ALTERNATIVE FEDERAL BUDGET 2015

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ISBN 978-1-77125-188-4

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Introduction

This year marks the 20th anniversary of the Alternative Federal Budget (AFB). The brainchild of University of Manitoba economics professor John Loxley, the AFB concept was first put into practice, at the provincial level, by the Manitoba-based social justice coalition CHO!CES. In 1994, Loxley asked if the Canadian Centre for Policy Alternatives would partner with CHO!CES on an alternative *federal* budgeting exercise to coincide with Paul Martin's landmark budget the following year. Thanks to the vision, commitment and financial support of the legendary Bob White, president of the Canadian Labour Congress, and major CLC affiliates, the AFB became a reality.

The starting point of the first AFB was that budgets are quintessentially political documents that reflect the values and priorities of those who put them together. Different values and priorities would yield different policy choices. With this in mind, a wide range of civil society organizations was assembled in an unprecedented policy development experiment. Participants came from unions, churches and the women's equality movement, from environmental, anti-poverty and international development organizations. Students, teachers and farmers were represented, as were Aboriginal voices, policy think-tanks and others.

Then, as now, the AFB was grounded in the progressive values these voices brought to the table: full employment (good jobs), the reduction of inequality, the eradication of poverty, economic equality between men and women, the protection of UN-mandated rights (civil, political, economic, social, cultural and labour), and the pursuance of peace, justice and sustainable development for all peoples.

Beyond the breadth of input from civil society, another unique innovation of the AFB was the creation of its own independently validated economic and fiscal framework. This allowed us to set realistic macroeconomic constraints, set out tax and spending parameters, and then allocate the available fiscal resources in accordance with the agreed-upon priorities. The process called for compromise and consensus among participants on a fiscal policy agenda that was demonstrably workable and responsible.

The AFB acknowledged that inequality, poverty, environmental degradation, the erosion of social infrastructure, and other societal ills would not be reversed overnight. But it rejected the notion, which congealed in Ottawa over the course of the 1990s, that governments cannot (or should not) do much more than cut programs and taxes, deregulate, privatize, and otherwise get out of the way of "market forces." It rejected the neoliberal orthodoxy that says we have reached the limits of our tax and redistributive capacity, that the forces of technological change, capital mobility and global competition have severely reduced the scope for policy, and that, accordingly, we must lower our expectations of what government does.

At heart, the AFB disputed the claim that "there is no alternative," which was always just an excuse to subvert democracy. On the contrary, we showed that there were many alternatives to neoliberalism — and they were affordable. Despite constraints — real and imagined, external and self-imposed — governments do have a wide range of choice about how they spend, tax, regulate, and provide services. The AFB has sought to reconnect taxes and public services, rebuild fiscal capacity, and ensure that government spending is equitably distributed.

No federal government has ever fully embraced these alternatives — far from it, actually. The project has been much more effective at supplying intellectual fuel for social activists and progressive organizations. Nevertheless, AFB recommendations found their way into party platforms, successive governments have drawn from its proposals, and several retrograde policy initiatives were reversed because of our efforts.

Early on the AFB took a strong stand against the government-supported high interest rate policies of the Bank of Canada. Though these were, strictly speaking, not a budget issue, we argued that expansionary monetary policy was critical to restoring economic prosperity and jobs. To its credit, the government eventually adopted that policy stance, which, with its impact on exchange rates, and strong U.S. demand for Canadian exports, produced solid growth, job creation, and the rapid elimination of the deficit. Unfortunately, absent the adoption of other AFB proposals on taxes and redistribution, this period of fiscal success also produced widening income inequality.

The AFB gained credibility within policy circles and the media not only for its sophisticated fiscal framework but also for its accurate predictions of emerging budgetary surpluses between 1999 and 2004. Year after year our forecasts were much more accurate than those released by the Department of Finance, which tried to hide the surplus — money that could have been put back into social programs (federal and provincial) still straining from the 1995 cuts. A longstanding AFB call for the creation of an independent Parliamentary Budget Office was partially adopted by the Conservative government in its 2006 accountability agenda.

AFB policies helped stop the introduction of a complicated targeted seniors benefit proposed in 1995 to replace Canada's Old Age Security and Guaranteed Income Supplement programs. They led to the introduction and enhancement of the child benefit in the late 1990s and the working income tax credit in 2007. They inspired inflation indexing of personal income tax brackets in 2000.

The closing of an array of tax loopholes for the wealthy, the restoration of health transfers to the provinces in 2004, the enhancement of maternity and parental leave benefits under Employment Insurance, funding for new infrastructure, the introduction of scholarships for students in need, and expanded Aboriginal transfers were all policies whose genesis can be linked to the AFB.

During the 2008 financial crisis, the AFB branched out, producing a fiscal stimulus plan that played an important role as a model for stimulus spending in Canada. In January 2014, an AFB technical paper exposed the regresivity of the government's family income splitting tax plan, which led to a partial reining in of the still inequitable policy.

Another recent AFB innovation, which continues this year, is the calculation of the distributional impact of our tax and program measures and their impact on poverty reduction and job creation. We have also been at the forefront of gender-based budgetary analysis. No government, federal or provincial, has applied such a thorough assessment of the impact of their budgets on inequality, poverty and job creation, which they claim to be priorities. This pioneering innovation should be adopted as a standard feature of government budgets.

The AFB has, over time, served multiple purposes. It is an exercise in economic literacy, in holding governments to account and speaking truth to power. It is a meeting place of ideas and an instrument for building progressive policy consensus. It is a resource to help empower citizens and fuel popular mobilization. Organizers of a recent international conference in Berlin called our alternative budget the leading example of its kind in the world. Former parliamentary budget officer Kevin Page has praised it, as have many other economists and academics.

The AFB provides a benchmark for what is possible, given the political will. It puts forward the fiscal dimensions of a broad progressive public policy agenda, consistent with the values of large segments of Canadian society. And it seeks to replace the politics of despair and resignation with the politics of hope and renewal.

Macroeconomic Policy

Rushing the Surplus, Stalling the Recovery

There is no strong economic justification for balancing the federal budget in 2015. There is only political pressure, and even that is self-imposed. In fact, rushing to produce a federal surplus through substantial cuts to services that all Canadians rely on, in the midst of a weak labour market, has impaired Canada's post-recession recovery. This has been apparent for several years now.

The Bank of Canada has been stomping hard on its economic accelerator pedal, setting a low interest rate of 0.75% to encourage businesses and households to borrow and spend as a means of boosting growth. But the bank has stopped short of encouraging governments to invest in long-term projects — reliable economic wisdom blunted by an austerity agenda in Ottawa — even though historically low rates have produced growth that is barely average, let alone explosive.

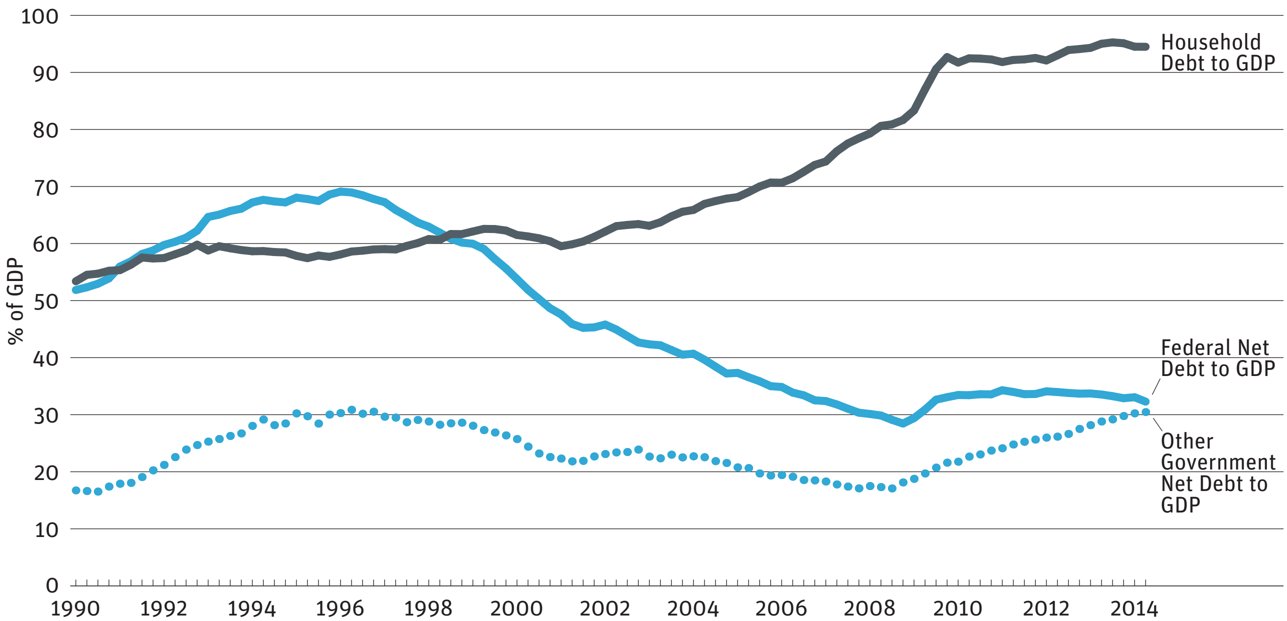
In general, we can say the federal government has focused on its own affairs to the detriment of the country. It is balancing its own books through service cuts in order to pay down its own debt, ignoring that there are other actors in the Canadian economy — the provinces, municipalities, and family households — in far worse shape. It would be much more effective to target employment growth and poverty reduction instead of focusing purely on creating a surplus in weak economic times.

Part of the federal government's inward focus has involved holding the debt-to-GDP ratio at steady (and record low) levels since the end of the recession in 2009. While the absolute amount of debt at the federal level has increased since then, this has happened at about the same anaemic rate as economic growth, producing stasis in the ratio of debt to GDP.

If federal debt levels are not changing substantially, the story is very different at the provincial and household levels, as seen in *Figure 1*. The provinces were much harder hit than the federal government by the recession, reflected in the steady increase in their combined debt-to-GDP ratio.[1] At some point in 2015, provincial debt will exceed federal debt for the first time ever. The federal debt ratio, on the other hand, will continue to fall to its lowest level since the 1930s, reaching 27.3% of GDP by 2018, as seen in *Table 2*. To reach this level, the federal government will underspend on services, with noticeable impacts on service quality, in particular for veterans and those receiving employment insurance.

But to focus on government debt, whether federal or provincial, is to miss the much

FIGURE 1 Debt Levels of Governments and Households



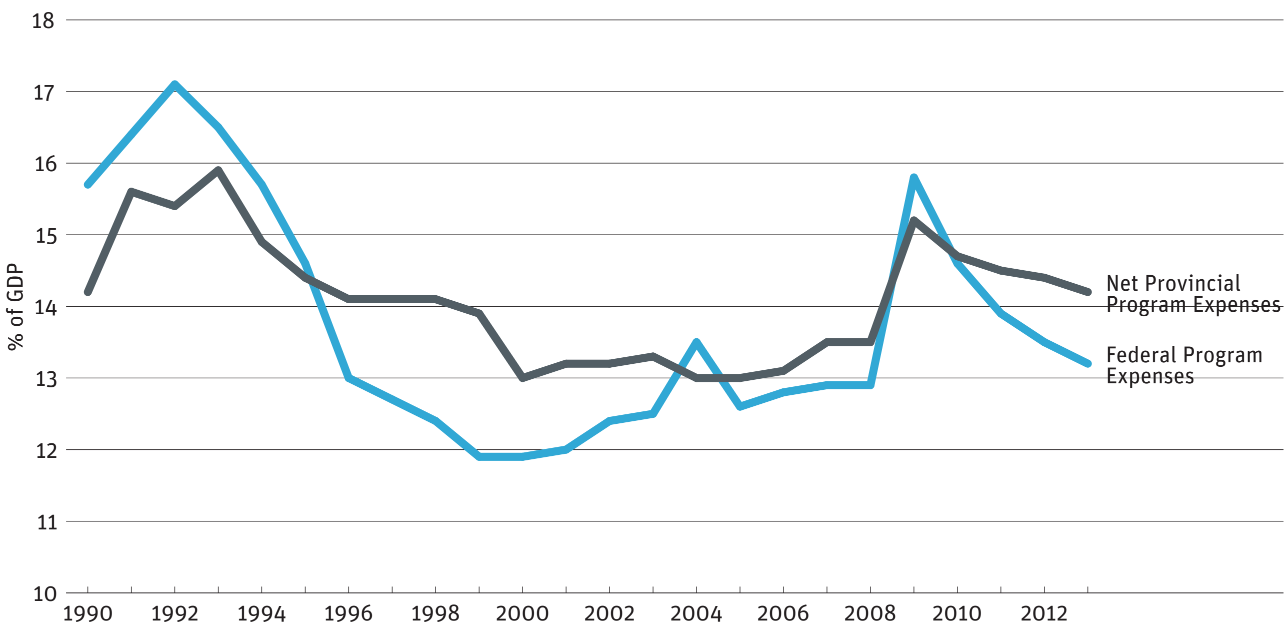
Source CANSIM 378-0125, 378-0123

more important trends at the household level. The immense increase in housing prices since 2001 has caused the dangerously high debt levels that households currently hold. Household spending and new home construction were mainstays of growth in the 2000s and during the post-2009 recovery, which had an overall positive impact on the Canadian economy. As *Figure 1* shows, since 2008–09, households have taken on much more stimulative debt than any level of government: household debt, as a percentage GDP, has plateaued at about 90%.

If the Bank of Canada does decide to take its foot off the accelerator pedal, to push up interest rates, it is households, through their mortgage payments, that will feel the pinch. Decreasing the spending power of homeowners in this way will have a substantial impact on economic growth given that roughly 60% of GDP depends on this factor.

As shown in *Figure 2*, the federal government and the provinces boosted expenditures significantly in 2009–10 to stimulate economic growth during the Great Recession.[2] The federal government committed more resources than the provinces, but it also cut its spending more rapidly (by 2.6 percentage points) between 2009–10 and 2013–14. Provincial austerity has been less severe (so far), expressed as a decline in spending of one percentage point of GDP versus the federal governments' cut of 2.6%. These austerity-driven cuts have slowed economic growth.

FIGURE 2 Federal and Provincial Expenditures as a Percentage of GDP



Source Fiscal Reference Tables (Department of Finance Canada, 2014). Federal figures include provincial transfers. Provincial figures exclude federal transfers.

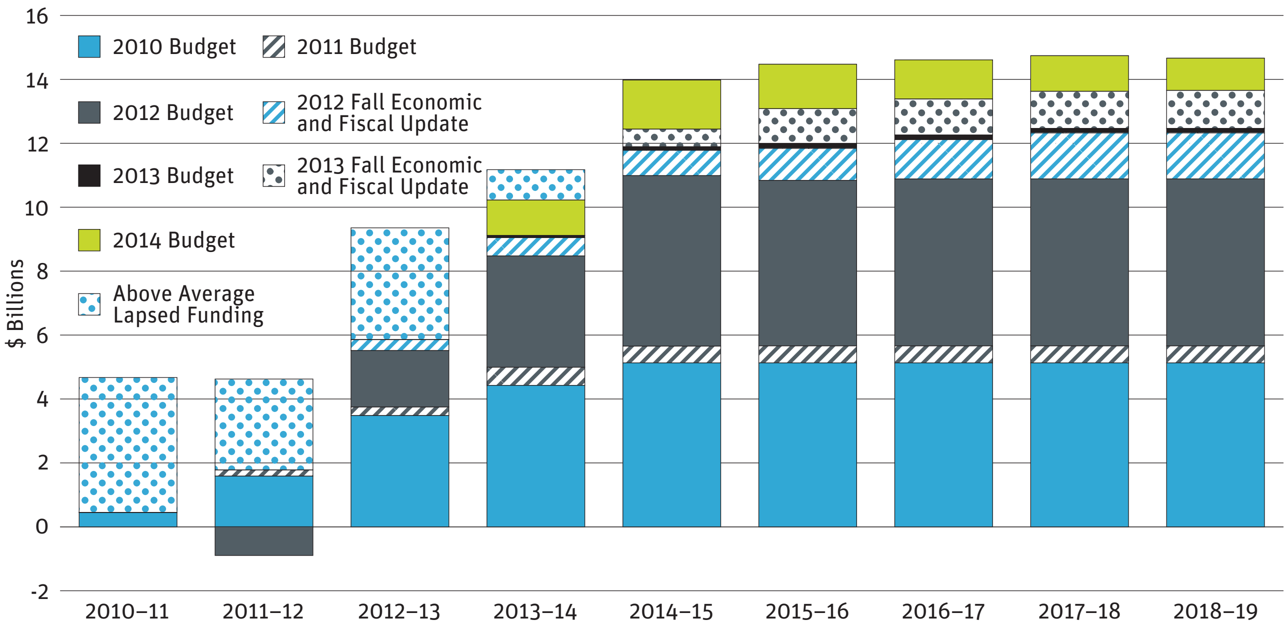
Service Cuts and a Weak Jobs Market

The expected surpluses in future federal budgets are not the product of any special economic prowess but were created by cutting federal services or otherwise letting spending lapse. In one egregious example of the direct effect of those cuts, it has been reported that 30% of Canadians seeking help with employment insurance are reaching a busy signal, resulting in over 26 million calls between 2011 and 2013 not being connected. Staffing levels at Veterans Affairs Canada's have been cut by 25%, leading to the closure of local offices and month-long waits for mental health care services for veterans. The Canada Food Inspection Agency will have lost 20% of its workforce between 2012 and 2016. (See the Public Services chapter for more on all of these cuts.)

The cuts were implemented over four years starting in 2010. They were slowly ramped up to reach their peak of $14.5 billion a year by 2014–15, as shown in *Figure 3*. Without these substantial cuts to services, the essentially balanced budget next year (as seen in *Table 2*) would not have existed. Furthermore, there are no plans to improve service levels (to reinvest where it's needed) once a federal surplus is reached. For instance, there is no intention to hire new agents to help EI claimants, and closed local service centres for veterans will not be reopened.

The direct cuts are compounded by significant lapses in funding. These lapses occur when departments do not spend

FIGURE 3 Cumulative Federal Budget Cuts and Funding Lapses



Source Federal Budget 2014, Table 4.1.2, Parliamentary Budget Office, and author's calculations.

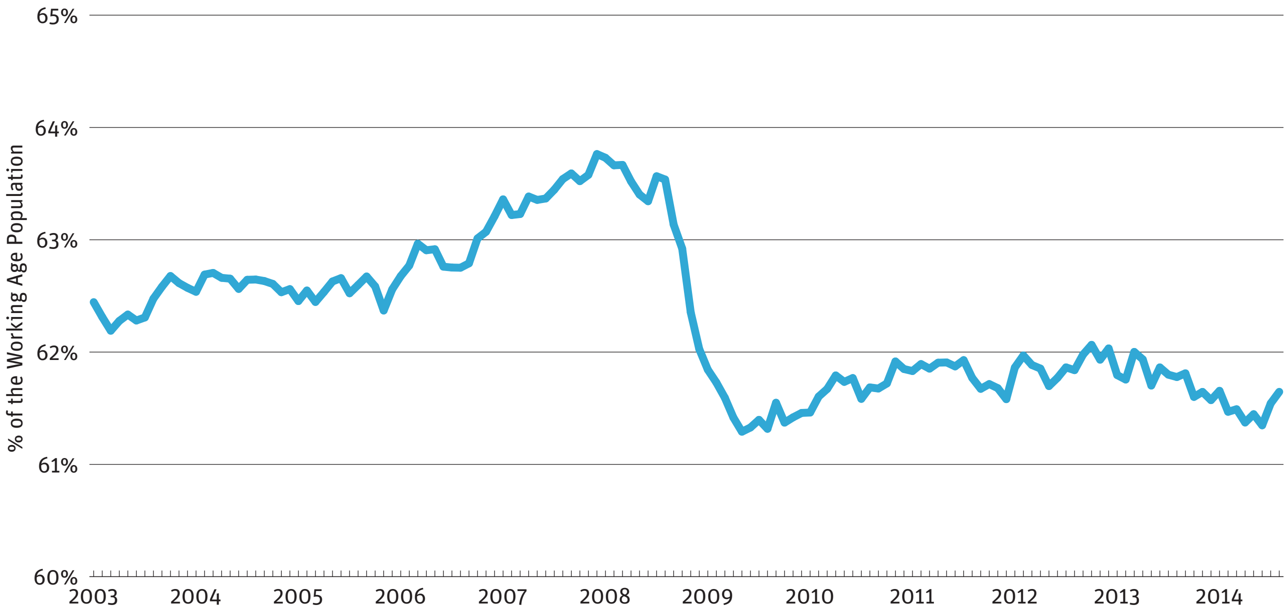
all of their allotted funding by year's end. When authorized funding is lapsed, it must be returned to Treasury Board. Some lapses are expected, and government departments can request that money again. However, since 2007–08, the amount of lapsed money increased significantly. *Figure 3* includes only lapses above the 2001–06 average. The lapses in the midst of the recovery (between 2010 and 2013) are significant, although they moderate after that point. These lapses further reduced government expenditures in those years by between $3 and $4 billion.

Again, the acts of cutting services and not spending allocated money during a recession, to create an artificial surplus, should not be seen as an accomplishment, but as putting unnecessary constraints on a weak economy when governments should be helping citizens, not cutting their access to services.

Outside of the federal government's narrow focus on debt reduction, the Canadian labour market has seen little if any recovery since the worst of 2009. Unemployment is often the measure of labour market health. However, since the recession, there has been a decoupling of unemployment and the relative number of employed Canadians. When unemployment falls, it is generally thought to indicate that people are finding jobs. In reality, the stats exclude those who have given up looking for work.

Looking at the employment rate instead avoids these issues by clearly showing us what proportion of working age Canadians have a job. The employment rate in 2014

FIGURE 4 Employment Rate



Source CANSIM 282-0087.

dropped to levels not seen since the worst months of 2009, as shown in *Figure 4*. There has been some recovery since then, but the employment rate is nowhere near where it was prior to the recession. In fact, if the employment rate today were 63.5% (where it stood in 2007–08), an additional 540,000 Canadians would have a job.

The employment rate may give us a clearer picture of the labour market than the unemployment rate but it is still imperfect, since it does not distinguish between those with full-time and part-time jobs. We know that in 2013 there were 900,000 people who would have preferred to work full time but didn't due to business reasons — an increase of 200,000 from the mid-2000s.[3]

Wage stagnation has also set in. Median hourly wages, adjusted for inflation, have remained within a tight band of $16.50 to $17 an hour since 2009. Middle class workers have not seen a real raise in five years, driven in part by ever-present concerns about a weak labour market, and the growing number of people working part time involuntarily.

This is contributing to a higher concentration of wealth at the top of the income scale, and the resulting inequality is having an impact on economic growth.[4] In Canada, the after-tax GINI index, the most common measure of inequality, rose three percentage points between 1989 and 2011.[5] Using International Monetary Fund estimates, that increase in inequality has likely reduced nominal GDP growth by 0.3%, or $6 billion a year.

TABLE 1 Future Oil Prices and Fiscal Impacts[6]

	2015–16	2016–17	2017–18
Futures Markets Average Price (WTI $SUD)	$50	$57	$62
Federal fiscal balance (deficit) projected on Nov 12, 2014[7] ($mil)	$4,900	$6,200	$7,000
Federal fiscal balance projected using WTI, Mar 16, 2015 ($mil)[8]	-$17	$3,280	$4,766

Source CME Group[9], TD Bank,[10] and author's calculations.[11]

Looking Beyond the Oil Economy

Canada's economic performance and wage growth has become increasingly reliant on the resource sector. As a result, the fall in crude oil prices beginning in the summer of 2014 has put a damper on both economic growth and federal government revenues. If the futures markets are predictive, over the next three years crude oil prices will stay well below the $100 a barrel we had become accustomed to, as shown in *Table 1*. This is expected to eliminate the anticipated federal surplus in 2015–16 from just under $5 billion to a small deficit of about $17 million. The surpluses will rebound in subsequent fiscal years.

The Department of Finance predicts ongoing surpluses will produce a falling debt-to-GDP ratio over the three-year projection horizon, as shown in *Table 2*. As we've seen, this is predicated on the federal government reducing the role it plays in either stimulating growth or providing important services. Their forecast also shows unemployment falling in this period, but with only small improvements in the employment rate, which, as discussed, is the better measure of labour market health.

When economic growth is weak it is not advisable to add to the problem by maintaining federal cuts. If anything, the federal government should be running a deficit to boost employment and economic growth, which is the approach taken in by the Alternative Federal Budget this year, expressed in *Table 3*. Smaller deficits continue in the second and third years, with the AFB targeting that money to areas that provide the highest employment impact, including social and physical infrastructure. Despite these deficits, the debt-to-GDP ratio continues to decline because the economy is growing faster due to smart investments.

The AFB has a significant impact on the employment rate, which has languished at 61.5% since the recession. As discussed briefly above, much of the decline in official unemployment numbers since the recession can be attributed to people giving up their job search rather than finding new work. Over its three-year forecast, the AFB will create or sustain approximately 300,000 jobs a year, driving the employment rate back up to where it stood prior to the recession.

Not only does the AFB produce more employment, it is also designed with the explicit goal of reducing poverty, as shown in *Figure 5*. Currently, the poverty rate among

TABLE 2 Finance Canada Base Case

Macroeconomic Indicators (mil)	2014	2015	2016	2017
Nominal GDP	$1,974,000	$2,015,418	$2,113,262	$2,213,593
Nominal GDP Growth	4.4%	2.1%	4.9%	4.7%
Participation Rate	66.10%	66.10%	66.20%	66.50%
Labour Force	19,177	19,369	19,592	19,878
Employed (000s)*	17,835	18,052	18,319	18,605
Employment Rate (as % of Working Age Population)*	61.5%	61.6%	61.9%	62.2%
Unemployed (000s)*	1,342	1,317	1,273	1,272
Unemployment Rate	7.0%	6.8%	6.5%	6.4%
Budgetary Transactions (mil)	**2014–15**	**2015–16**	**2016–17**	**2017–18**
Revenues	$280,600	$292,913	$307,039	$318,689
Program Spending	$252,700	$264,350	$273,550	$281,850
Debt Service	$27,700	$28,580	$30,209	$32,073
Budget Balance (Surplus/Deficit)	$200	-$17	$3,280	$4,766
Closing Debt (Accumulated Deficit)	$613,200	$613,217	$609,937	$605,171
Budgetary Indicators as Percentage of GDP	**2014–15**	**2015–16**	**2016–17**	**2017–18**
Revenues/GDP	14.2%	14.5%	14.5%	14.4%
Expenditures/GDP	12.8%	13.1%	12.9%	12.7%
Budgetary Balance/GDP	0.0%	-0.0%	0.2%	0.2%
Debt/GDP	31.1%	30.4%	28.9%	27.3%
Effective Interest Rate		5.0%	5.2%	5.9%

Source Department of Finance Canada, TD Bank, and author's calculations.[12]

children in Canada is the highest of any age group. The AFB transforms that situation by lifting one out of four children (and their families) out of poverty. The AFB would also lift almost half of all seniors out of poverty, and improve living conditions, though less dramatically, for adults between those age groups.

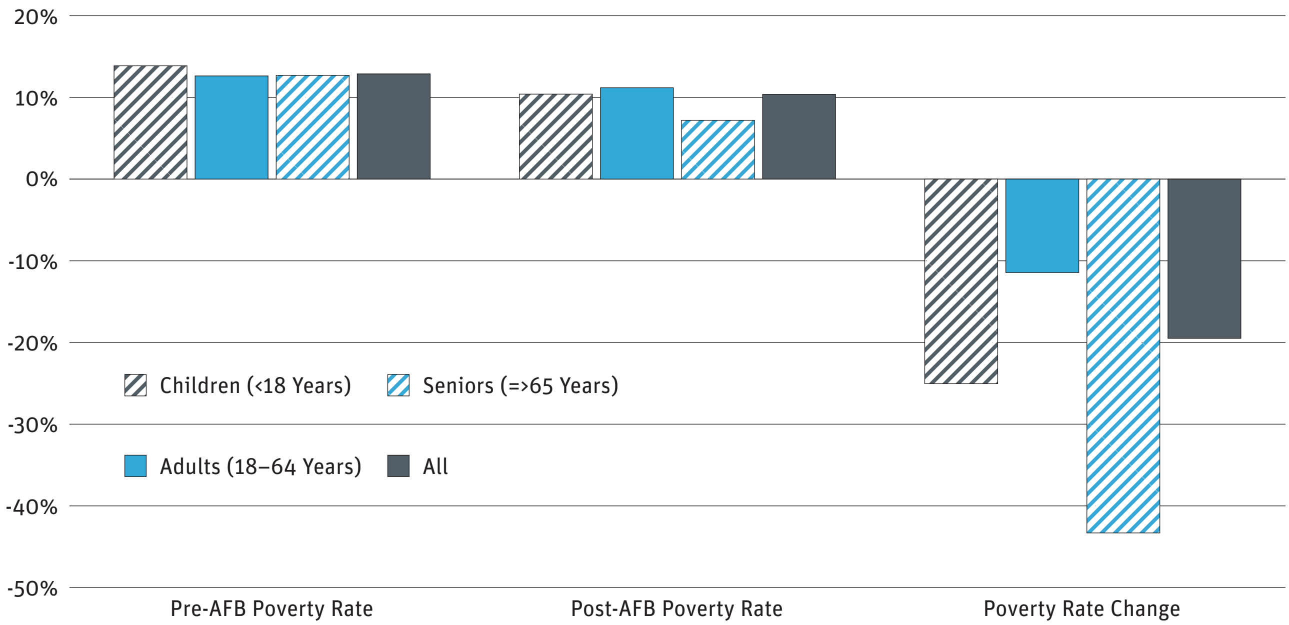
Last year's AFB was the first to calculate the poverty and distributional impacts of its proposed tax and transfer changes. This year's AFB also includes the distributional impacts of its program spending — a first for the AFB, and a new tool for analysing budgets by any Canadian government.

