quality, protect the soil and the air and increase biodiversity, including support to move to organic production.

Public agriculture programs, institutions and agencies that were set up to protect the interests of farmers and Canadian citizens will have funding to return to their mandate of acting in the interest of the public — e.g. a return to CFIA seed field crop inspection, PFRA Community Pastures, Indian Head Tree Nursery and Agroforestry Centre, Canadian Grain Commission inward inspection, CFIA's pre-market efficacy assessments of fertilizers, etc. The AFB will invest approximately $12.6 million per year to allow these programs, institutions and agencies to resume operations and rebuild their capacity promoting the prosperity of family farms and the public interest in agriculture.

Arts and Culture

Background

For generations of Canadians, arts and culture have been sources of inspiration and national pride. 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, and help us better connect and understand each other in a globalized environment. A thriving arts and culture sector is an integral part of Canadian society and a key contributor to our economic vitality. Sustaining a vibrant cultural sector helps ensure that Canada remains one of the best places in the world in which to live, invest, innovate, and compete.

The arts sector can play a key role in the prosperity of Canadian communities by creating jobs in many sectors. A growing consensus accepts arts investment as a cost-effective catalyst for high economic returns. In its 2008 report *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, generators of economic wealth, 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; it had roughly 616,000 workers in 2003, of whom 140,000 were artists.[1] For-profit creative and cultural industries, not-for-profit arts organizations, and independent entrepreneurs comprise 3.9% of the overall labour force. This is roughly double the level of employment in the forestry sector and more than double the level of employment in Canadian banks. According to Statistics Canada, the arts and culture sector contributed $49.9 billion to Canada's gross domestic product (GDP) in 2009.[2]

Current Issues

The arts and culture sector has not been immune from recent global economic hardships. Artists, arts organizations, and government agencies have all tightened their belts. Canadian artists and arts organizations often struggle to get by, and the buying power of cultural agencies has remained static for decades. Without further investment, the ability of the next generation of Canadian artists to fulfill their potential will be hampered.

Public investment is the backbone of Canada's cultural ecosystem, and investing in the arts is sound economic policy. According to the Conference Board of Canada, $1.85 is added to the overall real GDP for every dollar of real value-added GDP produced by Canada's cultural industries, and performing arts organizations generate $2.70 in revenues for every dollar they receive from governments.[3]

Canada is approaching its 150th anniversary and Canadians expect the federal government to celebrate our diverse and dynamic national identity through arts and culture. It's time to support a new generation of creative development.

A key opportunity is highlighted by demographic changes that are sweeping our country and the way Canadians will contribute to Canada's economic growth. In 2011, Canada was home to roughly 6.8 million foreign-born individuals. They represented 20.6% of the total population, which was almost 1% more than reported in the 2006 Census. Similarly, 4.3% of the total population reported an Aboriginal identity in 2011, compared to 3.8% in the 2006 Census.[4]

Other reports suggest that:

- in 2017, members of visible minorities will comprise 19%–23% of the Canadian population, and Aboriginal peoples will comprise 4.1%;
- in 2021, members of visible minorities will comprise 29%–32% of the Canadian population, or between 11.4 and 14.4 million people. This population will also have more youth under the age of 15 (36%);
- the Aboriginal population is growing more quickly than the rest of the population; it is also much younger, and Aboriginal youth will form a major part of Canada's future workforce; and
- those whose first language is neither English nor French will increase to 29%–32% by 2031, up from 10% in 1981.[5]

With respect to audiences, the Cultural Human Resources Council has noted that:

- while our aging population may have both time and disposable income, responding to their evolving interests requires ongoing attention;
- accessibility of venues for persons with disabilities may have to be improved;
- the shrinking attendance of "baby boomers" and the relative lack of engagement/development of younger audiences must be addressed, since this affects the market for live entertainment; and
- other changes in audience demographics may require the development of new genres, challenging presenters to maintain core audiences while building new ones.[6]

Other studies have focused on the professional development needs and interests of presenters across Canada. They indicate that presenters need and want to increase their awareness of diversity, and to develop diversity-related competencies in the areas of programming, community involvement, audience development, staffing, and volunteer recruitment. These studies suggest that changing demographic conditions are a major environmental factor.

As well, given the changes in Canadian communities, many presenters, artists, and audiences have noted the importance of understanding and engaging with Aboriginal Canadians, immigrants, members of visible minorities, and other communities.

Clearly, arts organizations see the importance of responding to the needs and issues of all Canadians. In addition, 92% of Canadians believe that arts experiences are a valuable way of bringing together people from different languages and cultural traditions, and 87% of Canadians believe that arts and culture help us express and define what it means to be Canadian.[7] Targeted investment by the Government of Canada will enable arts organizations to respond to the opportunities and challenges presented by Canada's changing demographics.

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, by developing new markets and venues, providing incentives for donations and sponsorships through the tax system or matching contribution programs, or subsidizing particular aspects of cultural production.

The federal government's primary vehicle for sustaining the work of artists and arts organizations is the Canada Council for the Arts. This highly respected, accountable, and efficient arm's-length agency of the federal government has a 55-year track record of fostering the arts across the country. In 2012–13, the Council awarded more than $150 million in grants and payments to artists and arts organizations in some 2,000 communities across Canada through a highly competitive peer review process.[8]

Increased investment through the Canada Council will ensure that the core of Canada's cultural milieu — artists and arts organizations — are supported in exploring and expressing what defines us as Canadians. It will also help provide Canadians with better access to artistic work from all regions of Canada that reflects our rich cultural landscape.

Ensuring access and strengthening ties across Canada

The Department of Canadian Heritage (DCH) is another of the government's key investments in Canadian arts and culture enterprises. Funds awarded through the DCH directly sustain jobs in the creative sector. Moreover, many of DCH's programs strengthen national identity, foster lasting cultural development, and ensure that families across Canada have affordable access to arts and culture.

Access and innovation are intimately tied to 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 fund will ensure the vitality of Canada's cultural spaces for current and future generations of Canadians. The Canadian Arts Presentation Fund invests in the circulation of cultural products across the country, ensuring that Canadians can engage in high-quality cultural experiences in their home communities.

Over the coming year, a suite of funding programs managed by the DCH — 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, and build and maintain physical infrastructure. It is essential that the government investments made through these programs be renewed.

Aligning cultural policy with Canada's global economic policy

Historically, artists and arts organizations have 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, and contributed to economic growth and stability. In addition, Canada has long been recognized as a bold, diverse, and peaceful bastion of arts and culture.

Over the past few 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, which will help to establish Canada as a key trading partner in target markets.

Canadian artists, arts organizations, and cultural products are important elements of Canada's "brand"; this was amply demonstrated during the opening and closing ceremonies of the 2010 Vancouver Olympics. The Government of Canada must ensure that our 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. It must also ensure that artists and arts organizations can take their work to foreign markets, meet with potential presenters and consumers of cultural products, and explore and establish innovative partnerships with foreign counterparts and collaborators.

Recently, the Canada Council announced it was allocating $2 million of its existing parliamentary appropriation to international market development. Given an increased parliamentary appropriation beginning in 2014, the Council could play an even greater role in helping Canadian artists and arts organizations create jobs, engage with the Canadian public (at home and across the country), and develop international markets.

AFB Actions

The AFB will:

- Increase the annual parliamentary allocation for the Canada Council for the Arts by $120 million to bring the total allocation to $300 million.

- Renew investment in a suite of programs delivered by the Department of Canadian Heritage and ensure that funds available through these programs are indexed to the annual cost of living.

- Invest $25 million annually in initiatives to develop artistic and cultural markets in Canada and abroad that promote Canadian values, businesses, and cultural interests in key markets. This will be done by aligning Canada's cultural diplomacy strategy with Canada's Global Commerce Strategy.

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Child Care: Early Childhood Education and Care

Background

We're used to hearing that Canada has no national childcare program[1] and that existing services are inadequate and underfunded. But two other important points are less often noted: how much Canadian child care relies on the market, and the undesirable effects of this approach.

Every aspect of Canadian child care is shaped by the market.[2] The private sector — including entrepreneurs, non-profits, and charitable organizations — determines when and where services are located. Private non-profit and for-profit operators finance much of the capital costs and deliver most regulated child care across Canada. Outside Quebec, parents pay the bulk of costs for regulated and unregulated child care, and public funding is primarily distributed through market-oriented "demand-side" measures such as vouchers, cheques, or fee subsidies. There is little public management of services or public planning for expansion. The government's role is largely limited to monitoring regulations, which are inadequate to deliver the high-quality programming that benefits children.[3]

The results of this market approach are tangible and well documented.[4] There are significant variations, inequity, and gaps across Canada in affordability, supply of services, and quality, and many (or most) families can neither find nor afford high-quality child care. Yet, as the OECD recently suggested,[5] Canada's adherence to a market-based approach reflects an "economic orthodoxy" rather than a lack of knowledge about the benefits of moving to a public system.

This situation continues despite Canada being a signatory to the United Nations Convention on the Rights of the Child, which commits our federal and provincial/territorial governments to collaborate to ensure that families have access to quality early childhood education and care (ECEC) programs.[6]

The right thing to do

Child care has long been considered a key requirement for healthy child development, women's equality, social justice and equity, and part of good family policy. A body of evidence[7] shows that building a public ECEC system is the right thing to do for parents and children, and for Canada socially and economically. In 2012, TD Economics urged increased public spending when "finances move back in balance." The report observed that Canada lags far behind other countries and that putting "an efficient, high quality early childhood program in place…accessible for all children and affordable for parents…would be beneficial for children and parents as well as the broader economy."[8]

In its most recent review of the Convention on the Rights of the Child, the UN referred to Canada's "lack of funding directed towards the improvement of…affordable and accessible early childhood care and services," "high cost of child care," and "lack of available places."[9]

More public money and policy needed

As federal and provincial surpluses began to mount annually in the early 2000s, a substantial commitment to childcare system–building emerged. However, at the height of Canada's economic success, the federal government terminated this initiative, replacing it with the Universal Child Care Benefit (UCCB), a monthly payment made directly to parents and a tax incentive for employers to build new childcare spaces.

These policy changes set child care in Canada back even further. Without the promised federal transfers, provincial and territorial plans to increase access to quality child care slowed dramatically. There has been no material uptake of the tax incentive for employers to date,[10] and parent fees continued to increase in provinces without fee caps.

It is therefore not surprising that Canada's public investment in ECEC programs has remained static for some years at 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 children aged 0–5.[11]

Child care today is plagued by stagnant provincial/territorial budgets and expansion and by shrinking services that are unconnected to planning or community needs. Fee subsidies are less adequate than they were in the past, the proportion of families served has remained steady since 2001, and parent fees are unaffordable for many. As a result, today most parents must rely on unmonitored, sometimes dangerous, unregulated care.

Comparing best policy practices with the state of Canadian child care reveals a gap between what we know and what we do. Research suggests that delivering high-quality, equitable, accessible ECEC programs requires a systematic, integrated approach with well-defined public management.[12] Research also shows the pitfalls of relying on unplanned, fragmented, privatized approaches to financing and depending on for-profit services.[13] Yet, current ECEC policies continue to ignore the best available knowledge.

Current Issues[14]

- Parent fees are very high — often higher than university tuition — while subsidies fail to make child care financially accessible to eligible parents. Infant fees range from Quebec's $152/month to Manitoba's province-wide maximum parent fees ($631/month); the average fee in Ontario is $1,152/month. In large cities, child care is even more costly. In Vancouver, for example, commercial chain Kids and Company topped the chart with an annual fee of almost $23,000 in 2013, while non-profit University of British Columbia Childcare Services' infant fee for non-UBC-affiliated parents was more than $18,000 annually.[15]

- The supply of childcare services is far below the demand, yet expansion of spaces has been slow over the last few years. More than 70% of mothers of young children were in the paid labour force but, in 2012, there were regulated spaces for only 22.5% of children aged 0–5 years.
- Staff wages are too low to ameliorate staffing issues such as recruitment and retention. A 2012 survey found that the median gross annual wage of program staff across Canada was $16.50/hr, up only slightly from $15.36 in 1998 (amounts are adjusted for inflation).[16]
- Quality issues persist regarding the unregulated arrangements many parents must use and the regulated services that are in short supply.

Beware unregulated child care

Issues about the safety of unregulated arrangements have been prominent in the media as child deaths in unregulated child care continue to occur.[17] Yet throughout the country there is widespread reliance on these arrangements, in which government has only a bare minimum role and no oversight. It is noteworthy that while there is no substantial direct public funding to unregulated child care except in B.C.,[18] the demand-side funding available through the UCCB and the Child Care Expense Deduction supports both legal and illegal unregulated child care.

For-profit child care growing

Although the benefits of a publicly managed ECEC system are clear, for-profit child care is growing in most of Canada. In 2012, for-profits delivered 29.4% of centre-based spaces, up from 20% in 2004. The limited growth in the sector has been dominated by for-profit services for some years.

Commercial childcare chains — until recently mostly small-scale operations — are growing across the country, with many now operating more than 20 centres. Corporations such as BrightPath (formerly called Edleun), Canada's first publicly listed big-box childcare chain, and privately held Kids and Company each operate more than 50 centres in multiple provinces. Both appear to be positioned for growth, with investors providing significant capital infusions.

Countries in which big-box chains now dominate child care (Australia, the U.K., and the U.S.) provide useful lessons for Canada: public funds will support private profits rather than public goals such as quality, affordability, and equity of access. The threat of higher fees, lower wages, unmet demand, and poor quality found in countries dominated by corporate providers should be a wake-up call to Canada about the ineffectiveness and inequity of a market-based approach to child care.

The evidence-based response to Canada's childcare needs is a national policy framework establishing a publicly managed, publicly funded system blending ECEC, and prioritizing equity in access and service provision in every province and territory.

More federal involvement needed

A key barrier to an ECEC system in Canada has been the federal government's absence from the table. Even funding for federal Aboriginal ECEC programs — for which the federal government has direct and full responsibility — has been largely static since 2006, actually dropping in 2009.[19]

Meanwhile, the provinces, which have jurisdictional responsibility, continue to experience community pressure to provide accessible, quality child care. Several provinces have introduced changes to various elements of child care and kindergarten. However, without national collaboration and federal funding and leadership, most of these programs remain underfunded and inadequate to meet the need. They do not provide substantial enough reforms to significantly impact the status quo.

While child care languishes, since 2006 the federal government has spent an estimated $17.5 billion on the UCCB, which provides $100 per month to families for each child under age six. There is no evidence that this considerable public expenditure — which replaced the cancelled national childcare program — has increased access and quality, enhanced "parental choice," or offered an effective income support to help lift families out of poverty.[20] The AFB will make better use of these public funds by using them to improve the National Child Benefit Supplement (see the chapter on Income Inequality, Poverty, and Wealth).

In 2011, the government pledged to introduce income splitting for couple families with children, which would likely encourage mothers to stay out of the workforce. This income-splitting proposal would disproportionately benefit wealthier families, especially those with stay-at-home mothers, and spend an additional estimated $3 billion[21] on a program that — like the UCCB — will be of little benefit to those children and families who need the most help.

In this way, the federal government has directed substantial federal funds away from a national childcare program through the UCCB and is contemplating doubling this sizable expenditure through income splitting. Overall, the federal government's approach to child care limits the progress that can be achieved in provinces, territories, and Indigenous communities today, and restricts their ability to act in the future by reducing available public funds.

AFB Actions

There is compelling evidence that public investment in ECEC offers exceptional benefits per dollar invested. Studies have shown that well-designed public spending on ECEC promotes child and family health, advances women's equality, addresses poverty, deepens social inclusion, and grows the economy. But a market-based approach won't make it happen.

- The AFB will begin to build, with provinces, territories, and Indigenous communities, a system of high-quality, affordable, inclusive, publicly managed ECEC across Canada with equitable access for all children and families.

- To protect and promote the public interest, the AFB will provide leadership and significant funding support to provinces, territories, and Indigenous communities that commit to building public systems of ECEC. The goal of this approach is to ensure access — over time — to high-quality ECEC for all. Public funding for ECEC will reach at least 1% of GDP, with contributions from both federal and provincial/territorial governments.
- In 2014–15 the AFB will invest $1.0 billion of federal funds and increase this investment by $1 billion more each year over five years. At the five-year mark, a major evaluation will be done to determine how to fine-tune the program going forward. Overall, it is expected that regular funding increases will be made until a mature universal program has been achieved.
- The AFB will establish an overarching federal policy framework to guide collaboration between the federal government and provinces/territories. The AFB will provide federal funds to those that are accountable for developing and maintaining the following:
  - *Public plans* for developing, over time, comprehensive, integrated systems of ECEC services to meet the care and early education needs of children and parents.
  - The overarching federal policy framework and each detailed provincial/territorial framework will include a vision statement that treats ECEC as a public good and a children's and women's right; principles including universal access and affordability, high quality, full inclusion, and respect for diversity; clear targets and timetables; legislation at both federal and provincial/territorial levels; integration of "care" and "education"; a well-trained, well-paid ECEC workforce; democratic participation of parents and community; data, research, and evaluation to ensure robust public policy development.
  - *Public management* of the expansion of public and not-for-profit regulated services under public authorities through public planning processes (including integration of existing community-based services into publicly managed systems).
  - *Public funding* delivered to ECEC systems (rather than through taxes or other individual parent–payment measures), designed to create and maintain high-quality, accessible services through predictable, sustained, dedicated funding.
  - *Public monitoring and reporting* in federal and provincial/territorial legislatures on quality, access, and affordability of the ECEC care system.

Within this broad approach the AFB acknowledges the right of Canada's Indigenous peoples to design, deliver, and govern their own ECEC services. The AFB also respects Quebec's right to develop social programs, while recognizing that additional federal funding and more focused public policy are required to further advance quality and equitable access in Quebec's system. The AFB encourages the federal government and other provinces/territories to work with Quebec to achieve the province's goals for child care.

Notes

1 Throughout this chapter "child care" refers to the market-based approach to children's early care and learning primarily used in Canada today, which differs substantially from the public systems approach used in education services such as kindergarten. Even when the same provincial ministry is responsible for both child care and kindergarten, these public policy and funding differences persist. "Early Childhood Education and Care" refers to the AFB's goal of a public system that blends kindergarten and childcare services into a system of high-quality, universally accessible programs in school or community-based settings.

2 The degree of marketization varies across jurisdictions. Quebec's childcare system incorporates several elements of a public system.

3 This holds with some exceptions in Quebec, as discussed above, and to a lesser extent in Manitoba and Prince Edward Island, where provincial governments have begun introducing elements of public management such as caps on parent fees.

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Cities and Communities

Background

Over 80% of Canadians now live in cities.[1] Urban areas are centres of job creation, immigration, and innovation critical to sustaining our quality of life. But 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. Other challenges include congestion, pollution, urban sprawl, and an under-performing economy. The health of urban communities is of national concern, and federal investment is crucial to ensuring cities continue to play a vital role.

The backbone of Canada's current municipal infrastructure system was built roughly between 1950 and 1980. Since then, cities have been slowly starved. Cuts in transfers and the downloading of responsibilities have led to decay, and the replacement cost for aged infrastructure is estimated at $171.8 billion.[2] The costs associated with aging infrastructure deplete municipal resources and make it harder for cities to meet the needs of the most vulnerable, including single mothers, the working poor, immigrants, and social assistance recipients. In addition, property tax rates in some provinces are among the highest in the world. Since property taxes are regressive,[3] vulnerable populations are affected disproportionately.

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

In the early 1990s, transfers from Canada's federal and provincial governments provided approximately 26% of local government revenues. After 1995, transfers to cities from both of these sources were reduced, and by 2000 these transfers provided only 16% of local government revenues. During this period:

- The population of Canadian cities grew by almost 3 million people.[4]
- Local governments across Canada, especially in Ontario, increased property taxes, user fees, and service charges; reduced public services; and delayed investment in and maintenance of infrastructures.
- Reductions of transfers to municipalities continued, even though federal and provincial governments ran surpluses and cut taxes to businesses and higher-income earners.
- The municipal infrastructure deficit continued to grow.

With few exceptions, Canada's municipalities depend on higher levels of government to fund the large projects needed for renewal. Cities with increasing populations and responsibilities need new and growing sources of revenue, and cities experiencing economic and population declines need help to reinvest in the infrastructure and thereby stimulate urban revitalization.

In recent years, federal and provincial governments increased transfers to local governments in response to public pressure, the recession, and some major structural issues related to bridges. The 2007 Building Canada Plan invested $33 billion of new federal money in infrastructure.

While this was a positive step in the short term, it did little to fix the flawed funding structure itself; grants were still approved using a non-transparent, lottery-style process. Funding individual projects has been less than ideal because it discourages a coordinated approach — cities accept any funding they receive, regardless of how the project fits into their long-term plans. In addition, the application-based approach has sparked accusations of unfairness and of grants emphasizing publicity over functionality. Independent analysis showed that infrastructure investment benefited Conservative ridings disproportionately, and lack of accountability mechanisms prevented deeper inquiries.[5] During the period of recent stimulus spending, the "Economic Action Plan" branding was created, which so far has cost taxpayers over $100 million.

The lead-up to Budget 2013 was a critical period in the relationship between cities and higher levels of government. At that time, the only long-term federal commitment to municipalities moving forward was the $2-billion Gas Tax Fund (GTF), which lost real value to inflation every year. Budget 2013 brought in the new 10-year Building Canada Plan (BCP), which combined money that had already been committed — such as the GTF — with a new commitment to maintain modest funding levels until 2024. The announcement implied a consistent stream of income over the next decade, but in reality there will be little new spending during the first five years; almost 75% of the new funding will come after 2019.

The new BCP does have considerable value. It gives municipalities a level of stable, long-term revenue not enjoyed since transfers were cut in the mid-1990s. However, although the new fund is an improvement, it does not fully remedy long-standing problems. To sustain the 2011 value of Canada's public infrastructure stock, governments must make permanent annual spending commitments totalling 2.9% of GDP.[6] At the height of the recent stimulus package outlay, total spending never exceeded 2.75%. Now, even with the new BCP, spending as a percentage of GDP is dropping again. In 2012, governments spent $9 billion less than what would have been required, and the new BCP essentially locks in the 2012 level of federal funding for the next decade. It is unlikely that the new BCP will solve the problem of meaningful infrastructure renewal.

Current Issues

Transparent process, meaningful renewal

The new Building Canada Plan was too long in the making and does not go far enough. A generation of neglect has created a huge backlog of work, so solving yesterday's problems will undoubtedly limit the potential of solving today's and tomorrow's. Furthermore, the allocation process is still very young. Terms for the funding arrangement have yet to be negotiated between the various stakeholders, so at this point there is no guarantee that the funding distribution process will be improved. We also need more project-specific transparency, accountability, reporting, and auditing. The new BCP will prevent the most costly and damaging consequences of previous neglect, but likely won't go much further.

Maintaining public ownership

A by-product of the 2007 Building Canada Fund was an attempt to increase reliance on Public-Private Partnerships (P3s) in municipal infrastructure projects—arrangements that give corporations control over essential services and guarantee private profits with public money. But cities rejected this option and left 50% of the P3 allocated funds on the table. In spite of this, the new BCP allocates an additional $1.25 billion to P3s. It also encourages P3 delivery through a vetting process that gives privatized options priority, and through allowing ongoing operations and maintenance payments to P3 providers to qualify as capital infrastructure investment. P3s may seem appealing because they come with lower upfront costs and minimal short-term political risk, but in practice many P3 experiments fail. When they do, public institutions ultimately bear the burden of risk and end up with massive long-term liabilities that result in higher total costs. In most cases, publicly owned, arm's-length entities provide the best value for taxpayers over the life of a project (see the Public Services chapter).

Public transit

Canada is the only country in the OECD without a national transit strategy. Canadian cities have some of the longest commute times in the world,[7] and estimates put the annual cost of unnecessary congestion at $15 billion per year.[8] As the population increases, so does ridership, putting added strain on underfunded systems. As a percentage of the population, ridership has remained relatively constant, indicating that the improvements needed to encourage Canadians to use public transit have not been made.[9] The new BCP allows transit projects to receive funding but does not provide a coordinated plan. The lack of a national plan means that public transit projects compete for a single pool of infrastructure money, 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, requiring cities to upgrade their wastewater facilities to meet more stringent requirements. These upgrades are expected to cost municipalities $20 billion over the next 20 years. Without additional federal funding, this will increase the national infrastructure deficit by over 15%.[10] In addition, without independent control over a predictable income stream, municipalities may be forced to privatize wastewater treatment, even if they would prefer that the service remain public (see the Water chapter).