Figure 6 illustrates the impact of the AFB on Canadian families by income decile. The net income gain in the bottom half of the income distribution reflects how families in these deciles receive more from transfers than is withdrawn in taxes. This is due primarily to the AFB proposals on increasing the

TABLE 3 AFB Case

	2014–15	2015–16	2016–17	2017–18
Nominal GDP	$1,974,000	$2,051,019	$2,140,629	$2,240,554
Nominal GDP Growth	4.4%	3.9%	4.4%	4.7%
Revenues (mil)				
Base Case	$280,600	$292,913	$307,039	$318,689
Net AFB Revenue Measures		$34,539	$48,753	$55,034
Multiplier Effect		$4,977	$5,122	$6,445
Total	$280,600	$332,428	$360,914	$380,168
Expenditures (mil)				
Base Case	$252,700	$264,350	$273,550	$281,850
Net AFB Program Measures		$50,831	$59,362	$64,495
Total	$252,700	$315,181	$332,912	$346,345
Debt Service	$27,700	$31,043	$33,017	$37,131
Budget Balance (Surplus/Deficit)	$200	-$13,796	-$5,015	-$3,308
Closing Debt (Accumulated Deficit)	$613,200	$626,996	$632,011	$635,319
Budgetary Indicators as Percentage of GDP				
Revenue/GDP	14.2%	16.2%	16.9%	17.0%
Expenditures/GDP	12.8%	15.4%	15.6%	15.5%
Budgetary Balance/GDP	0.0%	-0.7%	-0.2%	-0.1%
Debt/GDP	31.1%	30.6%	29.5%	28.4%
AFB Employment Impact	**2014**	**2015**	**2016**	**2017**
AFB Jobs Created (000s)		320	292	302
Population (000s)	29,012	29,302	29,595	29,891
Participation Rate	66.1%	67.0%	67.2%	67.5%
Labour Force (000s)	19,177	19,632	19,888	20,176
Employed (000s)	17,835	18,371	18,610	18,907
Employment Rate (as % of Working Age Population)	61.5%	62.7%	62.9%	63.3%
Unemployed (000s)	1,342	1,261	1,278	1,269
Unemployment Rate	7.0%	6.4%	6.4%	6.3%

FIGURE 5 Poverty Impact of the Alternative Federal Budget



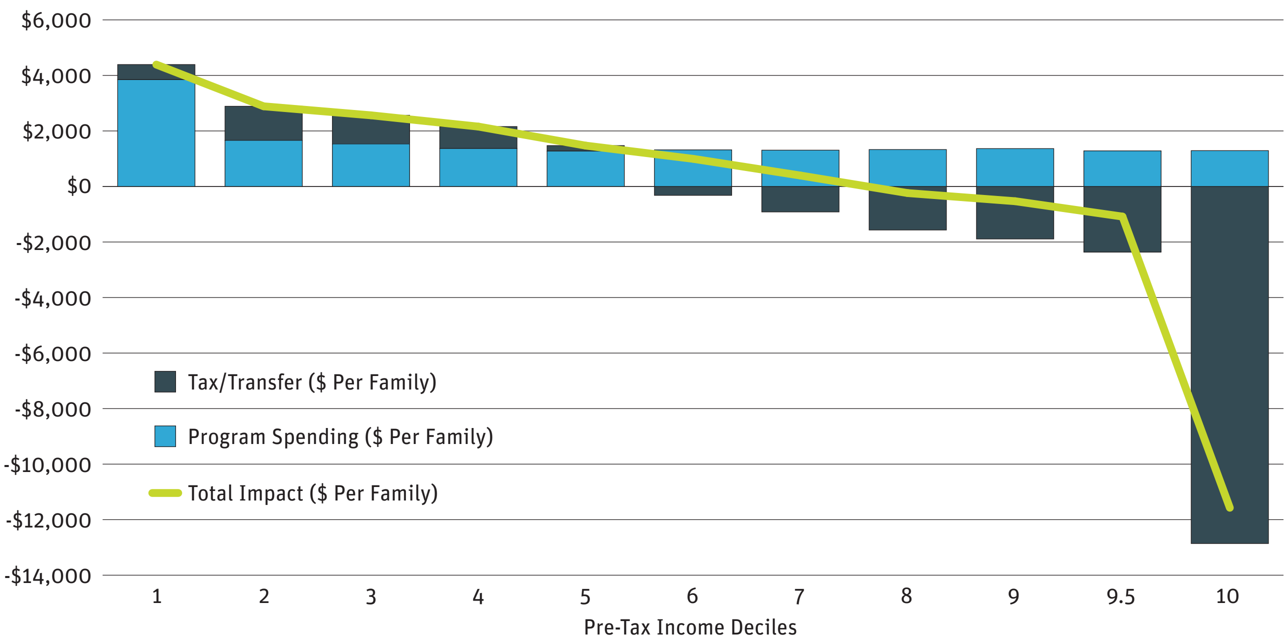
Source SPSD/M 22.0, and author's calculations.[13]

Guaranteed Income Supplement (GIS), the National Child Benefit Supplement (NCBS) and, to a lesser degree, the GST tax credit. The top 50% of Canadian families do see an increase in taxes, although this largely affects the top 5% through a new personal tax bracket above $250,000, the full inclusion of capital gains, and the cancellation of income splitting (both family and pension).

The impact of the AFB is further enriched by the inclusion of benefits from new program spending. Once program spending is included, the AFB benefits 70% of the population, although there is something for all deciles in these programs. The sixth and seventh deciles do see increased taxes, but these are more than offset by increased program spending. The ninth decile pays about $1,000 more annually even after program spending is included. The richest 5% of the population pays $12,000 more, even after program spending. However, gross average incomes of the top 5% are $380,000 and have increased by over 70% since 1990 (adjusting for inflation).[14] Put another way, that $12,000 represents only 3% of gross income for the top 5% of families.

The AFB programs that most benefit the lower-income deciles are spending on poverty reduction plans and tuition grants to low-income students. Wealthier Canadians will benefit from national pharmacare and medical care, and the lowering of tuition and child care fees, although for the wealthiest these new benefits do not fully offset the higher taxes they would pay through the AFB.

FIGURE 6 AFB Distributional Impacts of Tax, Transfer and Program Changes (2015)



Source SPSDM 22.0. Deciles are based on economic family total income before taxes.[15]

Summary

This year's Alternative Federal Budget charts a different federal path. It targets poverty and employment growth to strengthen Canada's economy instead of focusing on creating a surplus in weak economic times.

Significant new initiatives and services make life easier for low- and middle-income households while also boosting economic growth. Small federal deficits are tolerated as a necessary means for achieving sustained economic growth without affecting the federal debt-to-GDP ratio, proving that service cuts are not the only or the most effective solution to fiscal health.

Finally, the AFB introduces a new framework — a first for any Canadian government — to examine the distributional impacts on Canadian families of all proposed changes in taxation, transfers, and program spending. We encourage other governments to adopt this approach, so that we might better understand the federal and provincial budgetary impacts on income inequality.

Notes

1 Municipalities are also included in the "Other Government Net Debt to GDP," although their contribution is small given that, for the most part, they must balance their budgets on a yearly basis.

2 Federal spending includes transfers to the provinces, whereas the provincial line excludes those transfers so as not to count them twice.

3 CANSIM 282-0014, The mid-2000 being the average involuntary part time rate from 2005 to 2008 compared to 2013, the most recent year for which there is data.

4 Ostry, Jonathan, Andrew Berg, and Charalambos Tsangarides. "Redistribution, Inequality, and Growth," International Monetary Fund, February 2014.

5 CANSIM 202-0709, Adjusted individual after-tax GINI, all families.

6 All impacts in this table exclude the $3 billion "contingency fund" and instead report figures directly.

7 Department of Finance Canada. "Update of Economic and Fiscal Projections," November 2014.

8 This line includes changes in budget balance due to changes in federal debt, and infrastructure funds introduced following the fall update of economic and fiscal projections.

9 As of February 24, 2015 (www.cmegroup.com/trading/energy/crude-oil/light-sweet-crude.html)

10 Impact on the federal budget balance is derived using rules of thumb developed by TD Bank from the 2014 Update on Economic and Fiscal Projections (see Randall Bartlett. "How will lower oil prices impact federal finances? Doing the math on the federal fiscal outlook," TD Economics, January 13, 2015, pg 2.

11 Fiscal balance figures are adjusted using line 1 of the table for future oil prices.

12 Based on the Department of Finance Canada's "Update of Economic and Fiscal Projections" (November 2014), but removing the $3 billion contingency fund, and updating the GDP and revenues figures to reflect falling oil prices since November 2014.

13 Poverty line defined by the after-tax Low Income Measure. This analysis is based on Statistics Canada's Social Policy Simulation Database and model version 22.0. The assumptions and calculations underlying the simulation results were prepared by David Macdonald. The responsibility for the use and interpretation of these data is entirely that of the author.

14 CANSIM 204-0001 & 326-0002 and author's calculations.

15 This analysis is based on Statistics Canada's Social Policy Simulation Database and model version 22.0. The assumptions and calculations underlying the simulation results were prepared by David Macdonald. The responsibility for the use and interpretation of these data is entirely that of the author.

TABLE 4 AFB Actions List (All Figures in $M)

	2015–16	2016–17	2017–18
Agriculture			
Provide support for new and young farmers	100	100	100
Support farmers in climate change adjustments	250	250	250
Arts & Culture			
Increase the Canada Council for the Arts’ Parliamentary appropriation	35	35	35
Increase Canada’s presence on the world stage for 2017	8	8	8
Childcare			
Expand affordable child care	1,000	2,000	3,000
Cities and Communities			
Community Infrastructure Transfer	3,255	2,642	2,532
Practical Transit Fund	1,400	1,428	1,457
Neighbourhood Revitalization Program	100	100	100
Defence			
Military spending back to pre-9-11 levels	(1,000)	(1,000)	(1,500)
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
Maintain Labour Market Agreement programs	500	500	500
Pilot universal entrance of 360 hours	1,100	1,100	1,100
Environment and Climate Change			
Remove extractive industry subsidies	(375)	(340)	(340)
National Conservation Plan	454	154	154
Strategic Opportunities: EV network, home energy retrofits	272	275	295
Support international adaptation and mitigation	400	400	400
First Nations			
Invest in First Nations water treatment systems	470	470	470
Invest in First Nations housing	1,000	1,000	1,000
Support First Nations schools	1,900	0	0
Address First Nations education funding gap	355	0	0
Additional funding for First Nations Child & Family Services	108	111	115
Invest in Non-Insured Health Benefits (NIHB) program	265	265	265

Continue investment in "upstream Aboriginal health programs"	120	120	120
Invest in First Nations skills training and employment	500	500	500
Support community based healing programs	51	51	51
Gender Equality			
National plan to address violence against women	500	500	500
Increase funding for Status of Women	100	100	100
Implement equal pay at the federal level	10	10	10
Health Care			
Community-based health services	2,600	2,704	2,812
140 new community health centres	300	0	0
Health and social care services	250	250	250
Community prescription drug addiction program	8	8	8
Reduce Homelessness for those with mental illnesses	224	224	224
Restore and expand the Women's Health Contribution Program	20	20	20
Academic detailing for prescribers	15	15	15
Fund for public advocacy for those with mental illnesses	15	15	15
National Pharmacare	3,390	3,831	4,597
Federal government targets 30% of health care spending	2,076	2,930	4,309
Housing and Neighbourhoods			
New affordable housing supply	2,000	2,000	2,000
Immigration			
Immigrant Employment Program	100	100	100
Income Inequality, Poverty and Wealth			
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 Care Benefit (UCCB)	(3,400)	(3,400)	(3,400)
Cancel Enhanced Universal Child Care Benefit (UCCB)	(2,300)	(2,300)	(2,300)
International Development			
Boost development funding to 0.31% of GNI	1,296	1,568	1,865
Post Secondary Education			
Reduce tuition to 1992 levels	1,862	1,955	2,053
Create new income-tested grants	2,314	2,352	2,386
Cancel Textbook Tax Credit	(85)	(85)	(85)
Cancel Scholarship Tax Credit	(44)	(44)	(44)

Cancel Tuition Fee and Education Tax Credit	(1,095)	(1,095)	(1,095)
Cancel RESP	(145)	(145)	(145)
Cancel Canada Education Savings Program & Canada Learning Bond	(945)	(983)	(1,017)
Eliminate PSSSP backlog for First Nations students	163	176	190
Increase research funding by 10%	231	231	231
Add 3000 new Canada Graduate Scholarships	17	17	17
Public Services			
Assess the budget cut impacts and restore programs where needed	1,500	3,000	4,000
Unfreeze Departmental Budgets	1,000	1,900	2,800
Create a Scale-Up Implementation Fund	300	0	0
Sectoral Development Policy			
Sectoral Development Councils	50	50	50
Enhance value-added production in key sectors	450	450	450
Seniors and Retirement Security			
Improve the GIS top up	1,200	1,200	1,200
Limit RRSP contributions to $20,000/year	(1,140)	(1,320)	(1,520)
Cancel Pension Income Splitting	(1,100)	(1,100)	(1,100)
Taxation			
Cancel Family Income Splitting	(1,935)	(1,995)	(2,050)
Cap TFSA at present level for lifetime	(100)	(100)	(100)
Eliminate Stock Option deduction	(610)	(610)	(610)
Equalize capital gains treatment (Personal)	(3,500)	(3,500)	(3,500)
Equalize capital gains treatment (Corporate)	(4,000)	(4,000)	(4,000)
Eliminate corporate meals and entertainment expense	(400)	(400)	(400)
Reinstate 2006 corporate tax rates net of the new Investment Tax Credit	(2,657)	(4,429)	(6,200)
Boost enforcement authority	50	50	50
Tax havens withholding tax	(2,000)	(1,800)	(1,620)
New income tax above $250,000 (35%)	(3,028)	(3,330)	(3,663)
Inheritance tax on $5 mil+ estates	(2,000)	(2,000)	(2,000)
Financial transactions tax	(5,000)	(5,100)	(5,202)
Carbon tax ($30/tonne & rising)	0	(12,000)	(16,000)
National Green Tax refund	2,200	8,800	8,800

Water			
National Public Water and Wastewater Fund	2,600	2,600	2,600
Implementation of Wastewater Systems Effluent Regulations	1,000	1,000	1,000
Water infrastructure aid for small municipalities	100	100	100
Water operator training, public sector certification and conservation programs	75	75	75
Environmental Impact Research	129	16	16
Protection of Canada's Great Lakes and freshwater supply	613	1,059	1,059
Youth			
Youth Labour Market (YLM) Planning Board	30	30	30
Training Tax on Firms with payrolls of >$250,000	0	0	0
Workforce Renewal Fund (retiree/new hire job sharing)	100	100	100
Public Works projects for young workers			
Renewal of federal-funded internships	300	300	300
Total AFB Expenditure Changes	**50,831**	**59,362**	**64,516**
Total AFB Revenue Changes	**(34,539)**	**(48,753)**	**(55,034)**

Fair and Progressive Taxation

Background

After seven years of deficits created by cuts to the GST and corporate income tax, as well as the 2008–09 financial and economic crisis, the federal government will likely balance its budget this year. Despite declines in the price of oil, the federal government is expected to record growing surpluses over the longer term in part because of steep cuts to federal programs and services that will bring federal spending as a share of the economy to a 70-year low.

The big question is what should we do with these surpluses? Should we use them to cut taxes, pay down the debt, or to invest in our communities, public services, and the economy?

It is clear what direction the federal government wants to take. The Family Tax Cut, announced in October, would allow couples with children under age 18 to nominally transfer up to $50,000 in income from the higher earning spouse to the lower earning spouse, potentially lowering the tax liability of the higher earning spouse.

The federal government's income splitting policy is designed to benefit families where there is one middle- or high-income earning parent and one parent with little or no income. The result is that the benefits of income splitting are highly concentrated among high-income families, whose incomes already make it possible for one parent to forgo paid work to spend more time with their children. Only 50% of families with children under 18 will receive any benefit from income splitting, and that is only if they can navigate the 85 additional steps on their tax forms. Of that 50% who gain, 18% will receive roughly a dollar a day. Only 11% of families with children will receive the maximum $2,000 benefit from income splitting. This benefit to a small number of high-income families will come at an estimated cost of $2 billion annually.

Regressive tax cuts have already reduced federal revenues to the smallest share of the economy they've been in over 70 years — before we had universal health care, the Canada Pension Plan, and Employment Insurance. These and other federal public services are much diminished because of the current cuts. If federal taxes were at the same share of the economy as in the year 2000, they would be $50 billion higher — and there would have been no need for the cuts the government made to supposedly balance the budget. We certainly don't need any more regressive tax cuts.

The federal government is also planning to increase the annual limit for income that can be sheltered in Tax Free Savings Accounts (TFSAS). While one argument for introducing TFSAS was to provide those with lower incomes a more effective way of saving for retirement, only a small share of those with lower incomes make use of this tax. Only 2% of the total tax benefit of TFSAS go the fifth of Canadians with the lowest incomes. A whopping 37% of the benefits of TFSAS go to the richest fifth of Canadians.[1] Increasing the annual limit will just exacerbate this inequality. The cost of TFSAS grows substantially over time, as more savings are cumulatively sheltered. This tax cut currently costs $410 million. However, that cost is expected to grow to $14.7 billion a year to the federal government and $7.6 billion to the provinces in lost revenue by 2060.[2]

We need to boost revenue by restoring the fairness and progressivity of our tax system, and use this to re-build Canada.

Our tax system must be reformed so that it:

- *Promotes equity and equality.* Canada's overall tax system has become so regressive that the top 1% pays a lower share of income in tax than the poorest 10%.[3] Not only is this unfair, it's also bad for the economy. The IMF, World Bank, OECD and Standard and Poors now agree that growing income inequality is hampering economic growth. We need to restore fairness and progressivity to our tax system. Our tax system should also be used to promote intergenerational equity, as a tool to reduce pollution and damaging climate change.
- *Increases efficiency.* To minimize distortions, taxes should be broadly based with limited tax loopholes, except where justified for reasons of equity or effectiveness. The last reform of Canada's tax system — back in 1966, almost 50 years ago — was based on the principle that "a buck is a buck," which meant that income from different sources should be taxed at similar rates. There are so many loopholes and opportunities for tax avoidance that few wealthy people pay their fair share, and the tax system has become so riddled with ineffective tax measures that it is almost impossibly complicated to navigate without the assistance of a tax professional. A priority for tax reform should be to tax income from capital and business at the same rate as income from labour, and to eliminate regressive and ineffective tax measures and loopholes.
- *Is effective.* Tax rates should be sufficient to raise revenues to pay for the public services Canadians need and deserve. Varying rates exemptions, deductions, and credits should be used only where they are proven to be more effective than alternatives for achieving important economic, social, and environmental objectives. Our governments should enforce tax laws by strengthening instead of weakening the compliance of wealthy corporations and individuals so that everyone pays their fair share.

Major Initiatives

Eliminate Regressive, Ineffective Tax Loopholes and Simplify the Tax System

Canada's tax system has become riddled with ineffective, regressive, and expensive tax loopholes and preferences. While some tax credits and deductions are effective, progressive, and make sense, others do little more than benefit the wealthy and distort the tax system. The AFB would immediately take steps to eliminate or restrict the most regressive of these, including:

- *Family income splitting*: This primarily benefits a small minority of the highest-income families and is economically as well as socially regressive. *Annual savings: $2 billion.*

- *Tax Free Savings Accounts*: Total lifetime contributions for TFSAs will be capped at existing levels, e.g. $36,500. *Annual savings: $100 million, but rising rapidly.*

- *Stock option deduction*: This loophole allows CEOs and executives to pay tax on their compensation at half the rate the rest of us pay on our employment income. It is not only highly regressive, it is also expensive and bad for the economy because it distorts business decisions by encouraging CEOs to inflate short-term stock prices through share buybacks (thereby padding their own wallets) instead of investing in the economy. *Annual savings: $610 million.*

- *Capital gains deduction*: Individuals and corporations with income from capital investments are also able to pay tax at half the rate of employment income through the capital gains deduction. This is also a very expensive loophole, costing the federal government over $9 billion annually, with most of the benefits going to corporations and wealthy individuals. The AFB would tax income from capital at the same rate as employment income after adjusting for inflation. Other existing capital gains exemptions, such as for principal residences, family farming, fishing, small business, personal use property, etc., would be maintained. *Estimated net annual savings after adjusting for inflation, behavioural factors, and higher underlying tax rates: $7.5 billion.*

- *Corporate meals and entertainment expense deduction*: This allows businesses to deduct half the cost of meals and entertainment expenses, including the cost of season's tickets and private boxes at sports events. It can be used for inappropriate lobbying, is widely abused, and makes some sporting events inaccessible for ordinary Canadians. *Annual savings: $400 million.*

- *Fossil fuel and mining subsidies*: While they have been scaled back, federal tax subsidies to the fossil fuel and mining industries still amount to hundreds of millions annually. The AFB would cancel those direct subsidies (see the Environment and Climate Change chapter).

- *RRSP contributions*: As outlined in the Retirement Security chapter, the AFB would limit RRSP contributions to $20,000 annually and cancel pension income splitting. *Annual savings: $2.6 billion.*

- *Post-secondary education tax measures*: The AFB would replace a range of tax credits with significantly reduced tuition fees and direct, income-tested grants (see the Post-Secondary Education chapter).

The AFB will also eliminate or restrict a number of other boutique tax credits and use the savings as part of significantly increased funding for public programs, such as public transit, fitness, recreation, and research and development. Direct public funding is generally far more effective than tax credits and preferences.

Restore Corporate Income Tax Rates

The AFB will increase the federal general corporate income tax rate from 15% to 22%, just below what it was in 2006, but considerably below the 29.1% rate it was 15 years ago. Restoring the general corporate income tax rate from 15% to 22% will provide estimated additional annual revenue of $12 billion. As part of this increase, the AFB will introduce a 7% non-refundable Investment Tax Credit (ITC) on profits invested in fixed assets in Canada in excess of depreciation. Upon full implementation the ITC would have an annual cost of $8 billion. Structured in this way, the ITC would only provide a reward to companies investing in Canada, not all companies, as a generalized corporate tax rate reduction has in the past.

The deep corporate tax cuts of the past decade have failed to stimulate business investment, which is lower as a share of the economy than it was in 2000. Since then corporations have made record profits and amassed over $600 billion in excess cash surpluses, which they have used for speculative purposes, which is destabilizing for the economy.

The AFB will also increase the income tax rate that applies for "small business" (for the first $500,000 of business profit) from 11% to 15% to preserve proportionality between these rates. The estimated increased annual revenue from increasing the small business tax rate will be $2.2 billion.

Introduce a New Top Income Tax Rate of 35% on Incomes Over $250,000

The top 1% of income earners have accumulated a large share of total income growth over the past three decades in Canada, as they have elsewhere in the world. We need income taxes to be more progressive to counterbalance the regressive impact of sales, property, and payroll taxes so the overall tax system is fair. The federal government's top rate at 29% for taxable income over $138,586 is well below the top federal rate in the United States, where it is almost 40%. The estimated increased annual revenue from this change will be $3 billion.

Tackle Tax Havens and Tax Evasion

Canada is losing billions of dollars to tax haven-facilitated tax evasion and tax avoidance. Instead of stepping up efforts to curb tax evasion by wealthy individuals and large corporations, the government has been laying off auditors and crippling the Canada Revenue Agency's ability to ensure everyone pays their fair share of taxes. The AFB would make tackling tax havens a priority for enforcement, and enact the following measures to ensure tax fairness and raise badly needed additional revenue.

The AFB will increase the capacity of the Canada Revenue Agency to go after tax evasion facilitated by tax havens, and limit corporate tax dodging by amending the tax rules to require that there be "economic substance" to any offshore subsidiaries for them to be considered valid transactions for calculating income taxes, as has been proposed in Bill C-621. An investment of $30 million in boosting the CRA capacity in the international compliance division in 2005 yielded $2.5 billion over four years. The problem is much worse now so an even bigger investment is needed. The AFB would boost tax haven-focused enforcement capacity by $50 million, which is expected to raise an additional $5 billion over four years.

Canadian direct foreign investment in tax havens increased to $170 billion in 2013. This amounts to a quarter of all Canadian direct foreign investment abroad. The main reason for channelling investments through tax havens is to evade or avoid paying taxes in Canada. Applying a 1% withholding tax on Canadian assets held in tax havens would likely raise revenue of about $2 billion.

The AFB will also support other measures to combat corporate tax base erosion and profit-shifting (BEPS) that have been proposed by the OECD and G20, including country-by-country reporting of corporate profits and taxes paid, strengthening beneficial ownership registration, and preventing the abuse of tax treaties.

Bring Back Inheritance and Wealth Taxes

Unlike the United States and most European countries, Canada has no wealth or inheritance tax except for property taxes, which are a regressive form of wealth tax. The IMF recently estimated that Canada could generate $12 billion from a tax of just 1% on the net wealth of the wealthiest 10% of households.

The AFB would introduce a minimum inheritance tax of 45% on estates of over $5 million (e.g., after a $5 million deduction) in a similar way to the estate tax in the United States. This would produce estimated annual revenue of $2 billion.

Increase Taxes on Banks and Finance

Banks and other financial companies not only benefit from an implicit "too big to fail" guarantee and subsidy from the government, the financial industry also benefits from the exemption of financial services from value-added taxes such as the GST. The AFB would rectify this by introducing either a Financial Activities Tax (FAT), as proposed by the IMF, at a rate of 5% on profits and remuneration in the financial sector, or a broad-based Financial Transactions Tax (FTT) at a rate of 0.5% on transactions of stocks (similar to the rate in the U.K.) and at lower rates in bonds and financial derivatives. Both of these would generate a similar amount of revenues, estimated at $5 billion annually.

Climate Protection and 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. The Kyoto Accord was based on a global cap-and-trade model which, along with regional cap-and-trade schemes, has largely failed. With a new treaty planned for the UN conference in Paris in December 2015, we have a chance to start off in a more effective direction. With a United States-China agreement recently signed on climate change, Canada will become even more of a pariah unless we take national action. Carbon taxes are more efficient, more transparent, and less corruptible mechanisms for putting a price on carbon than cap-and-trade schemes. They are also preferable for business and the economy because they ensure a clear and predictable price not subject to uncertainty or speculation.

As we have proposed for many years, the AFB will introduce a national harmonized carbon tax that would be integrated with existing provincial carbon taxes to ensure a minimum rate starting at $30 per tonne across Canada. However, because carbon taxes are regressive, at least half the revenues generated would go towards a progressive green tax refund that would ensure a majority of Canadians would be better off after accounting for their increased costs as a result of the carbon tax. Every adult resident in a province where the national carbon tax is in effect would receive an annual green refund cheque for $300 (or $10 per $1-per-tonne of the carbon tax) while children would receive $150. The green refund amount would be adjusted together with any changes in the carbon tax. The remaining revenues would be used to fund climate change transition, adaptation, and mitigation measures, including investments in public transit, green energy, energy retrofit for low-income households, and other greenhouse gas reducing initiatives.

The national carbon tax would also include border tax adjustments to ensure Canadian industry is not put at a competitive disadvantage. Imports from countries without similar environmental protection measures would be taxed at appropriate rates to reflect emissions associated with their production, processing, and transport, with specific exemptions for highly impoverished nations. Exports to countries without comparable provisions could receive rebates. These border tax adjustments would put pressure on other countries to enact similar climate change measures. The carbon tax would generate annual revenue of $16 billion. The Green Tax Refund would incur a net annual cost of $8.8 billion.

Notes

1 The Parliamentary Budget Office, The Tax-Fee Savings Account, February 24th, 2015.

2 The Parliamentary Budget Office, The Tax-Fee Savings Account, February 24th, 2015.

3 Lee, Marc (2007). *Eroding Tax Fairness*. Ottawa: Canadian Centre for Policy Alternatives.

Agriculture

Background

In December 2011, the federal government passed legislation to end the single-desk authority of the Canadian Wheat Board (CWB) effective August 2012. Under the single-desk authority, the CWB was required by law to sell all wheat, durum wheat, and barley produced in Western Canada. Prior to 2012, the single-desk CWB co-ordinated the movement of grain from farmers' fields to ships waiting in the ports, and it made sure all farmers had a chance to deliver grain, which was then marketed by the CWB on behalf of farmers to international and domestic buyers. Through its co-ordination of logistics, and its role as a farmer advocate with clout, the influence of the CWB also helped ensure non-board commodities, such as canola, oats, and lentils, were moved efficiently through the transportation system to the benefit of farmers.