Sustainable municipal asset management

The new BCP acknowledges the importance of asset management but offers little assistance to municipalities that lack the resources to manage the coordinated integration and maintenance of multiple infrastructure investments over time. The results of uncoordinated asset management are 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. Some examples that occur frequently:

- cities do not properly value the stewardship and integration of natural assets in their long-term infrastructure plans;
- urban sprawl occurs far from existing infrastructure, resulting in additional ongoing costs, loss of prime agricultural land, and the expense of reinvesting in older brownfields;
- natural resource development in remote areas 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.

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

Community organizations are on the front line dealing with issues such as unemployment, urban and rural decline, income inequality, poverty, social exclusion, and environmental degradation. Community Economic Development (CED) is a community-led approach 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; provide access to childcare services, housing, local food, capital, and training and skill development opportunities; and provide services that enable marginalized people to overcome barriers. Their efforts build fairer, stronger local economies, and sustainable, resilient communities.

Communities are the primary drivers of CED initiatives, but governments play an important role by using policies and significant resources to support them. Providing funds for CED entities to develop community resource centres, daycares, and other physical assets creates employment and enhances the well-being of citizens. Matching funding programs are often the only resources available to community enterprises, but generating the required matching funds can be extremely difficult for organizations. Therefore, non-profits need greater flexibility to access matching funds programs.

AFB Actions

Community Renewal Fund

The AFB will introduce the Community Renewal Fund (CRF) to supplement the new Building Canada Plan. The CRF will provide municipalities with an additional $6.5 billion annually for the next 10 years, which will prevent the widening of the infrastructure gap, and will create fiscal space for municipalities to address a broad range of local priorities.

The CRF will require matching funding from other levels of government. Given the disproportionate burden that municipalities have borne for infrastructure costs, the AFB requires the federal government to pay 40% of costs, the provinces to pay 40%, and municipalities to pay 20% (except for First Nations water systems, which are entirely a federal responsibility).

The AFB will commit $2.6 billion per year, of which $1.35 billion will be allocated to develop a national transit strategy and invest in additional public transit infrastructure. Projects must be designed to increase ridership and reduce commute times for public transit users. This portion of the fund will be allocated using a per capita formula, which will target regions with higher populations and more congestion. The remaining $1.25 billion per year will be for sustainable core economic infrastructure. This portion of the fund will be allocated using a "base plus per capita" formula. The new BCP and the CRF will impose transparency requirements that include new reporting mechanisms and independent, fund-specific auditing.

Other chapters outline additional infrastructure proposals, including $4.7 billion over 10 years for on-reserve wastewater treatment systems (see the First Nations chapter) and $2.6 billion per year to replace and upgrade aging water infrastructure (see the Water chapter).

Office of the Commissioner of Cities and Communities

The AFB will create an Office of the Commissioner of Cities and Communities (OCCC) under the Infrastructure, Communities and Intergovernmental Affairs portfolio. The OCCC will work with the provinces and territories to identify common goals. It will also provide specialized services to municipalities to maximize the positive impact of new funding, and enhance transparency and accountability through reporting requirements and independent, fund-specific auditing. The OCCC will develop and administer the National Sustainable Municipal Asset Management Plan, ensuring that investments are sustainable and assets are managed to best serve municipalities over the long term. It will also audit all advertising to ensure accuracy and transparency.

The OCCC will work with community stakeholders to ensure that future federal infrastructure programs maximize potential benefits for communities and citizens by adopting a Community Economic Development Policy Framework (see below), a Community Benefit Clause Policy, and guidelines and templates for incorporating social benefit analysis into the evaluations of federal infrastructure projects. These contractual clauses will help ensure projects generate economic and social value that benefits communities and their citizens. Community Benefit Clauses can be used to boost training, apprenticeship, and employment opportunities for groups that are under-represented in the workforce and/or that have multiple barriers to employment.

The OCCC's purchasing strategy will incorporate 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 and subcontractors on all government contracts, and use a blended value analysis that incorporates price, quality, and environmental and social considerations.

Community Economic Development Policy Framework

The AFB will 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. This national framework, which will nurture and develop initiatives based on best practices, will be modelled on the one currently used by Manitoba. It will help federal departments assess how well they integrate CED principles into government initiatives. This will ensure that CED principles, such as local skills development and employment, are incorporated into these initiatives to better address the economic, social, and environmental needs of communities.

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

Neighbourhood Revitalization Fund

The AFB will establish a federal Neighbourhood Revitalization program and fund. The fund will provide multi-year core support for 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 that coordinate ongoing revitalization efforts in their communities. These efforts will be based on five-year revitalization plans that take a CED approach and are developed with the community. NRCs will also help community organizations 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

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Communications

Background

Communications infrastructure a key economic driver in the 21st century

Affordable high-speed internet access is an indispensable asset for the economic health of communities of all sizes. It attracts businesses, encourages local entrepreneurship, and maintains high standards in education and health services, all of which support local sustainability.

However, according to statistics released in 2013 by the Organisation for Economic Co-operation and Development (OECD), Canada should increase investment in this sector. Currently in 9th place with 72.2% of households connected to the internet, Canada is behind the leader South Korea (97.5%) and all five of the Scandinavian countries, but still ahead of the U.K. (69.5%) and the U.S. (68.2%).[1] However, Canada is lagging much further behind with respect to speed and price of broadband connections, placing 19th in the same list of countries.[2] Countries with high speeds and low prices are also rapidly increasing their adoption of fibre optic networks. Here again, Canada is falling steadily behind — at 0.6 fibre subscriptions per 100 inhabitants as compared to the U.K. with 1.7 and South Korea leading the way with 22.3. To participate fully in the Information Age, Canada needs to move beyond its current strategy for communications infrastructure.

A user support strategy must also be in place to allow citizens to take advantage of new opportunities. A report from the International Telecommunications Union (ITU) ranked Canada 22nd out of 155 countries on level of ICT access, use, and skills.[3] Although Canada is still in the top 30, in the past we were a very high achiever in this area, with targeted programs on each of these issues. To compete with leading countries of today, Canada needs a national digital strategy as one of the building blocks of its long-term economic planning. The Canadian Radio-Television and Telecommunications Commission's (CRTC) 2013 annual report on the state of communications shows 79% of Canadian households with an internet subscription, which leaves 2.9 million homes still disconnected from the digital economy.[4]

Public policy to address these problems is long overdue. The AFB's recommendations are designed to improve Canada's communications infrastructure and facilitate access, use, and skills in this area.

Current Issues

Recognize "effective" connectivity as an essential service

In 2011, the CRTC ruled that by the end of 2015, all Canadians should have access to broadband speeds of at least 5 megabits per second (Mbps) for downloads and 1 Mbps for uploads.[5] But this target is simply not enough to fuel economic growth and job creation, or to support modern health and education applications. Peer countries such as France and Australia have set much more ambitious targets, and the European Commission has set a target of "30 Mbps for all of its citizens and at least 50% of its citizens subscribing to internet connections above 100 Mbps by 2020."[6]

At the 2010 CRTC hearings that considered basic service obligations, one telephone company estimated that it would cost $700 million annually[7] 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." Governments will have to implement various programs to facilitate bridging the gap.

To return Canada to a leadership role, effective broadband that supports a range of communications applications must become a vital part of policy and programs at the federal level. The AFB believes that, in the long term, "effective" broadband means high-speed internet of 100 Mbps and beyond.[8]

Develop a national digital economy strategy

The CRTC, among others, has pointed out the need for a comprehensive national digital strategy to secure the nation's economic future.[9] In its 2011 report on emerging and digital media, the Standing Committee on Canadian Heritage urged that a national digital economy strategy be developed and reviewed every five years.[10] Without such a strategy, Canada is lagging behind countries such as Australia, Great Britain, and the U.S.

The AFB will immediately begin a national consultation on these issues. The process will invite input from a variety of stakeholders on a wide range of communications issues — such as copyright, infrastructure, and access policies — through submissions and meetings across the country. It will look for decentralized, community-based solutions to developing broadband infrastructure, since local ownership and control of infrastructure is a preferred model, and community members will be involved in developing plans, especially in rural, northern, and First Nations communities.

These consultations will also address ways to improve the environmental sustainability of digital technologies. ICT devices currently contribute 2%–3% of global greenhouse gas emissions. [11] As the availability and use of "always on" broadband increases, these emissions will likely increase also. Technical solutions such as power-saving devices and upgraded standards for them will be explored, and incentives for telecommuting and video-collaboration will be considered.

The AFB will allocate $250,000 for this broad national consultation to modernize communications policy in Canada. The process will investigate the benefits of various business models, including multi-stakeholder partnerships, to achieve connectivity in hard-to-serve areas. Local ownership and control of high-speed networks as well as environmental benefits that could be realized through appropriate design will be highlighted.

High-speed broadband networks and economic benefits

Growing evidence supports the connection between household income, jobs, and modern information and communications infrastructure.

For example, a 2013 study suggests that faster broadband connections can add considerably to household income in developed economies because better internet access improves potential for learning and working from home. Increasing internet speeds from 4 to 8 Mbps increased average earnings by $120 (U.S.) a month in OECD nations.[12] A 2009 study by the World Bank suggested that a 10% increase in broadband penetration in high-income countries correlates with increases of 1.2% in GDP growth.[13] There is also evidence that 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.[14]

To bring Canadian communications infrastructure up to such standards, the AFB will allocate $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 Digital Strategy. Because this is such a major commitment of public funds, Canadians will retain majority ownership of the resulting infrastructure.

The Standing Committee on Canadian Heritage recommended that the Government of Canada reinvest some of the money it receives from spectrum auctions into designing and implementing a digital strategy and into extending rural and remote connectivity programs.[15] The AFB agrees with these recommendations, and will reinvest some of the proceeds from the January 2014 spectrum auction to support the modernization of our digital infrastructure according to the recommendations of a comprehensive communications strategy.

Rebuilding the national public access program

In the 2013 pre-budget consultations, the federal government asked for suggestions from Canadians for cost-neutral or low-cost measures they could introduce to enable competition and prosperity over the long term. One citizen responded as follows:

> "Economic growth in the 21st century cannot occur without 21st-century tools.… A program to support community-driven access and education initiatives across the country would help ensure prosperity is both deep and wide throughout the country. Over the years, this kind of initiative has created jobs and brought new businesses to many areas at very little cost."[16]

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 online tools. In Korea, for example, such programs are considered investments that generate demand and build human capacity to meet that demand.[17]

At the CRTC hearings on basic service held in 2010, concerns were raised about the 25% of Canadians who have no internet service even where service is available. The situation has not improved since then. In 2012, Statistics Canada reported that only 62% of the poorest quartile of Canadians were connected and that the main barriers to connectivity were age and income.[18]

Sadly, in March 2012, the federal government cancelled the one program that was addressing such issues. The Community Access Program was a national network of 3,500 community technology centres which helped thousands of people per day incorporate new technologies into their lives[19]. These sites, their young facilitators, and their 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 sectors 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.[20]

Certain populations are particularly in need of such programs. For example, a U.S. study showed that while many seniors use e-mail and the Web, only 39% have broadband at home; the others use public access sites in libraries and community centres.[21] 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.[22] Statistics Canada data from 2010 showed that of the 20% of Canadians who did not have access to the internet, slightly more than half of these (about 1.5 million people) mentioned cost; lack of equipment; or lack of confidence, knowledge, or skills as reasons for their non-connectivity.[23]

The AFB will reintroduce and expand support for public access programs to address these issues. This investment will boost local economies by encouraging them to use new technologies for community development and by offering collaborative tools. When Canadian communities suffer because of major job losses, these programs help provide support in an economic downturn.

The AFB also agrees with the Standing Committee on Canadian Heritage that the Government of Canada should work with provincial authorities to encourage the development of a digitally literate population, and that the Department of Human Resources and Skills Development should review its policies and programs 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) to establish community-operated multimedia centres to encourage people to develop digital skills.[24]

AFB Actions

- The AFB will allocate $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 2014, and a comprehensive plan based on these discussions will ready by April 2015.

- The AFB will increase expenditure to $1 billion annually over 10 years to modernize Canada's digital communications infrastructure.
- The AFB will allocate $40 million to support new and existing Community Access Program public access sites in the 2014–15 budget year.
- The AFB will ensure that digital literacy is still supported through Industry Canada's Youth Internships.
- The AFB will support community-oriented multimedia centres as part of a digital literacy program.

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Defence

Background

The Afghanistan war is over, but the fighting is just beginning at the Department of National Defence.

This fiscal year (2013–14), which is drawing to a close, is the third consecutive year that there has been a reduction in military spending.

With the wind-down of Canada's decade-plus military mission in Afghanistan, and the lack of any future deployments on the horizon, including UN peacekeeping missions, the military will be "doing less with less."

Like all federal departments, National Defence is being asked to reduce its spending. It is reasonable that the federal government's largest department, which consumes eight cents of every dollar spent by the federal government, be asked to find, at a minimum, savings equal to the amounts being asked of all other departments.

However, a political fight is brewing over where the cuts should be made inside National Defence.

Within the military, the various branches are jockeying positions to avoid cuts and to defend their programs. Myriad corporations and defence industries are lobbying to sustain their contracts and win more.

Regional interests are coming into play: politicians representing ridings with military bases or containing large industries that are dependent on military spending are hoping to deflect cost-cutting to someone else's political district.

Throughout the 2000s, during the period of very steep spending increases, all political parties, on the political right and the left, supported more military spending. Policy differences and heated debates over Canada's engagement in Afghanistan masked what was actually a broad political consensus amongst the parties in favour of escalating diversions of public dollars to National Defence — sometimes exceeding increases of 10% per year.

In the post–9/11 crisis atmosphere, defence spending eventually passed the highest levels of spending in adjusted dollars seen since the Second World War, and outpaced spending during the most dangerous years of the Cold War.

But those days, when National Defence was showered with public dollars, are over. The trend toward leaner defence budgets is causing a breakdown between the various interests and lobbies that comprise the military establishment.

According to reports surfacing in the media, the government is privately directing the military to make cuts to operations and maintenance costs, in order to maintain troop strengths and high-profile equipment projects such as fighter jets and warships.

However, recent developments suggest that the military establishment may be coalescing around a joint effort to either push government-ordered cuts toward less threatening areas of the defence budget, or halt and potentially reverse the trend toward cuts to defence.

For instance, in a rare sign of potential discord with the government, the Chief of the Defence Staff (CDS), General Tom Lawson, stated publicly he preferred to see reductions to the number of men and women under arms, which stands at roughly 68,000. Troops' wages and benefits consume almost half of all defence spending, so troop reductions would free up millions of dollars.

And after several years out of the limelight, former CDS Rick Hillier has re-emerged in the media, presumably with the private approval of his former senior-level colleagues in the Canadian Forces. Retired General Hillier told CTV that he also favours troop reductions. He went even further, stating his preference that the government not proceed with a $2 billion purchase of close combat vehicles, in order to protect the operations portion of the budget.

The controversial and oft-delayed vehicles were also the subject of a study by the CCPA and the Rideau Institute, which found that the light tanks were not needed, and that the army had requested the government to avoid the expense, which would have cut into its operations budget to pay for the new fleet.

Then, in a stunning move, the government cancelled the controversial close combat vehicle project, saying these vehicles were no longer needed. The late-December announcement was made through Canada's top soldier, CDS General Tom Lawson, who told reporters that the project was shelved because the vehicles had been made redundant by upgrades to other vehicles already in the Army's fleet of combat vehicles (which was precisely what was argued in the CCPA-Rideau Institute report).

The Liberals slammed the Conservatives for cutting the combat vehicles, accusing them of putting the lives of Canadian Forces personnel at unnecessary risk. In response, the Harper government defended its record through a statement by Defence Minister Rob Nicholson's office, which said, "Our government has made unprecedented investments in the Canadian Armed Forces. In fact, since 2006 we have boosted defence budgets by 27 per cent, roughly $5 billion in annual funding," according to the CBC.[1]

The Harper government has already taken hits to its reputation as a strong fiscal manager from a long list of bungled defence programs, including the F-35 stealth fighters, warships, helicopters, trucks, and others.

Now its political base of pro-defence voters may side with the generals against defence cuts, which will further impact the government as it tries to eliminate the federal deficit by 2015.

In the end, the best result could be a bottom-up review of Canada's defence policy, forced by the need to reduce costs.

These reductions match many of the recommendations put forward in the Alternative Federal Budget, which has previously called for a return to the level of defence spending prior to the terrorist attacks in the United States on September 11, 2001. This requires several more years of reductions. The 2000–01 budget was $11.876 billion, or

$15.835 billion in 2013 dollars. So the current $19.047-billion budget would have to drop by about $3.2 billion.

National Defence spending could easily afford more reductions, if hard choices were made, to its force structure and essential capabilities.

This would provide urgently needed public dollars for other priorities, boost efficiency in National Defence, and create a military capable of protecting Canadians and supporting UN peace operations.

Peacekeeping

As of October 2013, there were 85,500 military and 12,811 police personnel (98,311 in total) serving around the world in a total of 15 UN peacekeeping missions. Canada participated in five of these missions, contributing 71 military and 82 police personnel (153 in total).

Canada ranks 57th among the 119 contributing countries in terms of its overall (military and police) contribution, just behind Slovakia (161) and just ahead of Burundi (151). In terms of military contribution, Canada ranks even lower, 60th out of the 110 countries that contribute military personnel, just behind Ecuador (81) and just ahead of Russia (67).

The incremental cost of Canada's military contribution to UN peacekeeping missions is projected to be $12 million in fiscal year 2013–14.

Current Issues

Military spending

Canada remains the 6th largest military spender among the 28 members of NATO (2011 NATO stats) and the 14th largest military spender in the world (2012 SIPRI stats).

According to the 2013–14 Supplementary Estimates (B), DND will spend $19.047 billion in fiscal year 2013–14 (this total includes $0.368 billion in respendable revenue).[2]

The actual amount that DND spent last year (FY2012–13) was $20.407 billion, which is about $20.675 billion in 2013 dollars.[3] These figures suggest that 2013–14 spending will be 7% lower ($1.628 billion) than 2012–13 spending, after adjusting for inflation.

Overall, the DND budget has undergone significant reductions since its peak in FY2009–10, when it totalled $20.332 billion, or about $22.194 billion after adjusting for inflation.

That said, about three-quarters of the reductions that have taken place in recent years are attributable to accounting changes and the declining incremental cost of Canada's overseas military missions.

Changes to National Defence accounting

Two notable accounting changes were the decision to grant the Communications Security Establishment Canada (CSEC) separate agency status outside of the Department of National Defence effective November 2011, and the August 2011 creation of Shared Services Canada and consequent transfer of some IT responsibilities out of DND.

TABLE 8 Top 15 Military Spenders in the World (U.S. Dollars Billions 2012)

Rank	Country	Spending
1	United States	682
2	China	166
3	Russia	90.7
4	United Kingdom	60.8
5	Japan	59.3
6	France	58.9
7	Saudi Arabia	56.7
8	India	46.1
9	Germany	45.8
10	Italy	34.0
11	Brazil	33.1
12	South Korea	31.7
13	Australia	26.2
14	**Canada**	**22.5**
15	Turkey	18.2

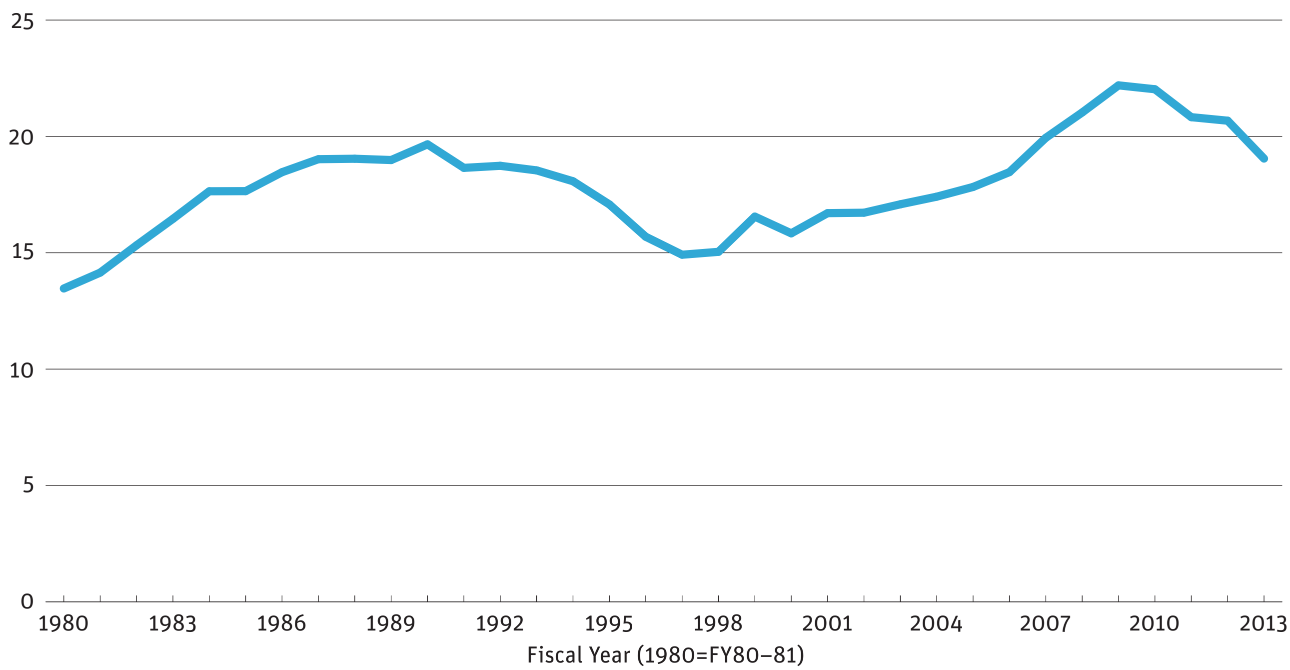
Source Stockholm International Peace Research Institute, http://www.sipri.org/research/armaments/milex/Top%2015%20table%202012.pdf

TABLE 9 Top NATO Military Spenders 2011 (U.S. Dollars Billions)

Country	Spending
United States	731.9
United Kingdom	63.6
France	53.4
Germany	48.1
Italy	30.2
Canada	**23.7**
Turkey	14.5
Spain	14.0
Alliance Total (28 Members)	**1038.1**

Source NATO Public Diplomacy Division, http://www.nato.int/nato_static/assets/pdf/pdf_2012_04/20120413_PR_CP_2012_047_rev1.pdf

FIGURE 11 Canadian Military Spending, 1980–2014 ($ Billions 2013)



The removal of CSEC from the DND budget will save the department $461 million in 2013–14. The savings resulting from the creation of Shared Services Canada are more difficult to estimate, but probably total about $300 million. DND continues to receive the same services from these programs as it received in earlier years, but their approximate $760 million cost is no longer charged to the DND budget.

These changes represent neither a reduction in the ability of DND to pay for the set of goods and services it consumes each year nor savings for the taxpayer. Taxpayers will still be paying their full cost, although it is hoped that Shared Services Canada will eventually save some money by becoming more efficient than the separate departmental efforts it is replacing.

Impact of the end of the Afghanistan mission

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

The overall incremental costs of the Canadian Forces' overseas missions are projected to be $273 million this year (including $172 million for the Afghanistan mission, which is scheduled to terminate in March 2014). By contrast, in 2009–10, the incremental costs of Canada's overseas missions totalled $1.747 billion, or $1.907 billion in 2013 dollars ($1.471 billion for Afghanistan, $1.606 billion in 2013 dollars). The difference represents $1.634 billion in costs that DND does not face this year.

Thus, while DND's projected 2013–14 budget is approximately $3.147 billion lower (in 2013 dollars) than its 2009–10 budget, the department's ability to fund its core programs has declined by a much smaller amount over those four years — approximately $750 million.

It is fair to say, nonetheless, that DND is facing severe budget pressures at the moment.

The Canada First Defence Strategy

The Harper government's equipment plan for the Canadian Forces, the grandly named "Canada First Defence Strategy" (CFDS), was never adequately funded within the government's spending plans. For example, analyses of the planned F-35 procurement and the national shipbuilding plan have demonstrated that the costs of these projects are likely to greatly exceed the sums allotted for them in the government's planning.

But the government has never adjusted its CFDS plans to ensure that the capabilities sought for the Canadian Forces are affordable. The recent decline in the DND budget will push this plan even further into crisis.

Exacerbating these pressures is the government's refusal to consider any reduction in the size of the Canadian Forces. Personnel costs represent almost 50% of the DND budget, and as long as the size of the Regular Force remains fixed at 68,000, it will be very difficult to find substantial savings in this area.

The result of these policy failures is that most of the effects of the reductions that the government has mandated will be felt in the areas of training and maintenance, which over the long run could have a serious effect on the morale, readiness, and overall capabilities of the Canadian Forces.

AFB Actions

The AFB will reduce the size of the Department of National Defence to its pre–September 11, 2001 level (adjusted for inflation). The 2000–01 budget was $11.9 billion, or $15.8 billion in 2013 dollars. The AFB will reduce the current $19 billion budget by $3.2 billion over three years to $15.8 billion.

National Defence spending could easily afford more reductions, if hard choices were made, to its force structure and essential capabilities.

This would provide urgently needed public dollars for other priorities, boost efficiency in National Defence, and create a military capable of protecting Canadians and supporting UN peace operations.

Notes

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Employment Insurance

Background

Employment Insurance (EI) is a vital part of Canada's social safety net. While prior Alternative Federal Budgets have criticized key gaps in Canada's 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, which represented 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.

Nevertheless, even at the peak of the recession, most unemployed women and younger workers fell through the cracks, and one in four laid-off workers who 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 have ended. In addition, amendments to EI introduced in the 2012 budget, such as changes to the Working While on Claim Pilot Project, affect the most vulnerable beneficiaries negatively.

The basic parameters of Canada's EI system are widely perceived as ungenerous. The benefit rate is low — just 55% of earnings averaged over the previous six months, which often include weeks of very low earnings. Women still face a significant earnings gap in Canada, and thus their EI benefits are also lower. Between 2006 and 2012, women's average weekly benefits were consistently about $60 lower than men's.[1]

Workers qualify for benefits based on the number of hours they have worked over the previous year and the local unemployment rate. Fewer hours are needed to qualify in regions with high unemployment rates, and claimants in those regions receive more weeks of benefits. The qualifying level for new entrants and re-entrants to the workforce is 910 hours, which represents almost six months of steady full-time work.

In an average EI region with an unemployment rate of 7% to 8%, workers need at least 630 hours — about four months of full-time work — to qualify for EI. They are eligible for between 17 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 who combine such precarious work with spells of self-employment.

EI is not keeping up with the realities of today's job market, in which 20% of jobs are part-time, and roughly 14% are contract or seasonal. A key disadvantage of temporary and part-time employment is that when the job ends, workers are unlikely to qualify for EI. In the event they do qualify, it can be for as few as 14 weeks of benefits. In 2012, 45% of unemployed workers were new entrants or re-entrants to the workforce, compared to only 25% in the early 1990s. This indicates that the bar for entry is now much higher for those who are just entering the labour market and those who have been out of the labour force for a period of time.

Today there are almost 1.4 million unemployed workers in Canada. Although the unemployment rate remains close to 7%, it is still well above the pre-recession level of 6.0%. Even more telling is the fact that the proportion of Canadians who have jobs has remained steady since the end of the recession, indicating that job growth has barely kept up with population growth.

The proportion of unemployed workers that remain unemployed for long stretches is also significantly higher than it was pre-recession. In 2013, 20% of unemployed workers had been unemployed for more than 27 weeks, and 7% had been unemployed for more than a year. Before the recession, these figures were 13% and 4% respectively.

Another concern is that the number of regular EI beneficiaries has fallen much more rapidly than the number of unemployed workers during the period of economic 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 lower than the proportion before the recession, even though the national unemployment rate in 2012 was higher than in 2008.

An increasing number of unemployed workers are 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 in which they worked too few hours to qualify for benefits, or only enough hours to qualify for very few weeks of benefits.

Current Issues

The EI Operating Account is expected to accumulate an annual surplus of $3.85 billion in 2014, assuming that 41.2% of unemployed workers receive EI.[2] Following this assumption, a decrease of just one percent, to 40.2%, would increase the annual surplus estimate by $254 million.[3] Given that, on average, fewer than 39% of unemployed workers received EI in 2013, $3.85 billion is likely a conservative estimate for the EI Operating Account surplus.

There remains significant slack in the Canadian labour market, with over six unemployed workers to every job vacancy.[4] In October 2008, 63.5% of Canadians were employed. This number has been at or below 62% since February 2009. Since 2011, the number of underemployed and marginally attached workers has exceeded the number of unemployed. In 2012 the full count of underemployed and marginally attached workers was 1.38 million, and official employment was 1.37 million.

There is a danger that the long-term unemployed will lose touch with the job market, leading to an erosion in their skills and potentially making them permanently unemployable. This would be especially grievous in both human and economic terms, since few new workers are projected to enter Canada's workforce in the years ahead as the baby-boomer generation retires.

The federal government's response to labour market issues has been the controversial Canada Job Grant. The government plans to fund its share of the program by taking $300 million out of the $500 million it now transfers to provinces and territories for Labour Market Agreement programs. These programs provide training for workers who are under-represented in the workforce, such as new immigrants, youth at risk, Aboriginal people, persons with disabilities, older workers, and social assistance recipients. Literacy and essential skills training have been a key focus of the Labour Market Agreement programs.

According to an evaluation by Human Resources and Skills Development Canada done in 2013, the Labour Market Agreement programs have been very effective. Over 85% of trainees got jobs; 72% increased their weekly earnings; 87% received a credential; and reliance on social assistance was reduced from 25% to 19%. Despite these positive results, the federal government will cut $300 million from the Labour Market Agreement programs to use as their share of the Canada Job Grant. The provinces and territories must also contribute an additional $300 million as their share of the Canada Job Grant. The net effect is that the provinces and territories are taking a $600 million hit in funding to the successful Labour Market Agreement programs. Vulnerable under-represented workers will be left out in the cold.

AFB Actions

- Currently, the surplus in the EI Operating Account is allocated for paying down the accumulated debt (estimated at $5.8 billion at December 31, 2013). The AFB will use the surplus to fund an expansion of regular benefits and training programs.
- The AFB will renew the Extended Employment Insurance Benefits Pilot Project, phasing regions out only when their unemployment rate falls below 8% for 12 consecutive months. (Cost: $500 million)
- The AFB will replace 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)[5]
- The government's Expert Panel on Older Workers recommended special permanent EI measures to support long-tenure displaced workers. These workers have the biggest challenge in finding new jobs, and often experience large income losses due to permanent layoffs. The AFB will provide an additional benefit extension to these workers. (Cost: $100 million/yr)

- The AFB recognizes the economic and social need to ensure Canada has a highly skilled, adaptable, inclusive workforce. The AFB will continue to help vulnerable groups enter the workforce, and support literacy and essential skills training, by maintaining $500 million in funding for the Labour Market Agreement programs. This will not affect the federal budget since this money was already set aside in Budget 2013.

- The AFB will create an alternative to the Canada Job Grant using the EI system. The federal government currently transfers $2 billion to the provinces and territories from the EI account to provide training for workers who are eligible for EI. Under the EI Act, the government may transfer up to 0.8% of total insurable earnings for training programs. In 2013–14, the maximum amount that could have been transferred under the act was $4.3 billion. As a result, there is $2.3 billion of unspent funds in the EI account for training programs. The AFB will use $600 million of these unspent funds to increase the transfer to provinces and territories for new training programs.

- The AFB will introduce a pilot project to establish a uniform national eligibility requirement of 360 hours. Only about 40% of 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 AFB's 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 requirement will also apply to new labour force entrants and re-entrants, who now must jump over a 910-hour hurdle. (Cost: $300 million/yr)

Notes

1 Canadian Employment Insurance Commission. (2013). *Monitoring and Assessment Report 2012*. Gatineau, Quebec, p. 211.

2 Employmant and Social Development Canada, *2014 Employment Insurance Premium Rate*, http://www.hrsdc.gc.ca/eng/jobs/ei/commission/actuarial/rate_2014.shtml

3 Minister of Public Works and Government Services, *2014 Actuarial Report on the Employment Insurance Premium Rate*,http://publications.gc.ca/collections/collection_2013/ofaec-ceifb/CC536-3-2014-eng.pdf , p. 41.

4 Statistics Canada, "Job vacancies, three-month average ending in September 2013", *The Daily*, 17 December 2013.

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

Environment and Climate Change

Background

Ensuring prosperity for current and future generations of Canadians depends on successfully making the transition to a more sustainable Canada. A sustainable future requires the preservation of Canada's biodiversity, wild spaces and species, and living systems. Other key elements for achieving a sustainable Canada include: preserving clean air, water, and soil; ensuring access to healthy, affordable food; and strengthening and greening public infrastructure to withstand a more tumultuous climate.

Canada also has an important role to play in advancing a global green economy and a sustainable global society. Canada must contribute to domestic and international efforts to prevent and mitigate climate change, while acknowledging the global implications of many actions by Canadian institutions, businesses and individuals, and the greenhouse gas emissions that have resulted from our past actions.

Greening Canada's economy–advancing Canada's economy towards being truly sustainable, while preserving and growing our natural capital–is both a prime opportunity and a central requirement for making progress towards a sustainable Canada. Government policy must ensure that Canada's economy operates within domestic and global ecological limits, particularly relating to non-renewable resources.

The value of natural capital must be incorporated into the economy and into government decision-making processes by shifting the fiscal playing field for natural-resource exploration and development (including recycling and conservation options), and by using subsidy and pricing reform so that fiscal policies favour natural resources, whose life-cycle and human health impacts are more positive.[1] 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.

Reforms must ensure that our natural capital — the sum of natural, human, social, produced and financial capital from which countries draw their wealth — is tracked, preserved and grown, and made central to fiscal and economic policy.[2] Further, reforms must adhere to the polluter pays principle. In the 2005 Federal Budget, the government 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." In the October 2013 Speech from the Throne, the Government committed to "enshrine the polluter-pay system into law."[3]

Implementing a well-designed price on greenhouse gas (GHG) emissions is the most crucial immediate 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.[4] However, market-based economic instruments alone cannot do the job. They must be combined with government leadership, strong regulations, education, research and development, pro-active industrial policies, and significant public investment. 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 subsidy reform, conservation, fresh water, and green infrastructure. However, much more is needed to complete these efforts and to address other important opportunities and threats to Canada's economy and environment. The best current budget opportunities in this area include: implementing a price on greenhouse gas emissions through a carbon tax; subsidy reform in the extractive industries; implementing a national conservation plan; tax measures to support energy storage; strengthening federal science capacity; and supporting global climate action.

The federal government has set a goal of generating 90% of Canada's electricity from non-emitting sources by 2020.[5] To achieve this goal the government should conduct feasibility studies for green energy options designed for northern and remote communities, create tax incentives for energy storage, and institute a home retrofit program.

The best climate science indicates that in order to have a 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 40 years.[6] 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 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 here — 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 the virtual elimination of fossil fuel use.

To contribute fully to that goal, the federal government must implement a comprehensive suite of policies that address all the major users of fossil fuel and sources of greenhouse gas pollution. That suite must include broad policies that encourage the switch to clean, renewable energy. 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, domestic 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.

Implementing a robust price on GHG emissions is crucial, and will accelerate Canada's transition to a low-carbon economy. A price-based carbon tax is more efficient and effective than a quota-based cap-and-trade system.[7] A carbon tax does not 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.

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. Complementary changes through tougher regulations, standards, investments in renewable energy and energy efficiency, public transit and in other areas, may be able to reduce the level to which a carbon tax would need to be raised to reduce emissions.

If the federal government invests Harmonized Carbon Tax revenues in renewable energy and tax refunds for individuals, Canada can achieve deep reductions in greenhouse 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 $30 a tonne on July 1, 2013 — with half the revenues going to a progressive federal green energy tax refund, or to provinces that agree to fund similar measures or further climate change abatement measures. The HCT will apply to all non-renewable fuels based on their CO_2 emission factors.

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.

AFB Actions

- The AFB will ensure Canada contributes its fair share of developed countries' commitment to jointly mobilize US$100 billion a year of climate financing by 2020 "from a wide variety of sources" (cost: $400 million annually from 2014 to 2016).[8]
- The AFB will create and fund an Office of Ombudsman for Extractive Industries.

- The AFB will implement a National Harmonized Carbon Tax (HCT) set at $30 per tonne, ensuring that:
  - more than half of HCT revenue will fund a progressive annual green tax refund of $300 per adult and $150 per child;
  - half of HCT revenues are transferred to the provinces to fund tax reductions — including direct payments to individuals — and further climate-change abatement measures.
- The AFB will strengthen environmental science capacity fundamental to the federal government's ability to advance the economic prosperity, health, and quality of life of Canadians.
- The AFB will enact subsidy reform in the extractive industries, including:
  - enabling the Canadian Exploration Expense only for unsuccessful exploration;
  - not renewing the Mineral Exploration Tax Credit for flow-through shares (mining).
- The AFB will implement a National Conservation Plan, including investments in:
  - healthy oceans: $35 million per year, ongoing, plus $15.7 million per year for three years;
  - Canada's national parks system: $40 million per year, ongoing, plus a $50 million one-time investment;
  - private lands: $250 million over five years;
  - grasslands: $3 million per year for five years;
  - wetlands: $20 million per year for five years;
  - migratory birds: $30 million per year, ongoing;
  - connecting Canadians with nature: $10 million per year, ongoing.
- The AFB will invest in strategic opportunities to help Canada achieve its goal of generating 90% of its electricity from non-emitting sources by 2020, including by:
  - establishing a Sustainable Action Fund for Energy (SAFE) for northern and remote communities ($15 million for 3 years);
  - creating tax incentives to drive the development and commercialization of energy storage technologies ($130 million over 5 years);
  - creating a 30% investment tax credit for emerging energy storage technologies;
  - amending Classes 43.1 and 43.2 of the Income Tax Act to specify that capital cost allowances also apply to expenditures on tangible stand-along energy storage assets;
  - implementing a National Green Homes Strategy to build on energy efficiency successes in Canadian

houses ($250 million per year for 5 years).

Notes

1 Victor, Peter A. (2008). *Managing Without Growth: Slower by Design, Not Disaster*. Northampton: Edward Elgar; Jackson, Tim (2011). *Prosperity Without Growth: Economics for a Finite Planet*. New York: Routledge.

2 "National Capital." *Sustainable Prosperity*. April 2012. http://sustainableprosperity.ca/dl801&display

3 "Speech From the Throne." Ottawa: Government of Canada. 2013. http://www.speech.gc.ca/eng/full-speech.

4 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.

5 "Speech From the Throne." Ottawa: Government of Canada. 2008. http://www.parl.gc.ca/Parlinfo/Documents/ThroneSpeech/40-1-e.html

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8 "Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009. Addendum. Part Two: Action taken by the Conference of the Parties at its fifteenth session." UNFCCC: Conference of the Parties (COP).

First Nations

Background: Implementing First Nations Rights

A fundamental transformation of the fiscal relationship between First Nations and the Government of Canada is urgently required. As a result of their historical and ongoing dispossession and marginalization, First Nation women, men and children fare worse than all other people in Canada on virtually every indicator of well-being. First Nations peoples face disproportionately high levels of poverty and lower levels of access to economic and educational opportunities. They are three to four times more likely than to live in overcrowded or unsafe housing, they are more likely to be without safe drinking water[1] and First Nations women and girls continue to experience disproportionately high rates of violence.[2]

A new funding relationship is required that reflects the spirit and intent of Treaties and inherent First Nations jurisdiction. New funding mechanisms based in partnership and recognition of rights are required in order to meet the needs of the communities, ensure parity between First Nations and non-First Nations communities, and account for the real costs of delivery of services by First Nations governments. New mechanisms must ensure that every First Nation receives sustainable resources in accordance with their rights and the fiduciary obligations of the federal government. This is essential for First Nations to address their day-to-day needs and to raise the quality of life of every Nation.

Treaties form the foundation of the relationship with the Crown — not the Indian Act. Treaty implementation is central to achieving change across the entire spectrum of lands, economic, education and social issues. Recognition, rather than extinguishment, is the basis upon which First Nations must be able to exercise their inherent Aboriginal title and rights over their lands and resources. Canada's current policies and approaches to reconciling First Nations jurisdiction remain out of step with contemporary jurisprudence and international convention and standards, including the United Nations Declaration on the Rights of Indigenous Peoples.

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 all 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 and Bill C-45 which made sweeping changes to approval and regulatory processes for actions that could have significant and long-term impacts on First Nations' territories. Free, prior, and informed consent is the foundation for successful economic partnerships.

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.

Current Issues

Removing barriers to education and economic opportunities

Current transfers to First Nations governments are conditional, inflexible, inadequate, unpredictable and arbitrary. They are not based on the populations they serve, resulting in the denial of services adequate to meet First Nations needs or comparable to those provided to other people in Canada. While Canadians receive services from all levels of government, through direct federal transfers to provinces and territories at an average growth rate of 6% per year, Finance Canada has maintained a 2% cap on First Nations funding since 1996. The removal of this cap on funding growth and an adjustment of transfers for need would reduce the disastrous current rate of poverty for First Nations children — which stands at 50%. To bring all First Nation children in Canada up to the poverty line would cost $580 million, or 11% of the annual budget of Aboriginal Affairs and Northern Development Canada.[3]

Improved educational attainment is the foundation for long-term economic stability and prosperity. The ongoing cost of the status quo in terms of lost productivity and increased support requirements for First Nations is over $12 billion per year.[4] Raising First Nation graduation rates to levels comparable to the Canadian population by 2026 would lead to cumulative economic benefits of more than $401 billion (2006 dollars), in addition to $115 billion in avoided government expenditures over the same period.[5]

First Nations schools are still funded using a 25-year old funding formula designed to provide education services in the 1980s, compounded by a 2% cap on increases. Some ad-hoc, proposal-based funding has been added, targeting specific education services, but it is still far from addressing the gap in providing 21st century services for First Nations schools and achieving better outcomes. The addition of the 2% cap on annual increases to First Nations education allocations imposed in 1996–97 has led to an accumulated shortfall in the federal government's budget exceeding $3 billion in First Nations education program delivery.

The First Nations population is currently growing at four times the rate of the Canadian population. Nearly half of the First Nations population is under the age of 25, and the federal government estimates that over 600,000 First Nations youth will enter the labour market between 2001 and 2026. New investments of $500 million, annually over five years, are needed to ensure First Nation training and employment organizations, as well as First Nation economic institutions, such as the Virtual Resource Centre on Energy and Mining, are properly equipped to provide business supports and skills training to First Nation citizens. First Nation communities and individuals will be key to realizing productivity gains in Canada's economy — from closing the growing labour gap, to participating in major projects, particularly in Canada's resource development and energy sectors.

Meeting basic needs

First Nations face some of the most devastating health conditions across Canada. Chronic disease and mental health challenges, including suicide and addictions, have tremendously significant impacts on First Nations. Health outcomes are directly tied to a number of social determinants, including education, employment, gender, environmental health, cultural connectedness, housing, and degree of individual empowerment and collective self-determination. Improving First Nations health outcomes therefore requires significant investment in First Nations infrastructure, including safe drinking water, adequate housing, education, health, and emergency services.

As with most programs that support First Nations communities, Non-Insured Health Benefits (NIHB) health services exist without a legislative base or governing framework and there is an urgent need for new investments. 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 up to 9.3% are required to properly account for growth of the existing client population, new clients resulting from changing eligibility requirements, inflation, changes in health service utilization and health status, and effects of technological change. The absence of these investments will mean a shortfall of approximately $573 million in 2014–15 and $805 million overall by 2015–16.

A coordinated and comprehensive approach to mental health and addictions programming is needed. In addition, the federal government needs to provide continued support for culturally relevant and culturally competent mental health services, such as those through the Cultural Support Providers (CSP) which are supported through the Indian Residential School Resolution Health Support Program (IRS RHSP) and community-based healing programs through the Aboriginal Healing Foundation (AHF).

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 to negatively impact water quality. Among First Nations communities, 89 remain on unsafe drinking water advisories.[6]

The substandard housing conditions in First Nations are a persistent and growing challenge. A 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."[7] While some have undertaken innovative and successful initiatives, many First Nations still rely on federal programs to provide financing options for their members. By 2034, there will be a housing shortfall of 130,197 units, an additional 11,855 units required to replace existing units, and approximately 10,000 units requiring major repairs. This requires an investment of nearly $1 billion per year.

Enhancing safety and security in First Nation communities

First Nations women and girls experience higher rates and more severe forms of violence than any other population group in Canada. A 2013 Statistics Canada report notes that the rate of self-reported violent victimization against Aboriginal women in the provinces was 2.5 times higher than the rate for non-Aboriginal women — for spousal violence, as well as violence perpetrated by other family members, friends, acquaintances and strangers.[8] Rates of homicide against Aboriginal women are an estimated seven times higher than for non-Aboriginal women.[9]

There must be increased investments in shelters in First Nation communities for women and children fleeing family violence. There are currently only 41 on-reserve shelters for 634 communities. There is also a need for family treatment and culturally appropriate services. Investments in prevention and family support services will translate into significant cost savings. Budget 2013 identifies an investment of $24 million over two years to the Family Violence Prevention Program. However, this is merely a renewal of funding, keeping the program at the same funding level as the previous six years, despite a 23% growth in First Nations population coupled with an increased demand for services. Doubling current investment to $60 million annually and providing support and prevention services for First Nations would accrue significant cost savings along with measurable increases in child and family well-being.

The federal government must establish a National Public Commission of Inquiry on Missing and Murdered Indigenous Women and Girls. Its role would generally be to ensure knowledge and understanding of past approaches, examine current practices and move forward on tangible solutions to prevent further violence and disappearances of Indigenous women and offer support to families when such tragic incidents occur. The development and implementation of a National Action Plan to End Violence Against Women with clear mechanisms for reporting and accountability is absolutely crucial.

Every residential school survivor must have access to health supports and assistance to advance fairly and resolutely through the healing process. This includes restoring funding for community-based healing programs for survivors of residential schools and ensures continued funding for the 15 Healing Centres currently operating across Canada. Before expiry of its funding, the Aboriginal Healing Foundation had an annual budget of approximately $42 million to support community-based healing programs. The operating budget of $9.2 million annually for the 15 Healing Centres expired on December 31, 2013. These full amounts need to be restored to ensure supports are provided directly in communities to ensure that the inter-generational impacts of residential schools are overcome.

Delivering safety and security in our communities requires enabling a First Nations judicial system that builds on our traditional legal systems, enforcement and dispute resolution practices. We can support overall wellness through approaches which emphasize our collective responsibilities.

The over-representation of First Nation citizens in the correctional system is at crisis levels and it is important that the federal government invest in initiatives that support First Nation governments in taking greater responsibility for justice administration and rehabilitation. Direct costs of keeping a person in prison are over $113,000 per year, and there are many indirect financial costs from lost productivity as well as social costs to families and communities. Preventing crime and ensuring better reintegration and lower rates of re-offending will have both positive economic and social impacts for First Nation communities and all Canadians. The federal government must increase investments in community-based justice programming, such as those funded under the Aboriginal Justice Strategy.

First Nation Police Services (FNPS) play a critical role in ensuring public safety and in keeping the peace in First Nation communities. Policing generally is considered an essential service within provincial laws — no similar legislative base exists for FNPS, resulting in sporadic, inadequate funding that threatens the ability of FNPS to deliver high quality police services, ensure safety and deal with emerging issues such as gang activity.

The First Nation Policing Policy (FNPP) is inadequate and assumes that First Nation policing is an enhancement to existing policing services. This leads to chronic levels of under-funding, fewer training opportunities and infrastructure gaps. Some First Nation police services reported their operational budgets for this fiscal year will not maintain their service beyond December 2013, leaving communities at risk. Federal and provincial governments must commit to long-term sustainability, viability, capacity and equity with other police services.

AFB Actions

The social and economic costs of the status quo are too high. The AFB will implement the structural changes and investments outlined below:

- Implement stable, equitable, and long-term funding transfer mechanisms for First Nation programs and services, reflective of the true service population of First Nation governments, the real costs of delivering services, and the original nation-to-nation relationship.
- Advance Treaty implementation in accordance with their spirit and intent.
- Work with First Nations on comprehensive claims policy reform and resolving

long-standing issues based on recognition and affirmation.

- Establish fully collaborative environmental regimes which respect First Nations as full partners with enhanced mechanisms to ensure free, prior and informed consent, as per the United Nations Declaration on the Rights of Indigenous Peoples and other international and domestic human rights and environmental rights standards.
- Invest $470 million annually for the next ten years in First Nations water treatment systems.
- Invest $1 billion annually for the next ten years to address the housing crisis in First Nation communities.
- Invest $715 million in 2014–15 to address the existing gap in First Nations education funding and implement equitable funding for First Nations education systems.
- Provide equitable funding for First Nations child welfare systems.
- Invest $573 million in the NIHB Program in 2014–15 and $805 million in 2015–16 and implement a comprehensive approach to mental health and addictions programming.
- Provide new investments of $500 million for First Nations skills training.
- Invest $100 million per year to support corporate and First Nation incentive programs over the next five years.
- Increase the current investment in family violence prevention programming (see Ensuring Equality for Women Chapter).
- Establish and fund a National Public Commission of Inquiry on Missing and Murdered Indigenous Women and Girls.
- Establish and fully fund a National Action Plan to Ending Violence Against Women (see Ensuring Equality for Women Chapter).
- Invest $51.2 million annually to support community-based healing programs.
- Invest in First Nations justice systems and community-based justice programming.
- Invest in stable, predictable, sustainable, and culturally appropriate First Nation policing services to enhance safety and security in First Nation communities.