In 2013, ideal weather conditions led to a record harvest of grain across the Prairies. The challenges of moving grain from farmers' bins to ships attracted media and government attention during the winter of 2013–14. But the story was not connected to the fate of the CWB, which had previously co-ordinated grain transportation across the Prairies. Grain farmers paid the price for the logistical setback through lost income from the sale of grain. Farmers closer to ports were provided with more opportunities to ship and sell grain, while farmers further inland were forced to store their harvested grain with the potential of little to no income to pay off debts or purchase inputs for the coming season. Additionally, the bottlenecks in the movement of grain led to higher basis charges, thereby allowing grain companies to devalue farmers' grain and keep more of the income from grain sales.[1]

The current government's aggressive trade agenda also continues to impact farmers. The funding available under the current Growing Forward 2 (GF2) agricultural policy framework, through programs such as AgriMarketing, AgriInnovation, and AgriCompetitiveness, is geared towards export-oriented agriculture. GF2 is focused on supporting research only in the context of public-private partnerships, and the commercialization and marketing of agricultural products by private companies. Under its trade agenda, the federal government continues to find ways to benefit multinational agribusiness corporations. They include providing new enforcement tools for seed companies holding intellectual property rights on seeds, and advocating for global acceptance of "low level presence" (LLP) of genetically modified organisms (i.e., GMO contamination) in exports.

The federal government's policies have done nothing to change the decades-old trend of declining farm numbers, aging farmers, mounting debt, and stagnant net farm income. The number of farms and farmers in Canada continues to decline. According to Statistics Canada, the number of farms dropped by more than 26% between 1991 and 2011, from 280,043 farms in 1991 to 205,730 farms in 2011.[2] The decline in the number of young farmers is even more significant: Canada lost 69% of its farmers under 35 between 1991 and 2011, a drop from 77,910 to 24,120.[3] As the number of farms decreases, their size increases, leaving fewer options for new and young farmers to access land to begin farming. The increase in farm size, decrease in the number of farmers, and focus on export-oriented agriculture has not led to increased net farm incomes but to mounting debt. The outstanding farm debt in 1993 in Canada was $24.3 billion. In 2013 it was $77.9 billion — an increase of almost 333%.[4]

Current Issues

In 2014 we saw:

- A lack of co-ordination of and unfair access to the grain transportation system, and thus to export markets, for Prairie farmers.
- The passing of Bill C-18, the Agricultural Growth Act, omnibus legislation that amends nine different laws, including the Plant Breeders' Rights Act, the Seeds Act, the Agricultural Marketing Programs Act, and the Health of Animals Act. Bill C-18 could be described as a Corporate Agri-Business Promotions Act. Its various amendments give multinational seed companies more exclusive rights over new varieties of seed by moving Canada under the UPOV '91 regime of plant breeders' rights; entrench "incorporation by reference" into several agricultural acts; further undermine Canada's variety registration process; and open up opportunities for farmland investment companies to use the federally backed Advance Payments Program to subsidize the acquisition of land.
- Altered seed variety registration regulations that allow for the registration of oilseed soybeans and forages without third party merit testing or review by Recommending Committees, both of which play an important role in protecting farmers from fradulent claims about how well a new crop variety performs under various field conditions. Registrants need only submit basic information and a small fee to the Canadian Food Inspection Agency (CFIA), which is now also required to cancel the registration of a variety at the request of the registrant. If a crop variety is protected by either patents or plant breeders' rights, the variety enters the public domain once that period of protection ends. Farmers are not able to save and replant seeds of protected varieties without permission and royalty payment, so if the registration of a variety is cancelled before the period of protection ends, the variety never enters the public domain, meaning it could disapper from the agricultural landscape, leading to a loss of biodiversity. Also, for most

major crops, farmers are often required to grow registered varieties as a condition on the sale of the crop. If a farmer finds a registered variety that grows well under his or her specific soil and climate conditions, he or she may be forced to purchase a different variety that may not grow as well (and may be more expensive) if the registration on their preferred variety is cancelled.

- The closure of the Cereals Research Centre (CRC), marking the end of nearly a century of public plant breeding in Winnipeg. According to Industry Canada, approximately 50% of Canada's wheat and oat acreage is seeded to varieties developed by CRC.[5]

- Public plant breeders working for Agriculture and Agri-Food Canada (AAFC) no longer allowed to develop wheat to the variety level — the stage at which new varieties are sold to farmers. AAFC staff are allowed to take new wheats to the germplasm stage, but they must then turn the results of their work over to a private company to complete development of the variety. The result is that private companies will hold the exclusive rights — rights which have been increased by the move to UPOV '91 — over the variety, and reap the financial benefits from the royalty payments and sale of the seed. Public breeding programs are undermined from the loss of revenue.

- The persistence, at the federal level, of a risk management approach to regulation versus the precautionary principle in relation to the use of neonicotinoid insecticides. Following an unusually high number of bee deaths in corn and soybean growing areas of Ontario and Quebec in 2012 and 2013, the Pesticide Management Regulatory Agency (PMRA) concluded that "current practices related to the use of neonicotinoid treated corn and soybean seed are not sustainable."[6] Nearly all corn and canola seed, and over half of soybean seed, is sold pre-treated with the insecticide. Instead of following the precautionary principle and restricting the use of neonicotinoid seed treatments, PMRA continues to allow their prophylactic use under a risk management approach. PMRA has mandated that farmers now use the *Fluency Agent* lubricant manufactured and sold by Bayer CropScience to reduce levels of insect-toxic dust when planting neonicotinoid-treated corn and soybean seed. Bayer CropScience is also a manufacturer and marketer of neonoicotinoid insecticides. In 2014, the Senate Standing Committee on Forestry and Agriculture undertook an extensive study on the importance of bee health. In the absence of any regulatory action by the federal government, the Ontario government moved ahead with its own proposal to reduce the use of neonicotinoid-treated corn and soybean seeds. Based on PMRA's findings that there is a link between bee deaths and the planting of corn and soybean seeds treated with neonicotinoids, on November 25 the Ontario government took the precautionary approach and introduced a new regulation designed to reduce the use of neonicotinoid-treated seed by 80% by 2017.

- Farmers in many parts of the country dealing with torrential rains and flooding, a likely effect of unpredictable weather patterns as a result of climate change. Flooding in some provinces was made worse by the drainage of wetlands and sloughs as farmers strive to farm more acres, produce more food, and balance their books in the face of low commodity prices. Wetlands and sloughs provide short-term storage of excess water during torrential rains, as well as access to water during dry conditions.

- A continued focus on trade agreements and trade missions by the federal government. Trade agreements with promised benefits for Canadian farmers have been finalized with the European Union and South Korea, with limited opportunity for meaningful public input. Based on past experience, the stated benefits of these agreements are unlikely to translate into higher net farm incomes, but they will give multinational agribusiness corporations more tools to extract profits from farmers and the food system. Although the federal government is promoting the Comprehensive Economic and Trade Agreement (CETA) with the EU as a benefit to Canada's pork and beef farmers, the reality is likely to be quite different. Most beef in Canada is raised with the use of growth hormones, and most pork is raised with the use of the additive ractopamine.[7] Europe prohibts the use of both in beef and pork production. Currently, Canada can sell 23,000 tonnes per year of hormone-free beef to Europe without paying any tariffs, but producers only managed to sell 1,000 tonnes (carcass weight equivalent) in 2013. Similarly, Canada has access to a WTO-wide tariff-free quota of 7,000 tonnes of pork plus additional quota at a low tariff level. But in 2013, Canadian producers only exported 100 tonnes of pork (carcass weight equivalent) to the EU.[8] Canada is not producing the type of beef and pork that European consumers demand, so it is unlikely CETA will lead to new markets for beef and pork farmers. In addition, Europe is the world's largest exporter of pork, and it has a secure supply of hormone-free beef from South American countries, which have a lower cost of production and the benefit of having banned growth hormones.

- Canada agreeing to increase imports of European cheese as a condition of signing CETA with the EU. This doubling of the allowable quota will force Canadian dairy farmers to produce less milk, leading to lower incomes. It is also an initial step towards undermining Canada's supply management system in dairy, which benefits Canadian consumers with quality dairy products at a stable price while allowing farmers to earn their income from the marketplace instead of through state subsidies (as in Europe). The federal government continues to take part in 12-country Trans-Pacific Partnership negotiations, which further threatens supply management in Canada's dairy, eggs, and poultry sectors.

- A report by Ontario Environmental Commissioner Gord Miller related to the approval and potential release of genetically modified Roundup Ready alfalfa in Ontario. The report claims the federal regulatory process for genetically modified crops is too secretive, lacks transparency, and does not provide enough opportunity for public input.

AFB Actions

The AFB will redirect all current agricultural research funding towards public and independent third party research in the public interest, and will reverse cuts to public agricultural research.

Public interest research priorities will include the following:

- Renewed support for public plant breeding to develop varieties across a wide variety of crops that are adapted to Canadian regional climates, help Canadian farmers adapt to climate change, do well under low-input, organic and ecological production practices (to help farmers unhook themselves from costly chemical inputs), support participatory breeding initiatives, and developed to the variety stage by public plant breeders;
- Support for public plant breeding undertaken in conjunction with farmer-directed organizations that direct check-off funds towards the development of new varieties (e.g., the Western Grains Research Foundation);
- New research and assessments of the use of neonicotinoid insecticides, including field crops trials on yields, monitoring of soil quality and surface water contamination, impact on bee and other pollinator populations, and farming practices that could increase biodiversity; and
- Assessment and implementation of integrated pest management (IPM) programs run in the public interest, for the public good, and designed to benefit farmers and both natural and agricultural ecosystems.

The AFB will return the mandate of the National Research Council to research in the public interest, including curiosity-based research, rather than the current requirement for NRC-funded research to be tied to commercial interests.

The AFB will launch a *Seed Act for Farmers*. The fundamental principles of such a law will include:

- The right of farmers to exchange and sell seed, including through farmer-owned organizations such as co-operatives, non-profit associations, and associations;
- The unrestricted right of farmers to grow, save and use seed for planting, which cannot be negated by any contract;
- Plant breeders' rights legislation that would confer the right to claim royalties only at the time of seed sale;

- Following expiration of plant breeders' rights, varieties would be in the public domain, allowing for their unrestricted use and availability under a general public license;[9] and
- A variety registration system that would protect farmers and our food system by ensuring registered varieties of seed meet farmers' needs for quality, reliability, and agronomic conditions across Canada. This system would ensure varieties remain in the public domain after expiration of plant breeders' rights and are cancelled only if evidence, including input from Recommending Committees, supported the cancellation. It would also require robust, independent, third party merit testing for new varieties to ensure they are as good as or better than existing varieties, and forbid gene patents or other patent mechanisms on seed.

The AFB will either commit to re-establishing the Canadian Wheat Board or put in place a mechanism to regulate the grain system to ensure all farmers have an equal opportunity to ship grain, to counteract the power of the major grain companies, and to give priority in shipping to small grain companies, producer rail cars, and short-line railways. The AFB will establish a mechanism to develop additional producer car loading sites when requested by farmers, and ensure the Canadian Transportation Agency has the funding and resources to enforce the statutory common carrier obligations of Canadian railways under the Canada Transportation Act.

The AFB will restrict the use of the Advance Payments Program to active farmers, and prevent farmland investment companies from using federally backed financing, intended to support farmers, to subsidize land acquisitions instead.

The AFB will provide support for new and young farmers by lowering the cap on government support programs; making effective, affordable financing programs available to new farmers, including micro loans and small grants; providing funding for farm apprenticeship programs and training; and placing a prohibition on foreign, outside investor, and absentee land ownership.

The AFB will refocus agricultural programs and policy on the principles of Canadian food sovereignty rather than exports only. Supply management provides Canadian farmers with a stable income based on cost of production. Therefore, the government will make a commitment to protect Canada's supply managed commodities under any trade agreements.

The AFB will provide funding and support to farmers for adaptation to climate change, and to play a role in storing carbon or otherwise contributing to the reduction of greenhouse gases. As a start, the AFB will reinstate federal funding of the publicly owned community pastures program originally established under the Prairie Farm Rehabilitation Administration (PFRA).

Notes

1 *Basis* is the difference between a futures market price for a commodity and its local cash price. Basis levels are set at the prerogative of the grain buyer and are not subject to government regulation.

2 Census of Canada, Table 004-0001 (2011). Census of Agriculture, number and area of farms and farmland area by tenure, Canada and provinces every 5 years.

3 Census of Canada, Table 004-0017 (2011). Census of Agriculture, number of farm operators by sex, age and paid non-farm work, Canada and provinces every 5 years.

4 Statistics Canada, Table 002-0008 (2013). Farm debt outstanding, classified by lender.

5 Industry Canada. Canadian Company Capabilities, Cereal Research Centre (last updated January 7, 2014): http://www.ic.gc.ca/app/ccc/srch/nvgt.do?lang=eng&prtl=1&sbPrtl=&estblmntNo=234567002809&profile=cmpltPrfl&profileId=501&app=sold

6 Health Canada (September 2013). Evaluation of Canadian Bee Mortalities in 2013 Related to Neonicotinoid Pesticides, Interim Report.

7 Ractopamine (Paylean) is a drug that promotes a lean carcass and is commonly used by Canadian hog producers and increasingly by the beef feedlot industry.

8 National Farmers Union (December 2014). *Agricultural Impacts of the Canada-European Comprehensive Economic and Trade Agreement*, submission to the House of Commons standing committee on agriculture and agri-food.

9 A general public license is a binding legal agreement that makes germplasm available to plant breeders on the condition that it be made available to other breeders under a general public licence, and without further restriction.

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 continuously globalizing world. 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.

Investments in arts and culture benefit our country as a whole and play a key role in the prosperity of Canadian communities. The sector employed roughly 700,000 workers in 2010. For-profit creative and cultural industries, not-for-profit arts organizations, and artistic entrepreneurs comprise 4% of Canada's workforce.[1] This is two-and-a-half times larger than the labour force in real estate (254,200), about double the labour force in the farming industry (339,400), and is slightly smaller than the labour force in the trades industry (733,500).[2] Moreover, the arts and culture sector contributed $53.2 billion to Canada's gross domestic product (GDP) in 2010.[3]

A growing consensus accepts that investment in the arts is 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.[4] But the arts cannot flourish without adequate, stable, sustained investment.

Current Issues

The arts and culture sector is not immune to 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, presence in global markets, and a strategy for digital content, 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 overall real GDP for every dollar of real value-added GDP produced by Canada's cultural industries. Performing arts organizations generate $2.70 in revenues for every dollar they receive from governments.[5]

At the same time, Canadian society has experienced unprecedented demographic change, something that offers a unique opportunity that will enhance the way Canadians contribute to economic growth. As Canadian society changes, so too do the arts. For example, in 2011, Canada was home to roughly 6.8 million foreign-born individuals. They represent 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.[6]

Statistics Canada has projected these demographic changes into the future. In 2017, racialized peoples are expected to comprise 19%–23% of the Canadian population, and Aboriginal peoples will comprise 4.1%. In 2021, according to the same Statistics Canada report, between 11.4 and 14.4 million racialized people will call Canada home, comprising 29%–32% of the total population, while generally the Aboriginal population will grow faster than the rest of the population. Canada will be a younger country then, with 36% of its residents under the age of 15, and Aboriginal youth in particular will form a major part of Canada's future workforce. Another decade on, in 2031, Statistics Canada estimates that those whose first language is neither English nor French will increase to 29%–32% of the Canadian population, up from 10% in 1981.[7]

These communities bring new artistic energies into Canadian society, drawing from non-European backgrounds with artistic practices and standards that are markedly different and are having a significant impact on what is seen as Canadian art.

As the content of Canadian art changes according to new demographics, so must the way all Canadians access it. 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. For example, the accessibility of venues for persons with disabilities may have to be improved. The shrinking attendance of baby boomers and the relative lack of engagement or development of younger audiences must also be addressed since this affects the market for live entertainment. Finally, the council proposed that other changes in audience demographics could require the development of new genres, challenging presenters to maintain core audiences while building new ones.[8]

Other studies have focused on the professional development needs and interests of Canadian presenters (e.g., theatres, concert halls, museums, and galleries). 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.

Clearly, arts organizations see the importance of responding to the needs and issues of all Canadians. In addition, 92% of Canadians believe that exposure to the arts is 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.[9] Targeted investment by the federal government 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, fees, or royalties), 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 federal government 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 2013–14, the Council awarded $153.7 million in grants and payments to artists and arts organizations in 1,947 communities across Canada through a highly competitive peer review process.[10]

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.

Strengthening Canada's Ties and Cultural Image Globally

Artists and arts organizations are effective cultural ambassadors for Canada on the world stage, embodying Canada's diversity, innovation, and accomplishment. Currently, there are few government investments to support Canada's arts and culture in a global market. Targeted investment that supports the efforts of arts organizations to establish and build international markets will result in diversified revenue streams, jobs here at home, growth, and stability. Canadian artists, arts organizations, and trade and tourism sectors would benefit directly from these work opportunities and increased activity.

Canada is nearing its 150th anniversary, and arts and culture plays an essential role in celebrating our nation's diversity around the world. The Department of Foreign Affairs, Trade and Development must support our global cultural presence through promotion in the embassies, trade and business development, and international circulation of artists and their work. Circulation of artists may exist through avenues such as training, touring, residencies, and global collabrative projects. These activities position artists as Canadian cultural ambassadors, enhance programming for public organizations at home and abroad, and allow Canadian performances and artworks into new consumer markets through the sale of tickets and tangible items such as paintings or sculptures. As Canada's identity changes, as our cultural demographics evolve, and as new generations redefine the way we experience the arts, it is not enough to simply commemorate our history. We must celebrate today's diverse and dynamic Canadian identity.

Providing Digital Access to Canadian Cultural Content

Since the end of the Canadian Culture Online (CCO) initiative a decade ago, the need for a comprehensive digital and online cultural strategy has become apparent. Canada has seen a widening of the cultural trade gap that sees far more foreign cultural content flowing in than domestic content flowing out. Foreign content can now be accessed online through Internet service providers (ISPs), in movie theatres, as well as through new unregulated and ubiquitous service providers (e.g., Netflix, Hulu, etc.) that are exempt from Canadian content regulations and contributions. To create a healthy competitive environment, and easy online access in which Canadian culture can be readily accessed, both private and public revenue models must be reviewed to develop a comprehensive Canadian Cultural Digital Strategy. This strategy will benefit all Canadians from equal access to creativity and innovation by and for Canadians, greater opportunities for Canadian artists, encouraging innovation for Canadian arts organizations and content developers, and building local economic development and jobs for years to come.

With support for digital access, Canadian artists can create their art and disseminate it to others around the world, leading to international engagement with Canadian culture. Of utmost importance to the global community, these platforms provide the ability to reach multiple markets simultaneously and reduce space/time differences. Given the diverse demographics of our nation, enhanced technology can promote Canadian identities and connect them to a diverse global community. In the process, we not only better promote Canada as a model society, but make it more truthfully so.

AFB Actions

The AFB will:

- Increase the annual parliamentary allocation of the Canada Council for the Arts by $35 million in 2015 with a long-term goal of reaching $300 million.
- Increase Canada's presence on the world stage for 2017 by establishing a $25 million pilot program over three years at the Department of Foreign Affairs, Trade and Development for Canada's 150th birthday.
- At no cost to the Canadian government, investigate new revenue models to sup-

port a comprehensive Canadian Cultural Digital Strategy that would enable the creation, dissemination, and engagement of Canadian cultural content online.

Notes

1 Statistics Canada. (2014). Culture Satellite Account. The exact figures are 4.0% and 703,900 jobs and are for 2010. These figures were estimated using an industry perspective. It is a measure of the number of jobs in each culture industry within the broader culture sector. It covers all jobs in the industry required to produce both culture and non-culture output. For example, the performing arts industry may require an individual to collect admissions tickets to a live performance (job from culture activity) and a bartender in the food and beverages services (a job from a non-culture activity). The Culture Satellite Account (CSA) also estimates employment figures using a product perspective, which considers the jobs related to the production of culture goods and/or services across the economy regardless of the producing industry. In comparison, Statistics Canada's Survey of Employment, Payrolls and Hours reports there were 669,000 jobs in the transportation industry and 345,000 jobs in forestry, mining, oil, and utilities together in 2010.The figures from the CSA are different from those presented in Hill Strategies' Statistical Profile of Artists and Cultural Workers in Canada, which is based on the 2011 National Household Survey and the Labour Force Survey.

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

3 Statistics Canada. (2014). Culture Satellite Account. This figure was estimated using an industry perspective.

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

5 Ibid.

6 Statistics Canada. (2011). National Household Survey.

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

8 Cultural Human Resources Council. (2007). *Training Gaps Analysis: Presenters*, prepared by kisquared, p. 19.

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

10 Canada Council for the Arts. *Funding to Artists and Arts Organizations 2013–14: National Overview*, p. 1.

Child Care: Early Childhood Education and Care

Background

Although Canada is a wealthy country, its social and economic support of families and children is less than robust. Forty-four years after the Royal Commission on the Status of Women called for a national child care program, regulated child care is available for only 22.5% of Canadian children 0–5 years.[1] Although early childhood education and child care now figures in most conceptions of how societies prosper, how women are supported as workers and mothers, how to eradicate poverty, and how societies can work to benefit all, Canada has never had a national early childhood education and child care (ECEC) program or policy.[2]

Each province and territory provides "spaces" in centres, regulated home child care, publicly funded kindergarten, and (usually) part-day nursery schools.[3] None has developed a long-term plan for universal ECEC, so it isn't surprising that we rank at the bottom of affluent countries when it comes to access, quality, and public funding.[4]

There are severe shortages of child care places, especially for Indigenous and rural or remote communities and parents working non-standard hours. Children with disabilities are frequently excluded because underfunded service providers cannot accommodate them. High user fees put regulated child care out of reach for many families and threaten the viability of regulated child care centres. Fee subsidies for lower income families are inadequate. The proportion of subsidized child care spaces has essentially remained static since 2001, yet the child poverty rate in Canada has risen to 19.1%.[5]

Unregulated child care is the only affordable, available option for many parents. All regions report difficulty attracting and retaining qualified early childhood educators because the profession is poorly valued and paid. Program quality is often weak so cannot be considered "educational." Service gaps encourage the expansion of for-profit child care, which research finds tends to be poorer quality. While child care and kindergarten are often technically administered in the same government department they are still separated by starkly different policy and funding approaches. Universal access to public kindergarten is available across Canada, yet it is generally only for five-year-olds and doesn't accommodate parents' work schedules.

What We Know: The Smart Thing and the Right Thing To Do

ECEC is key to women's equality, social justice, and lifelong learning, with long-term implications for societal prosperity. Research shows high quality ECEC benefits children developmentally but can be ineffective or even negative if the quality is poor. Thus, high quality must be a given in any consideration of ECEC.

Building a quality ECEC system is the right thing to do for families, women, and children, and the smart thing for Canada. Quebec research shows that the $7/day system more than pays for itself: in 2008, "each $100 of daycare subsidy paid out by the Quebec government generated a return of $104 for itself and a windfall of $43 for the federal government." Also, 70,000 more women hold jobs as a result.[6]

Childcare is considered to be a human right by the United Nations (under the *Convention on the Rights of the Child* and the *Convention on the Elimination of All Forms of Discrimination Against Women*); some countries carry this into national policy by making ECEC an entitlement. In the most recent review of Canada's compliance with the *Convention on the Rights of the Child*, the UN singled out the "lack of funding directed towards the improvement of…affordable and accessible early childhood care and services," the "high cost of childcare," and the "lack of available places."[7]

Relying on the Market: Why Canadian ECEC Doesn't Work

Canada's reliance on a child care market is the key explanation for our persistent patchwork of services. Rather than building a coherent public system (like public education) with long-term goals, planning, substantial public funding, and public management, Canadian governments allow market forces to shape, create, maintain, deliver, and finance child care services.

Every aspect of Canadian child care is shaped by the market. The role of provincial and territorial governments is largely limited to monitoring minimal regulations that fail to deliver the high quality programs that benefit children. Outside Quebec, parent fees cover most costs in regulated and unregulated child care.[8] Most public funding comes through market-oriented vouchers, cheques, or fee subsidies rather than funds paid directly to services. The private sector — child care chains, smaller entrepreneurs, non-profit and charitable organizations — determines when and where services open and close. Non-profit and for-profit operators finance most capital costs and deliver most regulated child care with little public management or public planning.

The results of this failed market approach are well documented. Yet, as the OECD suggests, Canada's adherence to a market-based approach reflects "economic orthodoxy" rather than lack of knowledge about the benefits of publicly managed, publicly funded systems.[9] Existing policy encourages dependence on markets despite clear evidence that public management is a much more effective and equitable way to deliver services.

In 2004, a substantial federal commitment to begin building a national child care program finally emerged after years of inaction. The federal Liberal government program, which would have been supported by $1 billion in annual transfer payments to provinces and territories, was terminated by the incoming Conservatives.

Between 2009 and 2011, provincial and territorial allocations to regulated child care (adjusted for inflation) actually decreased in several jurisdictions, increasing only marginally for Canada as a whole—from $3.7 billion to $4.0 billion.[10] Canada's public investment in child care has been fairly static since the OECD calculated Canada's public spending on ECEC (child care + kindergarten) to be only 0.25% of GDP (2006).[11] As a share of GDP, this represents one-third the OECD average (0.7%) and far less than the international minimum benchmark of *at least* 1% of GDP.[12]

Too Little Public Money, Too Little Public Policy

Comparative research shows two things are key for shaping high quality, accessible ECEC systems: substantial, well-directed public funding, and robust public policy. Limited public funding guarantees high quality services will be unavailable and unaffordable and will make it impossible to offer wages at the level needed to attract and retain highly qualified staff. The delivery of funds through ineffectual mechanisms with insufficient public management makes it difficult to "steer" towards the right mix of high quality, affordable services or to integrate child care and early childhood education.

Canadian child care today can be summed up as "too little public money, too little public policy," plagued by stagnant budgets and arbitrary service expansion and contraction. Adequate public funding and robust, well-designed public policy matter very much for quality, access, and a "strong and equal partnership" between child care and education. If good public policy is absent, public funds may not achieve the best possible results; if public funding is too limited, even strong policy frameworks cannot deliver.

Current Issues

The lack of policy coherence in the area of ECEC has resulted in significant variations in the affordability of child care from region to region. An evaluation of child care fees in Canada's 22 largest cities found that fees ranged from $1,676/month for infant care in Toronto to $152/month for all age groups across Quebec.[13] In many municipalities outside of Quebec child care fees amounted to three months of women's average earnings. Compare that to Quebec cities like Gatineau, where fees amounted to only 4% of women's incomes.[14]

There are also significant gaps in the availability of child care spaces across Canada. In 2012, there were 1.9 million children under the age of five, and just over half a million regulated, centre-based child care spaces in Canada.[15] A million of those children lived in families with two working parents. Less than 10% of those children (half of all four-year-olds) are enrolled in pre-kindergarten (which is not necessarily full day).[16] According to the 2011 census, the number of children under the age of five grew at the highest rate in 50 years (11% since 2006) and the number of children 0–5 years with employed mothers went up by 108,000 between 2010 and 2012.[17] These demographic trends suggest the gaps are only going to grow.

Regulated child care providers find themselves struggling to offer child care at affordable rates and to charge enough to pay their staff a living wage. The median wage for early childhood educators is less than $18,000 per year.[18] Low wages make recruitment and retention an endemic problem, with many early childhood educators unable to afford to put their own children into the centre at which they work.

Home child care providers make even lower wages, with annual median incomes of just over $11,000.[19] Yet, this is one of the reasons that many parents rely on unregulated child care — because it is what they can afford.

As parents increasingly rely on unregulated care, the quality and safety of that care have come under increasing scrutiny. The tragic deaths of four children in unregulated child care in Ontario focussed renewed public attention on the issue in that province, leading the provincial government to address some safety concerns. However, the issues that drive demand for unregulated care — availability and affordability — remain.

For-Profit Childcare: Continuing to Grow Almost Everywhere

In 2012, for-profits delivered 29% of centre spaces, up from 20% in 2004. In most provinces and territories, regulated child care's limited growth has been dominated by the expansion of for-profit services.[20] New mega-sized for-profits include Brightpath (previously Edleun), Canada's first publicly listed big box chain, along with privately held Kids & Company, with 75 centres. Both report that they are positioned for growth, with investors providing significant capital infusions.

There are useful lessons for Canada from countries relying on corporate chains, where public funds support private profits rather than public goals of quality, affordability, and equity of access. The higher fees, lower wages, unmet demand, and poor quality in countries dominated by corporate child care are a wake-up call about the dangers and inequity of this approach.[21]

Where Is the Federal Government?

A key barrier to a Canadian ECEC system has been the federal government's absence from the table. The provinces have jurisdictional responsibility and some provinces have introduced changes to their ECEC situations. However, without federal funding and leadership, these services remain inadequate to meet the need, failing to provide substantial enough reforms to impact the status quo significantly. Even funding for Aboriginal ECEC, for which the federal government has direct responsibility, has been static since 2006.[22]

Since 2006, the federal government has spent an estimated $20 billion on its Universal Child Care Benefit (UCCB). The UCCB program is set to expand in 2015, with the parents of children under six receiving $160/month and the parents of children aged 6–17 now receiving $60/month. The UCCB offsets only a fraction of the average cost of child care and does nothing to increase the availability of child care.