Notes

1 2006 Census: *Aboriginal Peoples in Canada in 2006: Inuit, Métis and First Nations*. Ottawa: Statistics Canada. 2008. *First Nations and Inuit Health: Drinking Water and Waste Water*. Health Canada. Online: http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#s2d

2 *No More Stolen Sisters*. Ottawa: Amnesty International. 2009; *What Their Stories Tell Us: Research Findings From The Sisters In Spirit Initiative*. Ottawa: Native Women's Association of Canada. 2010.

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Gender Equality

Background

At the current rate of progress, Canada will not close the gender gap until the year 2240.[1] The pace of change over the past two decades has been glacial. While the gap between women's and men's participation in higher education has closed, the gaps between their earnings and their representation in senior management ranks hasn't shifted, nor have levels of violence against women decreased.[2] This isn't just a problem for women. Violence against women costs Canada more than $9.3 billion a year and if the gap between men's and women's employment continues at its present rate, Canada could lose as much as 8% in GDP growth over the next twenty years.[3]

Current Issues

Women's work

Women's economic well-being has not increased appreciably over the past five years. They continue to have lower incomes than their male peers, in spite of increased levels of education and training. They are over-represented in minimum-wage and part-time jobs, their access to EI has declined, and their participation in the labour force has been stagnant. The gender gap in labour force participation did close slightly during this period, but that was the result of a decline in male labour force participation, not a rise in female participation.

As shown in *Table 10*, employment levels are still lower among some groups of women, including immigrant and Aboriginal women. Women with disabilities who are able to work and who are in the labour force have even lower levels of employment.[4]

Women's full-time employment rates, for those aged 25 to 64, have held steady over the past five years at 57%, compared to 76% of men aged 25 to 64 years.[6] The nature of work done by employed women is distinct from that of men. Women continue to be three times as likely as men to hold part-time jobs — with 15% of women aged 25–64 working part-time, compared to 5% of men.[7]

The standard explanation for women being over-represented in part-time work and under-represented in full-time work is that they choose to work part-time or not at all. However, the percentage of women aged 25–64 who work part-time by choice has held steady at 5% over the past decade.[8] The percentage of women who identify business conditions and the lack of full-time jobs as the reason for working part-time is also 5%,[9] which is double the percentage of men who identify these reasons for continuing to work part-time.[10] These data suggest that women are persistently underemployed and that discriminatory hiring practices are a significant factor in their underemployment.

TABLE 10 Employment Rates, Canada (%)[5]

	Males (25 to 64)	Females (25 to 64)
Aboriginal Identity	65.3	60.1
Non-Aboriginal Identity	80.3	71.4
Immigrant	80.1	65.7
Non-Immigrant	79.9	72.9
Visible Minority	79.8	64.4
Non-Visible Minority	80.7	68.1

Increasing access to full-time work for the two-thirds of women who are not choosing to work part-time is important to them, their families, and the economy. Women's increased participation in paid work in Canada has been "the mainstay of per capita real income growth over the last decade," according to the OECD.[11] OECD projections conclude that narrowing the gap between men's and women's levels of employment by 50% would increase the GDP per capita annual growth rate by 0.2 percentage points in Canada, thus contributing an additional $3.9 billion dollars to the economy in 2014 alone.[12]

The 2013 Federal Budget set out policies intended to "Connect Canadians with Available Jobs."[13] It estimates that there will be an additional 319,000 jobs in the construction sector and approximately 200,000 jobs in extractive industries by 2020. Women currently make up less than 20% of the workers in these industries. Yet in spite of a need for a large number of new workers, only 15% of extractive industry employers have recruitment policies targeted at women.[14] If women's participation rates in these industries were increased to just 25%, there would be 188,650 new workers to help fill the shortfall.

Some industry experts speculate that women don't work in these sectors because they don't want to. Yet a recent survey finds no lack of interest. Rather, women seeking work in the extractive industry identify the same barriers as women in every other industry: a lack of child care, a lack of flexible work practices, and the low levels of women in management positions.[15]

Any economic plan to connect Canadians with jobs must address these barriers. More than 70% of all women with children under the age of five participate in the paid workforce. Women are 20 times as likely as men to cite child care as a reason for not participating in full-time work.[16] The current cost of having one child in daycare in large metropolitan centres such as Toronto and Vancouver is up to half of the median income of working women in those cities. It is little wonder, then, that by 2008 Quebec's subsidized childcare program had directly contributed to a 3.8% increase in women's labour force participation. The program also provided a broad economic benefit to

TABLE 11 Median Employment Incomes, Canada[2]

	Male (25 to 54)	Female (25 to 54)
Aboriginal Identity	37,617	33,871
Non-Aboriginal Identity	47,895	34,112
Visible Minority	38,676	29,157
Non–Visible Minority	49,789	34,963
First Generation Immigrant	40,962	29,758
Non-Immigrant	49,611	35,099

Quebec's population, increasing Quebec's GDP by 1.7%.[17]

Yet, rather than investing in much-needed child care, current federal economic policies provide incentives for women with children to stay out of the labour force — whether they want to or not. A recent analysis shows that the Universal Child Care Benefit has reduced the labour force participation of women overall, and reduced the participation of women with lower educational attainment by 3.3%.[18] The women who are losing access to paid work are those who can least afford it.

There are significant long-term costs for women who spend time out of the paid workforce. Due to the high cost of unsubsidized child care and the fact that women on average earn less than men, when Canadians have children it is usually the female parent who reduces her hours of paid work to look after them. This has an adverse effect on their long-term economic security. The longer women stay out of paid work, the lower their average earnings are when they return to work — a pay gap that they never close.[19] While women are out of paid work they do not contribute directly to pension funds or to EI, and when they return to work they have less access to EI because they have banked fewer hours of paid employment. This creates a cycle of lower-income employment — where women take lower-paying, less secure jobs because they have less access to EI while they are looking for work. This pattern contributes to the disproportionately higher numbers of older women living in poverty.

Women's wages

As shown in *Table 11*, unequal rates of pay for working women continue to undermine their economic security in the short and long terms. Women's median employment incomes are 34% less than men's incomes.[20] For some groups of working women, the picture is even worse. Visible minority women earn 17% less than non–visible minority women and 25% less than visible minority men. First-generation immigrant women earn 15% less than non-immigrant women and 25% less than immigrant men. Aboriginal women's median incomes are nearly the same as those of non-Aboriginal women, but lag 10% behind the earnings of

Aboriginal men and 31% behind the earnings of non-Aboriginal men.

The gap between what women and men earn isn't wholly the result of women's lower rates of full-time employment. Women working full-time still earn 20% less than men working full-time in Canada,[22] and the majority of minimum wage earners are women.[23] Among the women employed in minimum-wage or low-wage jobs, single women, racialized women, and immigrant women are further over-represented.

The combination of low wages and lower levels of paid work contributes to women's increased levels of poverty.[24] Nearly 150,000 more working-age women live in poverty than do working-age men.[25] Poverty rates are higher in households that depend on female earners — whether they are single females, single female parents, or dual-parent families where the female parent is the sole income earner.[26] Closing the pay gap means moving women and their families out of poverty.

The high cost of violence

Unequal levels of pay and promotion and unaffordable child care are not the only barriers to well-being for women in Canada. Economic security cannot be achieved in isolation from physical security, and levels of spousal and sexual violence remain high: 1.8 million Canadians have experienced one of these forms of violence in the past five years alone.[27] These forms of violence account for more than 25% of all police-reported violent crime in Canada.[28]

Women of all economic groups experience sexual and spousal violence. In the aftermath of that violence, however, even women from high-income households experience significant economic insecurity.[29] For lower-income women, the cost of food and housing often drives them to return to the abusive household.[30] Ensuring women's economic security is a key step toward ensuring women's personal security and overall well-being. It is also important to the economic well-being of the country.

The annual cost of intimate-partner violence and sexual assault in Canada is $334 per person.[31] This compares to the cost of the use of illegal drugs (an estimated $262 per person) and the cost of smoking (an estimated $541 per person).[32] In spite of the profound personal, social, and economic costs of violence against women, the federal government spends only $2.77 per person annually on programs and services related to intimate-partner violence and sexual assault.[33]

Clearly, the cost of violence outstrips public spending to address that violence. To ensure an effective and coherent strategy to end violence against women, further investments are needed in prevention efforts and services for survivors of violence. A well-funded national action plan would ensure that Canada's efforts to end violence against women are coherent, coordinated, and effective.

Beyond the glass ceiling

Twenty years ago, Canada was ranked first for its level of progress toward gender equality by the United Nations.[34] But that progress has nearly ground to a halt. If Canada continues on its current path, we will not close its gender gap for another 228 years.[35]

Gender inequality is a crucial barrier to growth, good governance, and well-being. Investing political and financial resources in increased economic and personal security for women will pay huge dividends, not only in the quality of life of Canadians but also in the economic stability of the country. Canada cannot afford to wait two centuries to realize these benefits.

AFB Actions

The AFB will:

- Invest in a National Action Plan to Address Violence Against Women (cost: $498 million annually).[36] Components of the plan will include:
  - funding for annual, detailed national surveys on violence against women
  - support for an office to provide federal coordination
  - increased funding for prevention programs
  - increased funding for victims' services, including long-term housing
  - funding to support uniform access to specialized social, legal and health services, including domestic violence courts, sexual-assault nurse examiners, and crisis centres.
- Increase funding for Status of Women Canada and restore its mandate to fund women's groups to conduct independent policy research and advocacy (cost: $100 million annually).[37]
- Invest in social infrastructure, including a federal childcare program (see the Child Care and Early Learning chapter).
- Increase women's access to jobs in growth sectors through training, education, and increased access to child care.
- Provide adequate and accessible income supports and improve the earnings and working conditions of those in the low-wage workforce (see the chapter on Income Inequality, Poverty, and Wealth).
- Proactively ensure equal pay for work of equal value by repealing the Public Service Equitable Compensation Act, establishing proactive pay equity legislation, and implementing the recommendations of the 2004 Pay Equity Task Force (cost: $10 million/year).
- Eliminate tax policies that exacerbate women's economic insecurity and reduce women's labour force participation, such as the UCCB (see the chapter on Income Inequality, Poverty, and Wealth), pension income–splitting measures, retirement compensation arrangements and tax-free savings accounts (see the Taxation chapter).

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Health Care

Background

Canada's universal health care system has changed significantly in recent years, including shifts from public to private financing and a decline in political leadership, especially at the federal level. The downloading of costs to people who are ill comes when more of the services they need have been privatized and delisted. Our universal healthcare system has mitigated some income-related disparities in access to hospital and physician care, but other services are becoming increasingly inaccessible to more and more people.

These changes are happening when Canadians are less equal than ever, with the richest 1% taking a third of all growth in income between 1997 and 2007.[1] Growing market-driven income inequality along with government cuts to income supports are strongly associated with poor health.[2] Reduced federal health transfers, changes in the equalization formula,[3] delisting, and privatization are threatening to undermine the achievements of the postwar period. Sweeping cuts to the Interim Federal Health program in 2012 have crippled services for refugees. Current federal policies hinder efforts to move medicare beyond the scope of doctors and hospitals — something that has been on the public agenda since Saskatchewan introduced its universal health care.

Internationally, governments have opened health care systems to national and global investors; privatization, deregulation, and unequal access to services are increasing.[4] While Canadians are committed to universal medicare,[5] corporate involvement in health service delivery has increased here, too. Hospital administrators have outsourced maintenance, laundry, food, and other services to multinational companies, with a consequent decline in workers' wages, working conditions, and morale.[6]

When the *Canada Health Act* (CHA) was passed, 57% of total health spending went to physicians and hospitals,[7] compared to 43% today.[8] Many services once provided in hospitals, including psychiatric facilities, were shifted to community-based providers; hospitals 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.[9] The role of the insurance industry has increased significantly: in 1988 it financed 29.2% of private health expenditures,[10] compared to almost 40% today.[11] Evidence shows growing gaps in how Canadians use private health services — dental care, home care, long-term care, mental health, and rehabilitation services — based on ability to pay.[12]

Barriers to many preventive and outpatient rehabilitation services are rising while poverty and unemployment are increasing and access to higher education and affordable housing is declining; these are all determinants of health. Income inequality and poor living standards increase the need for health services.[13] For example, poor people are two to three times more likely to develop Type 2 diabetes[14] regardless of ethnicity,[15] and the working and non-working poor are more likely to suffer the attendant complications of diabetes.[16] Suicide rates are also higher among the poor, as are rates of cardiovascular disease, 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."[17]

Supporters of privatization assert that public health expenditures threaten to consume an ever-growing share of provincial budgets.[18] But healthcare spending has remained stable over the last 25 years — provincial revenues are shrinking, boosting health care's share of budgets. In fact, while total medicare costs have increased by 1.5% of GDP since the mid-1990s, the total amount spent on tax cuts was 6%.[19] Increases in public health expenditures slowed to 3.3% in 2011 and 2.9% in 2012, while private spending grew at a rate of 5.4% and 4.6%, respectively.[20]

In 2004 the amount spent on services covered by the CHA (i.e., hospitals and doctors) consumed only 42% of total health expenditures. Another 25% of public spending went to private goods and services outside the "medicare basket": prescription drugs, home and long-term care, and services such as community physiotherapy clinics.[21] The portion of health services covered by the CHA has shrunk since the introduction of universal health care, partly because hospital services have moved into the community and the home.[22]

Technology has enabled many of what were once "core" hospital services — including surgery — to relocate outside of hospitals. In 1995–96, about 70% of Canadian surgeries were performed on an outpatient basis.[23] By 2002, this had increased to roughly 87% of all surgeries,[24] a growing portion of which are provided and paid for (sometimes in violation of the CHA) in for-profit non-hospital facilities. Studies indicate that, for appropriate patients, outpatient surgery is more cost-effective than inpatient surgery and that patient outcomes are similar. However, a recent Canadian study[25] found that outpatient knee surgery done in a for-profit setting did not improve disability duration among injured workers. The fee paid for expedited knee surgery in a for-profit surgical clinic was $3,222; for non-expedited knee surgery in a public hospital, it was $859. Despite the higher fee paid to for-profit surgical companies, there were minimal differences in wait times and small differences in return-to-work outcomes that favoured public hospitals.

Provinces violating the CHA are subject to mandatory dollar-for-dollar deductions in cash transfers and discretionary penalties. However, the mandatory penalties are inadequate and discretionary penalties have never been applied. In 2011, Health Canada reported that the biggest concern about CHA compliance "remained patient charges and queue jumping for medically necessary health services at private clinics."[26] Yet, since 2000 only $1 million has been deducted from federal cash transfers to the provinces,[27] despite widespread violations. Much more needs to be done, and the AFB will continue to support the CHA Division, which is responsible for enforcing national standards.

An agreement in principle between Canada and the European Union was reached in 2013. If it moves forward, the Comprehensive Economic Trade Agreement (CETA) will lengthen drug patents and delay the introduction of generic medicines, thereby increasing our annual prescription drug expenditure by roughly $2.8 billion a year.[28] We can do better using a single, public system[29] that manages drug costs through universal public insurance, a national formulary of essential drugs, independent evidence-based drug evaluation, and bulk purchasing. Through these measures — and by containing and eventually reducing the length of drug patents — a National Pharmaceutical Strategy can save more than $10.7 billion in annual costs for prescription medicines, an estimated 43% of Canada's $25.1 billion drug bill.[30]

We must consider ways to not only improve our public healthcare system, but to expand it cost-effectively, equitably, and sustainably. The AFB will commit to discussions with provincial/territorial health ministers on a renewed Health Accord, with emphasis on integration across the continuum of care and including health promotion and illness prevention. These discussions will also focus on a national strategy to strengthen the links between health and social care to better address determinants of health. The AFB will also begin funding non-profit mental health services on the same basis as other public providers, subject to the criteria of the CHA, to ensure patients are not exploited 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 for a decade — expires in 2014. Discussions among federal/provincial/territorial governments about renewing the Accord — and the foundations of medicare — should be wrapping up. Instead, the federal government unveiled a new funding formula in 2012 that will continue the automatic, unconditional 6%-per-year increase in cash transfers to the provinces for health, but only until 2016–17. Thereafter, transfers will grow at 3.9% annually, well below the 5.1% annual increase expected in provincial and territorial spending. Changes to the escalator will reduce the federal share of expenditures from 20.4% to 18.6% over the next 11–12 years,[31] reducing federal transfers by an estimated $36 billion over the first 10 years.[32]

The AFB provides an alternative vision for health care, with a strategy to increase the public share of total health expenditures and the federal contributions to provinces and territories. An integrated health system is key to supporting this strategy, and to a seamless, coordinated system of care. But there exist a number of challenges, including an increase in private delivery and funding that support greater competition and fragmentation,[33] the reliance on lower wages for non-physicians employed in the community to achieve cost savings, and hospitals with higher-than-safe occupancy levels. To address these challenges and achieve a system of integrated healthcare delivery, medicare must expand its scope.

Expanding medicare

Despite declining hospital stays, Canada has overcrowded hospitals and one of the lowest bed-to-population ratios[34] and highest occupancy rates[35] among OECD countries. Over the past 20 years, hospital funding cuts and contracting-out have compromised the safety of patients[36] while moving publicly insured and delivered services to for-profit providers and insurers.

Many provinces hope to save money by transferring services out of the highly unionized hospital sector to unorganized, privately funded, for-profit providers. A better plan would include reducing unnecessary diagnostic testing and moving alternate-level-of-care patients to more appropriate and cost-effective settings.

Instead, privatization and delisting are undermining public access to community-based venues that reduce reliance on emergency rooms, the most expensive part of the system. In many provinces, corporations are investing in surgical facilities, 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.[37] We need strategies that will reduce private expenditures — both out-of-pocket payments and private insurance — and increase the public portion of the health dollar.

We have known for years that we underinvest in measures to 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 short term, but the real return on such investments comes years later. Savings and improved outcomes can also be achieved by better spending management. Pharmacare is one example. Developing a national formulary for a core set of drugs and single-desk bulk purchasing of those pharmaceuticals could shave more than 40% off total drug expenditures. Expanding publicly funded mental health care in a unified national framework is another priority, one that would be cost-effective and improve outcomes.

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 them on a national scale. That's why we need a national plan for the future of medicare.

AFB Actions

- The Health Accord will be renegotiated in 2014, with a guaranteed 6% increase in federal cash funds in each of the next five years, based on provincial compliance with the CHA. This adds an accumulated $26 billion to provincial and territorial coffers over this period. In year one, the AFB will commit 2% toward provincial/territorial initiatives that advance primary healthcare reform. Thereafter, an additional 1% of the escalator will be dedicated annually to measures that support integrating community health services and decreasing the role of private for-profit providers. By year five the entire 6% increase will be devoted to accelerating the integration of healthcare services to support and strengthen continuity of care between hospitals and community providers.

- Canada lags behind most industrialized nations in the degree of public funding available for healthcare services.[38] 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 CHA, including its reporting requirements. A multi-pronged approach will increase the public portion of total health expenditures over the next decade using the following measures:
  - 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 practising in both the public and private sectors. Provinces will be required to report on how federal funds are used to support the CHA criteria.[39]
  - The CHA stipulates that provinces must pay doctors reasonably, but is silent on others employed in the healthcare system. Provincial/territorial medical associations use a form of sectoral bargaining that applies to all their members. The same standard, applied to all healthcare workers, would support integration between and within hospital and community providers. To facilitate integration of services, incentives will be provided to help provinces/territories facilitate recruitment and retention of personnel by providing home, community, and long-term care workers' compensation on par with unionized hospital workers.
- The AFB will initiate a National Pharmacare Program to replace private spending on prescription drugs and significantly reduce public expenditures. This will overturn Canada's commitment, in CETA, to extend drug patents by up to 25 years. The AFB will allocate $2 billion plus 10% of private expenditures (or $1.39 billion) in 2013–14 for a National Pharmacare Plan. In 2014–15, the AFB will increase the allocation by 13% for a total of $3.83 billion. In 2015–16, this amount will increase by 20% to $4.59 billion. Future savings will offset the program's start-up costs.[40]

- In 1995, the federal minister of health ruled that user fees for surgical services were illegal "regardless of venue."[41] This ruling did not then apply to other acute, chronic, or rehabilitation services. The AFB will apply the ruling to all of these services, regardless of where they're delivered. The AFB will also re-establish a dedicated transfer for community-based services at 1995 levels, plus an annual escalator based on population growth and inflation. This amounts to $75 per capita ($2.6 billion) for community-based health services, including home care and allied health services, subject to the criteria of the CHA upon physician referral. A one-time $300-million investment in 140 new community health centres in regions lacking this model of delivery will create 10,000 new jobs and increase access to services.[42]

- Total long-term care expenditures reached $20 billion in 2010, split among governments and out-of-pocket payers. The public share, $14.4 billion, was divided between federal (20.4% or $2.9B) and provincial/territorial governments ($11.5B).[43] The remaining $5.64 billion was paid by some of Canada's most economically vulnerable citizens.[44] 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.[45] It's time to bring these services into the public system. The AFB will invest $2.3 billion in long-term/residential care to enable moving alternate-level-of-care patients from acute-care beds to more appropriate settings. This will free hospital resources to reduce high occupancy rates and wait times and support the establishment of outpatient rehabilitation clinics. The AFB will also invest $3.2 billion to reduce by 50% healthcare user charges applied to residents of long-term care facilities.[46]

- Almost 60% of Canadian children and youth and 96% of adults have dental caries, but tooth decay is a preventable disease. The AFB will improve access to basic dental care by focusing on prevention, beginning with a cost-shared school-based program that provides children and youth preventive and basic curative dental care. The AFB will offer $90 per capita to any province undertaking such an initiative. If implemented across Canada, this will cost the federal government $280 million. The AFB will allocate $50 million to start the program, and double that contribution in the next two years.

Health equity

- In each of the next two years, the AFB will allocate $50 million to post-secondary institutions to support health education programs for Aboriginal students who work with Aboriginal peoples and communities.

- The AFB will end the $73 million a year (2013–16) in funding to the Centres of Excellence for Commercialization and Research.[47] 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 developing policy research and information on the health of women and girls. Another $30 million a year will fund a comprehensive range of mental health services, with a focus on promotion, prevention, treatment, and community supports. This funding will be available to non-profit organizations and conditional on provincial/territorial compliance with the CHA.

- Annual funding of $20 million will be restored to the Interim Federal Health Program to ensure all refugees have healthcare coverage equivalent to Canadian citizens in the same economic circumstances.

- The AFB will implement the long-delayed *Jordan's Principle*, a child-first policy to resolve long-standing disputes within and between federal and provincial/territorial governments over which jurisdiction is responsible for providing services to First Nation children.[48] *Jordan's Principle* requires that the government of first contact pays for the service to the child without delay or disruption. The paying government can then refer the matter to intergovernmental processes to pursue repayment. The AFB also reaches out to communities to allow them to set their own healthcare priorities with participatory budgeting through the "Community Health Innovation Fund" worth $2 billion over two years.

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Housing and Neighbourhoods

Background

The massive funding cuts and erosion of national housing programs in the 1990s continues to fuel a Canada-wide crisis in affordable and adequate housing. Ownership housing markets are increasingly out of reach for low- to middle-income households as the federal government continues to protect the country's mortgage markets. In recent years, Canada's private rented housing markets have seen rents rise at or faster than the rate of inflation while renter household incomes have stagnated or fallen. In addition, the relatively small social housing sector is struggling with aging stock and tight restrictions on funding for new homes.

About one-quarter (3.3 million) of all Canadian households are precariously housed, living in housing that is unaffordable, overcrowded, below standard, or a combination of all three.[1] At least 200,000 Canadians experience homelessness annually, and as many as 1.3 million have experienced homelessness over the past five years.[2] While Canada doesn't collect the same range of detailed indicators on housing insecurity and homelessness as other advanced economies, the available numbers suggest that the key dimensions of the national housing crisis have been worsening since the recession of 2008.[3]

As noted in previous AFB reports, federal investments in affordable housing have been declining since the big program and funding cuts of the 1990s. The current corporate plan for Canada Mortgage and Housing Corporation (CMHC), the federal government's housing agency, shows that further funding cuts are ahead. Housing funding spiked in 2010 as the two-year, $2-billion housing stimulus spending began, but the trend since then has been steadily downward. By 2014, national housing investments will be lower than in 2007, and they will continue downward.[4]

Current Issues

These ongoing cuts will have a devastating impact on Canada's existing stock of affordable and social housing (including non-profit, co-operative, and public housing) as long-term operating agreements are terminated by the federal government. CMHC estimates that the supply of affordable and social housing will be reduced from 626,300 homes in 2007 to 492,500 in 2017, a reduction of 133,800 affordable homes, or 21% of the national stock.[5]

While there is a diverse range of housing needs in local communities across the country, there are four major dimensions of housing need across Canada:

- Lack of affordability: Housing is considered unaffordable when it costs more than 30% of household income. Households in this situation must make critical choices between housing and other necessities such as food, transportation, clothing, medicine, and child care. Unaffordablity is the primary component of Canada's housing needs.