The federal government has also introduced income splitting between two-parent families with children under 18. This tax policy benefits higher income two-parent families where there is a significant disparity between the incomes of the two parents. Half of all parents with children under 18 will receive no benefit. Single parents, families where both parents earn similar amounts, and low-income parents receive no benefit. Income splitting for families, with its hefty additional public cost of an estimated $2 billion annually, will be of little benefit to those children and families who have the greatest need.[23]

The federal government has also increased the Child Care Expense Deduction, another demand-side funding approach that benefits wealthier families most, does nothing to build a child care system yet costs almost $1 billion annually. The proposed increase in the deductable limit will cost the federal government an additional $65 million in 2015–16.[24]

AFB Actions

There is no doubt that a national child care program is back on the political agenda. In 2014 ChildCare2020, the fourth national child care policy conference, was held in Winnipeg with a goal of moving from a common vision of a high quality, universal public child care system across Canada to action. The 600 delegates unanimously endorsed the conference's vision paper outlining common principles — universality, high quality, and comprehensiveness — and a call for moving from our current market-based child care to a public system.[25]

The AFB supports and builds on these principles. 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 ECEC systems. The goal, consistent with the recommendations at ChildCare2020, is to build a system that ensures universal access to high quality ECEC. Public ECEC funding will grow to reach at least 1% of GDP, with contributions from both federal and provincial-territorial governments.

In 2015–16 the AFB will commit $1 billion in federal funding. Funding will increase by $1 billion over each of the following five years. At the five-year mark, an evaluation will determine how to fine-tune the program going forward. It is expected that funding will increase until a mature universal program is achieved.

Consistent with ChildCare2020, the AFB will establish an overarching federal policy framework to guide collaboration between the federal government and provinces and territories, providing federal funds to those that develop and maintain:

- Public plans for developing integrated systems of ECEC that meet the care and early education needs of children and parents. The overarching federal policy framework and each provincial and territorial framework will include: a vision statement that considers ECEC as a public good and a 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-educated, well-paid ECEC workforce; democratic participation of parents and community; and data, research, and evaluation to ensure robust policy development.
- Public management of the expansion of public and not-for-profit services under public authorities through public planning processes (including integration of existing community services into publicly managed systems).
- Public funding delivered directly to ECEC systems rather than through individual parent-payment measures, designed to create and maintain high quality, accessible services through predictable, sustained, dedicated funding.
- Public reporting in federal, provincial and territorial legislatures on quality, access and other elements in the ECEC system.

Within this broad approach the AFB acknowledges the right of Canada's Indigenous peoples, who have been especially neglected by the federal government, to design, deliver, and govern their own ECEC services, as well as Quebec's right to develop social programs, recognizing that additional federal funding and public policy are required to further advance quality and equitable access in Quebec. The AFB encourages the federal government and other provinces/territories to work with Quebec to achieve provincial goals and for all jurisdictions to learn from one another.

Finally, the AFB recognizes that, in addition to child care, families require well-paid parental leave. A better-paid, more inclusive, more flexible parental leave benefit program, including earmarked paternity leave, should be developed in the near future.

Notes

1 Ferns, C. and Friendly, M. (2014). *The State of Early Childhood Education and Care in Canada 2012*. Toronto: Moving Childcare Forward Project.

2 "Early childhood education and child care" is defined as full- and part-time care and learning services for children from birth to compulsory school age, including centres, preschools/ nursery schools, regulated home child care, kindergarten and family resource programs, as well as outside-school-hours up to age 12.

3 For more information on provincial/territorial child care data, see: Ferns, C. and Friendly, M. (2014). *The State of Early Childhood Education and Care in Canada 2012*. Toronto: Moving Childcare Forward Project.

4 See: UNICEF Innocenti Research Centre (2008). *Report Card 8: The Child Care Transition: A League Table of Early Childhood Education and Care in Economically Advanced Countries*.

5 Friendly, Martha and Jane Beach (2013). *The State Of Early Childhood Education And Care In Canada 2010: Trends And Analysis*. Toronto: Childcare Resource and Research Unit; *2014 Report Card on Child and Family Poverty* (2014). Toronto: Campaign 2000.

6 Fortin, Pierre, et al. (2012). "Impact of Quebec's Universal Low-Fee Childcare Program on Female Labour Force Participation, Domestic Income and Government Budgets." Sherbrooke: Research Chair in Taxation and Public Finance, University of Sherbrooke.

7 Committee on the Rights of the Child, October 5, 2012. Consideration of reports submitted by States parties under article 44 of the Convention, Concluding observations: Canada. (71) CRC/C/CAN/CO/3-4.

8 While the market approach is prevalent across Canada, Quebec has introduced elements of a public system.

9 OECD Directorate for Education (2004). *Early Childhood Education and Care Policy. Canada: Country Note*. Paris: Organization for Economic Co-operation and Development.

10 Ferns, C. and Friendly, M. (2014). *The State of Early Childhood Education and Care in Canada 2012*. Toronto: Moving Childcare Forward Project.

11 Note that this is the most current complete data on Canadian ECEC available from the OECD. Based on available information in Canada, ECEC funding has undoubtedly increased since 2006 as several provinces have added full-day kindergarten while child care funding has continued to grow slowly. No comparative data, however, are available as Canada's entries in the OECD Family Database (2009) and other international sources are incomplete.

12 The .07% and 1% come from Bennett, J. (2008). *Benchmarks for Early Childhood Services in OECD Countries*. Innocenti Working Paper 2008-02. Florence: UNICEF Innocenti Research Centre. The source of the 0.25% of GDP is Organization for Economic Co-operation and Development. Directorate for Education. (2006). *Starting Strong II*. Paris: OECD Publishing.

13 Macdonald, David and Martha Friendly (2014). *The Parent Trap: Child Care Fees in Canada's Big Cities*. Ottawa: Canadian Centre for Policy Alternatives. In November 2014, the Quebec government announced that the $7/day flat fee will be replaced with a sliding scale. It is reported that the lowest fee will rise to $8/day, increasing to $15 to $20 for those making more than $150,000.

14 Macdonald, David and Martha Friendly (2014). *The Parent Trap: Child Care Fees in Canada's Big Cities*. Ottawa: Canadian Centre for Policy Alternatives.

15 Friendly, Martha et al (2013). Early Childhood Education and Care in Canada 2012 (revised 2013). Toronto: Childcare Resource and Research Unit; "CANSIM Table 051-0042: Estimates of population, by marital status or legal marital status, age and sex for July 1, Canada, provinces and territories, annual (persons)." Ottawa: Statistics Canada.

16 OECD. (2012). Education at a Glance: Paris.

17 Ferns, C. and Friendly, M. (2014). *The State of Early Childhood Education and Care in Canada 2012*. Toronto: Moving Childcare Forward Project.

18 Statistics Canada. (2011). National Household Survey.

19 Ibid.

20 Ferns, C. and Friendly, M. (2014). *The State of Early Childhood Education and Care in Canada 2012*. Toronto: Moving Childcare Forward Project.

21 White, Linda A. and Martha Friendly (2012). "Public Funding, Private Delivery: States, Markets, and Early Childhood Education and Care in Liberal Welfare States." *Journal of Comparative Policy Analysis*, vol 14.4.

22 Friendly, Martha and Jane Beach (2013). *The State Of Early Childhood Education And Care In Canada 2010: Trends And Analysis*. Toronto: Childcare Resource and Research Unit.

23 McInturff, Kate and David Macdonald (2015). *Time To Grow Up: Family Policies For The Way We Live Now*. Ottawa: Canadian Centre for Policy Alternatives.

24 Department of Finance. "Backgrounder: Helping families prosper." http://www.fin.gc.ca/n14/data/14-155_1-eng.asp.

25 ChildCare2020 Steering Committee. (2014). http://childcare2020.ca/sites/default/files/VisionChildCare2020Nov3ENG_.pdf

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 as urban populations grew, investment failed to keep pace, and the infrastructure deficit expanded. 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 between 1950 and 1980. Since then, cities have been slowly starved. Cuts in transfers and the downloading of responsibilities have led to decay. The replacement cost for aged infrastructure is estimated at $171.8 billion.[2] Less money for cities means less money for services such as public transit, police and fire departments, libraries, water and sanitation services, and community centers. The added costs associated with aging infrastructure deplete municipal resources, making it even harder for cities to meet the day-to-day needs of their communities.

Unlike 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. But because these are regressive forms of revenue generation, they disproportionately affect vulnerable populations.[3] Property tax rates in some provinces are among the highest in the world. 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.

With few exceptions, Canada's municipalities depend on higher levels of government to fund the large projects needed for renewal. In the early 1990s, transfers from Canada's federal and provincial governments provided 26% of local government revenues. After 1995, transfers to cities from both of these sources were reduced, and by 2000 they provided only 16% of local government revenues. During this period of low investment the population of Canadian cities grew by almost three million people.[4] Local governments, especially in Ontario, increased property taxes, user fees, and service charges while reducing public services, and delaying investment in and maintenance of infrastructure. And transfers to municipalities continued to shrink, even though federal and provincial governments ran surpluses and cut taxes to businesses and higher-income earners.

In recent years, federal and provincial governments have increased the money they give to local governments in response to public pressure, the recession, and some major structural issues related to vital bridges and roads. 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 does not fix the flaws in the funding structure itself. Grants are still approved using a non-transparent, lottery-style process, funding individual projects discourages a co-ordinated approach, and the application-based approach has sparked accusations of unfairness, and of grants emphasizing publicity over functionality.[5]

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 was the $2 billion Gas Tax Fund (GTF). Budget 2013 brought in the 10-year New Building Canada Plan (NBCP), which combined existing commitments like the GTF with new funding to 2024. The announcement implied a consistent stream of income over the next decade. In reality, there was little new spending announced for the first five years, with almost 75% available only after 2019.

The NBCP offers municipalities 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 plan, spending as a percentage of GDP is dropping again. In 2012, governments spent $9 billion less than what would have been required, and the NBCP essentially locks in the 2012 level of federal funding for the next decade.

Current Issues

Unwanted Public-Private Partnerships

Despite years of preparation, and extensive consultation with municipalities, the NBCP has many of the negative traits of previous federal funding arrangements. These include an application-based system that the Federation of Canadian Municipalities suggests could prioritize high profile and visibility over function in local infrastructure projects. Another problem is the priority given to public-private partnerships (P3). Municipal projects worth $100 million or more trigger an assessment by PPP Canada to determine whether they make good candidates for a P3. The first problem with this arrangement is basic efficiency. The assessment imposes a delay on infrastructure construction of between six and 18 months while the project is reviewed. It is also expensive: the municipality pays for half the cost of the P3 screen. Then, at the end of it all, the decision of PPP Canada is final and binding on the municipality, even if the local government determines that public delivery of a service or project is the best fit for their community. When P3 experiments fail, public institutions are ultimately responsible for picking up the pieces. No municipality should be forced to choose a risky P3 service delivery model if they feel it is contrary to the best interests of residents and the community.

Public Transit

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 public transit ridership, putting added strain on underfunded systems. However, as a percentage of the population, transit ridership has remained relatively constant, indicating that the improvements needed to encourage Canadians to use public transit have not been made.[9] Canada is the only country in the OECD without a national transit strategy. The NBCP funds transit projects but does not provide a co-ordinated plan. The absence 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. Compounding this structural problem is an unfortunate reality that few federal political actors are willing to target a small number of highly populated urban regions for long-term funding. For transit funding to have the most impact, the larger interconnected urban regions need a disproportionate amount of attention. For example the Greater Toronto and Hamilton Area (GTHA) has a co-ordinated regional transit strategy in place but lacks the federal support to implement it.

Sustainable Municipal Asset Management

The NBCP acknowledges the importance of asset management but offers little assistance to municipalities that lack the resources to manage the co-ordinated integration and maintenance of multiple infrastructure investments over time. The result is poorly maintained infrastructure with a shorter lifespan and a patchwork of disjointed projects that cost much more than necessary. A lack of organization also permeates other allocation practices. Frequently occurring examples include the following:

- 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 and loss of prime agricultural land, at the expense of reinvesting in older brownfields of which there is an estimated 30,000 sites across Canada;[10]
- 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.

Comprehensive Economic and Trade Agreement

In September 2014, Canada and the European Union released the consolidated text of the concluded Comprehensive Economic and Trade Agreement (CETA). The "21st century" or "next generation" free trade agreement will be particularly meddlesome and intrusive for Canadian municipalities. Despite formal objection to CETA by over 50 Canadian communities, if the agreement is ratified municipal spending decisions will be, for the first time, constrained by international trade and procurement rules. Generally, the impact will be a loss of democratic authority for a level of government where this is already relatively weak. Specifically, CETA will dilute the power of local governments to use public spending to encourage broader social and economic development. Once implemented, the Canada–EU agreement would punish communities that impose positive procurement criteria on infrastructure projects, such as local content requirements, job training and other offsets, and even environmental protection conditions (see the AFB Trade Policy chapter).

Community Economic Development

Canadian communities have been taking innovative and strategic action to respond to increasingly complex challenges, and to improve their economic, social, and environmental conditions. Community leaders understand that unemployment, urban and rural decline, income inequality, poverty, social exclusion, and environmental degradation can only be effectively addressed by community-led strategies that take a multifaceted and integrated approach. The Community Economic Development (CED) model provides that approach.

CED is community-led action that creates economic opportunities while enhancing social and environmental conditions. Through social enterprises, co-operatives, and other community organizations, Canadians are working together to strengthen local economies while providing access to child care services, housing, local food, training, skill development opportunities, and much needed services in a way that empowers marginalized groups. These efforts build fairer and stronger local economies, while creating sustainable and resilient communities. Governments have an important role to play in supporting CED given the significant resources, capacities, and policy levers at their disposal.

Canada can play a lead role in addressing complex community challenges and improving the quality of life for all Canadians by developing and implementing a federal CED Policy Framework along with a Neighbourhood Revitalization Program (NRP). The former can be modeled after the one employed by the Manitoba government. It would include a CED lens — a series of questions to help departments assess the degree to which they are incorporating CED principles into government initiatives. This would ensure that CED principles, such as local skill development and local employment, are incorporated into government initiatives so that they better respond to the economic, social, and environmental needs of communities. By doing so, a federal CED Policy Framework would promote inclusive, sustainable, and resilient Canadian communities.

AFB Actions

Community Infrastructure Transfer

The AFB will implement the Community Infrastructure Transfer (CIT) to replace most elements of the New Building Canada Plan for all infrastructure investment that is not deemed to be exclusively of national significance. The CIT will be a 10-year federal commitment starting at $6.6 billion and increasing by 2% annually for the duration of the plan. It will require matching funding from other levels of government. Given the disproportionate burden that municipalities have borne for infrastructure costs, the AFB would require 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 P3 screen and the mysterious, lottery-style approval system that characterize recent arrangements will be replaced with transparent, mutually agreed upon criteria that will require municipalities to develop and actualize long-term plans with respect to economic, public transit, and social infrastructure. (Cost: $6.6 billion indexed annually, although the net cost is $3.3 billion as it replaces the pre-existing NBCS.)

Practical Transit Fund

The AFB will allocate an additional $1.4 billion per year (to be adjusted upward by 2% annually and matched by other jurisdictions accordingly) to accelerate investment in high-impact public transit projects designed to increase ridership and reduce commute times for public transit users. This portion of the fund will be allocated using a regional per capita minus base formula, targeting areas with higher populations and more serious congestion. (Cost: $1.4 billion indexed annually by 2% per year for ten years.)

National Communities Roundtable

The introduction of the Community Infrastructure Transfer will require a re-evaluation of the role played by the federal government with respect to lower levels of government. The National Communities Roundtable will be comprised of representatives from all levels of government and tasked with removing obstacles to the smooth transmission of public resources into the productive and socially responsible investment that communities urgently need. Roundtable duties will include:

- Developing mutually agreed upon, streamlined project approval criteria that include transparency, new reporting mechanisms, and independent, fund-specific auditing;
- Identifying common goals across provinces and providing specialized services to municipalities;

- Developing and coordinating a National Transit Strategy and a National Sustainable Municipal Asset Management Plan;
- Developing and co-ordinating a national CED Policy Framework modeled on the one in Manitoba;
- Creating an ongoing outreach strategy to promote co-construction of public policy with all levels of government, stakeholders, and civil society partners; and
- Developing and co-ordinating a National Brownfield Redevelopment Strategy to bring former industrial sites back to productive community and economic use.

Community Benefit Clause

The AFB will develop and implement a purchasing strategy that incorporates social and environmental value weighting in all municipal procurement, and that uses a Community Benefit Clause (CBC) on all contracts above $500,000. What Canada has committed to in CETA precludes these types of policies, which is part of the reason why the AFB will exit the Canada-EU agreement before it can be ratified (see AFB Trade Policy chapter). Working within the regulations of CETA, it will be necessary to ensure CBCs are not considered an "offset" under the terms of the procurement chapter. A CBC will not predetermine who may bid on a contract, but will incorporate evaluated percentage criteria that prompt bidders to demonstrate how their proposals will provide residual benefits to the community (aside from price, quality, etc.). Any bidder, regardless of their country of origin, may submit a proposal that includes additional community benefits and will be evaluated accordingly.

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 in under-invested urban communities throughout the country. NRCs will be locally governed, democratic organizations that co-ordinate ongoing revitalization efforts. 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

1 Statistics Canada. 2011 National Census. "Population, urban and rural, by province and territory." http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo62a-eng.htm

2 Federation of Canadian Municipalities. (2012). Canadian Infrastructure Report Card. http://www.fcm.ca/Documents/reports/Canadian_Infrastructure_Report_Card_EN.pdf

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

4 Statistics Canada. 2011 National Census. "Population, urban and rural, by province and territory." http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/demo62a-eng.htm

5 Stoney, Christopher, and Tamara Krawchenko. (2012). "Transparency and accountability in infrastructure stimulus spending: A comparison of Canadian, Australian and U.S. programs." *Canadian Public Administration*, Volume 55, No. 4 (December), pp. 481–503.

6 Mackenzie, Hugh. (2013). *Canada's Infrastructure Gap*. Ottawa: Canadian Centre for Policy Alternatives. http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2013/01/Canada%27s%20Infrastructure%20Gap_0.pdf

7 Toronto Board of Trade. (2014). *Toronto as a Global City: Scorecard on Prosperity*. http://www.cou.on.ca/publications/reports/pdfs/scorecard_2014-1

8 Canada West Foundation. (2013). *At the Intersection: The Case for Sustained and Strategic Public Infrastructure Investment*. http://cwf.ca/pdf-docs/publications/AtTheIntersection_Feb2013.pdf

9 The Canadian Press. (2013). *Most Canadians drive alone to work*. CBC News, June 26. http://www.cbc.ca/news/canada/most-canadians-drive-alone-to-work-1.1367386

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Defence

Background

The Afghanistan war is over, leaving the Canadian military scrambling to care for wounded soldiers, to re-equip in an era of downsizing, and to identify core missions and roles in the absence of any meaningful blueprint to guide Canadian defence policy in the 21st century.

With the wind-down of Canada's decade-plus military mission in Afghanistan, and with no new deployments on the horizon, 2013–14 saw the fourth consecutive year of reductions in military spending. The situation changed slightly in the last quarter of 2014–15, when the government announced a budget increase of 5% over the previous fiscal year, accounting for inflation, in its supplementary estimates (b) and (c). This increase relates in part to the expected increase in operational costs incurred by Canada's air combat role in the international coalition fighting the Islamic State of Iraq and Syria (ISIS), and by *Operation Reassurance* in Ukraine. Even then, the budget of the Department of National Defence (DND) is well below its peak in 2009–10, and there is still no consensus on where further cuts should be made.

The post-9/11 days, when DND was showered with more public dollars than during the Cold War, are definitively over. Notwithstanding Canada's involvement in the U.S.-led campaign in Iraq, which faced near-united opposition in Parliament, the government is determined not to let the defence budget upset its planned surplus going into the 2015 election. This is evident in Canada's refusal to commit, at a September 2014 NATO summit in Wales, to a 2006 pledge to put 2% of GDP towards defence spending. And we saw it again in the government's refusal to commit Canadian resources to a new high-readiness "spearhead" force in Eastern Europe and the Baltic states, to help protect NATO member nations from potential Russian aggression, despite the Prime Minister having led the rhetorical charge against Russia for many months previous.

There is no sign that the government has changed its position against reducing the size of the military as a means of avoiding cuts to operations and maintenance costs, which have accelerated. But there is at least a question mark over the future of one of the most expensive, high-profile, and problem-plagued procurements: the Joint Strike Fighter program. In June 2014, the government appeared to put off any further decision on the F-35s beyond the development phase until after the 2015 election — another possible means of keeping big-ticket items off the books for the sake of a surplus but one that requires DND to revise plans to extend the life of its CF-18s.

But the Harper government's problems with defence procurement go well beyond manipulation of timelines for political purposes. The long list of procurement debacles highlighted in past years' Alternative Federal Budgets show little sign of abatement. No design has as yet been chosen for the Arctic offshore patrol ship, originally promised for delivery in 2013. Critics argue that the specifications and design for the Arctic/offshore patrol vessel, originally promised for delivery in 2013, are unsuitable for either purpose.[1] No design has been chosen for the Navy's Canadian Surface Combatant, now estimated for first delivery in 2025 rather than the promised 2016–17 date. The Canadian Multimission Aircraft project has been halted but will be restarted with newer, much longer timelines, and with a smaller aircraft under consideration. Existing Aurora patrol planes are to be further upgraded. And, as noted above, there has been no contract awarded for a CF-18 replacement jet, originally planned for 2012 and now projected for between 2018 and 2020.

Current Issues

Military Spending

Canada is the sixth largest military spender among the 28 member nations of NATO,[2] and the 16th largest spender in the world.[3] DND has been granted budget authority to spend up to $20.1 billion in fiscal year 2014–15, although it is possible not all of that will be used.[4] This amount is higher than the $18.6 billion announced at the time of the budget, primarily due to the addition of just over $1 billion for DND's operating budget in the Supplementary Estimates (B) and (C). In 2013–14, the department spent $18.8 billion, which is about $19.1 billion in 2014 dollars. These figures suggest that 2014–15 spending will be as much as 5% higher ($983 million) than 2013–14 spending after adjusting for inflation.

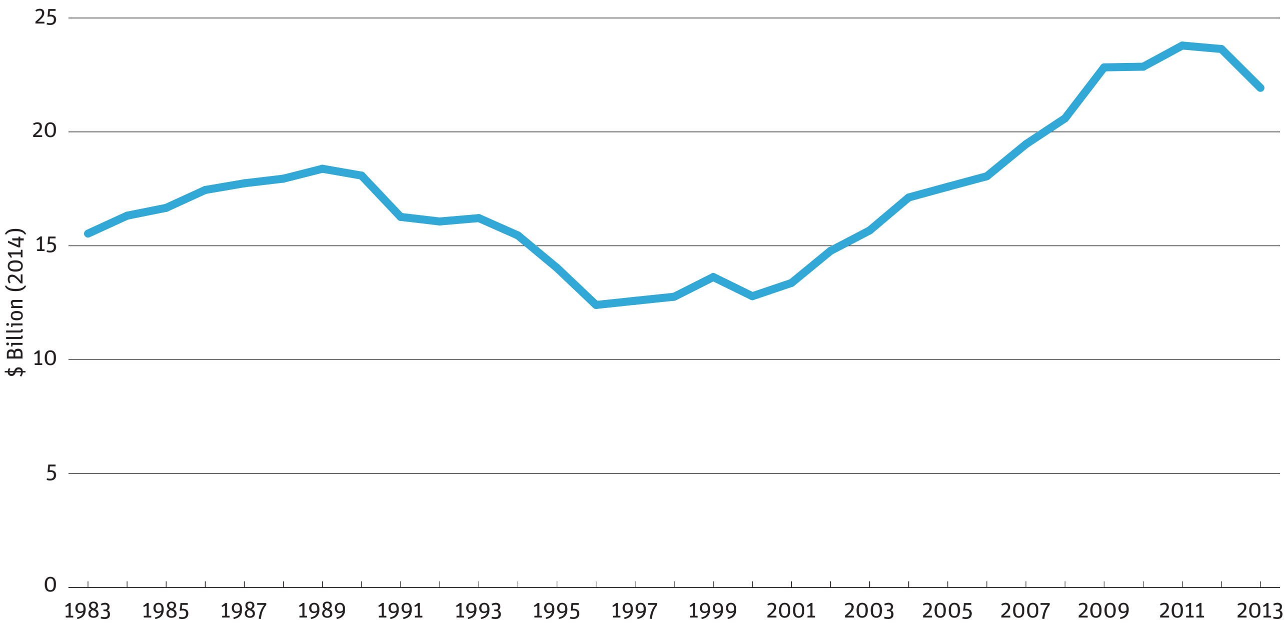
Overall, the DND budget has undergone significant reductions since its peak in 2009–10, when it was just over $20 billion (or about $22.6 billion after adjusting for inflation). That said, more than 90% of the reductions that have taken place in recent years are attributable to accounting changes and the declining incremental cost of Canada's overseas military missions, most notably the winding down of the mission in Afghanistan.[5]

Impact of the End of the Afghanistan Mission

The overall incremental costs of the Canadian Forces' overseas missions were originally projected to be $135 million this year, which includes $48 million for the Afghanistan mission that terminated in March 2014. An additional $138 million was added in the Supplementary Estimates (C) to cover the expected incremental costs of the new Iraq and Ukraine missions, making the total allocated for overseas missions $273 million.

By contrast, in 2009–10, the incremental costs of Canada's overseas missions totaled just over $1.7 billion ($1.9 billion in 2014 dollars), of which about $1.5 billion was for Afghanistan ($1.6 billion in 2014 dollars). Taking the higher end of the projected incremental costs above, the difference represents nearly $1.7 billion in costs that DND

FIGURE 7 Canadian Military Spending, 1983–84 to 2013–14 ($ Billions 2014)



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

does not face this year. Thus, while DND's projected 2014–15 budget is approximately $2.5 billion lower (in 2014 dollars) than in 2009–10, the department's ability to fund core programs has only declined by about $200 million. Nonetheless, it is fair to say that DND is currently facing severe budget pressures.

The Harper government's equipment plans for the Canadian Forces, set out in the Canada First Defence Strategy of 2008, were never adequately funded within the government's spending plans. Nor were plans adjusted in light of manifest examples of project costs greatly exceeding the sums allotted for them. The government has publicly promised to keep 68,000 full-time military members and 27,000 reservists in uniform. Personnel costs represent almost 50% of the DND budget, and as long as the size of the regular and reserve forces remains fixed it will be difficult to find substantial savings in this area.

As a result of these policy choices, most of the effects of government-mandated reductions are 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. Indeed, this may already be happening, as recent government information shows that "higher than forecasted attrition and other factors" has led to a shortfall of 900 regular force members and 4,500 part-time reservists, with the Canadian Army being hit particularly hard. It seems that cuts to military training and operations are driving people out faster, and cuts to the recruiting system make it difficult to keep up with attrition.

Systemic Procurement Issues

Beyond the list of specific procurement problems, there are systemic issues the government has only partially addressed, including a fundamental tension between timely and affordable acquisitions on the one hand, and maximizing Canadian industrial benefits on the other. Exacerbating this push-pull dynamic is the departmental tendency to pursue overly ambitious projects aimed at meeting a variety of requirements rather than making hard, up-front decisions on priorities.[6] Related to this problem, and much discussed in the case of the hapless F-35 stealth jet fighter project, are in-house preferences that skew the procurement process from the outset.

The Defence Procurement Strategy (DPS) released in June 2014 provides a third party review of high-level mandatory requirements at the options-analysis stage. This external, independent oversight body should be able to rein in unrealistically ambitious proposals and in-house preferences that distort project requirements. Unfortunately, there is no single point of accountability in a process that involves multiple departments and the industry, which critics call a "glaring shortcoming of the strategy."[7]

Gross Mismanagement at Veterans Affairs

The recent litany of controversial and inept actions by Veterans Affairs Canada is almost incomprehensible. Examples include the closure of veterans service centres, long delays in mental health disability benefits, the failure of the department to spend its full budgetary allocation (instead returning a total of over $1 billion to the treasury), and the elimination of a quarter of its workforce over the past five years, even as department officials warned that the changes could put the delivery of services to veterans and their families at risk.

Peacekeeping

As of September 2014 there were 91,668 military personnel and 12,516 police personnel (104,184 in total) serving around the world in 18 United Nations peacekeeping missions. Canada participated in five of these missions, contributing 34 military and 84 police personnel for a total of 118. This puts Canada in 65th place out 128 contributing countries in terms of overall (military and police) contributions to UN peacekeeping, just behind Zambia (141) and just ahead of Tunisia (116). If we look at military contributions only, Canada ranks even lower, in 79th place out of 119 countries, just behind Australia (36) and ahead of Brunei (30).[8] The incremental cost of Canada's military contribution to UN peacekeeping missions is projected to be $4.7 million in 2014–15.

The demand for UN Blue Helmets has never been greater. But UN peacekeeping cannot begin to live up to its potential — to assist countries in transition from civil war to stable governance — unless it has the resources to do the job. The almost wholesale withdrawal of western forces from UN peacekeeping, in favour of NATO-led missions in the Balkans and then Afghanistan, occurred even as UN operations required increasingly capable and well-equipped military components, operating under Chapter VII of the UN Charter.

Only UN-led missions provide unity of military and civilian efforts under the overall authority of a civilian head of mission, giving primacy to the peace process. NATO-led missions have no such unity of command; they also lack the perceived legitimacy and impartiality of UN-led missions, a gift to spoilers on the ground. Significantly, some NATO countries, including the Netherlands and Italy, are beginning to re-engage. It is time for Canada to seriously consider doing the same.

AFB Actions

The AFB will:

- *Take immediate action on veterans and procurement oversight*: Former veterans ombudsman Colonel (retired) Pat Stogran has called for a public inquiry as the only way to address the "culture of denial" that plagues Veterans Affairs Canada. The AFB would immediately convene consultations with veterans groups on the mandate for an independent public inquiry into the department's failure to help Canada's fallen in need. With respect to procurement, the AFB would revise the DPS to include a single point of accountability. In particular, this would address the accountability deficit in a process with multiple departments and stakeholders.