- Lack of supply: Households are put on long waiting lists—10 years or more—for affordable and social housing.
- Sub-standard housing: While the terrible state of housing on many First Nations reserves occasionally gets media attention, a significant portion of Canada's urban, rural, and remote affordable housing is aging and falling into disrepair.
- Inadequate supports: A small but significant number of Canadians require physical or mental health supports to allow them to access and maintain their housing.

With respect to equity, some groups bear a heavier burden of housing insecurity and homelessness, such as Aboriginal people (see the chapter on First Nations). The rise of homelessness in Canada in the 1990s has also brought an increasing number of families, youth, women, and seniors into the nationwide housing crisis.

Since the federal government cut funding and dismantled national housing programs in the 1990s, housing policies and practices across Canada have been increasingly inadequately funded and poorly coordinated. A private member's bill in Parliament in the spring of 2013 would have required the federal government to collaborate with the provinces, territories, municipalities, Aboriginal groups, individual communities, and private sectors to create a national housing plan.[6] The federal government defeated the draft legislation. In late fall of 2013, the Federation of Canadian Municipalities launched its national "Fixing Canada's Housing Crunch" campaign, which makes housing and homelessness the top legislative priorities for Canada's local governments.[7]

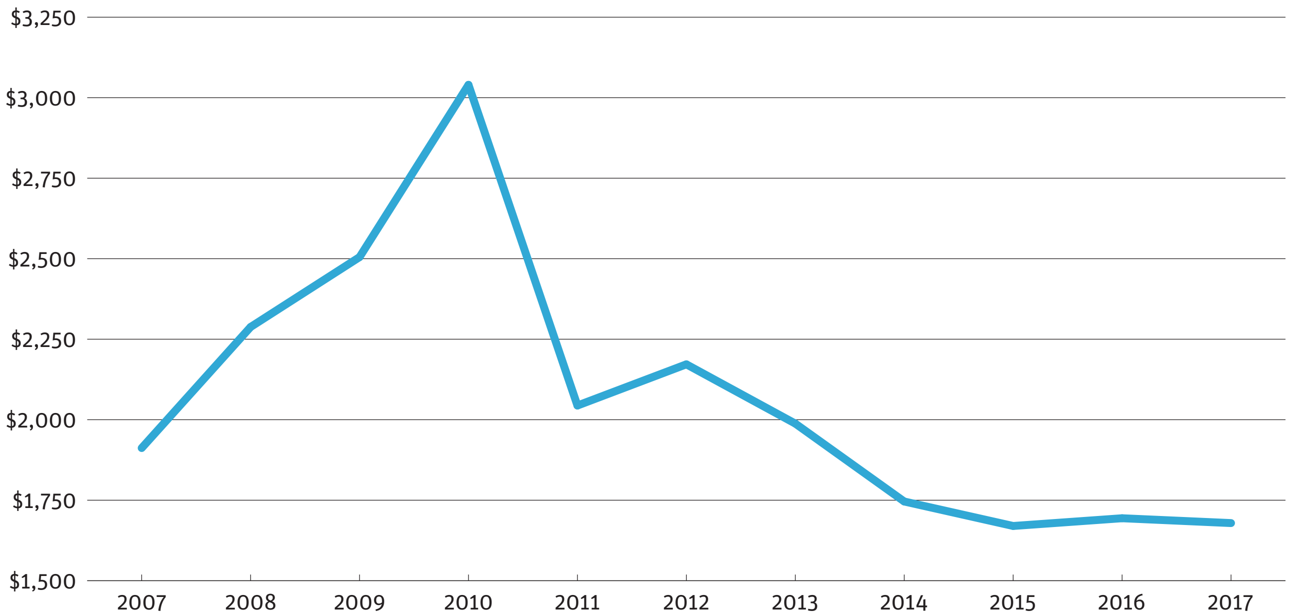
Exacerbating the lack of a national housing plan is the fact that the federal funding cuts have a multiplier effect, since much of the funding that has been cut would have been matched by provinces, territories, municipalities, and affordable housing developers.

The federal budget of March 2013 included three housing and homelessness commitments:[8]

- $119 million per year for five years to extend the national Homeless Partnering Strategy (a slight reduction at a time of rising costs);
- $253 million per year for five years to renew the national Investment in Affordable Housing (IAH) funding for affordable and social housing; and
- $100 million over two years for new housing in Nunavut.

The extension of the IAH program has been welcomed by housing experts as a down payment on a new national housing plan. The funding is to be matched by provinces and territories, which brings the annual total to $506 million. However, most experts agree that the minimum annual in-

FIGURE 12 Federal Affordable Housing Expenditures, Including Long-Term Commitments (In Millions)



Source Canada Mortgage and Housing Corporation.

vestment needed from the federal government (and then matched by the provinces and territories) is $2 billion.

Since the March 2013 budget, the federal government has not signed any bilateral housing agreement to start the flow of the promised IAH funding, despite pleas from provincial and territorial housing ministers and a strong call from Canada's Premiers at the summer meeting of the Council of the Federation.

On the eve of National Housing Day in November, the federal government announced that it would allow some social housing projects to keep any surpluses they have built up through effective management of their housing. This provision applies to projects that will lose their federal funding when their long-term operating agreements are terminated.[9]

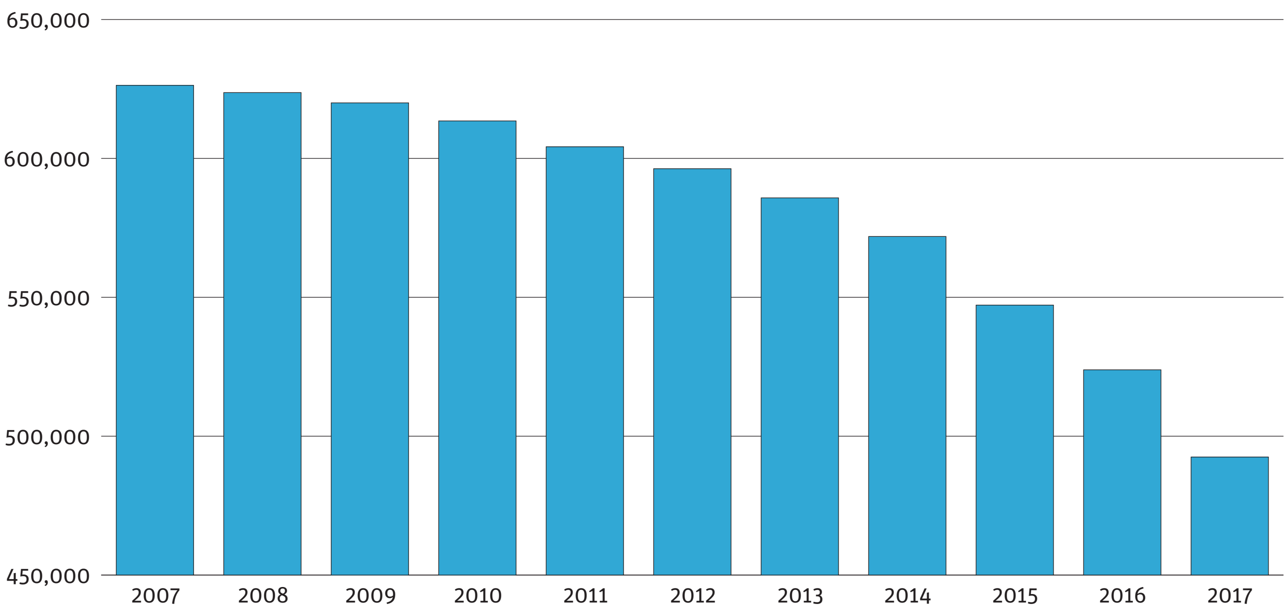
AFB Actions

At the federal level, the most critical budgetary priorities related to housing and homelessness are the following:

- Protect existing social housing funding.
- Stop the annual erosion of federal funding as operating agreements with social housing providers are terminated.
- Increase the amount of funding available to invest in new social and affordable housing, and ensure that existing social housing is properly maintained.

The AFB will:

FIGURE 13 Loss of Federally Subsidized Affordable Housing



Source Canada Mortgage and Housing Corporation.

- Honour the federal commitment of $253 million for new social and affordable housing through the extension of the Investment in Affordable Housing program, which was announced in the 2013 federal budget but has not yet been implemented.
- Preserve the existing federal social housing funding to protect against further loss of funding arising from the termination of operating agreements with existing housing providers.
- Re-invest the existing funding in the current housing supply to ensure ongoing affordability and maintain the housing to a proper standard.
- Increase the federal investment in affordable housing and homelessness to $2 billion annually, with this amount to be matched by the provinces and territories. The new funding will be shared among the three major housing and homelessness initiatives — the National Homelessness Partnering Strategy, the Investment in Affordable Housing funding, and funding for existing social housing.

Notes

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4 CMHC numbers available at http://www.schl.ca/en/corp/about/anrecopl/upload/Resource-Requirements-CPS-2013-2017.pdf

5 CMHC, op. cit.

6 For more information on Bill C-400 see http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=5353445

7 Available at http://www.fcm.ca/home/issues/housing/fixing-canadas-housing-crunch.htm

8 Available at http://www.budget.gc.ca/2013/doc/plan/chap3-5-eng.html#a12-Investing-in-Communities

9 Information available at http://www.schl.ca/en/corp/nero/nere/2013/2013-11-21-1315.cfm

Immigration

Background

All Canadians should be concerned that immigrants to Canada are not faring well economically. Given the declining birth rate and aging population, immigrants will soon be the key driving force behind Canada's economic engine.

By 2017, nearly all new entrants into the labour market will be immigrants. Also by 2017, 20% of Canadians will belong to a visible minority, a phenomenon due largely to Canada receiving more immigrants from Asia, Central and South America, and the Caribbean than from other regions in the world.

The 2011 National Household Survey (NHS) found that Canada's population grew by almost 6% between 2006 and 2011, the highest increase among G8 countries. Statistics Canada has noted that immigration accounted for two-thirds of the growth in the last 10 years. 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 the birth rate, Canada's population growth could be close to zero in 20 years.

Due to the substantial increase in immigration since the mid-1980s, the proportion of allophones (people whose mother tongue is neither French nor English) in the population has doubled — from less than 10% in 1981 to 20% in 2006. Projections indicate that the allophone population could comprise up to 32% of the total population by 2031.[1]

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 AFB will develop policies and commit resources to address growing socio-economic racial inequities, which in the recent past has not been done adequately.

Current Issues

Persistent, growing disparities

According to the 2011 NHS, Canada has a foreign-born population of about 6.7 million people, representing 20.6% of the total population — the highest proportion among the G8 countries. Between 2006 and 2011, just over 1 million foreign-born people immigrated to Canada. These recent immigrants made up 17.2% of the foreign-born population and 3.5% of the total Canadian population.

Asia (including the Middle East) was Canada's largest source of immigrants during the past five years. The vast majority of immigrants live in Ontario, British Columbia, Quebec, and Alberta, and most live in the largest cities.

The 2011 NHS also reported that 19.1% of the total population self-identified as belonging to a visible minority group, compared to 16.2% who did so in the 2006 Census. This increase was due largely to the number of immigrants who arrived in Canada from non-European countries. As of 2011, 30.9% of the visible minority population were born in Canada and 65.1% were born elsewhere and came here as immigrants.

Studies based on the last available census data show that a colour code in Canada's labour market is causing a significant income gap between racialized and non-racialized Canadians. Racialized men are 24% more likely to be unemployed than non-racialized Canadians, and racialized women are 48% more likely to be unemployed than non-racialized men. When controlled for age and education, the data show first-generation racialized Canadian men earn only 68.7% of what other first-generation Canadian men earn, while racialized women immigrants earn only 48.7% of what non-racialized male immigrants earn. More significantly, the colour code persists for second-generation Canadians with similar education and age: racialized women earn 56.5% of what other non-racialized men earn, and racialized men earn 75.6% of what non-racialized men in this cohort earn.[2]

In November 2011, the Senate Standing Committee on Social Affairs, Science and Technology began to "examine and report on social inclusion and cohesion in Canada." In June 2013, the Committee released its report. It found that certain groups, including recent immigrants and visible minorities, are far more likely to face exclusion than others. The study also found that highly educated recent immigrants face barriers to working in their fields, and that in contrast to historical trends, immigrants in general are not achieving the same levels of economic returns as Canadian-born citizens. A similar finding was noted for visible minorities, who continue to face challenges related to participating fully in Canadian society, particularly with respect to employment opportunities. Labour force participation rates for visible minorities are lower than for non-visible minorities, and the unemployment rate of racialized people who are seeking work is higher than for their Caucasian counterparts. Low incomes, precarious employment, and higher rates of unemployment result in disproportionate levels of poverty among visible minorities.[3]

Refugees

Since the passage of the *Protecting Canada's Immigration Act* (Bill C-31) in 2012, the rights of asylum seekers have been significantly affected, a two-tier refugee system has been created, and the number of individuals claiming refugee status in Canada has dropped dramatically.

Canada received over 10,000 asylum claims in the first half of 2012, compared with only half as many (4558) in the first half of 2013.

The government has also made a number of changes to the Interim Federal Health Plan (IFH). For example, it has cancelled much health coverage for many refugees — including all new refugees from the so-called Designated Countries. Exceptions are medical services to diagnose, prevent, or treat diseases that pose a public health risk or conditions that pose public safety concerns. These changes put all refugees at risk, especially women and those with additional vulnerabilities. While the cuts ostensibly save taxpayers' costs, denying health services to refugees may eventually add to the burden on the health system. Also, confusion about who is and is not covered by IFH has resulted in some eligible claimants being denied treatment.[4]

Increasingly, the federal government is revoking protected person and permanent resident status from refugees when they travel to their country of origin for any reason. This approach puts refugees' lives at risk and incurs costs.[5]

Regulations and other bills

In 2013, the government introduced changes to the *Immigration and Refugee Protection Regulations* to further limit the number of family class immigrants to Canada. These changes, which took effect on January 1, 2014, increase the sponsor's eligible income requirement to 30% above the low income cut-off, double the sponsorship period for parents and grandparents (PGP) to 20 years, and cap the number of PGP applications at 5,000 a year. Those most likely to be negatively affected by these changes are members of racialized communities, refugees, women, and others who are disadvantaged by their socio-economic status.

As a result of the changes to citizenship regulations and administrative procedures, the time it takes for immigrants to gain citizenship has been increased over the last year; reports suggest a wait of 36 months or longer. At the end of 2012, the backlog of citizenship applications was 350,000 people.[6] According to the Maytree Foundation, there are many factors contributing to the delay:

- The residence questionnaire, which requires individuals to provide information and a variety of documents to prove they have lived in Canada for three years. Many find it difficult to do this within the stipulated 45-day timeframe, especially without advance notice that this is necessary.
- The new proof of knowledge of an official language requirement, which is a significant deterrent to many applicants.
- The increase in citizenship exam failure rates as a result of changes made in 2009 and 2011 to the citizenship study guide.[7]
- Processing times are getting longer at every stage. According to the Citizenship and Immigration Canada (CIC) website, it takes 21 months to process "routine Canadian citizenship applications."[8]

These developments and others reduce the pool of potential citizens.[9]

Immigrant settlement services

Immigrant settlement and integration services help newcomers settle in Canada and address a range of needs, such as language classes, labour market access, information about housing, and health care.

Citizenship and Immigration Canada is the largest funder of immigrant settlement services and has control of settlement programs in most provinces and territories except Quebec. Management control of the programs in Manitoba reverted to CIC in April 2013, and CIC will take management control of B.C. settlement programs in 2014–15.

At the 2013 National Settlement Conference, delegates from the immigrant- and refugee-serving sectors identified eligibility criteria as a major barrier to successful settlement and integration of a growing number of newcomers. There was broad agreement that while there should be a focus on temporary foreign workers (TFWs) and international students (since they have pathways to permanent residency), services should be made available to refugee claimants, migrant workers, and citizens based on need rather than immigration status. Vulnerable populations such as refugee and immigrant youth, isolated seniors, women, people with disabilities, and those facing domestic violence face some of the biggest systemic barriers to settlement and integration; they should continue to be a priority in immigrant settlement programming.

The recent legislative and regulatory changes have increased the burden for agencies that serve immigrants and refugees because newcomers turn to them for help in understanding the new rules. There is also high demand for assistance from permanent residents attempting to navigate the citizenship application process, which has become more complicated and more protracted.

Sector delegates at the conference noted that the current funding scheme for immigrant settlement services is restrictive because it is formula-based rather than needs-based. This approach limits the autonomy of agencies and inhibits innovation and responsiveness to community needs. It has also often resulted in CIC returning unused funds to Treasury Board rather than allowing funded agencies to reallocate them to address emerging needs and service enhancements.

Temporary foreign workers

Employer demand for temporary foreign workers (TFWs) has remained steady. By December 1, 2012, there were roughly 350,000 TFWs in Canada compared to just over 100,000 in 2003.[10] In April 2013, the government announced administrative changes to the TFW program which, among other things:

- required employers to pay TFWs at the prevailing wage by removing the existing wage flexibility;
- temporarily suspended the Accelerated Labour Market Opinion (LMO) process;
- increased the government's authority to suspend and revoke work permits and LMOs if the program is being misused;
- ensured that the TFW program is not used to facilitate the outsourcing of Canadian jobs;
- ensured that employers who rely on TFWs have a firm plan to transition to a Canadian workforce over time; and
- introduced fees for employers for the processing of LMOs, increase the fees for work permits, and identify English and French as the only languages that can be used as a job requirement.[11]

These changes came about after the media reports on the Royal Bank's use of foreign workers sparked public outrage and brought renewed focus on the TFW program.[12] While promising reform to address abuse by employers, the government continued to identify the TFW program as a key component of their economic action plan to respond to the "labour shortage," and it has not adequately addressed the barriers immigrants and other Canadians face in accessing the labour market.

Live-in Caregiver Program

Research shows that the family separations resulting from this program may increase intergenerational conflict (parent-children), create a sense of alienation felt by children who are left behind and only join their mother years later, and cause general upheaval in the family.

According to the CIC website, the average processing time for live-in caregivers to obtain permanent resident status is 39 months, compared to 13 months for an applicant in the Canadian Experience Class.

Further, groups such as the Canadian Council for Refugees have urged the removal of the requirement for caregivers to live at their place of employment. This would allow them to migrate with their families as other TFWs (excluding seasonal agricultural workers) do.

In October 2013, Citizenship and Immigration Minister Chris Alexander announced Canada will admit 17,500 permanent residents through the Live-in Caregiver Program in 2014, the highest number of such admissions in a single year since the program began in 1993.[13]

Employment

A 2011 report by the Wellesley Institute and the Canadian Centre for Policy Alternatives found that the wages of racialized workers — both immigrants and Canadian-born — are falling behind. Earnings by male visible-minority newcomers were just 68.7% of those of white males.[14]

A recent study by Statistics Canada[15] found a significant difference in earnings and pension coverage between immigrant and native-born workers. The study examined the employment and earnings trajectories of a specific cohort of immigrant and native-born workers from 1991 to 2010. While immigrants with advanced education did much better in the labour market than their less educated peers, they had lower earnings and smaller pensions than native-born workers with similar education. Although this study did not disaggregate the analysis by race and ethnicity, the findings of other studies that do, indicate that racialized immigrants are among the worst off in labour market outcomes.

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. Workers who have not made significant contributions to the EI program over time cannot collect benefits. The Mowat Centre EI Taskforce[16] concluded that new immigrants and young workers are disproportionately affected by this. Until recently, federal-provincial labour market agreements allowed provinces and territories to use federal funding to provide labour market training and supports to those who do not qualify for EI. With the introduction of the Canada Jobs Grant, which was announced in the 2012 budget, the provinces and territories will lose these funds, and immigrant workers will feel the biggest impact of this change.

AFB Actions

To address these issues, the AFB will take the following actions:

- Immigrant employment disparities: Provide financial incentives for employers to practise employment equity, including tax incentives to hire, train, retain, and promote workers from target groups and immigrants who have been in Canada for 10 years or less.
- Refugees: Eliminate the two-tier refugee system created by Bill C-31, and end the practice of revoking protected person and permanent resident status of refugees who travel to their country of origin.
- Regulations and other bills: eliminate the minimum income requirement for family class sponsorship.
- Immigrant settlement services: Make these services available on the basis of need rather than immigration status, thus allowing refugee claimants, migrant workers, and citizens to access them.
- Temporary foreign workers: Close the TFW program and focus on streamlining full citizenship immigration instead.
- Live-in caregivers: Remove the restricting of residency to place of work.

Notes

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

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

3 Senate of Canada. (June 2013). *In From the Margins, Part II: Reducing Barriers to Social Inclusion and Social Cohesion*. http://www.parl.gc.ca/Content/SEN/Committee/411/soci/rep/rep26jun13-e.pdf

4 http://www.doctorsforrefugeecare.ca/further-reading-survey.html

5 http://ccrweb.ca/en/protect-refugees-c31-statement

6 http://www.cbc.ca/news/canada/british-columbia/longtime-resident-seeking-citizenship-hits-bureaucratic-wall-1.1991517

7 http://www.thestar.com/news/canada/article/897998--massive-failure-rates-follow-new-tougher-canadian-citizenship-tests

8 http://www.cic.gc.ca/english/information/times/canada/cit-processing.asp

9 http://maytree.com/blog/2013/01/access-to-citizenship-becoming-more-difficult-unintended-consequence-of-policy-changes/

10 http://www.cic.gc.ca/english/resources/statistics/facts2012/temporary/06.asp

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12 http://www.cbc.ca/news/canada/british-columbia/rbc-replaces-canadian-staff-with-foreign-workers-1.1315008

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Income Inequality, Poverty, and Wealth

Background

Over the past year, income inequality has become an unavoidable topic in the mainstream press, debated by analysts, politicians and voters alike.

The debate has triggered a renewed discussion about poverty across the country. All the provinces and territories, with the exception of British Columbia and Saskatchewan, now have poverty-reduction plans in place or in development.

At the federal level, all parties supported a House of Commons motion directing the federal government to "develop an immediate plan to eliminate poverty in Canada" in 2009. That same year a Senate report also urged the federal government to "adopt a poverty-eradication goal."[1] 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."[2]

The federal government, however, has not acted and has seemingly dismissed the need to act. In his November 2013 Economic and Fiscal Update, the Finance Minister said, "The share of Canadians living in low-income families is the lowest on record".[3] That is a contestable statement, as this chapter will show.

In April 2013, Canada underwent its second review by the United Nations Human Rights Council as part of the Universal Periodic Review process. Canada's human rights record was under the scrutiny of its peers, a number of whom recommended the adoption of national strategies for poverty, homelessness and food security. The federal government, however, rejected these calls, claiming instead that policies and programs at the provincial and regional level were sufficiently addressing poverty.[4]

Not so. As the Caledon Institute recently noted, "While the provinces and territories can and should make an important contribution to reducing poverty, the federal government must also be engaged and do its part. It has at its disposal the most potent instruments to fight poverty and inequality."[5] The Government of Canada has lead responsibility for poverty rates among Aboriginal people and seniors, and a core role to play in reducing poverty among children, recent immigrants, and people with disabilities. It is also responsible for ensuring Canada abides by the conventions to which we are signatory, such as the International Covenant on Economic, Social, and Cultural Rights.

Five years after the economic crisis displaced a record number of workers in nine short months, millions of Canadians continue to struggle with unemployment, underemployment and precarious work. Employment Insurance benefits now reach less than four in ten unemployed workers, a level not seen since 1944.[6] The provincial social assistance system is a shadow of what it was during the previous recession in the early 1990s. The purchasing power of welfare benefit rates has plummeted, and new rules have made assistance harder to get, often requiring people to liquidate their savings before receiving help.[7] Those facing job loss, the loss of a spouse, the loss of good health, or old age, find that the social safety net meant to catch them has been shredded.

But there is nothing inevitable about poverty in a society as wealthy as Canada's. Evidence from other countries demonstrates how governments that commit to bold action plans get results.[8] Canada had a similar experience when it 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.[9]

In the past, inequality trends were driven by what happened to people at the bottom of the income spectrum. More recently, it has been shaped by what happens at the top. Inequality used to widen in the wake of recession. Now it widens during good times too.

While inequality in Canada may be less extreme than in the U.S., it is growing at a faster rate here.[10] By 2011, 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%, higher than at any point on record since 1976.[11] The richest 1% received 32% of all income gains between 1997–2007. That is four times their share of total income gains during the 1960s, a similarly robust period of growth, and almost double their share of growth during the 1920s.[12]

Income inequality in Canada is also highly racialized and gendered. As a March 2011 CCPA report notes, "A colour code is still at work in Canada's labour market"; for every dollar earned by white Canadians, racialized Canadian workers earned only 81.4 cents.[13]

In very concrete terms, in more unequal societies the rich bid up the cost of basic goods, 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, making it bad for business too.[14]

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).[15] A more recent report by the National Council of Welfare (published shortly before the federal government cut its funding) finds: "[t]he 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."[16]

Just as we all pay for poverty, so too do we pay for inequality. Groundbreaking work by epidemiologists Richard Wilkinson and Kate Pickett, for example, surveys industrialized countries and finds that income inequality is correlated with increased addiction levels and mental health problems, more teenage pregnancy, and more violence and crime.[17] 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.[18]

Income inequality is also linked to diminished generational income mobility, undermining the cherished Canadian ideal of equality of opportunity.[19] If 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

In the wake of the financial crisis, employers are increasingly maintaining and improving profits by trimming costs — particularly wages, benefits and pensions.

Since the recovery began in 2009, growth in temporary positions has outpaced growth in permanent jobs.[20] Public sector jobs, which fuelled employment growth in the early phase of recovery with expansion in the health and education sectors, are now the focus of deficit-cutting plans.

While the depth of poverty is primarily a story of inadequate provincial social assistance, the breadth of poverty is primarily a low-wage story. This reality has been exacerbated by the federal government's emphasis on accelerating the approval of the Temporary Foreign Workers Program, which allows employers to pay temporary foreign workers up to 15% below the prevailing wage. The influx of temporary foreign workers now outpaces that of economic immigrants for the first time in Canada's history.[21] The expanding use of the Temporary Foreign Worker Program has served to suppress the wages of workers in markets where there has been no evidence of labour or skill shortages, the ostensible reason for the program.

Historically low levels of income support and growth in insecure, poor-paying jobs led an estimated 833,000 individuals to food banks across Canada in March 2013, still 23% more people than before the recession hit in 2008.[22] Food insecurity has risen dramatically since 2008 as well, with 3.9 million people in Canada now experiencing some level of food insecurity.[23]

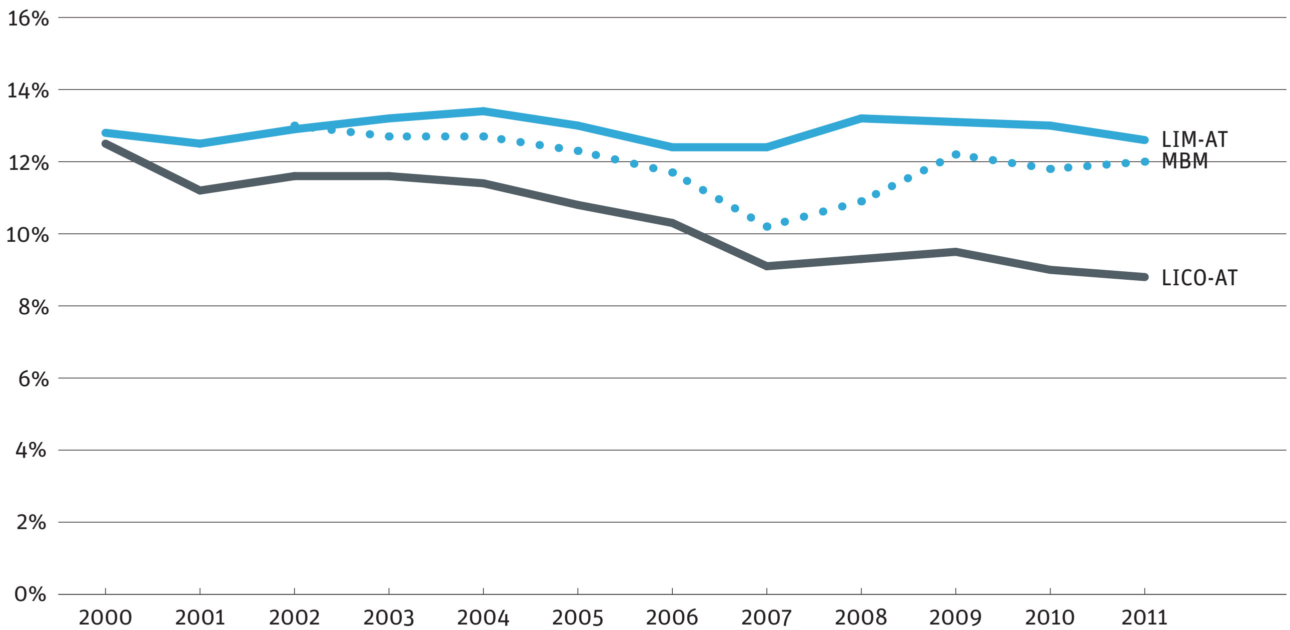
By any measure, there was a rise in poverty rates in Canada immediately following the onset of the 2008 recession. Whether they have since returned to pre-recession levels, however, depends on the measure used. According to Statistics Canada's low-income cut-off after-tax (LICO), the overall poverty rate fell to a new low of 8.8% in 2011. The federal government is keen to point to these LICO numbers.[24] But Statistics Canada notes that the low-income measure after-tax (LIM) is the preferred measure for international comparisons, and many provinces now use it for tracking progress on poverty reduction.[25]

Poverty as measured by the LIM was 12.6% across Canada in 2011, slightly higher than before the recession. While poverty has modestly declined in recent years for children using the LIM (likely reflecting some success of provincial poverty reduction plans), this measure captures a disturbing re-emergence of poverty among seniors. The choice of measure also determines how many Canadians struggle with poverty: three to four million Canadians, and anywhere between 600,000 and 967,000 of them children.

Half of all First Nations children live in poverty.[26] Poverty rates are also higher for recent immigrants, off-reserve Aboriginal people, single senior women, single mothers, 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 (as measured by LIM) was higher despite the fact that Canada's inflation-adjusted GDP went up by 67%, from $994 billion to $1.661 trillion, between 1989 and 2012 (measured in constant dollars).[27] 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 (37% in 2011, compared to 33% in 1989).[28]

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 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.

FIGURE 14 Poverty Rates in Canada, Three Measures



Source "CAN-SIM Table 202-0802: Persons in Low Income Families, Annual." Ottawa: Statistics Canada.

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 2019), 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, recent immigrants and racialized people 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.

To achieve these targets, the AFB will take action in the following key policy areas:

- Establish a legal framework by which the federal government will provide leadership on poverty and inequality issues, and a plan to eradicate poverty.

- Work collaboratively with the provinces, territories and Aboriginal organizations to renew and extend the Canada Social Transfer.
- Introduce a new federal transfer payment to the provinces, tied to helping them achieve their poverty-reduction goals (as recommended in the 2010 report of the House Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities).
  - 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.
- 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: $4.5 billion/year).[29]
  - Double the National Child Benefit Supplement (NCBS) in order to reduce child poverty by 26% (Cost: $3.1 billion/year).
  - Cancel the Universal Child Care Benefit (UCCB) (Savings: $2.0 billion).
- Improve the earnings and working conditions of those in the low-wage workforce.
  - Re-establish a federal minimum wage covering all workers under federal jurisdiction (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.[30]
  - Review and scale-back the Temporary Worker Programs, and extend landed immigrant status to those who come to Canada for work, with full labour rights (see the Immigration chapter).
- Address homelessness and the lack of affordable housing (see the Housing and Neighbourhoods chapter).
- Provide universal publicly funded child care (see the Early Childhood Education and Child Care chapter).

- Provide support for training and education (see the Post-Secondary Education and Sectoral Development chapters).

Reducing inequality

The AFB's comprehensive strategy to tackle the growing gap in Canada will be based on a five-point plan:

- 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 research and development to accelerate energy-efficient production and use of sustainable energy sources.
- Enhance the infrastructure and public services upon which most Canadians rely (child care, education, housing, transit, etc.), thereby stretching paycheques and improving the purchasing power of the broad middle class.
- Rebalance the bargaining relationship between capital and labour through measures that support collective bargaining, enforce and enhance the employment standards of vulnerable workers, and limit the use of temporary foreign workers.
- 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).
- Increase the progressivity of Canada's overall tax regime, and reduce tax exemptions for high income and highly profitable corporations (see the Fair and Progressive Taxation chapter).

Notes

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International Development

Background

On October 2013, roughly six months after the federal government tabled Budget 2013, the world marked the twentieth anniversary of the International Day for the Eradication of Poverty. In 1993, as the UN began a series of international conferences on social and environmental issues, the UN General Assembly designated a day to promote awareness of the need to eradicate poverty worldwide.

Also in 2013, donors and developing countries made proposals for the global framework to replace the UN's Millennium Development Goals (MDGS) when they expire in 2015. To succeed, these post-2015 goals must address inequality, inequity, and human rights issues. They must also ensure inclusive social and economic development, environmental sustainability, and peace and security for all.

To help countries meet the MDGS, donor commitments at the turn of the millennium significantly reversed the downward trend of official development assistance (ODA)[1] spending. But since the 2008 global financial meltdown, many donors have broken past promises and begun slashing aid budgets. Some have not, however — the United Kingdom will meet the UN target of 0.7 % of Gross National Income (GNI) in 2013.

Nevertheless, after a worldwide 63% increase in ODA spending between 2000 and 2010,[2] and "14 years of real growth in aid since 1997 (discounting years of unusually high debt relief),"[3] the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) noted that aid declined in real terms by 2% in 2011, and by a further 4% in 2012.[4] Those most in need suffered disproportionately. For example, bilateral aid to sub-Saharan Africa fell by 7.9% between 2011 and 2012, and net bilateral ODA to least developed countries fell by 12.8%.

Canada's aid budget is also decreasing. In Budget 2012, the government announced that the International Assistance Envelope (IAE) would drop by more than $350 million over the next three years to $4,622 million in 2014, just ahead of the 2015 MDG milestone.

While remittances and foreign direct investment are important sources of development financing, aid remains an essential backstop for many countries, particularly low-income countries and fragile and conflict-affected states. Aid is also the most appropriate investment for interventions that target marginalized people and those living in poverty, especially where governments cannot provide their citizens with minimum basic services.

While the global community has made significant progress toward achieving some of the MDGS over the past decade, as we approach 2015 we need to redouble our efforts to eradicate global poverty. Beyond

2015, Canada must do its part to promote universal, sustainable development goals that address inequality, inequity, and human rights, and that leave no one behind at home or abroad.

Current Issues

Overview of the 2012 Budget cuts

Budget 2012 delivered a punishing message to the world's poor. Between fiscal years 2011–12 and 2014–15, the International Assistance Envelope (IAE) for Canadian aid is set to decrease by 7.6%, from $5 billion in 2011 to $4.66 billion in 2014–15.

Based on the 2011–12 and 2012–13 editions of the government's Statistical Report on International Assistance, the cuts have actually been less stark. The Canadian Council for International Co-operation (CCIC) estimates that ODA dropped from $5.51 billion in 2011–12 to $5.35 billion in 2012–13, or approximately 3%. However, the drop in real ODA (see endnote 1) was roughly double that at 6.2%. Much of this decrease was due to CIDA under-spending existing budgets,[5] which exacerbates the already harsh cuts to the aid budget announced in 2012.

CCIC also projects that these cuts will move Canada's aid spending from 0.34% of GNI in 2010–11, to 0.30% of GNI in 2012–13, and to 0.25% by 2014–15. The last time Canada's ODA performance was as low as 0.23% of GNI was in 2003–04, just as Canada began to increase its aid by 8% annually.

CIDA-DFAIT merger and the Global Market Action Plan

The ODA Accountability Act requires that poverty reduction and human rights standards be determining factors in allocating aid. In April 2013, the Auditor General tacitly criticized the government for failing to meet this criterion: "In our view, because section 4(1) of the Act stipulates that ODA 'may be provided only if' the Minister is of the opinion that the three conditions have been met [reduction of poverty, consideration of the perspectives of the poor, and consistency with human rights standards], this opinion needs to be formed before payments are made," rather than used post hoc for determining what should be reported as ODA.[6] The Auditor General stated that the government did not use the three criteria to determine how it allocated money to multilateral institutions. Instead, Canada is moving toward using its aid to promote its own commercial interests.

In June 2013, the government passed legislation that merged the Canadian International Development Agency (CIDA) and the Department of Foreign Affairs and International Trade (DFAIT) to create the new Department of Foreign Affairs, Trade and Development (DFATD). The legislation strengthens the mandate of the Minister of International Development and promises to put "development on an equal footing with trade and diplomacy."[7] These are both welcome initiatives,[8] but at the same time the government is shifting its focus from poverty reduction (reducing the underlying causes of poverty) to poverty alleviation (reducing the symptoms of poverty), and from promoting principles that ensure aid is effective to promoting Canadian values and prosperity.

In November 2012, Julian Fantino, then the Minister of International Development, noted that developing countries provide Canada with huge business opportunities (especially in the extractive sector), and that aid and business working together could contribute to "Canada's long-term prosperity and security."[9] A year later, in November 2013, International Trade Minister Ed Fast introduced Canada's new "Global Markets Action Plan," heralding a seismic shift in Canadian foreign policy in which "all Government of Canada diplomatic assets are harnessed to support the pursuit of commercial success by Canadian companies and investors."[10] The potential implications for Canadian development policy and practice are deeply troubling.

Cognizant of the fine line that donors tread between promoting their own country's commercial interests and working toward development objectives, the OECD DAC's 2012 Peer Review called on Canada to ensure that development objectives and partner country ownership are paramount in the activities and programs Canada supports.[11] Canada has now crossed the line into promoting our own interests.

AFB Actions

In 2014, the Canadian government has the opportunity to provide leadership on a post-2015 global framework for sustainable, inclusive, and equitable growth and development that leaves no one behind. To do so the AFB will:

- Help build an accountable, effective framework to ensure sustainable development outcomes for all, in particular the most marginalized and impoverished. In 2014, the UN will continue to assess progress on the MDGs and prepare the ground for new post-2015 development goals. The AFB will provide international leadership and support a set of goals with an accountability framework that addresses the root causes of poverty by building on its experience with the UN Commission on Information and Accountability for Women and Children's Health.

- Increase and enhance its aid commitments to end global poverty. In 2014, the AFB will follow the OECD DAC's suggestion[12] and begin to peg ODA at 0.31% of GNI (the average of all DAC donors' performance) until the government posts a surplus (at which point the government can plan a longer-term timetable of increases). Using the latest GNI figures from the November Fiscal Update, this would entail increasing Canada's IAE from $4.76 billion in 2013–14 (according to budget 2012) to $5.71 billion in 2014–15, $5.98 billion in 2015–16, and $6.27 billion in 2016–17.[13] Without this enhanced commitment, Canada's IAE is expected to be $4.66 billion in each of the next three fiscal years. Thus, the increases over this base are $1.1 billion in 2014–15, $1.3 billion 2015–16 and $1.6 billion in 2016–17.

Although the initial leap from the 2013–14 IAE is a big one (an increase of $957.5 million, or 20.1%), subsequent years will be, respectively, 4.7% and 4.8% lower than the increase the government was implementing up until 2010. These AFB increases will also be linked to growth of the Canadian economy in the next few years.

In keeping with the criteria of the ODA Accountability Act and the recommendation of the OECD DAC, these resources will be prioritized for the poorest and most marginalized populations, in particular for sub-Saharan Africa, low-income countries, and fragile and conflict-affected states. At the same time, the allocation amounts will acknowledge that significant levels of poverty continue to exist in lower middle–income countries.

- Enhance the quality and effectiveness of Canadian aid. Before the High-Level Meeting (HLF) of the Global Partnership for Effective Development Co-operation scheduled for April 2014, the AFB will develop a forward-looking agenda and action plan on effective development cooperation that builds on the commitments made at the Fourth High-Level Forum on Aid Effectiveness (HLF4) in Busan, including those made at previous HLFs. For example, the AFB will align aid spending with the priorities and development plans of developing countries where these plans exhibit efforts at democratic ownership. This will make Canada's spending more predictable and allow continued progress in aid transparency.

One year on from the legislation that merged CIDA and DFAIT into DFATD, the AFB will announce a framework to ensure that broader Canadian government policy on trade, investment, and foreign affairs is coherent with Canadian development policy objectives, including international human rights standards. The AFB will also have DFATD re-assess its current funding arrangements and funding levels for Canadian civil society organizations (CSOs) and ensure they are aligned with the Busan commitment to provide an enabling environment for a diversity of 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 AFB will urgently address poverty, homelessness, and hunger in Canada, starting with the adoption of national intergovernmental strategies based on national and international human rights principles such as equality and non-discrimination. These efforts will include independent monitoring and review with enforceable targets and timelines. (See the chapter on Income Inequality, Poverty, and Wealth.)

Notes

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Post-Secondary Education

Background

Canadian students are facing a combination of challenges unseen by previous generations: record-high levels of student debt, tuition fees that have tripled since the 1990s, and youth unemployment levels that are twice as high as those of the general population. Getting a post-secondary education has become almost a prerequisite for participating in the workforce, even though education is much less affordable now than 30 years ago. Young workers without some form of post-secondary education have significantly higher unemployment rates than those who have such an education. The unemployment rate for youth aged 15 to 24 who have a high school diploma is 16%; the rate for those with a post-secondary certificate or diploma is 9.5%.[1]

The federal government has a key role to play in Canada's post-secondary education system. Without federal direction, post-secondary education is taking divergent paths based on shifting provincial priorities. Provinces can set tuition fees as they see fit, and as a result students have significantly different financial challenges depending on the province in which they study. It is not in the interest of social equality and economic development across Canada for tuitions in one province to be as much as three times those in another province.

For more than 50 years, the federal government recognized the crucial role of post-secondary education in increasing social and economic equality and driving economic growth. But over the past 30 years, Canada's public post-secondary education system has been consistently threatened by government underfunding and an increased reliance on private funding, primarily through increased tuition (user) fees.

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. Between 1979 and 2009, government grants as a share of university operating revenue fell from 84% to nearly 58%. Unsurprisingly, in the last 15 years, tuition fees have become one of the largest expenses for university and college students, increasing on average by more than five times the rate of inflation.[2]

In 2013–14, the average university tuition fee in Canada increased by 3.3% to a total of $5,772. Combined with additional compulsory fees which most institutions charge, total average undergraduate fees were over $6,589. Undergraduate tuition fees can vary from $7,259 in Ontario to $2,644 in Newfoundland and Labrador.[3] In specialized programs such as medicine, law, and dentistry, students often pay three or more times the Canadian average, which drives student debt for many future health professionals into the six-figure range.

Current Issues

Core funding

Starting in 1967, federal funding was provided on a cost-sharing model. The provinces made policy, program, and spending decisions and administered the system, and the federal government matched their spending dollar for dollar. Under this arrangement, federal expenditures on higher education had tripled by 1976. In 1977, the government replaced this model with 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 then by the Canada Social Transfer (CST) in 2004.

These changes not only reduced the overall funding allocated to the transfer, but also reduced the level of accountability the provinces had for transfers they receive for post-secondary education. The CST provides no guarantee that the federal funding reaches students and their families. Funding for the transfer peaked at 0.56% of GDP in 1981, 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 0.20% of GDP.[4]

The 2007 federal budget earmarked additional funds for post-secondary education. While the budget appeared to add some transparency, provinces are still under no obligation to ensure that the federal transfer monies benefit students. The federal government has no recourse if provinces redirect this funding to other priorities.

The Canadian Federation of Students estimates that current federal funding for post-secondary education is $1.7 billion short of 1992–93 levels when inflation and increased enrolment are factored in. Inadequate federal funding for colleges and universities has resulted in higher tuition fees as costs are passed on to students. As the value of federal transfers diminished in the 1990s, average tuition fees rose from roughly $1,460 in 1990 to $5,772 in 2013. Lower levels of funding also impair the ability of institutions to hire enough instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.

Student financial aid

Past federal and provincial government decisions are forcing students and their families to assume more education-related debt than any previous generation.

In 2011, the total amount of student loans owed to the government approached the $15 billion ceiling set by the *Canada Student Financial Assistance Act* (CSFAA). This figure only accounts for a portion of total student debt; it does 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, amended the CSFAA to increase the limit to $19 billion, and significantly reduced parliamentary oversight of the program.

High levels of student debt are linked to lower graduation 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, especially since most family earnings have been stagnant for the past 20 years. Student loan obligations reduce the ability of new graduates to start a family, invest in assets, build career-related volunteer experience, or take lower-paying work that aligns well with their interests or career goals.

In 2009, the federal government established the Canada Student Grants Program, which greatly increased support for students. However, a much larger investment is needed to meaningfully reduce student debt. The federal government will distribute roughly $647 million in grants this year. Although substantial, this amount is far less than the $2.58 billion the government spends on education-related tax credits and savings schemes. Despite their high cost, federal tax expenditures are a poor instrument to improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. Thus, 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 $1.6 billion this year. For students who 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 September.

First Nations students

The federal government is morally and legally responsible for providing access to post-secondary education of First Nations people. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which certain Aboriginal students — status First Nations and Inuit only — receive financial support from the federal government.

Since 1996, annual funding growth for the PSSSP has been capped at 2%. Given inflation, population growth, and increasing tuition fees in most jurisdictions, this cap results in an annual *decrease* in per capita funding. The number of First Nations students receiving PSSSP funding declined from 22,938 in 1997 to 18,729 in 2009. According to estimates, over 10,500 students were denied funding between 2001 and 2006, and roughly 3,200 more students per year were denied funding since then as a result of the funding cap.

It is estimated that if all educational attainment gaps were closed between First Nations and non–First Nations populations, the GDP contribution of First Nations peoples would increase by at least $400 billion over a 25-year period.[5]

University research

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector rather than broader social needs. This drive to commercialize university research has far-reaching consequences, including limiting academic freedom and public ownership of research and

TABLE 12 Tuition Fees in Canada, 1992 and 2014–15

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Inflation adjusted 1992 Rates	$2,425	$3,277	$3,488	$3,230	$2,079	$2,621	$3,081	$3,036	$2,611	$3,035
Projected 2014–15 Rates	$2,749	$6,339	$6,195	$6,433	$2,916	$8,371	$4,117	$6,832	$7,077	$5,593
Change	**$324**	**$3,061**	**$2,706**	**$3,203**	**$837**	**$5,750**	**$1,036**	**$3,796**	**$4,466**	**$2,558**

discouraging private sector innovation. By funding a narrow range of research disciplines — mostly in science, engineering, and business — funding decisions have damaged a comprehensive research environment that was based solely on the academic merits of the work.

The federal government's science and technology strategy focuses on short-term results at the expense of long-term innovation. In addition, federal funding increases directed toward market-driven research programs are creating an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada's lagging behind other OECD countries in private sector investment in in-house research and development. If this trend continues, our publicly funded post-secondary education system could replace private sector research and development facilities, threatening the foundations of academic freedom and public, peer-reviewed, curiosity-driven research.

AFB Actions

Tuition reduction program

- The AFB will reduce the cost of post-secondary education to pre-1992 levels. As *Table 12* indicates, the increase in tuition costs has varied widely between provinces — some provinces have tried to maintain stable tuition fees or at least limit the rate of increase, but others have not.
- The AFB will introduce a dedicated post-secondary education cash transfer of $2,875 per full-time student, escalating by 2% per year, conditional on the reduction of tuition fees to 1992 levels (see *Table 13*).

This transfer will provide 50% of the amount needed to reduce tuition fees to 1992 levels in Ontario, where costs have grown the fastest. In four provinces, the transfer will cover more than half of the needed amount. In the remaining five provinces, the amount of the transfer will exceed the amount needed for a reduction. The AFB will still transfer $2,875 per student to these provinces, recognizing that they are equally deserving of federal assistance.

This transfer will be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom. The reduction in tuition fees will cost the federal government $2.8 billion in 2014–15, $3.0 billion in 2015–16, and $3.2 billion in 2016–17.

TABLE 13 AFB Post-Secondary Education Cash Transfer (mil)

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Federal Cost	$41.0	$12.8	$107.0	$52.5	$609.0	$1,304.0	$103.6	$87.3	$287.6	$285.0
Provincial Top-Up	-	$0.8	-	$5.9	-	1,304.0	-	$28.0	$159.1	-

Grants and other funding programs

- The AFB will eliminate the need for new federal student loans by increasing the value and number of up-front grants to students provided by the Canada Student Grants Program. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes.[6] This will be revenue-neutral but will shift $2.2 billion from tax credits to grants.
- To reduce socio-economic disparities between First Nations and non-First Nations students, the AFB will remove the funding cap for the PSSSP. It will also increase funding and expand eligibility to meet the needs of all First Nations post-secondary students.