- *Reduce defence spending over five years*: 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 DND budget was just under $11.9 billion, or about $16.1 billion in 2014 dollars, which is where it will be again by 2017–18 under AFB plans. As spending is projected to decline slightly in any event, the AFB will further reduce the Department of National Defence budget by $1.5 billion by 2017–18.

- *Fully review Canada's defence policy*: These spending reductions are reasonable but will require hard choices about priorities, affordable force structures, and capabilities. To get there, a "root-and branch" defence policy review is mandated to identify and prioritize key defence tasks and roles, and their funding envelopes. This would involve an established democratic practice almost entirely abandoned by the Harper government — the issuance of a Green Paper based on broad public and expert consultation, followed by a White Paper that establishes the government's new position in light of this input. A central theme to be explored in the Green Paper would be whether it is time to shift Canada's focus from NATO to UN-led peace and security initiatives. The consultation document would include a proposed Canadian policy framework of guiding principles and considerations for Canadian intervention in military operations abroad. A hard look at the appropriate balance between military and criminal justice responses to the challenges posed by terrorism would be another key theme. This review, together with the recommended spending reductions, would provide urgently needed public dollars for other priorities, boost efficiency in national defence, and lay the foundation for a strong Canadian military that is better capable of protecting Canadians and supporting UN peace operations.

Notes

1 Webb, Stuart. "Ottawa is buying the wrong boat to defend the Actic," Ipolitics.ca, October 30, 2014. http://www.ipolitics.ca/2014/10/30/ottawa-is-buying-the-wrong-boat-to-defend-the-arctic/

2 2013 NATO statistics

3 2013 SIPRI statistics

4 Treasury Board of Canada. Supplementary Estimates (B) and (C), 2014–15

5 Approximately $312 million in 2014 dollars for costs for the Communications Security Establishment and roughly $300 million in 2014 dollars for significant IT responsibilities now under Shared Services Canada no longer come out of the DND budget as of late 2011.

6 To cite but one example, the original Joint Support Ship project, now cancelled, was for a ship that did not yet exist anywhere.

7 Sloan, Elinor. (2014). "Something Has to Give: Why Delays Are the New Reality of Canada's Defence Prorement Strategy," p. 7. See http://www.policyschool.ucalgary.ca/sites/default/files/research/sloan-defenceacquis-cdfi.pdf

8 Statistics calculated from *Monthly Summary of Contributions (Police, UN Military Experts on Mission and Troops)*, 30 September 2014. See http://www.un.org/en/peacekeeping/contributors/2014/sept14_1.pdf) and *UN Missions Summary detailed by Country*, 30 September 2014 (http://www.un.org/en/peacekeeping/contributors/2014/sept14_3.pdf))

Employment Insurance

Background

Employment Insurance (EI) is a vital part of Canada's social safety net. Successive federal governments have made the program less generous and harder to access at the same time as our society has undergone major changes. Workers in Canada are desperately in need of a sturdy social safety net, as more and more of us live with the realities of precarious employment.

The EI Operating Account had accumulated a deficit of $9.2 billion by 2011 but is expected to return to surplus in 2015. The narrative around future surpluses continues to be centred on reducing premiums rather than increasing benefits and training supports.

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 2013, women's average weekly benefits were consistently about $60 lower than men's.[1]

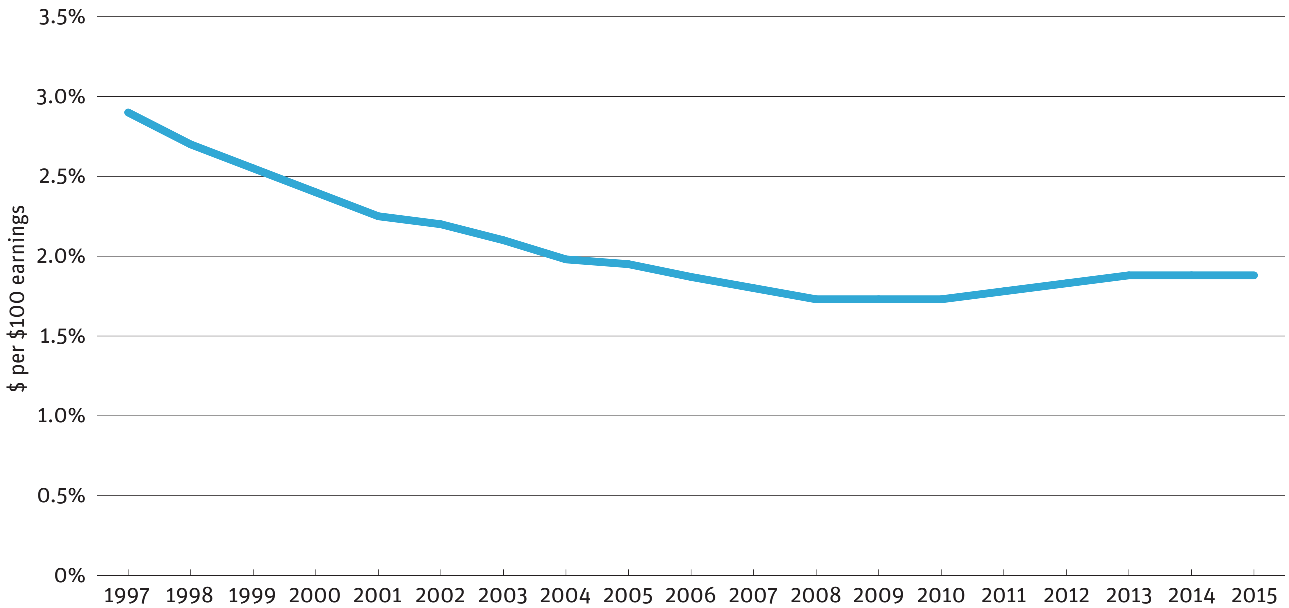
Workers qualify for benefits based on the number of hours they have worked over the previous year and the local unemployment rate. Fewer hours are needed to qualify in regions with high unemployment rates, and claimants in those regions receive more weeks of benefits. The qualifying level for new entrants 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 2013, 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 over 1.3 million unemployed workers in Canada. Even more telling is the fact that the proportion of Canadians who have jobs has remained steady since the end of the recession, indicating

FIGURE 8 EI Premium Rate, 1997–2015



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

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. So far in 2014, 20% of unemployed workers have been unemployed for more than 27 weeks, and 7% have been unemployed for more than a year. Before the recession, these figures were 13% and 4% respectively.

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. High entrance requirements for new labour market entrants or re-entrants present an unfair barrier especially during periods of labour market slack.

Current Issues

The EI Operating Account had accumulated a deficit of $9.2 billion by 2011, thanks to temporary stimulus measures and the counter-cyclical nature of EI. These stimulus measures were removed long before the labour market reality warranted, and various measures were put in place to discourage unemployed workers from accessing EI. This EI deficit will be fully repaid in 2015, and the account is expected to return to surplus ($3.5 billion) in 2015.

There remains significant slack in the Canadian labour market, with a national average of six unemployed workers to every job vacancy. 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 2013 the full count of underemployed and marginally attached workers was 1.38 million, and official unemployment 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 EI Operating Account is forecast to have a surplus of $3.5 billion in 2015. The AFB will use most of this 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/year.)
- The governments Expert Panel on Older Workers recommended special perma-

nent 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/year.)

- 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.

The AFB will increase funds spent on training and retraining through 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 $1 billion of these unspent funds to increase the transfer to provinces and territories for new training programs, focusing on training and paid on-the-job experience for unemployed and underemployed workers. (Cost: $1 billion/year from EI Account, $500 million for LMAs from general revenue.)

- The AFB will introduce a pilot project to establish a uniform national eligibility requirement of 360 hours. Only 40% of workers now qualify for regular EI benefits, partly 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: $1.1 billion/year)

Notes

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

Environment and Climate Change

Background

Canada's environment is central to our prosperity, providing essential clean air and water for our health, natural resources to power our economy and facilitate hundreds of thousands of jobs, and unique wild spaces and species for which Canada is renowned worldwide.

However, given increasing risks of dangerous climate change, an over-reliance on fossil fuels, pressure for new pipelines to facilitate increased production from the tar sands for export, threats to biodiversity, and cuts to environmental protection laws and funding, Canada needs to take major fiscal, regulatory, and diplomatic actions to preserve a healthy environment and a stable climate for all.

2015 is poised to be a significant year for international climate negotiations, with December targeted for approval of a new global treaty to constrain greenhouse gas emissions.

Environmental policy in Canada should be based on three primary objectives:

1. Ensuring that current and future generations have access to the environmental goods and services, and key infrastructure — clean air, clean water, a stable climate, healthy soil and food supplies, energy sources, efficient transportation systems, and recreational opportunities — that are fundamental to living a healthy and prosperous life;
2. Preserving marine and terrestrial biodiversity, wild species and spaces, and robust living systems in Canada, including terrestrial and marine protected areas, species at risk, wetlands, grasslands, and migratory birds; and
3. Taking responsibility for global sustainability, starting from a perspective of "do no harm" (i.e., ensuring that actions in Canada do not impede the ability of others beyond our borders to live healthy lives), and striving to play a leadership role on the global stage.

Greening Canada's economy, understood to mean dramatically improving the overall environmental impact of economic activity while preserving decent livelihoods for Canadians and Indigenous people, is a fundamental element.[1] In particular, Canada is facing a critical choice between building the next generation of fossil fuel infrastructure and building the green infrastructure of a sustainable economy. This latter route requires concerted action by the federal government.

Implementing a well-designed price on greenhouse gas (GHG) emissions (a "carbon price") is a crucial step for greening Canada's economy and for taking leadership on climate change. Setting a price on pollution will spur emission reductions throughout the economy and incentivize technological innovation that could capitalize on the blossoming global clean energy market, which already provides more jobs than tar sands development.[2]

A carbon price based on the polluter pays principle is also a key measure in the AFB's plan to shift the fiscal playing field for natural resource exploration and development by using subsidy and pricing reform, so that fiscal policies favour natural resources whose life-cycle and human health impacts are more positive.[3] Another important reform is to end subsidies for energy sources that are non-renewable, or whose development or use is significantly environmentally damaging.

However, market-based economic instruments must be combined with government leadership, strong regulations, education, research and development, proactive industrial policies, significant public investment, and measures to protect low-income Canadians, Indigenous people, and trade-sensitive industries.

Current Issues

The best current budget opportunities include implementing a price on greenhouse gas emissions through a carbon tax; not subsidizing liquefied natural gas (LNG) or hydraulic fracturing (fracking); protecting Canada's public lands and species at risk; and supporting power storage through accelerated expense write-offs, electric vehicles through fast-charging recharging stations in high-demand areas, and public transit and energy efficiency home retrofits.

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.[4] 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 should be developing and implementing policies that facilitate and accelerate 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 safe, renewable energy, preferably geographically distributed and community controlled.

To do so, 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 effective than a quota-based cap-and-trade system.[5] 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 energy economist Mark Jaccard has shown that to meet the 2°C target to prevent significantly damaging climate change Canada needs to immediately introduce a carbon price of $30 a tonne (the level in British Columbia) 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 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 (HCT) revenues in renewable energy, green infrastructure, 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 with half the revenues going to a progressive federal green energy tax refund, and half the remaining funds made available to provinces and territories that agree to fund 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, 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. To that end, the AFB will not provide new tax benefits to liquefied natural gas (LNG).

The federal government has set a goal of generating 90% of Canada's electricity from non-emitting sources by 2020.[6] To achieve this goal, the AFB recommends that the government fund electric vehicle fast-charging stations, provide an accelerated capital cost allowance for electricity storage, and finance a national home retrofit program in partnership with the provinces and territories.

AFB Actions

The AFB will:

- Implement a National Harmonized Carbon Tax (HCT) set at $30 per tonne, ensuring that more than half of HCT revenue funds a progressive annual green tax benefit of $300 per adult and $150 per child, and that half of the remaining HCT revenues are transferred to the provinces and territories to fund further climate change abatement measures, including a national green transportation plan (see AFB Taxation chapter);

- Ensure Canada contributes its fair share of the US$100 billion a year that developed countries promised in climate financing by 2020 "from a wide variety of sources." (Cost: $400 million annually);[7]

- Honour Canada's G20 commitment to reduce inefficient fossil fuel subsidies by not providing any new tax benefits to liquefied natural gas (LNG) for export, enabling the Canadian Exploration Expense only for unsuccessful exploration, and not renewing the Mineral Exploration Tax Credit for flow-through shares. (Savings: $375 million annually);

- Invest in strategic opportunities to help Canada achieve its goal of generating 90% of its electricity from non-emitting sources by 2020. These will include kick-starting national fast-charging electric vehicle (EV) infrastructure by investing $12 million in 2015 into travel corridor pilot projects, and considering vehicle purchase rebates; amending Classes 43.1 and 43.2 of the Income Tax Act to specify that accelerated capital cost allowances also apply to expenditures on tangible stand-alone electricity storage assets; and supporting home energy efficiency retrofits with an investment of $250 million per year for five years (to be matched by provinces and territories), with grants for low-income Canadians, and a revolving loan fund to backstop "pay-as-you-go" on-bill financing modelled on the community-wide approach documented by Green Communities Canada;

- Protect Canada's unique environment from increasingly volatile weather events by renewing and increasing funding to the Clean Air Agenda's adaptation theme (to $45 million per year from 2016 to 2021), and making environmental criteria — particularly resilience to variable weather patterns and strengthening natural infrastructure — central to infrastructure project funding proposal assessment and approval by the federal and provincial governments;

- Create and fund an Ombuds Office for Extractive Industries, which will be mandated to investigate accusations of abuses, and to make recommendations to the government and the companies involved;

- Strengthen environmental science capacity that is fundamental to the federal government's ability to advance the economic prosperity, health, and quality of life of Canadians;

Furthermore, the AFB will:

- Strengthen Canada's capacity to meet its international targets for protecting biodiversity. This includes investing in protecting Canada's public land and water, with $100 million per year to deliver on the federal government's areas of responsibility in meeting Canada's international target of protecting at least 17%

of our lands and freshwater, and 10% of our oceans, by 2020. This money breaks down as follows:

- *National Parks*: $40 million per year (ongoing) to advance the development of Canada's national parks system and ensure Parks Canada's science-based conservation programs are adequately resourced, plus a one-time investment of $50 million for land acquisition and other national park establishment costs;
- *Environment Canada-protected areas*: $40 million per year (ongoing) for Environment Canada to create and manage new National Wildlife Areas and to properly monitor and manage the existing system of National Wildlife Areas and Migratory Bird Sanctuaries to protect wildlife habitat;
- *Conservation Science Support*: $20 million per year for five years to provide science support for regional conservation planning and actions with a particular focus on advancing interconnected networks of terrestrial and marine protected areas;
- *Species at Risk Act Implementation*: $40 million per year for five years to renew federal Species at Risk Act implementation funding currently scheduled to "sunset" in March 2015.

- Institute a new Office of Environmental Health to ensure disadvantaged and vulnerable communities have equitable levels of protection from preventable environmental health hazards such as pollution, environmental degradation, and the effects of climate change.

Notes

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

2 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.

3 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", which it proposes to do in Bill C-22, the *Energy Safety and Security Act*.

4 NGO community. *A Copenhagen Climate Treaty - Version 1.0: A Proposal for a Copenhagen Agreement by Members of the NGO Community*. 1250 24th Street, N.W. 20037. UNT Digital Library. http://digital.library.unt.edu/ark:/67531/metadc226637/.

5 Stiglitz, Joseph E. (2010). "Overcoming the Copenhagen Failure." *Project Syndicate*. Online at: http://www.project-syndicate.org/commentary/stiglitz121/English. "Carbon Tax vs. Cap and Trade." Carbon Tax Centre. Online at: http://www.carbontax.org/issues/carbon-taxes-vs-cap-and-trade/. Hansen, James. "Cap and Fade." *New York Times*. December 6, 2009.

6 "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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First Nations

Background

Implementing First Nations Rights

A fundamental transformation of the fiscal relationship between First Nations and the Canadian government 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 Nation peoples face disproportionately high levels of poverty and lower levels of access to economic and educational opportunities. They are three times as likely to live in housing in need of major repairs, more likely to be without safe drinking water,[1] and First Nation women and girls continue to experience disproportionately high rates of violence.[2]

Current transfers to First Nation 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 increases to First Nations funding since 1996. This barely keeps up with inflation, making no adjustments for booming population growth and the needs that come with it, and was imposed on already inadequate funding amounts. 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 Nation children, now 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]

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 Nation and non-First Nation communities, and account for the real costs to First Nation governments of delivering services. 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, not the Indian Act, form the foundation of the relationship with the Crown. 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 (UN Declaration), which Canada endorsed in 2010.

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 they occupy, careful and thorough consideration must be given to all projects that may result in adverse environmental and cultural impacts. Free, prior, and informed consent is the foundation for successful economic partnerships, yet Canada actively works to prevent the implementation of this principle. At the recent UN World Conference on Indigenous Peoples, Canada was the only member state to object to the outcome document, and its support of the UN Declaration, on the grounds that free, prior, and informed consent represented a *veto* on the part of Indigenous peoples.

Current Issues

Removing Barriers to Education and Economic Opportunities

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 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 Nation education allocations imposed in 1996–97 has led to an accumulated shortfall exceeding $3 billion.

In 2014 Prime Minister Harper announced Canada's commitment to a new approach to First Nations education along with new investments in that year's budget. The approach included new core funding of $1.25 billion from 2016–17 to 2018–19, in support of First Nations education, with an annual growth rate of 4.5%; an Enhanced Education Fund that will provide funding of $160 million over four years starting in 2015–16; and $500 million over seven years beginning in 2015–16 for a new First Nations Education Infrastructure Fund. This was followed by the introduction of Bill C-33, the First Nations Control of First Nations Education Act. Chiefs-in-Assembly have rejected the legislation, and the unilateral imposition of standards and further entrenching of the role of the Federal Minister of Aboriginal affairs in First Nations education. Instead, First Nations are seeking immediate provision of committed equitable funding, and for Canada to engage in an honourable process to develop and implement a path forward for the success of First Nation children.

The First Nations population is currently growing at four times the rate of the Canadian population. Nearly half 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, 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.

Even when First Nations actively participate in the economy and employment, discrimination continues. A recent study by the Canadian Centre for Policy Alternatives found that even when Aboriginal people find work they are paid far less than other employees. In the private sector, Aboriginal workers earn between 30% and 44% less than non-Aboriginal workers with the same level of education.[6]

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 tremendous 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.

Canada's Non-Insured Health Benefits (NIHB) program currently fails to ensure First Nations health outcomes are comparable to those of Canadians. A long-term strategy is required for funding, premised on realistic expenditure projections based on First Nations population growth and aging rates, inflation trends over the past four years, and an annual escalator. As with most programs that support First Nation communities, NIHB health services exist without a legislative base or governing framework, and there is an urgent need for new investments. Increases in NIHB program funding levels from 2008–09 to 2011–12 have averaged 4.5% annually. However, the Assembly of First Nations projects funding requirements of $1.3 billion in five years and $1.7 billion in 10 years, an increase of 5.4% to 5.6% annually.

Further, numerous vital First Nations health programs are set to sunset in 2015, including the Health Services Integration Fund, the Aboriginal Health Human Resources Initiative, the Aboriginal Diabetes Initiative, Maternal Child Health and Children's Oral Health Initiative, top-up funding for Aboriginal Head Start in Urban and Northern Communities and Aboriginal Head Start On Reserve, and the National Aboriginal Youth Suicide Prevention Strategy. The AFB will renew these programs in 2015.

A co-ordinated 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 funded 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 of negatively impacting water quality. Among First Nation communities, 97 remain on unsafe drinking water advisories,[7] some of them in place for a decade or more.

The substandard housing conditions in First Nations are a persistent and growing challenge. A 2011 evaluation of on-reserve housing concluded that "despite ongoing construction of new housing on-reserve, the shortfall still exists and appears to be growing rather than diminishing."[8] While some First Nations have undertaken innovative and successful initiatives, many still rely on federal programs to provide financing options for their members. By 2034, there will be a housing shortfall of 130,197 units, a need for an additional 11,855 units to replace existing ones, 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 Nation women and girls experience higher rates and more severe forms of violence than any other population group in Canada. A 2013 Statistics Canada report noted the rate of self-reported violent victimization against Aboriginal women in Canada was three times the rate for non-Aboriginal women, for spousal violence as well as violence perpetrated by other family members, friends, acquaintances, and strangers.[9] Rates of homicide against Aboriginal women are an estimated seven times higher than for non-Aboriginal women.[10] In May 2014 the RCMP released results from a comprehensive study that acknowledges this over-representation, identifying 1,181 cases where Indigenous women had been murdered or were missing between 1980 and 2012.[11]

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. While Canada released an Action Plan to Address Family Violence and Violent Crimes Against Aboriginal Women and Girls in September 2014, it only catalogues existing investments, and continues at the same level of funding as per 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 peoples 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 be generally to ensure knowledge and understanding of past approaches, examine current practices to move forward on tangible solutions to prevent further violence and disappearances of Indigenous women, and offer support to families affected by such tragic incidents. The development and implementation of a National Action Plan to End Violence Against Women with clear mechanisms for reporting and accountability is absolutely crucial. A first step is underway with the convening of a National Roundtable on Missing and Murdered Indigenous Women.

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 ensuring 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.

The over-representation of First Nation citizens in the correctional system is at crisis levels. It is important that the federal government invest in initiatives that support First Nation governments in taking greater responsibility for justice administration and rehabilitation, prevention, mental health, and wellness.

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 that emphasize our collective responsibilities. The direct costs of keeping a person in prison are over $113,000 per year, and there are many indirect financial costs from lost productivity, and social costs to families and communities. Preventing crime and ensuring better reintegration and lower rates of reoffending will have both positive economic and social impacts for First Nation communities and all Canadians. The AFB will 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 keeping the peace in First Nation communities. Policing is generally considered an essential service within provincial laws; no similar legislative base exists for FNPS, resulting in sporadic, inadequate funding that threatens the ability to deliver high quality police services, ensure safety, and deal with emerging issues such as gang activity.

The existing 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 underfunding, fewer training opportunities, and infrastructure gaps.

AFB Actions

The AFB will:

- Implement stable, equitable, and long-term funding transfer mechanisms for all 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;
- Establish fully collaborative environmental regimes, which respect First Nations as full partners, with enhanced mechanisms to ensure free, prior, and informed consent per the UN 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 10 years in First Nations water treatment systems;
- Invest $1 billion annually for the next 10 years to address the housing crisis in First Nation communities;
- Release the $1.9 billion to support First Nations schools and address the urgent shortfall in First Nations education, while committing to engage First Nations in the development of a new First Nations education fiscal framework that reflects actual costs for First Nations education systems;
- Invest $355 million in 2015–16 to address the existing gap in First Nations education funding, and implement equitable funding for First Nations education systems;
- Add $108 million per year to First Nations Child and Family Services with a 3% annual escalator;
- Invest $1.3 billion over five years in the NIHB program and implement a comprehensive approach to mental health and addictions programming;
- Continue to invest in the “upstream Aboriginal health programs” listed above in the section on meeting basic needs;
- Provide new investments of $500 million annually for First Nations skills training and employment;

- Double the current investment to $60 million in emergency on-reserve shelters (see Gender Equality chapter);
- Establish and fund a National Public Commission of Inquiry on Missing and Murdered Indigenous Women and Girls, to be fully inclusive of families and communities;
- Establish and fully fund a National Action Plan to Ending Violence Against Women (see Gender Equality 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

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8 Aboriginal Affairs and Northern Development Canada. (2011). *Evaluation of INAC's On-Reserve Housing Support*, online: https://www.aadnc-aandc.gc.ca/eng/1325099369714/1325099426465.

9 Sinha, Maire (2013). *Measuring Violence Against Women: Statistical Trends, 2011*. Ottawa: Statistics Canada.

10 Amnesty International. (2009). *No More Stolen Sisters.*

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Gender Equality

Background

Canada used to rank first among nations for gender equality. Today, Canada has fallen to 23rd place in the United Nations' Gender Inequality Index and 19th in the World Economic Forum's Global Gender Gap Report.[1] The slowdown in progress cannot be ascribed to the global economic crisis. Canada's economy was one of the least affected among developed countries. In fact, as Canada's gender equality rank fell, some of the countries hardest hit by the global economic crisis demonstrated progress.

Canada has made significant progress in some areas. One-third of women in Canada now hold a post-secondary certificate or diploma.[2] Women in Canada have among the highest healthy life expectancies in the world.[3] However, these high levels are not shared equally among women in Canada.

Significant gaps in educational attainment persist between Aboriginal and non-Aboriginal women and girls at all levels. While the number of Aboriginal people with university degrees has nearly doubled over the last 10 years, with 9% of Aboriginal women holding a bachelor's degree, the gap between non-Aboriginal and Aboriginal people has continued to grow, as a result of higher rates of non-Aboriginal people attending university.[4]

In spite of the significant educational gains made by some women, they are underrepresented in leadership roles in almost every sector.[5] Women make up 14% of members of corporate boards, for example.[6] Overall, men outnumber women amongst senior managers at a rate of two-to-one.[7] In the political arena, the numbers are much the same. The last federal election saw the first significant increase in the percentage of female members of Parliament in 20 years, rising from 22% to 25%.[8]

Progress in health and education has not produced an equally steady level of progress in women's economic security. The percentage of women living in poverty is rising, with over 13% of women living below the Low Income Measure in Canada.[9] The percentage of women living in poverty has remained consistently higher than men's levels of poverty — with Aboriginal and racialized women and women with disabilities further over-represented.[10]

The levels of violence women in Canada experience remains persistently high. Over a million women in Canada report having experienced either sexual assault or intimate partner violence in the past five years.[11] Rates of intimate partner violence have fallen by a mere 1% over the past two decades, with 6.2% of the adult population reporting having experienced intimate partner violence today compared to 7.4% 10 years ago. Rates of sexual assault have increased slightly over the last 10 years, from 2.1% to 2.4%.[12] Aboriginal women experience three

FIGURE 5 Employment Rates (2011), Canada[18]

	Males (age 25 to 54)	Females (age 25 to 54)
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%

times the rates of violent victimization as non-Aboriginal women. The violence experienced by Aboriginal women and girls has been so persistent and so disproportionate that it has spurred visits from several multilateral bodies. There is a growing consensus on the need to conduct a national inquiry into missing and murdered Aboriginal women and girls.[13]

Current Issues

Economic Policies

Current federal economic policies have failed to address the different role women play in the economy. The result is both a loss of potential economic growth and a lost opportunity to provide women in Canada with greater economic security. The OECD projects that narrowing the gap between men's and women's employment could contribute an additional 8% in GDP by 2030—amounting to $160 billion.[14]

Women's employment levels in Canada increased rapidly throughout the 1980s and 1990s However, employment levels have been largely stagnant since 2007. The vast majority of the historical increase in women's labour force participation has come from women moving into full-time work (with 44% of women working full time 30 years ago, compared to 63% today). Women's participation in part-time work has varied little over the past 30 years—with 15% of core working age women doing so (compared to 5% of their male peers).[15]

The majority of women working part time are not doing so by choice. Women and men are almost equally likely to cite personal preference or other voluntary reasons for working part time, with 25% of male part-time workers and 26% of female part-time workers doing so.[16] Women are more likely to cite the lack of opportunities for full-time work (33%) and family responsibilities (30%) as their reason for being in part-time work.[17]

As women's participation in paid work has increased, their burden of unpaid work has shifted only slightly. Women have seen their levels of unpaid housework decrease as a result of a more equal sharing of that work with men and as a result of an overall decline in the total number of hours of housework being performed.[19] However, in the area of unpaid family care work, the

FIGURE 6 Median Employment Incomes (2011), Canada[28]

	Male (25 to 54 years)	Female (25 to 54 years)
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

imbalance persists. Women make up 54% of unpaid caregivers in Canada.[20] In families with children, women spend double the number of hours on unpaid child care work (50.1 hours per week) as compared to men (24.4 hours).[21]

The many hours of unpaid care work performed by women clearly restricts their capacity to enter jobs where longer hours of work are required or where working hours are irregular — making co-ordination with child care and elder care difficult.[22] This has an impact on both the ability of women to move into higher paying jobs (with expectations of longer hours of work) and into the political arena (where working evenings and weekends is the norm).

For women who are in paid work, unequal rates of pay continue to undermine their economic security and their capacity to contribute to economic growth. Women are nearly twice as likely to work in minimum wage jobs.[23] The Canadian gender pay gap is the eighth largest among OECD countries.[24] Women's median employment incomes are 34% lower than men's incomes.[25] The gap between what women and men earn is not just the result of women's lower rates of full-time employment. Women working full time and full year still earn 20% less than men working full time and full year.[26] Education narrows the gap but does not close it, with university-educated women still making 17% less than university-educated men, working full time, full year.[27]

Canada's economic growth policies need to address the untapped market of women working part time involuntarily. To do so, Canada must address the burden of unpaid work carried by women. Accessible, affordable and safe child care will make a significant difference to the capacity of women to move into full-time work or to sustain part-time work.

The decisions families are actually making run directly counter to a "male-breadwinner" model of economic security, where investments in male employment rates, job growth in male-dominated industries, and increases in male wages are prioritized. Yet these are exactly the policies that the federal government has instituted. The federal Economic Action Plan has invested in job growth in male-dominated industries without a parallel investment in industries where more women work.[29]

The federal government has prioritized job growth in the private sector, and cut jobs in the public sector — where women's incomes and employment levels are closer to those of men.[30] The public sector narrows the wage gap between full-time male and female workers by 5%.[31] The public sector is also one of the few places where less educated women can earn enough working full time to provide for the basic needs of their families.[32]

Social Policies

Canada's economic policies are exacerbating an already uneven playing field for women. Lower incomes and lower levels of employment have resulted in fewer women being able to meet their basic needs, including food and housing. One-third of female-led lone parent families were food insecure in 2012, by far the highest among household groupings.[33] Women living in rural and Northern Canada are also particularly vulnerable to food insecurity, where the cost of food is the highest in the country.[34]

Of the 210,000 people who use emergency shelters and temporary housing every year, 49% are female. First Nations women living on-reserve and Inuit and other women living in Northern Canada continue to face a housing crisis. Nearly half of all women in Nunavut live in dwellings that are "either crowded or in need of major repairs or a combination of both," according to a recent government survey.[35] Efforts to pass legislation instituting a national housing strategy have failed, leaving Canada as the only G8 country without a national housing strategy.

Canada's persistently high levels of violence are not only exacerbated by women's economic insecurity but contribute to it. Violence is a major cause of women losing their housing, with 75,000–100,000 women and children leaving their homes each year for emergency shelters serving abused women.[36] Women who experience violence consistently report an impact on their ability to work or attend school.[37] A recent survey of the impact of domestic violence on the workplace found that over half of domestic violence victims had experienced abuse at or near work, 81.9% said it impacted their performance at work, and 8.5% had lost their jobs as a result.[38] Finally, the impact of violence against women on the economy measures in the billions of dollars. Estimates now put the combined cost of adult sexual assault and intimate partner violence at $437 per person annually in Canada.[39] This compares to the cost of the use of illegal drugs in Canada, which is an estimated $262 per person, and the cost of smoking in Canada, which is an estimated $541 per person.[40]

The current federal response to violence against women is directed primarily through non-gender specific policies and initiatives, including the Family Violence Initiative, the Federal Victims Strategy and the National Action Plan to Combat Human Trafficking. The federal government does not have a stand-alone policy on intimate partner violence or sexual assault. Nor does the federal government have a national action plan to address violence against women. There is growing consensus among women's organizations, civil society organizations and Aboriginal organizations that such a national plan is needed to co-ordinate and increase efforts to end violence against women in Canada.

The absence of political leadership, co-ordination, and investments in violence against women, housing, and poverty reduction is preventing the government from making concerted progress towards ensuring that women in Canada are not denied a basic level of economic and personal security because they are women.

AFB Actions

The AFB will:

Invest in a National Action Plan to Address Violence Against Women (cost: $500 million annually). 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; and
- 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).

Invest in social infrastructure, including a federal child care 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 and Poverty).

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 annually).

Eliminate income splitting, retirement compensation arrangements, and tax-free savings accounts (see the Taxation chapter).

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Health Care

Background

Cuts to social services and income inequality are creating gaps in the health of different income groups within Canada. Mounting evidence suggests that there are also growing gaps in accessibility to necessary care in key care areas presently not included in medicare coverage, including: dental care, home care, long-term care, mental health and rehabilitation services.[1] Governments that want to expand the public sphere to include these services could face penalties under neoliberal trade deals..

Income inequality and rising poverty rates are increasing the incidence in Canada of both physical illness and mental distress. In Canada, the rate of suicide is linked to poverty, inequality, and social isolation. The suicide rate of those who rely on social assistance is up to 18 times higher than that of wealthier Canadians.[2] Suicide rates among First Nations youth are five to six times higher than for the non-Aboriginal population.[3]

Chronic disease and other serious illnesses are also linked to poverty and inequality. Poor people are twice to three times more likely to develop Type 2 diabetes.[4] The poor are more likely to suffer the complications of diabetes, including heart disease, kidney failure, and blindness.[5]

Those with mental and physical disabilities are a particularly vulnerable population. The rate of poverty is much higher for people with both physical and mental disabilities, particularly for those who have difficulty communicating and cognitive or psychological challenges.[6]

These facts have led many Canadian and international researchers to conclude that a more equal distribution of power and income, along with strategies to reduce social isolation, support public transit, expand child care, and facilitate community engagement, are key pillars of a healthy society, both in terms of mental and physical well-being.[7]

The Canada Health Act was the last significant progressive health care legislation passed in Canada. The public share of health expenditures, which stood at 75.5% when the Act was passed, has declined to about 70% today.[8] There has been a significant increase in the role played by the insurance industry, which, in 1988, financed 29.2% of private health expenditures compared to almost 41% today.[9] Under the Health Accord, federal health transfers will be maintained at 6% a year until 2016–17. In 2017–18 it will be reduced to nominal GDP growth.

Current Issues

When the Canada Health Act was passed 57% of total health spending went to physicians and hospitals, compared to 45% today.[10] Many services once provided in hospitals have been shifted to the private sector and out from under the protective umbrella of publicly funded medicare. Other goods and services, such as dental and vision care, prescription drugs, and non-psychiatric care, have been only partially funded by provinces or not covered at all. As neoliberal economic reforms increase levels of stress across the population, many Canadians are turning to the publicly funded health system for help. Yet a powerful body of evidence shows that integrated health and social care provides greater continuity of care, better access to more appropriate care and significant cost savings.[11] A number of provinces have developed community health centres that address the social determinants of health, but without a national strategy the pattern is very uneven across the country.[12]

This year's AFB is focused on three aspects of health care: mental health; community-based and integrated health and social care; and a national Pharmacare program. The strategy also includes funding for research, education, and advocacy to support independent, evidence-based policies, a workforce that is trained in both health and the social determinants of health, and a voice for patients free of the pharmaceutical industry's funding and influence.

Mental Health

In the absence of a long-awaited public mental health care strategy comparable with medicare, the pharmaceutical industry has an extraordinary influence in setting the policy agenda for mental illness, including how we define mental illness and how we treat it.[13] Industry-funded research distorts the evidence base that is necessary to develop and improve our understanding of serious mental illness, and has supported the growing medicalization of normal responses to life events.[14] Manufacturers also wield enormous influence outside of the laboratory and at every level of government, among university researchers, in the media and among medical professionals.[15] Whether the subject is diabetes or depression our perceptions and views are heavily influenced by a group whose profits depend on public acceptance of how they define common ailments and chronic medical conditions.[16]

The pervasive influence of the pharmaceutical industry is evident in the marketing of depression as a biological illness and of anti-depressants as the tool needed to correct a "serotonin deficiency" in the brain.[17] Although depression can occur among many people in response to a variety of situations — and in some it can be persistent and debilitating — the weight of evidence shows that our social, cultural and built environments are powerful determinants of mental health.[18]

Community-Based Integrated Health and Social Care

Effective strategies to prevent mental distress begin upstream of the health and social services system. These include good quality of life, positive experiences in our relationships, satisfying employment (including earnings), good physical health, safety and security, racial and sexual equality, adequate housing, affordable child care, and "necessary community and personal social and health services."[19] However, health and social service providers can play an important role to both prevent mental distress and support those with mental illness. People with genuine and serious mental illnesses, including many veterans of recent wars, are struggling to survive in communities ill-equipped to support them. There are policy options available to the federal government to effectively address the needs of those with serious mental illness in Canada beginning with the extension of the Canada Health Act to include community-based health services. A strategy to integrate health and social care requires a significant increase in public spending on social support systems and services. At 19.6% of Net National Income, Canada's spending levels are well below the OECD of 23%, putting us second to the bottom.[20]

National Pharmacare

The development of an evidence-based national formulary for prescription drugs and single-desk bulk purchasing of those pharmaceuticals could shave more than 40% off total drug expenditures. A national Pharmacare program would support more affordable and safer prescribing practices. Publicly funded and independent drug assessments should replace industry drug sales representatives who are a major source of biased information for physicans about drug safety and effectiveness. The federal government should initiate discussions with provinces and territories to move forward with a national pharmaceutical strategy.

AFB Actions

National Mental Health Strategy

In 2006, the Senate Standing Committee on Social Affairs, Science and Technology released its final report outlining a national strategy on mental health, mental illness and addictions in Canada. The report identified serious gaps in the social and health care systems that have shifted the burden of support for those who need services to families and poorly resourced communities. The Alternative Federal Budget will implement a mental health strategy based on evidence that mental distress and illness are the result of a complex mix of psychological and social circumstances including poverty, isolation, and discrimination.

Access to Appropriate Services

Canada needs an integrated approach to mental health that factors in all of the social determinants of health. In the 1980s, Quebec saw the emergence of a movement supporting a model of "community psychiatry" that recognized the role communities must play in identifying the mental health services they needed — and even in defining what was meant by mental health and mental illness. Existing power structures between health professionals, governments and community organizations, activists said, undermined the participation of people with mental health needs — and therefore power had to be redistributed among the three groups.[21] Strategies to integrate and coordinate health services with those that address the broader social determinants are needed to increase the role and authority of the community. The federal government can provide political leadership as well as funding to achieve these goals and integrate them into a national mental health strategy.

Community-Based Health and Social Care

The AFB will re-establish a dedicated transfer for community-based services at 1995 levels, plus an annual escalator based on population growth and inflation. This would amount to $75 per capita, or $2.6 billion, for community-based health services, including home care and allied health services, subject to the criteria of the Canada Health Act. A one-time $300 million investment in 140 new community health centres to regions lacking this model of delivery will create 10,000 new jobs and increase access to necessary health services.[22] In addition, $2.5 billion will be allocated over 10 years for a basket of health and social care services delivered though community health centres and other venues that utilize multi- and inter-professional teams specifically dedicated to support people with serious mental illness as well as those at risk of emotional or mental distress. The AFB will allocate $7.5 million annually to a national tapering program delivered in community-based settings for those who wish to withdraw safely from psychiatric drugs.

The Canada Health Act stipulates that provinces must provide reasonable compensation to all physicians but is silent on others employed in the health care system and the provision of social services. To facilitate integration of services, incentives will be provided to help provinces and territories facilitate recruitment and retention of health and social services personnel by providing home, community and long-term care workers compensation levels on par with unionized hospital workers.

Safe Housing for Those with Mental Illnesses

Safe and secure housing is essential to support those with mental illness and to prevent mental distress. Therefore, the AFB will invest in proven strategies such as "Housing First" to reduce homelessness among those with serious mental illnesses.[23]

Gender

Research clearly shows that girls and women are more likely than men to be diagnosed with depression and prescribed psychiatric drugs.[24] The AFB will allocate $20 million a year to restore and expand the Women's Health Contribution Program to support community-academic partnerships in developing policy research and information on the health of women and girls. The WHCP will be directed to allocate a portion of that each year to the Canadian Women's Health Network to promote and integrate evidence-based feminist therapy alternatives into community-based heath and social service programs.

Targeting Federal Dollars at Evidence-based Interventions

Many doctors get their information about prescription drugs from drug company sales representatives, who exaggerate claims of benefit and promote the use of more expensive drugs and downplay information about associated harms.[25] The level of harm linked to prescription drugs is very high in Canada: adverse drug reactions (ADRs) are responsible for an estimated 12% of adult visits to emergency departments and 25% of general hospital admissions whose costs may be as high as $17.7 billion a year.[26]

Yet research suggests that evidence-based information provided to prescribers by independent health professionals — known as academic detailers — can significantly reduce costs associated with ADR-related hospitalizations and adverse events.[27]

The AFB will contribute $15 million per year to support provincial and territorial academic detailing.[28] Further, Canada will follow the lead of the United States and require pharmaceutical manufacturers to publicly release details of the payments they make to doctors and other health professionals for promotional talks, research and consulting.[29]

Public Funding for Advocacy

According to the World Health Organization, "advocacy is an important means of raising awareness on mental health issues and ensuring that mental health is on the national agenda of governments," leading to improvements in public policy.[30] Yet there is a scarcity of public funding for such activities particularly because of restrictions on advocacy for registered charitable organizations and the lack of funding for patient groups who often rely on the pharmaceutical industry for income. The AFB will support advocacy organizations representing people with mental health needs who reject pharmaceutical funding with $15 million per year.

National Pharmacare Program

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 the Comprehensive Economic Trade Agreement to extend drug patents by up to 25 years. The AFB allocates $2 billion plus 10% of private expenditures, or $1.39 billion, in 2015–16 towards a National Pharmacare Program for a total expenditure of $3.39 billion. In 2016–17, the AFB increases the allocation by 13% for a total of $3.83 billion. In 2017–18, this amount increases by 20% to $4.59 billion. Future savings will offset the program's start-up costs.[31]

Federal Funding

The Romanow Commission recommended the establishment of a federal funding floor of 25% of the cost of health services insured under the terms of the Canada Health Act by 2005.[32] In 2015, the federal share of national (provincial and territorial) health expenditures will stand at 22.6%, but under the new funding formula announced by the Conservative government that share will be reduced to 14.3% by 2037.[33] Such a drastic decline will undermine the ability of future governments to provide leadership at the policy level and to ensure provinces and territories are able to meet the standards established in the Act.

The AFB will increase Ottawa's share of national expenditures to 30% through a revised formula of federal cash transfers over 10 years, beginning in 2015–16. A greater financial role will give the federal government both the means and the incentive to provide policy leadership and will relieve pressure on provinces and territories. It will also open the doors to important health services that are currently accessible on the basis of ability to pay for a majority of Canadians. These would include dental care, home care, long-term care, mental health and rehabilitation services. All cash transfers will be based on provincial compliance with the Canada Health Act. The fairer federal provincial split will be worth $2.1 billion in 2015–16 and will rise to $4.4 billion by 2017–18.

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Housing and Neighbourhoods

Background

Millions of Canadians are precariously housed and more than 235,000 Canadians experience homelessness annually.[1] There are many dimensions of housing need, including:

- Unaffordable housing: 3.3 million households (25.2% of all households) spend 30% or more on shelter;[2]
- Substandard housing: 982,200 households (7.4% of all households) report their dwelling needs major repairs;[3]
- Overcrowded housing: 794,000 households (6% of all households) report more residents than allowed under National Occupancy Standards.[4]

There are no reliable national numbers on the size of affordable housing wait lists, but the Ontario Non-Profit Housing Association reported that 165,069 households were on 'active' wait lists in that province.[5] Wait lists for supportive housing for people with special needs are also reported to be long.

Canada's private rental housing market provides a home to most low- and moderate-income households. The latest Canada Mortgage and Housing Corporation rental market survey shows that the national rental vacancy rate remains below the 3% threshold that is considered the minimum for a healthy rental market.[6] Painfully low rental vacancy rates in major cities including Toronto, Calgary, Edmonton and Vancouver leave low-income households without any housing options.[7]

Rents have increased well above the rate of inflation over the past two years, even as household incomes have stagnated — leaving households facing the terrible choice of paying for rent or providing for other basic needs.

Housing is one of the most important determinants of health for individuals, and for the population health of communities.[8] It is also important for the health of the economy. The federal government estimates that the dollar impact of its housing investment measures was 1.5 — one of the highest multipliers of all fiscal measures.[9] In other words, for every dollar spent on housing, the economy would grow by $1.50.

Housing and Federal Budget: Current and Recent Measures

The federal government currently funds several housing programs. The government will contribute $119 million annually to the Homelessness Partnering Strategy from 2014–19. The federal government has also committed $1.25 billion in total for a five-year extension of the Investment in Affordable Housing Program. The federal government provides funding for housing on-reserve, through the Department of Aboriginal Affairs and Northern Development.

In 2013, the federal government committed to spend $100 million to increase the housing stock in Nunavut.

Federal investments in housing and homelessness have generated new homes, much-needed renovations to existing homes, affordability measures, and practical strategies to prevent and end homelessness. As already noted, the federal government's own analysis confirms that these investments have a strong multiplier effect — generating local jobs and other economic benefits.

The major federal housing programs currently underway are set to expire in early 2019. Canada Mortgage and Housing Corporation reports that federal housing program expenses will decline to $1.9 billion by 2018 under current projections — a reduction of 36% from 2010 levels.[10] The decline in housing investments as the federal government winds down its commitment to existing social and affordable housing means that the estimated number of households assisted under federal programs will decline rapidly from 613,500 in 2010 to an estimated 452,300 in 2018 — a loss of 161,200 homes (a reduction of 26% in federally-funded affordable housing stock) at a time when housing needs remain deep and persistent across the country.

AFB Actions

The 2015 Alternative Federal Budget will:

1. Stop the sharp decline in overall federal housing investments

The funding that may become available as the federal government completes long-term housing agreements with affordable housing developers should be re-invested in social housing to ensure that existing housing remains truly affordable over the long term.

This issue has been noted by a range of national organizations from the Canadian Housing and Renewal Association and the Co-operative Housing Federation of Canada to the Federation of Canadian Municipalities. At the provincial level, the ongoing federal step-out of its affordable housing obligations has been cited by the provincial Auditor in Ontario as a major threat to housing in that province.

2. Increase the federal investment in affordable and social housing and related programs by $2 billion annually

The federal government has made a slight reduction in annual investments over five years to its two signature national programs — the National Homelessness Strategy and the National Housing Program. The federal government has promised to target its homelessness investments in a Housing First model that seeks to prevent and end homelessness. Housing First is an effective model for reducing homelessness for many people who have experienced long-term (chronic) homelessness. However, there is a danger that a "one-size-fits-all" model is imposed on a complex issue like homelessness. The YWCA notes that the Housing First model does not meet the needs of most homeless women, who may be fleeing domestic violence and who often have dependent children.[11] Housing First is necessary, but not a sufficient condition for ending all dimensions of homelessness across Canada. Further, the Housing First model relies on the availability of affordable and social housing — both of which are in extremely short supply in almost every part of the country. In addition, most current federal homelessness funding goes to a handful of larger cities, with little or no money for smaller communities, remote and rural communities.

The recent At Home/Chez Soi housing mental health and homelessness project demonstrated the value of a Housing First approach to ending homelessness for people who have experienced mental health problems.[12] But there are a variety of other initiatives that are also required to ensure a comprehensive approach to meeting the diversity of challenges necessary to prevent and end homelessness.

The current program is falling far short of meeting the new housing supply needs in most parts of the country, including large urban centres like Calgary, Vancouver, Edmonton, Toronto, Ottawa, Montreal and Halifax. The federal IAH investments leverage additional dollars from the provinces and territories, affordable housing developers, municipalities, and others.

The additional $2 billion investment would not only ensure that federal spending to prevent and end homelessness reaches more appropriate levels, but would also ensure that direct federal investment in new social and affordable housing — the foundation of a long overdue national housing plan — is also increased to adequate levels.

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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. In fact, by 2017, nearly all new entrants into the labour market will be immigrants, and 20% of Canadians will belong to a visible minority.

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 population growth in the last 10 years, and over 75% of labour market growth.[1] The agency warns that the aging of the population between 2011 and 2031 means 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.

By any measure — income, employment, housing conditions, health, etc. — immigrants and members of racialized communities are falling behind their Canadian-born and non-racialized neighbours. The AFB will develop policies and commit resources to address these growing socio-economic racial inequities, while making Canada's immigration and refugee system more responsive to the needs of workers and families.

Current Issues

Persistent, Growing Disparities

A study by York University based on the 2011 NHS found that the 2008 recession widened the gap between the labour market experience of both established and recent immigrants, on the one hand, and the Canadian-born on the other. While established immigrants had previously experienced unemployment rates just slightly above those of Canadian-born, the gap widened by 2–2.5 percentage points in 2009 and 2010.[2] A more recent study of labour market experience between 2008 and 2011 also showed a sharper deterioration of labour market conditions for immigrants between the age of 25 and 54, as compared to Canadian-born, and that the sharpest deterioration was among recent immigrants.[3]

Furthermore, a study released by Statistics Canada in May 2014 showed that the relative earnings advantage that university-educated immigrants have over their less educated counterparts shortly after their arrival in Canada has narrowed over the last 30 years. Looking at immigrants aged 25 to 54 at time of entry, the study showed different earnings trends among immigrants by immigration class and educational level. Male economic principal applicants arriving between 1984 and 1988 with a bachelor's degree earned 52% more during the first five years after arrival than their counterparts with a high school diploma. This earnings advantage decreased to 39% for those who arrived between 1989 and 1993, and further to 13% for 2004–07 arrivals, reflecting falling real entry earnings (after inflation) among more highly educated economic immigrants.[4]

Refugees

In 2014, the Federal Court struck down the heavily criticized Interim Federal Health Program as unconstitutional. The Court was persuaded by evidence that showed refugee children, among others, are being denied much needed care to stay alive. The ruling declared there was "no reliable evidence" that the cuts to the IFHP would result in cost savings to the federal government. To the contrary, the Court said the cost of medical services previously covered under the IFHP "has now simply been downloaded to the provinces."[5] Finding that the IFHP amounts to "cruel and unusual punishment" for refugee children, the government was given four months to comply with the Court order.[6]

The federal government has appealed the decision, but on November 5, 2014 it introduced changes to the IFHP to address the Court's findings. Under these temporary measures, most beneficiaries are eligible to receive coverage for hospital, medical, and laboratory and diagnostic services, including pre- and post-natal care. While the government claims this coverage is similar to what Canadians get under provincial and territorial health care plans, advocates point out that gaps remain, and that the temporary measures are not in full compliance with the Federal Court ruling.

In October 2014 the government tabled an omnibus budget implementation bill (C-43) containing amendments to the Canada Social Transfer that gave the provinces the power to impose minimum residency requirements on certain groups of individuals based on their immigration or refugee status. The provinces and territories did not request this change, nor did any immigration advocacy groups. The effect of the amendments is to deny refugee claimants access to the basic assistance they need to survive. The bill is expected to swiftly receive royal assent, but its constitutionality will also be challenged in court.

Regulations and Other Bills

Changes to the Immigration and Refugee Protection Regulations introduced in 2013 with respect to the sponsorship of parents and grandparents (PGP) took effect on January 1, 2014. They include an increase in the sponsor's eligible income requirement to 30% above the low income cut-off, a doubling of the sponsorship period to 20 years, and a cap of 5,000 on the number of PGP applications — a quota that was filled in just one month last year.[7]

The government subsequently made it more difficult for the now much smaller group of sponsored PGP to get certain seniors' benefits. Bill C-31, another budget implementation bill, limits access for PGP to the guaranteed income supplement (GIS), spousal allowance, and survivor allowance. Prior to the change, in order to receive these benefits, a person had to have lawfully resided in Canada for at least 10 years (in the aggregate) after the age of 18. With the sponsorship period now doubled, from one to two decades, sponsored PGP will not be eligible for the GIS or other allowances during the entire 20-year period of the undertaking, even if they have lived in Canada for more than 10 years and would otherwise qualify for Old Age Security. Given that Canada will only be welcoming 5,000 or so PGP every year, the savings, if any, will be limited while the impact on seniors with financial difficulties will be significant.

In August 2014, the age limit for dependent children was lowered from 22 or under to 19 or under, restricting the number of people who can come to Canada either as dependent of their parents' application or as sponsored family class members. Those most likely to be negatively affected by these changes to the dependent children and PGP conditions, and to the financial requirements for sponsorship, are from racialized communities, who comprise the majority of recent immigrants to Canada and who are more likely to use the program to reunite with family members.

Also in 2014, the government passed Bill C-24, the Strengthening Canadian Citizenship Act, claiming the legislation would "protect the value of Canadian citizenship for those who have it while creating a faster and more efficient process for those applying to get it." In fact, the opposite has happened. With the new law, fewer permanent residents will be eligible for Canadian citizenship, and the time it takes to become a Canadian citizen has increased significantly. Among other changes, the revised Citizenship Act increases the residency requirement from three out of four years, to four out of six years. The new act dramatically expands the group of individuals who must meet language and knowledge requirements in order to become citizens of Canada — from those between the age of 18 to 54, to those between 14 and 64. It also requires applicants to declare their intent to reside in Canada after becoming citizens, while empowering the government to revoke citizenship on the basis of misrepresentation should a successful applicant leave the country.

Most critically, the Citizenship Act now grants ministerial powers to strip citizenship from dual citizens in cases of "treason" or "terrorism," including on the basis of convictions outside of Canada and with the possibility of retroactive application, and even if the convictions on which a ministerial decision applies were based in countries with questionable legitimacy. The new act violates the Canadian values of democracy and the principle of rule of law, and is almost certainly in breach of the Canadian Charter of Rights and Freedoms. Many of the provisions of the new Citizenship Act will not come into effect until sometime in 2015. There is still time for the government to reverse these changes.

The government is set to introduce changes to the Federal Skilled Worker Program that give employers more say in immigrant selection. The "Express Entry" system, originally named "Expression of Interest," creates a pool of potential applicants, including migrant workers at all skills levels, made up of people who have submitted an expression of interest to immigrate to Canada. Employers can select from the pool to fill job vacancies that they claim cannot be filled by Canadians. Skilled and younger immigrants (aged 20–29) will be privileged over others, and their applications are to be fast-tracked for permanent residency.[8] The system went into effect January 1, 2015. The government is effectively handing over its sovereignty over immigrant selection to employers that are more likely to put their own business interests ahead of Canada's interests.

Immigrant Settlement Services

Citizenship and Immigration Canada is the largest funder of immigrant settlement services and has control of settlement programs in all provinces and territories except Quebec. Access to CIC-funded settlement programs is restricted to permanent residents and Convention refugees. While most provincial and territorial governments provide funding to cover the service gap for residents with other types of immigration status, this is a fraction of federal funding, insufficient to meet service needs.

At the 2013 National Settlement Conference, delegates from the immigrant- and refugee-serving sectors identified eligibility criteria restrictions as a major barrier to accessing needed settlement and services for a growing number of newcomers, with the result of delaying their settlement and integration. 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 confront 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 significantly increased the service burden for agencies that serve immigrants and refugees because newcomers turn to them for help in understanding the new rules. There is a high demand for assistance from permanent residents attempting to navigate the citizenship application process, which has become more complicated and more protracted. There is also a growing demand for assistance with navigating the new and complex family reunification rules, including from those ineligible for CIC-funded services such as naturalized citizens.

Temporary Foreign Workers

The number of low-skilled temporary foreign workers entering Canada continued to grow in 2014 despite measures introduced by the government to cut back on numbers.[9] The Temporary Foreign Worker Program (TFWP) has different streams for agricultural workers, live-in caregivers, and high- and low-skilled occupations. The biggest increase in the program has been in low-skilled occupations. Workers classified as low wage, live-in caregivers, and agricultural workers are the lowest paid and particularly vulnerable to abuse and exploitation, factors that are widespread and well documented by researchers.

In June 2014 the government introduced a number of changes to the TFWP, primarily in response to media reports that employers were turning away Canadian workers in favour of workers who could be recruited through the program.[10] The changes targeted low-skilled (now referred to as low-wage) occupations and focused on more inspections, prosecutions, and penalties for employers, reform of the labour market assessment process, an increase in fees, restriction on the length of a permit, and a cap on the number of positions.

In general, these changes brought an increase in enforcement but did little or nothing to reduce the vulnerability and exploitation of migrant workers. The only change to address the latter was to provide workers with an information package on rights and responsibilities at their port of entry. Employer and workplace investigations were to be done by the Canada Border Services Agency (CBSA), which was given additional resources to focus on TFWP violations rather than violations of worker rights and entitlements.

Exploitation has persisted since the changes were implemented, including the downloading of increased fees — now $1,000 per permit — to the worker. The government has since proposed a regulatory framework that focuses on additional enforcement measures such as suspension of a Labour Market Impact Assessment (LMIA) and a progressive fines schedule for bad behaviour, culminating in a ban from using the program. Many of the offences have minor fines attached, even though they represent considerable harm for the worker. Very little recourses are provided for a worker whose employer is found to be in violation of the program.

In 2011 the federal government introduced a rule to limit migrant workers in what was then known as the low-skill pilot project (now the low-wage stream of the TFWP) to a maximum of four years of work in Canada. In 2014 the government announced it was reducing the length of time a worker in this stream can work in Canada. The first set of the four-year work visas will be expiring in April 2015. Many of the workers affected would prefer to continue working in Canada, and many of their employers would prefer to keep them as employees,[11] further evidence that these jobs are in fact not temporary and the workers should be allowed to stay permanently. The Canadian Federation of Independent Business has suggested that low-wage temporary foreign workers should be granted a pathway to permanent residence after two years of work.[12]

Live-In Caregiver Program

In October 2014 the government announced changes to the Live-in Caregiver Program (LCP) that went into effect November 30, 2014. Significantly, the changes included the removal of both the mandatory live-in aspect and the guaranteed pathway to permanent residency. The former, a long-standing demand from caregivers and advocates as one way to reduce worker vulnerability to employer exploitation and abuse, is a welcome change.

However, provision should be made for effective enforcement so that caregivers who choose to live in their place of employment (for economic and related reasons) do not continue to be exploited by the employer.

The pathway to permanent residency has been significantly narrowed with the introduction of tighter requirements as well as a national cap of roughly 5,000 principal applicant applications per year, divided into two streams: a limit of 2,750 spots for child care providers and 2,750 for caregivers for high medical needs (the high-skilled stream).[13] A new language requirement has been imposed, as well as credential requirements for high medical needs caregivers.

The LCP, while small in number, has been a steady feature of Canada's migrant worker programs. The need for child care providers has persisted over decades. Given the lack of a national child care strategy, and lack of investment in homecare for those that need it, Canadians will continue to rely on migrant workers for child care and elder care for the foreseeable future. Therefore, it is highly problematic that these needed workers are now to be denied an opportunity for permanent residency in Canada. For more than a decade, the majority of workers arriving through the LCP are racialized women, primarily from countries in the Global South.