Research funding and scholarships

- Recognizing the importance of funding based on an independent, merit-based approach, the AFB will increase the federal granting agencies' base budgets by 10%, with more funds asymmetrically allocated to the social sciences and humanities. 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.

Apprenticeships and skills-based training

- The AFB will create a commission to study and provide policy recommendations on apprenticeships, college education, and skills-based training in Canada. Canada needs to improve skills-based training and apprenticeships, and encourage more workplace training for youth and life-long learning. Some European countries, such as Switzerland, have had success with apprenticeship-streamed education. Others, such as Germany, offer apprenticeships in a wider range of occupations, including, for example, accounting.

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Public Services

Background

Public 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. Strong public services are crucial to addressing the challenges of inequality and climate change facing Canada.

Over the past five years, the federal government has instituted a series of budget cuts to the public sector in the name of austerity.[1] Government spending cuts continue to undermine 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 also being stripped of resources. The ability of workers and seniors to collect employment insurance and old age benefits, of statisticians to collect statistics, of veterans to access services to which they are entitled, of regulators to protect the food supply, have all been seriously compromised.

The budgetary process must be transparent, accountable, and democratic. Canadians must be able to understand the relationship between programs that they want and the revenues that the government receives. Government services are too important to be relegated to numbers on deficit balance sheets that can be cut with no regard to the value of the programs being cut and to the citizens who benefit from them.

Current Issues

Attacks on public services

Following the global financial crisis and Canadian recession, the federal government has engaged in annual cuts to public services in the name of fiscal austerity. The first cuts were announced in the 2010 budget, but not implemented until 2012. Thus, the full impact of four successive years of budget cuts to the public service is only beginning to be felt.[2]

Although the federal government has suggested that cuts will come from improved efficiency and reduced administrative costs, not services, estimates of employment losses suggest otherwise. Over 28,000 positions will be lost as a result of austerity budget cuts.[3] In addition, correctional, health care, and other regulatory costs and burdens are being shifted to provinces and municipalities.[4]

The Parliamentary Budget office has challenged the government in court and has appealed repeatedly to department heads to obtain the data required to determine how $5 billion in annual spending reductions will actually be implemented, and whether services and programs used by Canadians will be reduced.[5]

What is clear is that while Canadians require increased services there are less employees to provide them and those employees are over-extended.[6] A demographic snapshot of the public service released by the government in 2010 shows that between 1983 and 2010, the Canadian population expanded by almost 34%, while the size of the public service over this period only increased by 12.7%.[7]

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.[8] The 2012 federal budget forecasted a further drop to 12.7% by 2016–17.

The most recent cut to public services and jobs came in the form of the 2013 pre-Christmas announcement that Canada Post would be eliminating home delivery to over five million Canadians. The cut in service was justified on the basis that Canada Post had experienced continued financial losses. However, over the last 17 years, Canada Post has created revenue for the government every year except one. By December of 2013 losses were $110 million on annual revenues of $5.8 billion.[9] There is no evidence that purchasing land and erecting community mailboxes so that mail can be picked up in a safe way will be cheaper. It will certainly cost more in terms of time and energy for over five million Canadians.

The current government has, through legislation (most recently Bill C4 the budget implementation act), introduced changes that make it much more difficult to protect workers who provide public services. Bill C4 gives the government the unfettered right to determine what constitutes an essential service, which workers are denied the right to strike, and which collective agreements will be decided through arbitration, as well as limiting the independence of arbitration boards. Furthermore it gives the government the authority to throw out any unsafe work refusal complaint without investigation, leaving employees who refuse unsafe work open to discipline, including dismissal.

Adding to the vulnerability of the employees who provide public services, the federal government is increasingly reliant on contractors and temporary staffing agency contracts. Growing evidence suggests that temporary contracting costs the government more money. The 2013–14 Main Estimates indicate that the government plans to spend $9.55 billion on contracting out for professional and special services.[10] This practice undermines federal public service staffing goals of value and merit.[11] It marginalizes workers, leaving them disillusioned, with little opportunity for job security, advancement, or equitable wages and benefits.[12] There are indications in some departments that casualization is increasing, but the lack of transparency surrounding the current cuts makes it impossible to assess the extent to which this is the case.

Privatization, P3s and social impact bonds

Privatization is "the transfer of responsibility and control from the public sector to the corporate and voluntary sectors, or to families and individuals."[13] Public-Private Partnerships (P3s) are a cloaked form of privatization. P3s are multi-decade contracts that include private-sector financing, management, and ownership of vital public services and infrastructure.

The federal government is using austerity as an excuse to foster a 'build now, pay later' rationale that is the substance of the P3 argument. However, the value for money celebrated by P3 advocates is an illusion. P3s result in higher costs, lower quality, and a loss of public control.[14] In fact, "the empirical record suggests that P3s are costlier, riskier, and frequently less innovative — but their higher social and economic costs will unduly burden scarce public sector resources for decades to come."[15]

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. For instance, the Government of British Columbia estimates its current contractual obligations to its P3 partners to be more than $50 billion.[16]

P3 consortiums borrow money from international investment banks at higher interest rates than do governments. Over the average 25-to-30-year span of a P3 contract, the public pays much more than it would if the government borrowed the money directly to finance a traditional design/build contract.[17] The long-term outcomes of such privatized, hidden debt erode the 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.[18]

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. At the same time, 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.[19] Businesses must make money for their shareholders and, as recent experience shows, will not hesitate to take quick action, including bankruptcy and liquidation, to protect investor interests.

The federal government has only recently begun to ramp up its own P3 activity. However they have a long history of actively supporting provincial and municipal P3 growth. As of 2012, nearly 200 Canadian P3s had been established. The government has also created PPP Canada Inc, a Crown corporation dedicated to encouraging P3s at all levels of government, P3 funding criteria like that found in the New Building Canada Plan, 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, and much of the funding from the New Building Canada plan subsidizes P3 development. The P3 Canada Fund was renewed in the 2013 federal budget.

Other levels of government are either directly or indirectly forced to use P3 solutions for infrastructure projects that require federal funding.

On November 8, 2012, the federal government elaborated on a 2012 budget promise to implement Social Impact Bonds,[20] another form of public-private partnership for social services that allows banks and financiers to profit from the delivery of government services. In this system, private investors pay social agencies to deliver services. In turn, the government agrees to pay the investor back, with a profit, regardless of whether or not the services are delivered or program objectives are met.[21]

On October 3, 2013, Jason Kenney, the Minister of Employment, announced a social impact financing initiative for literacy programs worth $6 million. The minister dismissed concerns that this initiative might privatize government services, saying that, "government programs and funds alone are not, cannot be the solution to face all of our pressing social issues."

Less red tape, more red lights

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. Strategic Review programs further undermine inspectors' ability to do their job. Their responsibilities have largely been transferred to the individuals and businesses that sell goods and services or extract Canada's natural resources.[22] Consecutive budgets, budget implementation bills and the government's Red Tape Reduction Action Plan only make the problem worse.

Following the 2008 Listeriosis outbreak, a government commission made a number of recommendations for increased regulatory capacity, including the need for more inspectors. In 2008, when the first outbreak occurred, the Canadian Food Inspection Agency employed 220 inspectors to verify compliance with meat preparation safety procedures. In spite of the Commission's recommendation, CFIA has cut the estimated number of inspectors needed to 150. Last year's food safety recall at XL Foods was a predictable outcome of decreased capacity — where overstretched food safety officers were directed to ignore contaminated carcasses at XL Foods.[23]

This summer's tragic train derailment at Lac Mégantic may have been avoided if there was less self-monitoring and more enforcement.[24] In a 2013 report, the Auditor General of Canada found that "despite the fact that federal railways were required 12 years ago to implement safety management systems for managing their safety risks and complying with safety requirements, Transport Canada has yet to establish an audit approach that provides a minimum level of assurance that federal railways have done so."[25] Further analysis of the Lac Mégantic disaster points to a series of deregulation efforts, including, most recently, the current federal government's Cabinet Directive on Regulatory Management, "which implies that regulations are burdens on business rather than a legal mechanism to protect the public interest."[26]

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.[27] The government is downplaying public demand for strong regulations and regulatory enforcement. In the October Speech from the Throne, the government stated that it would "introduce legislation to enshrine the One-for-One Rule in law: for every new regulation added, one must be removed.with its plans to enact the recommendations of its Red Tape Action Plan in 2013.[28]

AFB Actions

The AFB will introduce a Program Review Process to counter growing inequality, joblessness and challenges posed by climate change. It will:

- provide an assessment of the impact of cuts made in recent federal budgets and omnibus bills and restore programs that have been lost where it is in the long term public interest to do so;
- reverse unsustainable operational budget freezes;
- determine the economic and human costs of a citizen-centred program renewal;
- establish revenue targets and tax initiatives to support federal public service programs;
- support adequate public service staffing and training necessary to meet citizen-centred program goals;
- ensure temporary staffing agencies are used only for short-term, unanticipated work;
- enact legislation that protects all temporary workers employed by the federal government;
- review and reduce contracting-out where required, with a view to redirecting the anticipated savings into programs and projects in the broader public interest;
- introduce social impact "weighting" that includes a combination of price, quality, and environmental and social impact criteria as part of all decisions;
- ensure that Community Benefit Agreements (CBA), including employment objectives, employment equity goals, and local content requirements, are a mandatory consideration for all federal government programs and contracts above $1 million.

The AFB will strengthen public regulatory oversight and enforcement. To that end, it will:

- review Canada's regulatory regime to ensure that regulations support all public interests and are based on robust science and analysis;
- ensure the interests of Canadians are proactively protected through precautionary principles and that adequate resources

are attached to federal monitoring and enforcement obligations.

The AFB will eliminate the P3 Canada fund and convert PPP Canada into a Public Assets Office that will:

- assist in the creation of a green economy through training and the renewal of crumbling infrastructure through contracting practices that consider green sustainable construction techniques tied to localized and targeted training and job-creation initiatives;
- work internally with departments and agencies, and externally with other levels of government, to examine infrastructure priorities, green infrastructure practices, and comprehensive investment strategies;
- cancel all planned federal P3 projects where possible.

The AFB will create a Scale-Up Implementation Fund that will replace the Social Impact Bonds currently being proposed. The Fund will:

- support and implement projects that have been rigorously proven to work in other jurisdictions or on a smaller scale;
- track project progress publicly and transparently;
- share profits with social service agencies and the government, with no profit paid to banks or corporations.

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Sectoral 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 would be a more desirable sectoral mix of output and employment, with a stronger presence for high-value, high-wage, innovation-intensive, export-oriented sectors. These types of sector-focused interventions have played an important role in the history of economic policy in Canada. From the time of Confederation, policy-makers recognized the over-arching challenge of developing secondary and value-added industries, and escaping from Canada's historical reliance on the extraction and export of unprocessed natural resources.

The 'staples trap', as defined by early Canadian economic researchers such as Harold Innis,[1] created a self-reinforcing reliance on foreign capital, foreign markets, and expensive export-oriented infrastructure in resource industries. To escape that trap requires proactive measures to limit and manage resource development, channeling national capacities (including capital, labour, and innovation) into the building of a more diversified sectoral structure. Designing and implementing these policies confronted a political challenge, not just an economic one: namely, how 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 proactive efforts to support industrialization and diversification paid dividends through the latter half of the twentieth century, as Canada became a major industrial 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 value-added 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 postwar era); the declining productivity of resource industries (reflecting the exhaustion of readily-available deposits, forcing more expensive and less productive extraction strategies) has been a major factor in that poor 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 (and continues to decline). Resource sectors spend less on average than other key sectors on research and development, and so the growing resource orientation of the economy is only reinforcing Canada's poor innovation performance.[2] 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 (depressed 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 ever-more-reliant on resource extraction. Canada now experiences a large and chronic balance of payments deficit, which translates into growing international indebtedness. Decades of trade surpluses, for example, have been transformed into a large and growing trade deficit since 2009. With the exception of 1956, 2012 had the worst trade deficit (relative to GDP) in the postwar history of Canada. Our structural underdevelopment is the root cause of our trade woes, yet the federal government's only response is to call for the signing of still more free trade agreements, which only reinforces 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 previous omnibus budget legislation) 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 (sooner or later). 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 artificially depressed prices for our own production; global oil price uncertainty is undermining further energy investment; 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 a 'hewer of wood and drawer of water'. We should pursue a more sustainable and diversified strategy, and this will require measures to deliberately interfere with the short-term profit-obsessed behaviour of unregulated private businesses, which have profited so mightily from resource extraction and export.

The successful state-led industrialization experience of several Asian and Latin American economies in recent decades, on the basis of pro-active policy interventions, suggests that innovative, productivity-enhancing growth does not occur spontaneously as a result of market forces. Rather, it must be spurred and nurtured by active policy. And 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

To set the foundation 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 AFB proposes the following 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 would 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 on the part of our political leaders). 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 would 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 would 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:

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 would 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 sector strategy for Canada's important aerospace industry. This review recognized the strategic importance of the industry, 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.

Rail transportation: The connectivity of a society, especially one as geographically dispersed as Canada's, is an important ingredient in national well-being. Unfortunately, Canada's national passenger rail system has suffered from two decades of short-sighted public policy. Comparing 2012 with highs reached in the 1980s, Via Rail's overall public funding has been cut by 65% (in inflation-adjusted terms), its employment has been reduced by 62%, and consequently, its annual ridership has fallen by 64% (relative to the Canadian population). The revitalization of passenger rail entails a new strategy. Via Rail's operating and capital funding will be restored to levels comparable to the 1980s at an annual cost of $800 million.

New funding would be used to modernize its fleet of locomotives, increasing their speed and comfort. It would also be used to increase the connectedness of the overall passenger rail network. With faster trains, better service, increased connectedness and higher frequency, passenger rail will more effectively compete with the automobile and the airplane. By funding publically and procuring domestically, the employment, manufacturing and other spinoff benefits could be significant. The newly created tax revenues would partially offset the $800 million dollar public investment, as would the renegotiation of Via Rail's 'track usage charges' and 'wheelage' fees, which act as a corporate subsidy to CN Rail.

Forestry: Forestry and wood/paper products are important export industries and employers 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.

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.

Current initiatives in energy policy hold great potential to stimulate the Canadian manufacturing 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 would be budgeted at $50 million per year.

Higher corporate tax rate for oil & gas and mining corporations

As described in the previous chapter on Energy Policy, the AFB would reinstate corporate income tax rates on oil and gas production to the former 28% rate that prevailed prior to the series of corporate tax reductions that began in 2001. The same rate would apply to mining firms as well, the combined effect being a $1 billion per year increase in revenues for the federal government. Together with stricter environmental regulations on new energy developments and greenhouse gas pollution (see the Environment and Climate Change and Fair and Progressive Taxation chapters), the higher tax rate will help to slow down the overheated expansion of new petroleum projects.

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 would 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 would be prohibited, unless a strong case is made that

TABLE 14 2014 AFB Sector Development Measures

Policy Measure	Annual Impact (millions)	
	Revenue	Expense
Sector Development Councils	-	$50
Corporate Tax Rate Increase on Oil & Gas and Mining Industries	$1,000	-
Reduce Exchange Rate	-	-
Canadian Ownership Act	-	-
Canadian Development Bank		$1,000
National Green Industries Initiatives		$150
Other Sector Initiatives		
• Automotive EPR program	$300	$300
• Modernization of passenger rail	-	$800
• Sustainable forestry & skills	-	$300

the application of technology and capital by the foreign purchaser would 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 the past 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, would 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.

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

1 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.

2 See Cansim Table 358-0024, "Business enterprise research and development (BERD) characteristics, by industry group based on the North American Industry Classification System (NAICS) in Canada."

Seniors and Retirement Security

Background

Providing an adequate retirement income for Canadians is still a key policy issue, but there has been little progress in moving toward that goal in the past year. Turmoil in financial markets has undermined the value of the personal savings that people have accumulated to fund their retirement. As a result, many people have had to postpone their retirement. Many workplace pension plans remain underfunded — that is the funds are insufficient to pay the promised benefits. In any case, only a minority of workers belong to a workplace pension plan. Coverage of these plans has dropped from 46% of employed workers in 1977 to only 38% by 2011.[1] In reality, about 11 million Canadian workers do not have a workplace pension plan.

Public pension plans — Old Age Security and the Canada Pension Plan — are available to virtually everyone. But these plans do not provide enough to live on. 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. This expectation is not being met, so we will be facing what many people refer to as a pension crisis. Simply put, the crisis is twofold: most Canadians are not covered by a pension plan, and retirement savings people have are not enough to provide them with a financially secure retirement.

Current Issues

Finance ministers of the federal government and the provinces have met regularly to discuss the problem, but the focus has been on how to persuade Canadians to save more for their own retirement. Clearly this emphasis has not worked. Although there is a range of tax-assisted options for personal saving — Registered Retirement Savings Plans, Tax-Free Savings Accounts, and other possibilities — most people are not taking advantage of these. The Canadian Institute of Actuaries concludes that "two thirds of Canadian households expecting to retire in 2030 are not saving at levels required to meet necessary living expenses."[2]

The solution is straightforward: lack of pension coverage could be solved by improving benefits from the Canada Pension Plan, which covers everyone. Improved CPP benefits can also solve the problem of inadequate retirement incomes. But to date, finance ministers have been unwilling to act. The federal finance minister says the economy is too fragile and that increased CPP contributions would cause unemployment and be too much of a burden on business. It is perhaps significant that when the financing of the CPP was changed in the late 1990s, contribution rates were increased dramatically and by quite significant amounts over a short period of time, but employment was not affected.

When they met in 2012, the finance ministers proposed to introduce Pooled Registered Pension Plans (PRPPs). In effect, the ministers proposed a voluntary savings scheme to be operated by insurance companies and other financial institutions, pooling the savings of those who sign up in a defined contribution type of 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 chose to stop offering the plan if they wish.

The insurance industry had lobbied for this private sector solution to pension problems. Other business groups such as the Canadian Federation of Independent Business have attacked the pension plans of public sector workers arguing these plans, which provide good pensions for these employees, should be curbed or even abolished as the answer to the "pension crisis."[3]

The PRPP proposal 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."[4] 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 the PRPP 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 the 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 would be 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 the so-called "private pension plan" will depend on whether or not employers decide to opt in to 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."[5] The government said provincial enabling legislation will need to be introduced for the framework to become fully operative. However, it is important to note that the PRPP proposal will not provide pensions — it is simply yet another tax-assisted voluntary savings plan — just like RRSPs.

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 implementing CPP expansion. Since changes to the CPP must receive the approval of two-thirds of the provinces having 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 would commence in 2016. There are indications that some provinces - PEI and Ontario, for example - are already on board with this proposal.

While expansion of the CPP was rejected by the federal finance minister when the finance ministers last met in December 2013, more recently this option has been receiving more attention. Prince Edward Island has proposed an increase in CPP benefits and Ontario has said if finance ministers cannot agree to an expansion, it will introduce its own pension plan to supplement what people get from the CPP. But the federal government is still adamantly opposed to the idea, so it seems unlikely to happen. Meanwhile, Quebec has announced it will introduce PRPPs in 2015.

Old Age Security and the Guaranteed Income Supplement constitute the basic tier of Canada's retirement income system and provide a guaranteed annual income to 95% of Canadian seniors aged 65 and older. These benefits do not depend on participation in paid employment. However, the federal government has decided that the age of eligibility for these benefits will gradually change from 65 to 67 over a period of six years starting in April 2023. It says Canada cannot afford to pay these benefits at age 65. However, analysts dispute this and believe adequate funds will be available to pay benefits at age 65. The Parliamentary Budget Office says funds will be available.[6]

It was estimated that government spending on OAS and GIS for 2012–13 would be $40 billion — payable to just over five million seniors. Different GIS rates apply for singles and couples, with the rate for each spouse in a couple depending on the joint income of both.

Although the government recently introduced well targeted top-ups for GIS recipients, those top ups are not high enough, the AFB will triple the GIS top up for singles and double the turndown point for the top up. The result would be a 35% reduction in the seniors' poverty rate (After-Tax Low Income Measure).

AFB Actions

- 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 will triple the GIS top up for singles and double the singles' turndown point for the GIS top up. The result would be a 35% reduction in the seniors poverty rate (After-Tax Low Income Measure). [Cost: $1.1 billion/yr].
- 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. 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 $1.1 billion a year.
- The AFB will withdraw the flawed PRPP legislation, and enhance the only parts of our pension system that have actually demonstrated success over successive generations — OAS/GIS and the Canada Pension Plan. It will protect the pension plans of public sector workers.

Notes

1 "CAN-SIM Table 280-0008: Registered Pension Plan (RPP) Members, By Area Of Employment, Sector, Type Of Plan And Contributory Status." Ottawa: Statistics Canada.

2 Andrews, Doug et al. (2007). *Planning for Retirement: Are Canadians Saving Enough?* Ottawa: Canadian Institute of Actuaries.

3 Petkov, Plamen (2013). *Canada's Two-Tier Retirement*. Toronto: Canadian Federation of Independent Business.

4 "Flaherty offers pooled-pensions idea." *The Province*. December 17, 2010.

5 "Pooled Registered Pension Plans." Ottawa: Government of Canada. Online: http://actionplan.gc.ca/en/initiative/pooled-registered-pension-plans

6 Matier, Chris (2012). *Federal Fiscal Sustainability and Elderly Benefits*. Ottawa: Office of the Parliamentary Budget Officer.

Trade Policy

Background

Modern trade and investment treaties go far beyond trade matters by limiting democratic processes and restricting the authority of governments to influence their national economies. The treaties strive to maximize 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.

A significant economic and societal restructuring is occurring in Canada, particularly in the following areas:

- Canada has become increasingly dependent on producing and exporting unprocessed or semi-processed natural resources.
- The manufacturing sector is in decline and our manufacturing trade balance has decreased sharply.
- Productivity in the business sector has continued to lag, remaining at 71% of U.S. levels in 2012.[1]
- Inequality has increased significantly, with the biggest share of income growth going to the very rich, while incomes of those below have stagnated.
- Our over-reliance on exploiting natural resources, particularly unconventional fossil fuels such as tar sands and shale gas, means that our environmental costs continue to climb.
- The regulatory authority of all levels of government has been weakened, in part by investors using NAFTA's notorious investor-state dispute settlement mechanism.

Canada's trade and investment treaties have clearly played a reinforcing role in these troubling trends.

Despite the agreement on a limited package of reforms at the 2013 World Trade Organization ministerial meeting in Bali, broader multilateral trade negotiations are still at an impasse.

The stalemate in the Doha Development Round underlines the need for rethinking the trade treaty agenda. Yet Canada's response has been simply to redirect its negotiating efforts toward bilateral trade and investment treaties with willing partners.

Since taking power in 2006, the Conservative government has concluded six bilateral trade deals,[2] and it is currently negotiating or considering at least eleven more.[3] No other country in the world has a more aggressive agenda for negotiating trade and investment. Because existing tariffs are generally very low,[4] current negotiations deal primarily with regulatory and other "non-tariff barriers" to trade.

Current Issues

Canada-EU Comprehensive Economic and Trade Agreement (CETA)

Of these ongoing negotiations, CETA is the closest to conclusion; Canada and the EU announced an agreement in principle on October 18, 2013. A week later, the Canadian government released a technical summary of the broad outlines of the deal.[5] The actual text, however, has not been made public.

With EU tariffs already very low, it is unclear how this agreement will benefit Canada. The federal government has repeatedly asserted that CETA would result in a $12 billion boost to Canada's GDP, based on a 2008 study commissioned by the EU and Canada. Economist Jim Stanford has refuted this claim, noting that the computer model that generated the estimate assumed constant full employment, balanced trade, no international capital flows, and no impact from fluctuating exchange rates.[6] Even using 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."[7]

While the gains the government anticipates Canada will make from CETA are of questionable validity, the costs are real. Some of the most significant include the following:

- Extending the terms of patent protection on Canadian drug costs will amount to between $850 million and $1.625 billion annually.[8]
- Powerful foreign investor rights and investor-state dispute settlements will affect democratic authority and the right to regulate in the public interest.[9]
- Provincial and municipal governments will lose their autonomy to use government purchasing as a tool for developing local and regional economies.
- Increased access for European cheese will erode Canada's supply management system.
- Canada's ability to create new public services or reverse failed privatizations without facing litigation and demands for compensation from affected foreign investors will be curtailed.
- The ability of all levels of government to pursue policies that add value to natural resources prior to export or maximize local benefits will be undermined.

In return for these concessions, Canada has secured additional market access for certain sectors including pork, beef, and fish. But these export opportunities come bundled with provisions that will enhance foreign investor, intellectual property, and other corporate rights, to the detriment of most Canadians.