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] In their updated report, *The Colour Coded Labour Market By The Numbers*, which is based on 2011 NHS data, Sheila Block, Grace-Edward Galabuzi and Alexandra Weiss found that racialized Ontarians have slightly higher labour force participation rates than non-racialized Ontarians, yet the former also have higher unemployment rates: 10.5% as compared to 7.5% for the rest of Ontarians. The NHS data also shows a 16.7% earnings gap between racialized and non-racialized Ontarians, and that 20% of racialized Ontarians are living in poverty compared to 11.6% of non-racialized groups.[15]

AFB Actions

The AFB will:

- Provide financial incentives for employers to practise employment equity, including tax incentives to hire, train, retain, and promote workers from target groups (cost: $100 million).
- Return to allowing sponsorship of dependent children under the age of 22 instead of 19, and eliminate the minimum income requirement for family class sponsorship.
- Withdraw all changes to the Citizenship Act with respect to residency requirement and provisions concerning dual citizens.
- Reverse the changes to the Old Age Security Regulations to allow access to spe-

cial allowances by seniors who came as sponsored parents or grandparents after 10 years of residency in Canada.

- Reverse changes to the Canada Social Transfer so that provinces will no longer have the power to impose minimum residency requirements on certain groups of individuals based on their immigration or refugee status.
- Make immigrant settlement services available on the basis of need rather than immigration status, thus allowing refugee claimants, migrant workers, and citizens to access them.
- Significantly limit the low-skilled Temporary Foreign Worker Program, and give all migrant workers the opportunity to pursue permanent residency and full citizenship.
- Remove proposed restrictions on permanent residency for Live-In Caregivers.

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Income Inequality and Poverty

Background

Poverty and inequality represent social deficits that Canadians cannot afford to pass along to the next generation. The largest cohort of seniors in Canadian history will soon be relying on this generation of children as no working-age cohort has ever been relied upon before. We will need all hands on deck. The only way to sustain our standard of living is to ramp up meaningful investments in the next generation. This benefits the poor, the rich, and everyone in between.

There Is Nothing Inevitable About Poverty

Rising inequality, persistent poverty, and its associated symptoms of hunger and homelessness are deeply concerning to Canadians. Yet too often, we become resigned to the presence of these social deficits.

But there is nothing inevitable about poverty in a society as wealthy as Canada's, nor is the inexorable increase in inequality a fact of life. Evidence from other countries demonstrates how governments that commit to bold action on poverty and inequality get results.[1]

Canada chose to tackle poverty among the elderly in the 1960s and the poverty rate for seniors plummeted from 33% to less than 5% in 20 years, though more recently the trend is again towards rising poverty.

Quebec was the first province to commit to a poverty reduction strategy in 2002. Since then, all the provinces and territories save British Columbia now have poverty-reduction plans in place or in development.[2]

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."[3] 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."[4]

The federal government, however, persistently refuses to adopt a national anti-poverty plan, even as it lavishes billions of dollars on tax cuts and benefits to those who need the least help.

Yet 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. With surplus finances on the horizon, there are no excuses that the cupboard is bare for the fight against poverty. Instead, this government is using the surplus to provide tax cuts that will exacerbate income inequality.

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.[5]

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, partly due to the market and, sadly, partly due to public policies.

While the top 1% in North America has amassed a rising share of total income over time, the same is not true in some industrialized countries such as the Netherlands, France, Japan, and Sweden.[6]

Inequality in Canada may be less extreme than in the U.S., but it grew at a faster rate here between 1997 and the onset of the recession.[7] By 2011, the average after-tax income of the richest 10% of non-elderly households was 16 times that of the average incomes of the poorest 10%, as high as it has been at any point on record since 1976.[8] 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.[9]

As worrisome as the increase in equality has been over the past 30 years, more distressing still is what inequality might look like 30 years from now if present trends continue. In the absence of policy changes, there is no reason to expect they won't. As economist Lars Osberg notes, "unbalanced growth has been the new normal for the past thirty years. If historic differentials in income growth rates continue, they will compound to a successively larger gap between the top 1% and everyone else."[10]

Income inequality in Canada is also highly racialized and gendered. Levels of income and employment are consistently lower for women, Aboriginal peoples, racialized groups, persons with disabilities, and new immigrants. These differences cannot be attributed to differing educational levels alone. Women and men are equally likely to have post-secondary training, yet women still take home 20% less than do men, working full-time and full year.[11] Aboriginal workers with university degrees actually experience an even larger pay gap than do less educated Aboriginal peoples, making 44% less than their peers when they work in the private sector. Women are also over-represented among low-wage earners — making up 59% of all minimum wage workers in Canada.

As inequality increases, 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.[12]

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.

One study estimates the cost of poverty in Canada to be between $72.5 billion and $86.1 billion (or about 6% of Canada's GDP).[13] A 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."[14]

Just as we all pay for poverty, so too do we all pay for inequality. Ground-breaking work by epidemiologists Richard Wilkinson and Kate Pickett, for example, shows it is not just the poor who experience worse health in more unequal societies, but middle- and upper-income households as well.[15]

Income inequality is also linked to diminished generational income mobility, undermining the cherished Canadian ideal of equality of opportunity.[16] If lower-income children are more likely to remain poor, we are all denied their future economic contributions.

Current Issues

Better and More Timely Data, Please!

Good policy development requires good data. Yet a key issue in preparing this year's Alternative Federal Budget has been the absence of reliable and updated data. Normally, updated annual poverty stats would have been made available in June 2014 (with 2012 data). But this past year, data was greatly delayed. Statistics Canada only made public 2012 poverty data in December of 2014. And compounding the frustration, due to the use of a new survey (the *Canada Income Survey* now replaces the *Survey of Labour and Income Dynamics*), StatsCan warns that 2012 results cannot be compared to previous years (a situation that will only be rectified in December 2015, after the next federal election).

The Low-Income Cut-Off (LICO), for many years the most commonly used poverty line, has not been re-based since 1992, making it an increasingly unreliable and inaccurate metric for historic trends. The Low-Income Measure (LIM) and Market Basket Measure (MBM) have become the more reliable measures, yet these too are not being released in a timely manner. Analysts are turning to tax-filer data, a good source for studying recent trends in individual incomes, but problematic for estimating family poverty, and unable to shed light on racial and educational dimensions of poverty.

What follows comes with these limitations.

The Case for a Federal Plan

Child poverty is higher today than it was 25 years ago, when every present member of Canada's House of Commons unanimously pledged to end child poverty in Canada by the year 2000. Other nations, like Norway and Denmark that pledged to eradicate child poverty have seen poverty rates fall below 5%. Child poverty in Canada is triple that. We know we can do better, and we know how to get there.

Average wage growth has fallen to a standstill, below inflation in many jurisdictions. The rate of growth of temporary and part-time jobs has outpaced the growth in permanent, full-time jobs since the recovery began in 2009.[17]

While the depth of poverty is primarily a story of inadequate provincial social assistance, the breadth of poverty is primarily a low-wage story. Market pressures are one reason. Another is the federal government's massive expansion of the Temporary Foreign Workers Program, which serves to suppress wages in service sector industries where many low-income workers are employed, even in places and for occupations where there is little evidence of labour or skill shortages (the ostensible reason for the program). The influx of temporary foreign workers now outpaces that of economic immigrants for the first time in Canada's history.[18] This issue exploded into the public debate this past year, forcing the government to roll back some of the program's most blatant examples of employer abuse. But it remains to be seen whether overall use of the program diminishes (see the Immigration chapter).

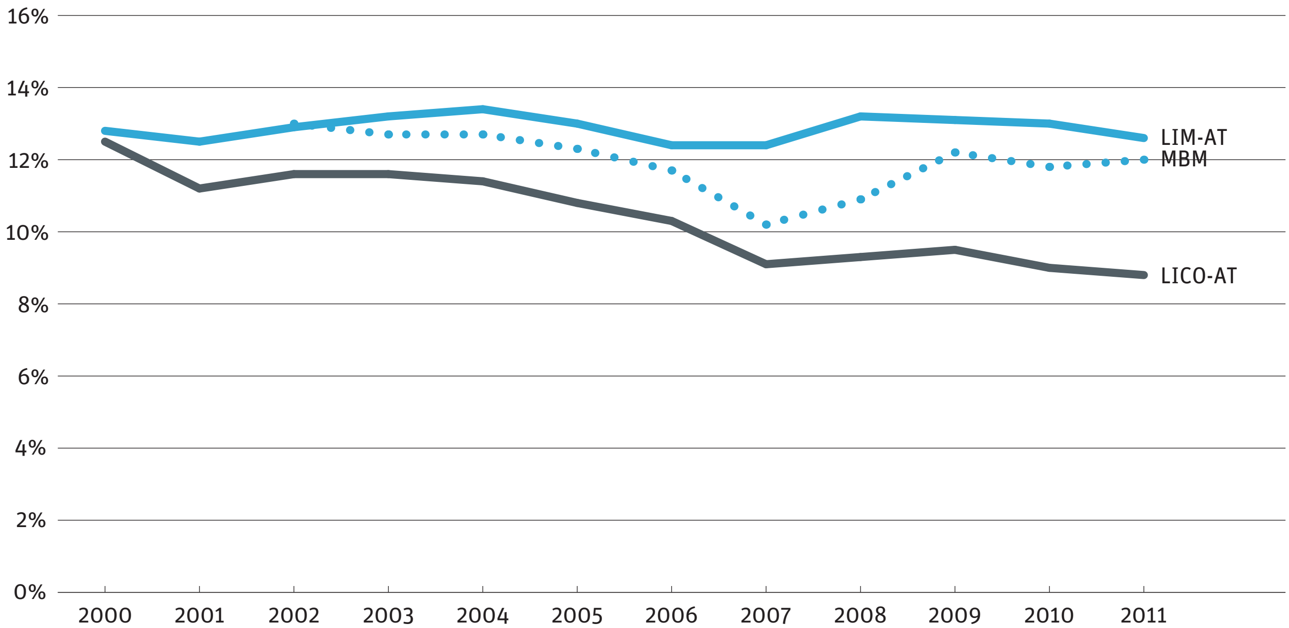
Millions of Canadians continue to struggle with unemployment, underemployment, and precarious work. Employment Insurance benefits now reach less than four in 10 unemployed workers, a level not seen since 1944.[19] The provincial social assistance system is a shadow of what it was during the early 1990s. The purchasing power of welfare benefit rates has plummeted, and new rules have made assistance harder to get, often requiring people to liquidate their savings before receiving help.[20] 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.

By the Numbers

Historically low levels of income support, and the growth in insecure, poor-paying jobs led an estimated 841,000 individuals to food banks across Canada in March 2014, 25% more people than before the recession hit in 2008.[21] Food insecurity has risen dramatically since 2008 as well, with 3.9 million people in Canada now experiencing some level of food insecurity.[22]

Homelessness remains a crisis across Canada. As the recent *State of Homelessness in Canada 2014* report notes, nearly one in five Canadian households experience severe housing affordability problems, about 35,000 Canadians are homeless on any given night, and over 235,000 experience some form of homelessness during the year: "The rise of

FIGURE 9 Poverty Rates in Canada, Three Measures



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

modern mass homelessness in Canada can be traced directly back to the withdrawal of the federal government's investment in affordable housing and pan-Canadian cuts to welfare beginning in the 1980s."[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 and some conservative commentators are keen to point to these LICO numbers. But 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.[24] Poverty as measured by the LIM was 12.6% across Canada in 2011, slightly higher than before the recession.

According to the Market Basket Measure (MBM), yet another poverty measure produced by Statistics Canada, the 2011 poverty rate was 12% (compared to a pre-recession level of 10.2%).

As noted above, Statistics Canada recently released 2012 data for all these measures. The rates are all higher, but they are not comparable to previous years. For 2012, the poverty rates using the LICO-AT, the LIM-AT, and the MBM were 9.9%, 13.8% and 12.9% respectively.[25]

The choice of measure determines how many Canadians struggle with poverty; anywhere between 3.4 and 4.7 million Canadians.

According, to the latest national *Child Poverty Report Card*, more than 1.3 million children — or 19.1% — lived in poverty in 2012, compared to 15.8% when the House of Commons passed its fateful resolution in 1989.[26] This despite the fact that Canada's inflation-adjusted GDP went up by 67%, from $994 billion to $1.7 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]

The situation is much worse for Aboriginal children, for whom the poverty rate is a staggering 40%.[29]

Poverty rates are higher for recent immigrants, Aboriginal people, senior women, single parents, and people with disabilities. As noted in a recent CCPA report, the last five years have seen little change in women's poverty in Canada. Overall, 13.3% of women live in poverty (using the 2011 LIM-AT), however Aboriginal women and single mothers experience even higher rates, at 30% and 36% respectively.[30]

For data for these groups, we must rely on the 2011 National Household Survey. Using the LIM-AT, the following poverty rates emerge:[31]

- Immigrants: 18.3% vs Non-Immigrants: 13.6%
- Non-permanent residents: 38.1%
- Visible Minority: 21.5% vs Non-Visible Minority: 13.3%
- Aboriginal identity: 25.3% vs Non-Aboriginal Identity: 14.5%
- Men: 11.9% vs Women: 13.3%
- Men (65+): 9.1% vs Women (65+): 14.4%
- Lone-parent families: 34% vs Two-parent families with two earners: 5.1% and Two-parent families with one earner: 22.0%

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. Persistent poverty represents a violation of economic and social rights enshrined in international law, and a squandering of human potential.

AFB Actions

Set Clear Targets

The AFB adopts the following indicators, targets, and timelines:

- Reduce Canada's poverty rate by 25% by 2020, and by 75% within a decade.
- Ensure the poverty rate for children and youth under 18, lone-parent 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, supported 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, with 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. 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. 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.
- 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).[32]
  - Cancel pension income-splitting among seniors, and redirect this money to enhancement to the Guaranteed Income Supplement (GIS) (see the Seniors and Retirement Security chapter)
  - Rather than directing $2.3 billion towards an Enhanced Universal Child Care Benefit, and $1.9 billion towards income-splitting for families with children under 18 (see Taxation chapter), and a further $65 million to

increase the child care deduction,[33] the AFB would double the National Child Benefit Supplement (NCBS) in order to reduce child poverty by 26% (Cost: $3.1 billion/year).

    - The AFB would also cancel the existing UCCB, saving $3.4 billion a year.

- 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 at $15/hour and index it to inflation.
    - Commit that federal government contracts go only to Living Wage employers.[34]
    - Revise Temporary Foreign Worker Programs so that migrant workers can seek and obtain landed immigrant status, without nomination by employers, and assure all those who come to Canada for work are granted full labour rights and protections upon arrival (see the Immigration chapter).
- Tackle homelessness and ensure the addition of affordable housing stock (see the Housing and Neighbourhoods chapter).
- Provide universal publicly funded child care, increasing the number of regulated spaces and capping fees (see the Early Childhood Education and Child Care chapter).
- Provide support for training and education, and initiate a Green Infrastructure and Green Jobs plan, with a special focus on apprenticeships for economically marginalized populations (see the Post-Secondary Education and Sectoral Development chapters).

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 (see the Sectoral Development chapter).
- 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 earners and highly profitable corporations (see the Fair and Progressive Taxation chapter).

Notes

1 For how Canada compares to other OECD countries on inequality, see the Conference Board of Canada's comparison's here: http://www.conferenceboard.ca/hcp/details/society/income-inequality.aspx or the OECD data here: http://www.oecd.org/els/soc/income-distribution-database.htm

2 In the fall of 2014, Saskatchewan became the latest province to announce that it will develop a plan, leaving BC alone in refusing to accept the need for a poverty reduction plan. Arguably, however, Alberta, Yukon, and PEI's plans have stalled — they were announced, but little progress has been made.

3 The Standing Senate Committee on Social Affairs, Science and Technology (2009). *In from the Margins: A Call to Action on Poverty, Housing and Homelessness*. Ottawa: Senate of Canada.

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5 Fortin, Pierre. (2010). "Quebec is Fairer", *Inroads*, Winter/Spring, Issue No. 26, pp. 58–65.

6 See the World Top Incomes Database, developed by Facundo Alvaredo, Tony Atkinson, Thomas Piketty and Emmanuel Saez: http://topincomes.parisschoolofeconomics.eu/

7 "World Income Inequality: Is The World Becoming More Unequal?" Conference Board of Canada. 2011. Online at: http://www.conferenceboard.ca/files/hcp/pdfs/hot-topics/worldinequality.pdf. Since the recession, inequality has, once again, grown more rapidly in the U.S., because of the strength of global demand for Canadian natural resources, and women's higher labour force participation rates.

8 Custom tabulated data from the Survey of Labour and Income Dynamics. Ottawa: Statistics Canada. The agency notes, "[B]y December 2015, Statistics Canada will release a revised series of income statistics which will allow for the comparison of 2012 and 2013 data to earlier years." (From http://www.statcan.gc.ca/pub/75-513-x/75-513-x2014001-eng.htm)

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10 Osberg, Lars. (2014). "Canadian Inequality, then and now: Can increasing inequality be a steady state?" See: http://myweb.dal.ca/osberg/classification/conference%20papers/May%2022%20Canadian%20Inequality%20Then%20and%20Now.pdf

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17 "CANSIM Table 282-0079 and 282-0087: Labour force survey estimates (LFS), employees by job permanency, North American Industry Classification System (NAICS), sex and age group." Ottawa: Statistics Canada. Comparing July 2009 and July 2014, seasonally unadjusted.

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19 Yalnizyan, Armine, "Proportion of Unemployed Canadians in Receipt of Jobless Benefits, 1942 to July 2014" https://twitter.com/ArmineYalnizyan/

status/512602190360633344 Update of chart in Yalnizyan, Armine (2009) *Exposed: Revealing Truths About Canada's Recession*, Ottawa: Canadian Centre for Policy Alternatives.

20 For a full review of provincial social assistance rates and eligibility rules, see: Tweddle, Anne, Ken Battle and Sherri Torjman. (2014), *Welfare Incomes, 2013*. Toronto: Caledon Institute for Social Policy.

21 *Hungercount 2014*. Toronto: Food Banks Canada. 2014.

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23 Gaetz, Stephen, Tanya Gulliver, and Tim Richter. (2014). *The State of Homelessness in Canada 2014*. The Homeless Hub and Canadian Alliance to End Homelessness.

24 *Low Income Lines, 2011–12*. Ottawa: Statistics Canada. 2013.

25 Statistics Canada. Table 206-0004 - Canadian Income Survey (CIS), persons in low income, Canada

26 This is measured by the after-tax LIM using custom T1FF data for 2012. See *2014 Report Card on Child and Family Poverty* (2014). Toronto: Campaign 2000.

27 "CANSIM Table 380-0064: Gross Domestic Product, Expenditure-Based, Quarterly." Ottawa: Statistics Canada.

28 Campaign 2000 (2013). *Canada's Real Economic Action Plan Begins with Poverty Eradication: 2013 Report Card on Child and Family Poverty*. Toronto: Family Services Toronto.

29 See *2014 Report Card on Child and Family Poverty* (2014). Toronto: Campaign 2000; and Macdonald, David and Daniel Wilson (2013). *Poverty or Prosperity: Indigenous Children in Canada*. Ottawa: Canadian Centre for Policy Alternatives.

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32 Social Policy Simulation Database and Model. Ottawa: Statistics Canada.

33 "Backgrounder: Helping Families Prosper." Ottawa: Department of Finance. Online at: http://www.fin.gc.ca/n14/data/14-155_1-eng.asp

34 Meaning employers who have been officially certified as paying the living wage for families, as calculated by living wage campaigns across Canada. For background, see Richards, Tim et al (2008). *Working for a Living Wage*. Vancouver: Canadian Centre for Policy Alternatives. Or visit: http://livingwagecanada.ca/

International Development

Background

This year marks the 20th anniversary of the Beijing Declaration and Platform for Action. In September 1995, 189 governments and 30,000 women activists met at the fourth UN-organized World Conference on Women to shape a blueprint for advancing gender equality and women's rights everywhere. While there has been some progress for women and girls — in Canada and globally — in terms of access to education and health care, women have seen unequal advances in other areas, including access to political leadership roles, economic opportunities and job security, and checking violence against women.[1]

World governments will meet twice this year to assess progress on the Beijing platform and develop new goals for women's empowerment: at the 59th UN Commission on the Status of Women in March, and again in September during the Global Leaders' Commitment Forum on Gender Equality and Women's Empowerment. These meetings give Canada an opportunity to build on progress in the areas of maternal, newborn and child health, and child, early and forced marriage; to adopt a more holistic approach to protecting and promoting all women's rights and freedoms, including sexual and reproductive health rights. In doing so, the federal government must avoid instrumentalist approaches that treat women as either child-bearers or as victims.

In Canada, the Alliance for Women's Rights network is asking all federal parties to make women's rights a 2015 election issue, for example by announcing commitments that will change women's lives for the better, both in Canada and overseas (see the AFB Gender Equality chapter).

This year will also see the adoption of the Sustainable Development Goals (SDGs), a successor global framework to the Millennium Development Goals (MDGs), which were to be achieved by this year. Over the past 15 years, the MDGs have helped mobilize public and political attention and support for initiatives on a range of issues related to extreme poverty, hunger, primary education, gender equality, maternal, newborn and child health, HIV-AIDS, malaria and other diseases, and environmental sustainability, among other areas.

MDG successes include increased school enrollment, lower child and maternal mortality rates, substantial drops in the incidence of malaria and tuberculosis, and fewer people living in extreme poverty. But the majority of developing countries have been severely challenged in meeting these and other development goals. This is compounded by fuel, food, finance, and climate crises, which have increased in breadth and frequency of late, and which disproportionately affect those who are least able to respond, be they in Canada or Cameroon.

Economic inequality — both within and between countries — is becoming an international priority ahead of the SDGs, with Oxfam recently noting that the 85 richest individuals globally control as much wealth as the poorest half of the world.[2] In Canada the wealthiest 86 individuals hold more wealth than the bottom 11.4 million Canadians combined.[3] In a poll conducted in October 2014 by EKOS, 40% of Canadian respondents ranked development as the top foreign policy consideration (over diplomacy and defence), and 57% identified growing inequality as a top-five election issue.[4] The new and universally applicable SDGs will have target dates of 2030 when they are adopted at a UN summit in September, making them a key opportunity to put people and the planet first, for the generation to come.

Finally, 2015 is a critical year for action on climate change. Global leaders will meet in Paris this December for the 21st session of the Conference of Parties to discuss the United Nations Framework Convention on Climate Change (UNFCCC). There is hope they will agree on an ambitious climate deal for the post-2020 world, setting targets for reducing carbon emissions, and committing to help finance climate change adaptation and mitigation in countries with fewer resources at their disposal.

At this point, arguments that pit the climate against the economy are not only erroneous but also dangerous. The New Climate Economy, a recent project of the Global Commission on the Economy and Climate, demonstrates that we can strengthen economic performance and tackle poverty while reducing carbon emissions and the risks associated with climate change.[5] But growth must be inclusive and sustainable. At the UN Climate Summit in 2014, 400,000 people from all walks of life, many Canadians among them, came together in the streets of New York to demand ambitious climate commitments from political leaders (see more in the AFB Environment chapter).

Current Issues

Global Aid Rises, Canadian Aid Collapses

In 2013, the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) noted a decline in global aid levels in real terms by 2% in 2011, and by a further 4% in 2012.[6] These declines followed a 63% increase in Official Development Assistance (ODA)[7] spending between 2000 and 2010,[8] as donors responded to the MDGs, and "14 years of real growth in aid since 1997."[9] In its report on ODA for 2013, the OECD reported aid levels had bounced back to a historic high of US$134.8 billion. Unfortunately, this amount likely declined in 2014 as many donor countries cut aid commitments as part of austerity budgets.[10]

Among OECD countries, Canada had the biggest monetary cut and second biggest proportional decline in aid funding in 2013 — an 11.4% drop in real terms relative to 2012.[11] In Budget 2012, the government announced that the International Assistance Envelope (IAE) — the budgetary basis of Canadian aid — would drop by more than $350 million, to about $4.6 billion, between 2011–12 and 2014–15. However, analysis of aid allocations in 2012–13, and provisional numbers for 2013–14, suggest the IAE may have already dropped to about $4.4 billion, almost $300 million below the figure projected for that year.[12] Furthermore, the same reports suggest that total Canadian aid allocations have dropped by almost $640 million since 2011–12.

Much of this decrease was due to underspending (by as much as $260 million in 2012–13 and provisionally $430 million for 2013–14, according to AFB estimates) at the Department of Foreign Affairs, Trade and Development, and the former Canadian International Development Agency.[13] Compare this to Britain, which increased its aid budget by $4 billion between 2012 and 2013, and realized the UN target for aid of 0.7% of Gross National Income (GNI) in April 2014, despite fiscal austerity measures. Federal cuts worsened Canada's aid performance, from a high of 0.34% of GNI in 2010–11 to 0.26% of GNI in 2013–14. The last time Canada's ODA performance was that low was in 2003–04 (0.23% of GNI), just as the government began to increase its contributions by 8% annually.

Investing in Gender Equality and Women's Rights

Inequality, poverty, and climate change disproportionately affect women. In countries around the world, women are relegated to the lowest paying jobs, often in precarious working conditions, and with much of their unpaid labour unrecognized and undervalued. They represent 70% of the world's poor. Investing in the empowerment of women and girls is inherently a public good. It reduces inequality, and is essential for the growth and development of families, communities, and economies. Investing in women's rights organizations boosts capabilities among women, enhancing women's social, political, and economic options, and promoting more just and equal societies.

While Canada has been historically a leader in gender equality, actively advocating on women's rights and supporting women's rights organizations in developing countries, in recent years DFATD has spent only 1% to 2% of its budget on programs specifically designed to advance gender equality and women's empowerment, well below the OECD average.[14]

Building on Climate Finance Commitments

Between 2010–11 and 2012–13, Canada contributed its fair share ($1.2 billion, or 4%) to the US$30 billion international commitment to "fast-start" climate finance. However, the federal government fell short in a number of other areas.[15] As of May 2014, 73% of all the money disbursed had yet to be committed at the project level.[16] This money was disproportionately geared towards loans (74%) instead of grants. For example, loans constituted only 37% of both EU and U.S. financing; Australia, Denmark, the Netherlands, Norway, Sweden, and Switzerland only provided grants.

Only 18% of Canada's financing was used for adaptation, despite an agreement in Copenhagen in 2013 to balance allocations between adaptation and mitigation, which would help cut greenhouse gas emissions. In relation to adaptation finance, Canada ranked last among 14 other major contributors, with five countries providing more than 50% of funding for this purpose: Italy (76%), Sweden (69%), Australia (67%), France (54%), and Denmark (50%).

Finally, only 29% of Canada's funding went towards highly vulnerable countries, though this may be about to change. In November, the government finally pledged $300 million to the Green Climate Fund, established at the COP16 in 2010. Although this money represents less than Canada's 4% share of the $10 billion total, the Green Climate Fund will invest 50% of its resources in adaptation, and half of that in the poorest and most vulnerable countries.

AFB Actions

In 2015 the Canadian government has the opportunity to provide leadership on a global framework for sustainable, inclusive, and equitable growth and development. To do so the AFB will:

- Accelerate Canada's commitment to achieve unmet MDGS and the new SDGS. The AFB will follow the OECD proposal to peg development assistance at 0.31% of GNI (the average of all DAC donors' performance) until the government posts a budgetary surplus, at which point plans will be made to reach the target of 0.7% of GNI.[17] This will entail increasing Canada's International Assistance Envelope (IAE) from $4.6 billion in 2014–15 to $5.9 billion in 2015–16, $6.2 billion in 2016–17, and $6.5 billion in 2017–18.[18] Without this enhanced commitment, Canada's IAE is expected to flat-line at $4.6 billion in each of the next three fiscal years.
- Target aid where it is most needed. In keeping with the criteria of the Official Development Assistance Accountability Act and the recommendation of the OECD's DAC, resources will be prioritized for the poorest and most marginalized populations, in particular for sub-Saharan Africa, and in low-to-middle and low-income countries.

The AFB will also significantly increase the percentage of Canada's international development budget going toward advancing gender equality and women's empowerment, increasing federal support for programs with these specific objectives, including in the context of humanitarian emergencies. Such programs would address violence against women and girls, provide budget support for social services that help lift women out of poverty, and allocate a specific funding envelope to support women's leadership, autonomous women's rights organizations, and women's human rights defenders.

Finally, to provide long-term predictable climate financing — another Copenhagen commitment — the AFB will allocate $400 million in new public financing in 2015–16, with more ambitious contributions for 2016–20, to help meet the global public commitment of $100 billion by 2020 (see the AFB Environment chapter for how this funding will be allocated). This will support a 50/50 balance of adaptation and mitigation activities in developing countries. The former will be grant-based, while loan activities will be set up through a revolving fund system, rather than requiring repayment to Canada. Commitments through multilateral, bilateral, and other channels (e.g., civil society organizations) will advance these goals.

- Ensure aid quality from our investments. The AFB will develop a forward-looking agenda and action plan on effective development co-operation that builds on commitments made at recent High-Level Fora on Aid Effectiveness (HLF), including the April 2014 meeting in Mexico of the Global Partnership for Effective Development Co-operation. For example, the AFB will align bilateral aid spending with the priorities and development plans of developing countries, as well as make Canada's spending more predictable and transparent.

Ahead of the new SDGs, the AFB will announce a framework to ensure that broader Canadian government policies on trade, investment, and foreign affairs are coherent with Canadian development policy objectives, including international human rights standards.