Trans-Pacific Partnership Agreement

In 2012, Canada joined the United States and 10 other Pacific Rim nations in their ongoing Trans-Pacific Partnership Agreement (TPP) talks. The U.S. 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 current TPP members had already reached consensus.[10] This acceptance telegraphed a desperation to be part of this agreement, whatever the ultimate cost to Canadians.

Canada already has trade and investment treaties with four TPP members (U.S., Chile, Peru, and Mexico) and is in separate bilateral trade negotiations with Japan. The other six members (Australia, New Zealand, Malaysia, Singapore, Brunei, and Vietnam) combined account for less than one percent of Canada's exports.[11] As a brief from the United Steelworkers Union points out, "any conceivable increase in exports to these markets would be almost insignificant in terms of total Canadian output and employment."[12]

Even though the TPP talks are in their final stages, there is almost no public information on the details of the terms being negotiated. The AFB finds this extreme level of secrecy unacceptable — especially since the TPP, like CETA, deals with regulatory matters that go to the heart of democratic decision making in the public interest, and any agreement would restrict the policy options of future governments.

WikiLeaks recently published a draft of the TPP intellectual property text. The draft reveals heavy U.S. pressure for much stronger intellectual property rights that will increase drug costs, threaten internet freedom, and criminalize even unintentional copyright infringement.[13] Another U.S. proposal deals specifically with pharmaceutical and medical technologies, and includes substantive pricing provisions to limit government cost-containment programs.[14]

A leaked text of the TPP investment chapter reveals a U.S.-style investment protection agreement that includes an investor-state arbitration mechanism. Because of the treaties' most-favoured-nation provisions, investors will be able to mix and match investor rights from NAFTA Chapter 11, CETA, and the TPP to construct the most favourable challenge. Canada can also expect to face heavy pressure to open up its supply-managed sectors further.

In December 2013, Nobel prize-winning economist Joseph Stiglitz wrote to TPP negotiators, stating: "The TPP proposes to freeze into a binding trade agreement many of the worst features of the worst laws in the TPP countries, making needed reforms extremely difficult if not impossible."[15] The high price of such an anti-democratic agreement to health care costs, Canadian dairy, poultry and egg farmers, our artists and cultural industries, internet freedom, and a wide range of other public interests is now becoming clear.

Foreign policy shift

In December the federal government unveiled its new Global Markets Action Plan under which "*all* diplomatic assets of the

Government of Canada will be marshalled on behalf of the private sector…" (emphasis added) in pursuit of commercial interests in foreign markets.[16] This culminates a series of reforms by the federal government to put the full powers of the Canadian state at the service of corporate interests. These reforms include funding cuts to environmental and sustainable development groups, absorbing the formerly independent Canadian International Development Agency into the trade department, tying foreign aid to projects supporting the mining industry, and spying on friendly foreign governments on behalf of the resource extraction and energy industries. The Action Plan also stresses that the government will intensify its efforts to sign as many trade and investment protection agreements as possible. [17] The breadth of these constitutional-style documents, the secrecy under which they are negotiated, and the difficulty of altering them once they are signed highlight Canada's policy to support private enterprises to the detriment of the broader public interest.

Measures are anti-democratic

This pattern of unbalanced trade-offs and concessions raises the question: why would anyone embrace this agenda? The current federal government sees these sacrifices of basic interests (and key policy flexibility) as desirable domestic reforms, and the strongest corporate supporters, such as brand-name pharmaceutical companies and agri-food corporations, advocate trade and investment treaties as a way to change Canadian domestic policies. However, these treaties are unpopular with Canadians. Altering key domestic policies through the back door of international trade treaties, while locking in unpopular policy reforms, is fundamentally illegitimate.

Along with rising public concern about CETA and the TPP as their full implications become more widely understood, there is now hope that this anti-democratic agenda can be prevented.

In addition to the above, significant public backlash against the Foreign and Investment Protection and Promotion Agreement (FIPA) with China continues.[18] FIPA was signed in 2012 but has not yet been ratified.

AFB Actions

- Investor-state dispute settlement claims could subject Canada to unfunded liabilities amounting to hundreds of millions, perhaps billions, of dollars. Nevertheless, the federal government asserts 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."[19] Canada has already paid out approximately $160 million to investors to settle NAFTA investor-state claims, and has incurred tens of millions more in legal costs.

  The AFB will refuse to sign any further bilateral or regional trade and investment agreements that include investor-state dispute settlement.

- A CCPA study by health care experts Joel Lexchin and Marc-Andre Gagnon estimates the cost of CETA-mandated changes to Canada's patent system for drugs at $850 million to $1.625 billion annually.[20] The federal government's own research estimates that each additional year of monopoly protection for brand-name drugs will increase Canadian drug costs by $300 million to $900 million annually.[21] In addition, any concessions on drug patents made in CETA would become the starting point for further negotiations in the TPP negotiations, leading to further cost increases.

  The AFB rejects demands by the EU in CETA and by the U.S. in the TPP to extend patent terms for brand-name pharmaceuticals, thereby avoiding increasing costs for consumers estimated at hundreds of millions of dollars annually.

- The AFB will ensure that Foreign Affairs, Trade and Development Canada promotes Canadian trade within an overarching foreign policy framework that pursues and promotes peace, democratic development, respect for privacy, and human rights. As such, the AFB will spend $99 million a year to:

  - The AFB will reverse the cuts to the Trade Commissioner Service, which helps Canadian businesses 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.

  - The AFB will establish parliamentary and budgetary oversight of the activities of the Communications Security Establishment Canada.

Notes

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2 With Colombia, Peru, Jordan, Panama, Honduras, and the European Free Trade Association (comprising 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 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 Technical Summary of the Final Negotiated Outcomes: Canada-European Union Comprehensive Economic and Trade Agreement: http://www.actionplan.gc.ca/en/page/ceta-aecg/technical-summary#p4

6 Stanford, Jim. (2010). "Out of Equilibrium: The Impact of EU-Canada Free Trade on the Real Economy." Ottawa, Canadian Centre for Policy Alternatives, October.

7 Stanford, Jim. (2012). "$12 bil CETA GDP Claim from SimCity, not Real World," Progressive Economics Forum blog, November 2. "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."

8 Lexchin, Joel, and Marc-André Gagnon. (2013). *Impact of the CETA on the costs of patented drugs*. Canadian Centre for Policy Alternatives. http://www.policyalternatives.ca/newsroom/updates/impact-ceta-costs-patented-drugs.

9 The leaked CETA investment chapter has been described as "the most investor-friendly set of corporate rights ever drafted by the Canadian government into a treaty." Mann, Howard. (2013). Senior International Law advisor, International Institute for Sustainable Development. Submission to House of Commons Standing Committee on International Trade, December 5, 2013.

10 According to the USTR, this includes all agreed text within chapters that are still open, not just completed chapters. See Inside U.S. Trade. (2012). "Mexico Stresses It Will Be a Full TPP Partner, Despite Terms of Entry." Washington: World Trade On-line, June 22 (subscription required).

11 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/.

12 United Steelworkers. (2012). United Steelworkers' Submission to the Government of Canada on the Trans-Pacific Partnership, February 12. P. 2. http://www.progressive-economics.ca/wp-content/uploads/2012/02/TPP.pdf.

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14 Sean Flynn, American University: Washington College of Law. (2011). "Statement on the U.S. Proposal for Transparency in Medical Technologies and Pharmaceuticals," October 22.

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16 http://international.gc.ca/global-markets-marches-mondiaux/plan.aspx?lang=eng

17 In 2013, Canada also quietly ratified the Convention on the Settlement of Investment Disputes, making enforcement of investor-state awards easier for foreign investors. http://www.international.gc.ca/media/comm/news-communiques/2013/11/01a.aspx

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19 Department of Foreign Affairs and International Trade. (2012). Response to questions by MP Wayne Easter, House of Commons Standing Committee on International Trade (CIIT), October 18. P. 1. http://www.liberal.ca/files/2012/11/CIIT_18Oct2012_Suivi_Follow-up.pdf.pdf.

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21 Scoffield, Heather. (2012). "EU drug demands would cost Canadians up to $2B a year: federal research." The Canadian Press, October 14. 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, a public trust, and a human right. The notion of the "commons" asserts that water is a common heritage owned by no one yet belonging to everyone. 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 other communities in decision-making. Public trust principles 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 United Nations General Assembly recognizing the human right to water and sanitation. On September 23, 2011, the United Nations Human Rights Council (HRC) passed a resolution on the human right to safe drinking water and sanitation 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 that services are affordable for everyone; and
- provide a framework of accountability with adequate monitoring mechanisms and legal remedies.[1]

After its longstanding opposition to the human right to water and sanitation, Canada finally recognized this human right in June 2012 at the United Nations Conference on Sustainable Development.

Current Issues

National Public Water and Wastewater Infrastructure Fund

The AFB will embark on an ambitious 20-year program to maintain and replace water infrastructure across the country. 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 (see *Table 15*).[2]

Over the next six years, the AFB will replace water infrastructure currently rated "poor" or worse. The remaining infrastructure requires a transparent, long-term maintenance plan. In order to maintain water infra-

TABLE 15 Water Infrastructure in Canada ($ Billions)[3]

	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		
Total	**66**	**15**	**281**	**362**	**26**	**56**

structure 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, the federal government will pay 40%, the provinces 40%, and municipalities only 20%.[4]

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 replace infrastructure considered in poor and worse shape and for maintenance and capital to improve "fair" or better water systems.

After the first six years, the AFB commits $1.6 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.

The AFB will create an annual fund to which municipalities with declining tax bases can apply for assistance. Funding will be provided through a mix of both per capita and grant based formulas to ensure equity and to target communities with the greatest needs. Water sustainability planning will be a key component of this, together with training and human resource development.

Over 150 billion litres of raw sewage are flushed into waterways every year.[5] The federal government passed new wastewater regulations in June 2012. 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.[6] The AFB will also work with provincial governments to harmonize reporting requirements, with the goal of reducing the cost of administering regulations.

The AFB will devote spending exclusively to publicly-owned and operated water infrastructure instead of promoting privatization through the Public-Private Partnership (PPP) Canada Fund. Municipalities have the experience and expertise in water and wastewater management and are far more accountable to the public than private corporations. Water and wastewater projects will be excluded from PPP Canada funding criteria. For more details, see the Public Services chapter.

Canada drew lessons from the Walkerton disaster and established provincial regulations and mandatory certification requirements for water operators. The AFB will provide support for ongoing water operator training, public sector certification and conservation programs, including restoring the water-efficiency labelling 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 reported 89 water advisories in First Nations in December 2013.[7] There are routinely over 100 water advisories in effect, with some communities living under advisories for over ten years.[8] The "Safe Drinking Water for First Nations Act" passed into law in June 2013. The Act sets necessary high standards, but fails to allocate needed funding to meet the standards. Therefore, 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.

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 meaningful participation of Indigenous peoples on water and wastewater policies.

Sustaining 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 federal government's cuts to the Experimental Lakes Area (ELA) and other critical environmental programs hinder its 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.

The Ontario and the Manitoba governments have committed to funding the ELA for several years despite the ELA being a federal responsibility. To address the numerous information gaps in water quality and quantity the AFB will reinstate federal funding for the ELA as well as for the UN Global Environmental Monitoring System/Water Programme, a global water quality database. The AFB will create a water minister position to coordinate the more than 20 departments that set federal policies affecting water.

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 by 8.5% between 1971–2004.[9]

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.

Since a third of Canadian communities rely on groundwater for drinking water, the AFB commits $3 million to implementing a thorough groundwater protection plan including:

- identifying and mapping groundwater sources;
- applying 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.

Virtual water is the amount of water used to produce or process a good or a service. Canada net exports 59.9 Bm^3 of virtual water each year, making it the second net virtual water exporter in the world.[10] 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 in the Basin. 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, based on empowering local decision-making and a co-management model that ensures true collaboration between communities and governments.[11] 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 ban on fracking and oil and gas exploration in the Great Lakes, St. Lawrence River and Gulf of St. Lawrence as well as a ban on the transport of tar sands bitumen through pipelines and shipments through the Great Lakes Basin. This will curb costly clean up projects.

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.[12] 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 Energy East pipeline from Alberta to New Brunswick, Enbridge Northern Gateway and Kinder Morgan Trans Mountain Pipeline in British Columbia, the Alberta Clipper to the Great Lakes as well as the reversal of Line 9 in Ontario and Quebec, would transport tar sands or fracked oil across the country, exacerbating climate change and putting water, food, and public health at risk. An in-depth study on the effects of tar sands development on water is needed.

First Nations and other communities across Canada are raising concerns about hydraulic fracturing (fracking), a controversial practice that uses sand, water and chemicals to blast rock formations in order to extract natural gas or oil from them. There are many risks associated with fracking, including groundwater contamination, poor air quality and climate change. Further challenges include the lack of safe options for disposing of fracking wastewater and the link to increased risk of earthquakes. Environment Canada and the Council of Canadian Academies are conducting reviews on fracking. The AFB calls for a moratorium on fracking until these reviews are complete.

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 impact of climate change on watersheds and infrastructure, renewal of the Flood Damage Reduction Program, drought and flood planning, and support for Indigenous communities.

Omni-gutting environmental legislation

The 2012 omni-budget bills implemented sweeping changes to environmental laws and removed 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.

Two project proposals on Line 9 and a water withdrawal application by Encana for a B.C. fracking project that are currently moving ahead are examples of the environmental assessments cancelled by budget bill C-38. The bills not only mark a troubling move to stifle 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 contained within the omnibus budget bills and require that any subsequent amendments be introduced separately and trigger thorough assessments, including public hearings and the free, prior and informed consent of First Nations.

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. Schedule 2 is the equivalent of a major subsidy to corporations by giving them a lake rather than them building their own containment systems.

The AFB will exclude 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, and Trans-Pacific Partnership. When water is considered a tradable good or service under international trade agreements, there is too much pressure to commoditize it and leave its management and distribution to "market" forces, undermining sustainability and rights-based access. These agreements also make water-related policy and other measures vulnerable to investor-state challenges that involve a proprietary interest in water, its distribution and treatment.

In 2010, the federal government settled a NAFTA challenge brought against Canada by pulp and paper company AbitibiBowater for $130 million. 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. On September 6, 2013, Lone Pine Resources filed a $250-million NAFTA lawsuit challenging Quebec's moratorium on fracking in the St. Lawrence Valley. Water-intensive industries such as mining and energy see these treaties as a means to pressure governments into approving potentially dangerous projects, or in penalizing governments who get in their way. The AFB will put an end to Canada's practice of including these excessive investment protections in free trade agreements and stop signing Foreign Investment Protection and Promotion Agreements. Existing treaties will be amended to protect communities' rights to develop regulations on water protection.

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.

The AFB will support the full realization of the Right to Water and Sanitation, by:

- creating a National Public Water and Wastewater Fund (federal cost: $2.7 billion a year);
- implementing a new Wastewater Systems Effluent Regulations (cost: $1 billion a year over 20 years).

The AFB will ensure the safety and sustainability of Canada's freshwater supply, including by:

- implementing a comprehensive action plan to protect the Great Lakes (cost: $500 million);
- Clean up priority waterways (cost: $950 million a year for five years);
- establishing water quality and quantity monitoring frameworks (cost: $327.5 million over three years), including by:
  - increasing the number of monitoring stations;
  - training staff in water monitoring;
  - contributing to the UN Global Environment Monitoring System;
  - creating a new water minister position;
- reinstating federal funding for the Experimental Lakes Area (cost: $2 million).

The AFB will support and fund environmental impact research, including by:

- providing assessments of all energy and mining projects (cost: $50 million);
- providing an in-depth and independent study of the effects of tar sands development and incorporating public input in the federal reviews on fracking (cost: $32 million).

Notes

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Youth

Background

There are currently an estimated 4.6 million people between the ages of 15 and 24 in Canada.[1] This may seem like a large number, but overall, the Canadian population is ageing, with the median age rising markedly from 27.1 years in 1974 to 40.2 years in 2013.[2] Youth, those aged 15–24, account for just 13% of the population today, compared with 19% thirty years ago.

Nearly half (44%) of all young Canadians are pursuing some form of schooling, and are directly affected by public policy on secondary and post-secondary education.[3] The amount of money governments commit to education, the proportion of the cost that is individualized, credit transfers between institutions and the presence or absence of an overarching national strategy (see the Post-secondary Education chapter of the AFB) all impact the institutions and systems young students encounter.

The remaining 54% 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.[4] These people have a stake in labour market policy and regulations, as do prospective graduates who hope for employment. Labour market regulation that affects the school-to-work transition shapes the job opportunities available to recent graduates.[5] Labour market regulations and policy have not been updated to reflect the rise of precarious work.[6]

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", "boomerang kids" and "extended adolescence."[7] 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 constitutes 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 youth, racialized, homeless, and unemployed young people, each face different challenges. Disproportionately marginalized, these populations often lack the social, financial, and cultural capital to overcome 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 people coming of age in a world where conditions demand radically different structures and practices of government than those developed by preceding generations. It may well be that increasing the youth vote would do nothing to change the content of policy and platforms. But *if* electoral politics is the best, legitimate, or most direct way for citizens to influence the policy and planning decisions that affect their lives, young peoples' disengagement from traditional state-centered political structures could mean that their needs and interests will not be represented therein.

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(der)employment

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 73.4 million young people expected to be unemployed globally in 2013.[8] Fortunately, the situation in Canada is not as dire, where 14% of 15-to-24-year-olds here are unemployed.[9] 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.[10]

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%.[11] Yet, since the 1970s, public spending on supports specifically for young adults and young families has remained minimal, while government spending on retirement income supports and health care for older Canadians has grown.[12] In the 1980s, the federal government *did* introduce several measures under the umbrella of a Youth Employment Initiative, which included wage subsidies for employing disadvantaged young people, funding for community projects with a youth focus, and youth units at Canada Employment Centres.[13] 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 and social transformations that have taken place since the 1980s.[14]

One such transformation is the substantial rise and spread of unpaid internships, with an estimated 100,000 to 300,000 young people working for no pay across the country.[15] Once the domain of specific industries — journalism and television, for example — and usually leading to full-time paid employment, unpaid internships are now cropping up in retail businesses, call centres, graphic design firms, hotels, clothing manufacturers and even some federally-regulated businesses (such as Bell Canada), and are often not connected to any future employment with the same employer.[16]

There is some evidence that international students coming to Canada to study, as well as young immigrants, face a higher risk of being exploited by unpaid internships.[17] International students are often placed in internships with employers who do not provide any form of education or training. Poorly regulated language schools and career colleges often have arrangements with local employers who pay a fee to be provided with students who are *required* to work without pay.[18] This appears to be a particular problem in major urban centres like Toronto, Montreal, and Vancouver. International students and young immigrants in these cities and elsewhere who find themselves in exploitative unpaid internships likely have difficulty getting help from provincial and federal authorities due to language barriers, poor knowledge of workplace laws, a power imbalance, and little enforcement activities from provincial or federal authorities.[19]

Unpaid internships are typically illegal across Canada, as these jobs violate minimum wage rates and rules against contracting out of minimum employment standards. In some provinces there are strict limitations on the responsibilities an unpaid intern can have, but legislation varies widely and is often too vague to enforce; it is also generally complaint-driven, so it is under-enforced. In Ontario, for example, if an intern is performing tasks that are essential to the running of the business, they cannot be classified as interns, and must instead be classified and *paid* as employees. In Nova Scotia, the only substantial qualification is that the intern has to enter into the internship voluntarily.[20] The legality of unpaid internships notwithstanding, the morality of expanding opportunities for what in many cases amounts to unpaid work is questionable, particularly in light of high and rising youth unemployment, crippling student debt, and the increasing difficulty of home ownership, family formation and post-secondary completion — life course markers that contribute to healthy economies and societies. Moreover, because it is debatable whether unpaid interns are covered under the current *Canada Labour Code* (covering federally-regulated employers), they often do not receive the same benefits and security afforded to paid employees by law, and are at increased risk of being subject to exploitative and dangerous working conditions without penalty to the employer.[21] They are typically unable to make and claim EI and CPP contributions, nor do they pay income tax.

There are already mechanisms in place that could deal with the problems around unpaid internships. The Canada Revenue Agency and the Labour Program have the records and authority to identify and correct instances of "employee misclassification" — workers who are, by virtue of their responsibilities at their employer, employees, but who are "misclassified" as interns. These investigations can also reveal where employees are misclassified as independent contractors.[22] But there are presently two major roadblocks in the way of measures that could protect young people from illegal and/or exploitative unpaid internships. First, the vague and varying legislation across Canadian provinces, coupled with the lack of federal regulations, means that stamping out unpaid internships currently depends on complaints brought through costly and lengthy court cases, and is thus proceeding very slowly. Second, unpaid internships are not tracked by official statistics, so there is no way of knowing exactly how many unpaid interns are working for free, for how long, for which employers, where, and who these unpaid interns are.[23] The demand for overarching regulations, and the political will to respond to this demand, will be driven by accurate knowledge of the scope of the problem.

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%. 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. Although Elections Canada has developed some campaigns to encourage young people to vote, and has announced that it will expand voting opportunities on campuses, 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

According to the Canadian Mental Health Association, 10–20% of young Canadians are dealing with mental illness and, of those afflicted, only one-fifth receive any mental health services. Young people in mental distress most often turn to emergency rooms as their first point of contact.[24] Marginalized young people, such as those living on the street, as well as youth in rural areas or immigrant youth, face additional barriers when it comes to accessing mental health services — either because no such services are available in their area or because the services that exist are offered through institutions that require membership (e.g. universities) or are not equipped to deal with a diversity of issues and clientele. In addition to the high social cost of mental illness — the stress on individuals, and the despair for families and friends — mental illness that goes unrecognized, unreported and untreated also costs the economy millions of dollars in disability claims, productivity losses, crime, and unnecessary hospitalization.[25] The Canadian Mental Health Commission was appointed to develop Canada's first Mental Health Strategy in 2007, and their findings and recommendations were published in 2012. It is unclear to what extent their recommendations have been put into action.

In the meantime, several high-profile teen suicides in Canada have thrust the issue into the national spotlight, with the more specific issue of bullying receiving much of the attention. These recent deaths, 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.[26]

AFB Actions

The AFB will introduce a Young Workers Initiative. Youth will be defined as people aged 15–29. The Young Workers Initiative will include:

- *Wage subsidies for employers that hire young workers.* Employers that hire new workers aged 15–29 will be eligible to apply for a $10/hr wage subsidy for the first two months of employment. 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. (Cost: $100 million.)
- *Linking young workers with employers.* The AFB will improve upon the existing Service Canada youth job bank by creating a stand-alone job bank that explicitly connects young workers with the employers and industries facing labour shortages.[27] 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.
- *Public Works projects for young workers:* All federally-funded infrastructure projects will reserve, at minimum, one-fifth of the jobs they create for young workers.
- *Tracking Unpaid Internships:* Statistics Canada will add a series of questions about unpaid internships in their monthly Labour Force Survey, in order to track the number, duration, and industry of unpaid internships and the age, gender and education level of unpaid interns.

The AFB will implement reforms to the *Canada Labour Code* to protect young workers in precarious employment, including:

- Amend Part II of the *Canada Labour Code* to specifically cover interns, trainees, and students under all provisions granting protections related to occupational health and safety.

- Amend Part III of the *Canada Labour Code* to specifically i) prohibit unpaid internships and unpaid trainees under Part III of the *Canada Labour Code*; and ii) cover interns, trainees, and students under all provisions granting protections related to labour standards under Part III of the *Canada Labour Code*.
- Amend section 239.1 of the *Canada Labour Code* so that federally-regulated employers must provide students, interns, trainees, or learners who are absent from work due to work-related illness or injury with wage replacement, payable at an equivalent rate to that provided for under the applicable workers' compensation legislation in the province of permanent residence for the person. The equivalent rate would be no less than the hourly average industrial wage.
- *Proactive Enforcement:* the federal government, in partnership with provincial counterparts as necessary, will develop proactive enforcement plans to identify employers that use unpaid interns and penalize any practices that are illegal under an amended *Canada Labour Code*.

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 develop and implement a mental health strategy.

- Using a "social determinants of health" perspective, the mental health strategy will identify and address the contextual factors that contribute to mental illness as a social problem and exacerbate its negative effects.

Notes

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21 An extreme example of what can happen when unpaid interns are not protected by labour legislation is the case of Andy Ferguson, an intern who died in Alberta after a 16-hour overnight shift. It has been argued that stricter regulations on unpaid internships might have saved his life. See Tomlinson, Kathy. (2013). "Intern's Death After Overnight Shift Sparks Outcry." CBC News. September 9th, 2013. Online at http://www.cbc.ca/news/canada/british-columbia/intern-s-death-after-overnight-shift-sparks-outcry-1.1704532

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