- Promoting sustainable development overseas and at home. Given the universal nature of the SDG framework, we need to 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 AFB Income Inequality and Poverty chapter).

Notes

1 For a comprehensive analysis of progress on the Beijing Platform of Action in Canada, see Canadian Centre for Policy Alternatives. (2014). "Progress on Women's Rights: Missing in Action report - A Shadow Report on Canada's Implementation of the Beijing Declaration and Platform for Action." https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2014/11/Progress_Women_Beijing20.pdf"

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Post-Secondary Education

Background

Students in Canada 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 the unemployment levels faced by the general population. The attainment of a post-secondary education has become an important prerequisite for participating in the workforce, despite education being much less affordable now than 30 years ago. Youth aged 15 to 24 who have obtained a high school diploma have an unemployment rate of 12.2% while those with a post-secondary certificate or diploma have an unemployment rate of 7.3%.[1]

Although Canada's constitution places most social programs, including education, within the jurisdiction of provincial governments, it does not relieve both federal and provincial governments of their responsibility to ensure the best possible system of post-secondary education. Constitutionally, health care is under provincial jurisdiction, yet it is subject to federal legislation that sets standards of care and funding, and ensures universal access. The federal government has the ability to use its spending powers to intervene in areas of provincial jurisdiction without altering the Constitution's division of powers. Despite the federal government's central role in post-secondary education, Canada remains the only major industrialized country without national oversight of higher education.

Without federal direction, post-secondary education is taking divergent paths based on shifting provincial priorities. Provinces can set tuition fees at whatever level they see fit, resulting in students facing significantly different challenges in accessing higher education depending on the province in which they study. It is not in the interest of social equality and economic development across the country to have students in one province paying as much as three times what their peers in another province pay.

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 2014, government grants as a share of university operating revenue plummeted from 84% to 55%. Unsurprisingly, in the last 15 years, tuition fees have become one of the largest expenses for university and college students, increasing at more than double the rate of inflation.[2]

In 2014–15, university tuition fees in Canada increased by 3.3% to an average of $5,959. Institutions often charge additional compulsory fees in order to circumvent provincial tuition fee regulation. Compulsory fees are only regulated in some provinces. Combined with tuition fees, the total average undergraduate fees climbed to $6,780.

Undergraduate tuition rates range from $7,539 in Ontario to $2,631 in Newfoundland and Labrador.[3] In specialised programs such as medicine, law, and dentistry, students often pay three or more times the Canadian average, driving student debt for many future health professionals into the six-figure range.

Core Funding

Starting in 1967, federal funding for post-secondary education 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 abandoned this cost-sharing model and introduced the Established Program Financing Framework (EPF), wherein funds were transferred through tax points and cash transfers. The EPF was replaced by the Canada Health and Social Transfer (CHST) in 1996 and the Canada Social Transfer (CST) in 2004.

These changes not only reduced the overall funding allocated to the transfer, but also reduced the level of accountability the provinces had for transfers they receive for post-secondary education. The Canada Social Transfer provides no guarantee that federal funding intended for post-secondary education reaches students and their families. Funding for the transfer reached its peak in 1981 at 0.56% of GDP, before declining through the remainder of the 1980s and 1990s to reach a low of 0.15% in 2005. Currently, the federal transfer for post-secondary education stands at 0.20% of GDP.[4]

The Canadian Federation of Students estimates that current federal funding for post-secondary education is $2.4 billion less than 1992–93 levels when inflation and enrolment growth are factored in. Lagging federal funding for colleges and universities has resulted in higher tuition fees, as costs are passed on to students. Lower levels of funding also impair the ability of institutions to hire an adequate number of instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.

Student Financial Aid

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

In 2011, the total amount of student loans owed to the government approached $15 billion, the legislative ceiling set by the Canada Student Financial Assistance Act. This figure accounted for only a portion of total student debt; it did not include provincial and personal loans, lines of credit, and education-related credit card debt. In response, the government altered the definition of "student loan" to exclude over $1.5 billion in federal student debt and amended the Canada Student Financial Assistance Act to increase the limit to $19 billion while at the same time dramatically reducing parliamentary oversight of the program.

High levels of student debt have been linked to lower degree completion rates and a reduced likelihood of continuing studies beyond a bachelor's degree or college diploma. Heavy debt loads are also a negative factor in an already weakened economy, especially considering that earnings for the majority of families 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 better aligns with their interests or career goals.

In fall 2009, the federal government established the Canada Student Grants Program. This new program greatly increases support for students, but, in order to meaningfully reduce student debt, a much larger investment is required. The federal government will distribute roughly $626 million in grants this year, while the Canada Student Loan Program expects to lend $2.5 billion.

Although the federal government distributes a substantial amount of grants, it pales in comparison to the $2.3 billion the government spends on education-related tax credits and savings schemes. Despite their large price tag, federal tax expenditures are a poor instrument to either improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. The federal government is diverting vast sums of public funding where they are not necessarily required.

The non-refundable education and tuition fee tax credit alone will cost the federal government over $1.8 billion this year. Tax credits are found to disproportionately benefit wealthy families. For those students who do earn enough to claim the credits and get money back on their taxes at the end of the financial year, these rebates do little to help them afford tuition fees at the start of the academic year.

First Nations Students[5]

The federal government has both a moral and legal responsibility to provide for the well-being of First Nations peoples, including access to post-secondary education. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which status First Nations students receive financial support from the federal government, however this funding is only available to status First Nations and Inuit students.

Since 1996, annual growth in funding for the PSSSP has been capped at 2% per year, although actual increases have been closer to 1%. Because inflation, population growth and tuition fee increases in most jurisdictions have been far higher than 2% per year since 1996, there has been an effective annual *decrease* in per-capita funding over the past two decades. In fact, the number of First Nations students receiving funding from the PSSSP declined from 22,938 in 1997 to 18,729 in 2009, despite rapidly rising demand. It is estimated that between 2001 and 2006, over 10,500 students were denied funding, with roughly 3,200 more students per year denied funding since as a result of the funding cap.

It is estimated that the additional GDP contribution of First Nations peoples, if all educational attainment gaps were closed between First Nations and non-First Nations populations, would exceed $400 billion over a 25-year period.

University Research

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector and not broader social needs, undermining basic research and innovation. This drive to commercialise university research has far-reaching consequences — from limiting academic freedom and public ownership of research, to discouraging private market innovation. By prioritizing a narrow range of research disciplines — mostly in science, engineering, and business — funding decisions have led to a deterioration of a comprehensive research environment based solely on the academic merits of the work.

The federal government's science and technology strategy is focused on generating products that can yield short-term results, with little consideration to long-term innovation. In addition, federal funding increases directed towards market-driven research programs are leading to an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada lagging behind other OECD countries in private-sector investment in in-house research and development capacity. As this trend deepens, our publicly-funded post-secondary education system will 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 to students of post-secondary education (tuition plus compulsory fees) to 1992 levels in each province.

Since some provinces, like Newfoundland & Labrador, have been more proactive in maintaining stable education costs or at least limiting the rate of expansion compared to others, like Ontario, it would be unfair for the federal government to cover the entire cost of this tuition reduction. Instead, the AFB will introduce a new, dedicated post-secondary education cash transfer of $2,440 per full time student enrolled in an undergraduate university degree, college certificate program, or equivalent "first cycle" program (total cost: $1.9 billion). The transfer will be conditional on reducing tuition and compulsory fees to 1992 levels and will increase by 5% per year to account for enrolment growth and inflation.

This transfer will provide 50% of the amount needed for Ontario, the province where costs have grown the fastest, to reduce tuition fees to 1992 levels in 2015. For all other provinces, the transfer will cover more than 50% of the needed amount. For five provinces, the amount of the transfer will meet or even exceed the full amount needed for a reduction to 1992 levels. The AFB transfer still applies to these provinces as these provinces are already taking measures to maintain tuition rates and are equally deserving of federal assistance.

This transfer will be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial gov-

FIGURE 7 Change in Tuition Fees 1992 to 2016 by Province

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	CAN
Estimated 1992/1993 Tuition & Fees*	2,565	2,565	3,785	3,398	2,357	3,369	3,372	3,139	3,035	3,308	3,084
Projected 2015/2016 Tuition & Fees*	2,697	6,252	6,836	6,621	3,780	8,249	4,555	7,115	6,598	5,513	6,699
Change from 1992 to 2016*	132	2,582	3,051	3,223	1,423	4,880	1,184	3,975	3,563	2,205	3,616

* adjusted for inflation (2011 dollars)

FIGURE 8 Cost to Reduce Tuition to 1992 Levels ($ Millions)

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	CAN
Federal Cost	28	8	68	35	336	917	68	55	189	158	1,862
Provincial Cost	/	/	17	11	/	917	/	35	87	/	897
Total Cost	28	8	84	46	336	1834	68	90	276	158	2,759

* 2011 dollars

ernance, public administration, and academic freedom.

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 available to students. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes to up-front grants through the Canada Student Grants Program.[6]

The AFB will directly address the Post-Secondary Student Support Program backlog by immediately increasing funding proportionate to the size of the waiting list (cost: $163 million). After 2015, the AFB introduces a 6% growth escalator. This multiplier reflects both absolute population growth and increased educational participation among First Nations youth in Canada. On top of this 6% adjustment, the AFB adds a 2% inflation escalator (consistent with the current funding cap) for a total annual increase in PSSSP funding of 8%.

Research Funding and Scholarships

Recognizing the importance of funding based on an independent, peer-reviewed, and merit-based approach, the AFB increases the federal granting agencies' base budgets by 10%, with greater funds asymmetrically allocated to the social sciences and humanities. In addition, 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.

Encouraging Apprenticeships and Skills-Based Training

While many would attempt to blame the struggles of young Canadians in the labour market on a "skills gap", there is no evidence to support this claim. As of July 2014, there were 6.2 unemployed people for every job vacancy. Furthermore, despite claiming young Canadians aren't getting the right skills and training they need, employer spending for on-the-job training has dropped 40% since the early 1990s.

Looking abroad, there are successful approaches to addressing issues of young people getting the education they need to succeed, and employers taking a significant role in training. One of the most successful models is Germany's Dual Vocational Training System. Germany's model relies on strong, structured communication and cooperation between the education system, employers, and labour unions. These relationships are legislated and heavily regulated, and the rights of young workers are protected by legislation. The AFB creates a government commission to study and provide policy recommendations on apprenticeships, college education, and skills-based training in Canada.

Notes

1 "CANSIM *Table 282-0003: Labour force survey estimates (LFS), by educational attainment, sex and age group, unadjusted for seasonality, monthly.*" Ottawa: Statistics Canada.

2 *Almanac of Post-Secondary Education in Canada*. Ottawa: Canadian Association of University Teachers (2014).

3 "University Tuition Fees 2014/2015." *The Daily*, September 11, 2014. Ottawa: Statistics Canada.

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Public Services

Background

Public services are more efficient, less expensive, of higher quality, and more accountable than privatized services. They reduce inequality and promote economic, social, and environmental security. Strong public services are crucial to addressing the challenges facing Canada today.

The federal government continued to implement budget cuts even while announcing massive tax cuts in advance of this year's election. According to Treasury Board data, as of March 2014, 25,214 positions have been cut since 2011.[1] Departmental spending reports show that more cuts are planned.

The government has steadfastly refused to be transparent about the real impact of cuts, but we know they have undermined the ability of public service workers to do their jobs. Important environmental and human rights protections have been eliminated, along with the public service workers who regulate and enforce them.

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 (to name a few examples) has been seriously compromised.

Current Issues

Attacks on Public Services

Federal cuts to public sector funding and jobs over the last five years were unnecessary, prompted by a deficit that was largely orchestrated by the government itself.[2] The first cuts were announced in the 2010 budget, but not implemented until 2012. Although most cuts have been completed, the parliamentary budget officer (PBO) has determined that another 8,900 jobs will be eliminated by 2017, bringing the total job cuts to 35,000.[3] The government initially maintained that only administrative and "backroom" jobs would be cut, but that has not been the case.

The PBO 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 be implemented, and whether services and programs used by Canadians and Indigenous communities will be reduced. These requests have been routinely ignored.[4] In addition, correctional, health care, and other regulatory costs and burdens are being shifted to provincial governments and municipalities.[5]

While Canadians require increased services there are fewer employees to provide them, and those employees are over-extended.[6] A demographic snapshot of the public service released by the government in 2013 shows that between 1983 and 2013, the Canadian population expanded by 38%, while the size of the public service over this period only increased by 5%.[7]

The aura of austerity is so prevalent that federal departments are not even spending the money they have been allotted. The Public Accounts of Canada show that across all government departments, there was $7.3 billion of lapsed (unused) spending in 2013–14 and $10.1 billion in 2012–13. This is money that could have been used to provide needed government programs.[8]

Some cuts have been very noticeable. Staffing levels at Veterans Affairs have dropped 24%, with an additional 1% cut planned by 2016–17.[9] Departmental performance reports show that about 900 positions have been eliminated — 33% of that number from the section that administers pensions and awards, and 372 positions cut from the health and rehabilitation branches. The government has called these "backroom" jobs, but Internal Services only lost 71 positions.[10]

Employment Insurance services have been deteriorating because of the cuts. Funds to operate Citizen-Centred Service, a business line within Employment and Social Development Canada, will have been cut in half between 2011 and 2017. Department reports show that between 2011 and 2013 there were over 26 million cases of blocked calls to the EI helpline, and over a million cases where the caller hung up.[11] The government has recently hired 400 additional staff but it is not enough to repair the damage caused by the cuts.[12]

Canada Post has begun eliminating home delivery to over five million Canadians, justified on a false claim of continued financial losses. In fact, Canada Post has generated revenue for the government in all but two of the past 17 years. By December 2013 losses were $110 million on annual revenues of $5.8 billion.[13] After four years of intensive research, Canada Post concluded that postal banking was a "proven money-maker." However, the government supported Canada Post increasing postal fees and eliminating door-to-door delivery instead.[14] The latter should not have been eliminated without public consultation. Canadians, especially persons with disabilities and restricted mobility, should not be forced to go further than their front doors to get the mail if it is not necessary.

In addition to these service and job cuts, government strategies are designed to discourage workers from working in the federal public service. Changes to federal labour legislation make it more difficult for public service unions to protect their members' rights and to bargain on their behalf. Changes to health and safety legislation inhibit the right of public service workers to refuse unsafe work. Proposed changes to sick leave mean that public service workers will be expected to come to work sick or not be paid, while proposed changes to public service pensions will make a poverty-free retirement less likely.

Because of the across-the-board budget cuts, the use of contractors and temporary service agencies has decreased across government as a whole. However, contracting costs are still high, and some federal government departments like Shared Services Canada and the Department of Defence have become overly dependent on contractors.[15]

The 2014–15 Main Estimates indicate that the government still plans to spend $9.84 billion on contracting out for professional and special services in the 2014–15 fiscal year.[16] This undermines federal public service staffing goals of value and merit.[17] It marginalizes workers, leaving them disillusioned, with little opportunity for job security, advancement, or equitable wages and benefits.[18]

Privatization and P3s

Privatization is "the transfer of responsibility and control from the public sector to the corporate and voluntary sectors, or to families and individuals."[19] Public-Private Partnerships (P3s) — multi-decade contracts that include private-sector financing, management, and ownership of vital public services and infrastructure — are a cloaked form of privatization.

Successive federal governments have committed to a "build now, pay later" approach to infrastructure renewal that prioritizes growth of the P3 model.[20] The $14 billion New Building Canada Fund (NBCF) announced by the current government demands that all provinces, territories, and municipalities requesting funds for infrastructure projects over $100,000 participate in P3 screening process that can take anywhere from 6 to 18 months to complete. The government has also created the $1.25 billion P3 Canada Fund, which subsidizes the development of P3 projects in provinces, territories, municipalities, and First Nations communities for water and wastewater services, green energy, public transit, and post-secondary education infrastructure. This fund and the P3 screen for the NBCF are managed by PPP Canada, a government organization created to support the growth of P3 projects.

The value for money celebrated by P3 advocates is an illusion. P3s result in higher costs, lower quality, and a loss of public control.[21] They 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.[22] 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.[23]

P3 consortiums borrow money from international investment banks at higher interest rates than governments. The Ontario auditor general found that since 2003, P3s cost Ontario taxpayers $8 billion more than traditional public financing would have. About $6.5 billion of that is due to higher private-sector financing costs.[24] 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.[25] The long-term outcomes of such privatized, hidden debt erodes 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.[26]

Social Impact Financing

In November 2012 the federal government elaborated on a budget promise that year to implement social impact bonds.[27] They are a form of public-private partnership that allows banks and financiers to profit from the delivery of social services. 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.[28]

In October 2013 the government announced a social impact financing initiative for literacy programs worth $6 million, arguing the private sector must play a major role in delivering social programs.[29] Large financial institutions like the Royal Bank of Canada, which has invested $20 million, are working to increase investor opportunities for social financing because they are convinced it will be profitable.[30] The first social impact bond in Australia returned investor profits of 15% a year. Investors in social impact initiatives in the UK have seen returns as high as 68% and 225%, demonstrating that the projects were either cutting corners on the services they were supposed to provide or were just an inefficient use of taxpayer dollars from the start.[31]

All this is happening despite recent polling showing 82% of Canadians agree that "when private companies get contracts to provide government programs, the public loses control over services people depend on," and 69% agree that "allowing a few people to profit from services meant for all of us weakens our country's principles and core values of caring and sharing." [32] It is time to make the public sector truly public again.

Diminished Regulations

The current government is engaged in a threefold attack on the ability of Canada's regulatory regime to protect the public interest. Corporate free trade deals not only undermine public services in general, they compromise the ability of governments to legislate and regulate on behalf of the public.[33] Government cuts have diminished the ability of public service workers to enforce existing regulations, and the government's own ideological war on regulatory capacity is creating unrealistic and arbitrary criteria around the creation of regulations.

The *Red Tape Reduction Act*, the centerpiece of the government's broader Red Tape Reduction Plan, enshrines a one-for-one rule in law. In December 2014 the legislation passed second reading and was sent to committee.[34] The one-for-one rule means that for every new regulation that imposes an administrative burden on business, an older rule must be removed. The government boasts that it is the only country in the world to legislate against the growth of regulations.[35] But rules and regulations should be created or eliminated when it is in the public interest to do so, not based on arbitrary and frankly ideological criteria like one-for-one. Polls have shown that 90% of Canadians believe the government should do more to protect the environment and public health and safety.[36] This means creating more regulations. Although the one-for-one rule has to date only been used for small administrative adjustments, it has the capacity to undermine the public interest.

Regulations that already exist are not being properly enforced. Between 2010 and 2017 Environment Canada will have cut or planned to cut 21% of its staff, 338 employees from the climate change division alone. A further 30% of the staff at Fisheries and Oceans Canada were cut; the people responsible for the Species at Risk Act, and the recovery and protection of all aquatic species in Canada.[37] In February 2014 the Federal Court declared that the minister of environment and the minister of fisheries and oceans acted unlawfully in delaying, for several years, the production of recovery strategies for four at-risk species threatened by industrial developments including the proposed Northern Gateway pipeline and tanker route. The departments' reasons for not meeting their legal obligations were staff shortages and not enough capacity.[38] More than $100 million in cuts were made at the Department of Fisheries and Oceans for water protection despite recommendations from public service experts that it needed to increase spending for both environmental and economic reasons.[39]

The Canadian Food Inspection Agency will have lost 1,407 full-time staff positions between 2012 and 2016, or 20% of its workforce. Cuts of 720 positions came from programs that mitigate the risks to human health from animals, and fruit and vegetables. Programs that regulate food packaging and production facilities, as well as food product regulation, saw staff cuts of 429 positions.[40] In 2014 there will be 60% fewer ground meat inspections than there were in 2013. This means there will be less checking of fat content, filler, and fraudulent species claims, and no inspection of cooking oils. Less than half of the independent food retailers inspected in 2013 will be inspected this year.[41]

In March 2009 a seminal report on Canada's grain industry proclaimed that "without question, Canada's wheat commands international respect," calling it a Canadian success story.[42] The report warned against dismantling the Canada Wheat Board and much of the regulatory powers of the Canadian Grain Commission. Those warnings fell on deaf ears but have turned out to be true. Buyers of Canadian wheat are increasingly complaining about diminished quality and, as a result, Canadian farmers are losing business to the U.S. and Australia.[43] At the same time the Canadian Wheat Board is being given away to private investors, and a third of the Canadian Grain Commission's workforce has been cut.[44]

Last year's tragic train derailment in Lac-Mégantic, Quebec might have been avoided if there was less reliance on self-monitoring and more regulatory enforcement.[45] In a 2013 report, Auditor General of Canada found that "despite the fact that federal railways were required twelve years ago to implement safety management systems for managing 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."[46] Transport Canada isn't able to provide the kind of oversight and enforcement to ensure that existing regulations are adhered to.[47]

AFB Actions

The AFB will:

- Introduce a program review process to make the public service more transparent and adaptive to the needs everyone — a public service that can rise to the challenges posed by growing inequality, joblessness, and climate change. Specifically the review process 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 public interest to do so;
  - reverse unsustainable operational budget freezes;
  - determine the economic and human costs of a citizen-centred program renewal;
  - support adequate public service staffing and training to meet citizen-centred program goals;
  - create permanent employment by ensuring temporary staffing agencies are used only for short-term, unanticipated work;
  - enact legislation that protects all temporary workers employed by the federal government, including casual employees, temporary staffing agency employees, and students;
  - 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; and
  - 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.
- Strengthen public regulatory oversight and enforcement by reviewing Canada's regulatory regime to ensure that regulations support the public interest and are based on scientific data and objective analysis, and ensuring the interests of Canadians are proactively protected through precautionary principles, and that adequate resources are attached to federal monitoring and enforcement obligations;
- Eliminate the P3 Canada fund and federal P3 projects, and convert PPP Canada into a Public Assets Office, while adopting contracting practices that consider green sustainable construction tech-

niques tied to localized and targeted training initiatives;

- Create a Scale-Up Implementation Fund to replace social impact bonds, to support and implement projects that have been rigorously proven to work in other jurisdictions or on a smaller scale, publicly and transparently track project progress, and share profits with social service agencies and the government.

Notes

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Sectoral Development Strategy

Resource Dependence Laid Bare

Canada no longer exports beaver pelts — and it's not because we ran out of beavers. It is suddenly and painfully apparent, as oil prices plunge by over 50%, that the bitumen boom is not fundamentally different from previous staples waves. Basing Canada's national economic strategy so centrally around a temporary surge in one non-renewable resource has been an error in economic judgment of historic proportions.

The policy challenge for Canadian governments has never been to throw gasoline on the fire of the latest resource boom (in hopes of spurring a few more jobs while the good times roll). Rather, the goal must be to *manage* staples cycles to maximize their economic and fiscal benefits, while minimizing their costs (including, crucially their environmental costs), and positioning the broader economy for stability whenever the current upswing inevitably turns down.

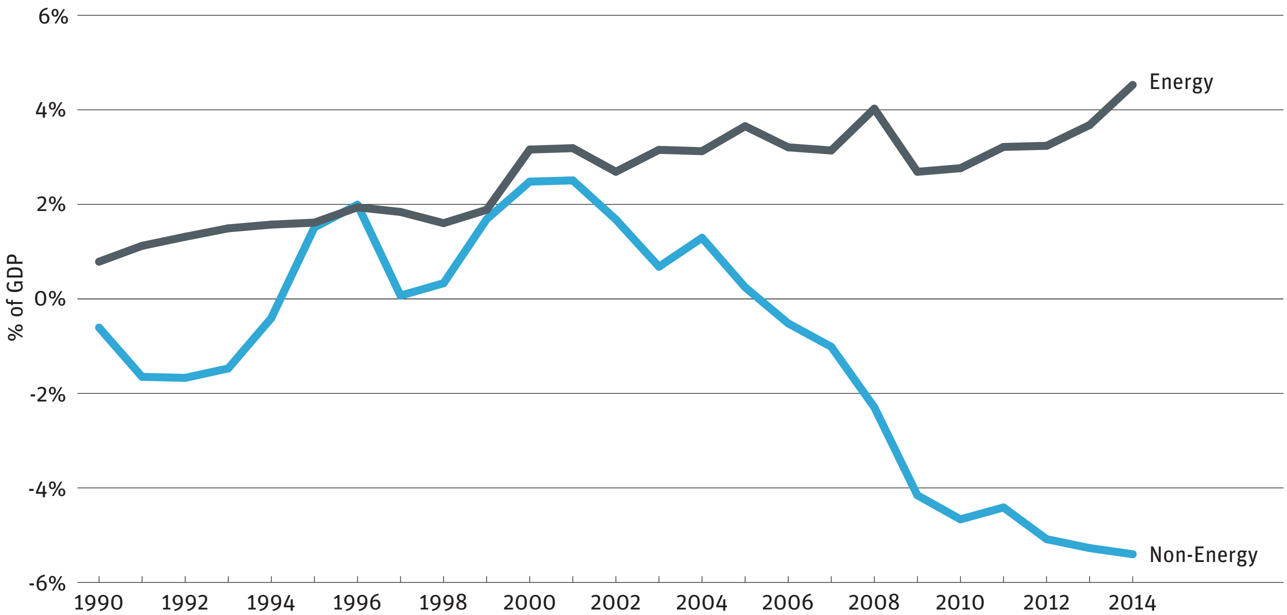
The federal government has placed the narrow interests of its core economic base (the petroleum industry) ahead of the priorities of nation-building, stability, and sustainability. The lasting and painful consequences of Canada's current 'extractivist' sectoral policy are manifold, as is increasingly evident.

This policy created an artificial surge in Canada's exchange rate to unjustified and clearly unsustainable levels, far above its normal (or "purchasing power parity") value. This made any Canadian-made products and services look far more expensive in international markets than they actually were, undermining exports and business investment. Canada's capacity to add value to its own resources has diminished appreciably. Canada (unique among developed countries) has now become a net importer of technology and know-how.

As oil exports increased, there has been a consequent decline in exports from virtually all non-resource sectors (including manufacturing, services, and tourism), and a decline in the intensity of overall exports relative to GDP (marking a sharp reversal of previous globalizing trends). Canada is now experiencing a merchandise trade deficit (in contrast to Canada's traditional trade surpluses), as the collapse in non-energy trade balances outweighs the expansion of energy exports (see figure).

Perhaps the greatest casualty of this "extractivist" approach to economic policy has been Canada's performance — and reputation — in international environmental affairs. The Harper government has abandoned its repeated pledges to enact comprehensive regulations governing greenhouse gas

FIGURE 10 Canadian Energy and Non-Energy Trade Balances



Source Industry Canada Strategis database

(GHG) emissions; after nearly a decade in power, no draft regulations are even being developed. The resulting policy vacuum on such an important issue has actually been damaging to the petroleum industry (which would prefer a known, consistent strategy, instead of continued uncertainty regarding carbon pricing).

Ottawa has not only failed to support the fragile international process of regulating GHG emissions, it has actively subverted and sabotaged that process — quite rightly earning the scorn of a concerned global citizenry. Along with similarly extractivist Australia, Canada is now widely recognized as having the worst climate policy of any developed country. Surging GHG emissions from petroleum production (especially bitumen) have fully squandered hard-won emissions reductions achieved in other sectors — such as Ontario's important (and expensive) elimination of coal-fired electricity generation. In short, the petroleum industry has been an irresponsible free-rider: taking advantage of the conservation efforts of other Canadians, not to mention the well-being of future generations everywhere. Ottawa's failure to act has endorsed this irresponsibility. In so doing, it has only reinforced the damaging structural regression of Canada's economy.

Now the fragile foundation for the extractivist model has been suddenly exposed. World markets have reminded us that oil prices go in both directions. Indeed, the long-run tendency is for stagnation or even decline in basic commodity prices (due partly to new technologies of extraction, and partly to shifts in consumer demand); oil is no different. Canada's economic history is dominated by successive temporary waves of staples development. Each one generates short-term prosperity for some Canadians, but is followed by crushed dreams and environmental damage in its wake when the bubble eventually bursts.

In light of our dangerous over-reliance on this one non-renewable resource extraction industry, the current decline in oil prices (which is likely to continue, and will likely last for some years) will cause significant economic, social, and fiscal consequences for some industries and regions in Canada. At the same time, however, the petroleum downturn also creates a moment of opportunity for Canada: to rethink how we manage resource extraction industries (and petroleum in particular), to reassert the need for a more balanced and diversified spectral composition of the national economy, to reemphasize the necessity of adding value to Canada's resource wealth at every stage of production, and to find better ways of integrating and aligning the needs of prosperity and job-creation with the needs of sustainability.

In short, the time has never been better for an active sector development strategy.

The Rationale for Sector Development Strategy

The goal of sector development policy is to promote more investment, production, employment and exports in strategically important sectors of the economy. The means is a more desirable sectoral mix of output and employment, with a stronger presence for high-value, high-wage, innovation-intensive, export-oriented, and environmentally advanced sectors.

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 interventions. The toolbox used by these other countries is diverse and creative: including targeted subsidies, strategic trade interventions, active industrial strategies in high-tech industries, domestic procurement strategies, and even public ownership of key firms. These approaches have been more effective in promoting innovation, industrial development, and export success than Canada's market-driven approach.

AFB Actions

The AFB will contribute to creating a Canadian economy in which high-value, innovative industries have a larger presence, creating higher-income jobs, enhancing environmental sustainability, and participating successfully in international trade.

The following are the major components of the AFB's vision for sector development. The total annual budgetary cost of these measures amounts to $500 million per year. Additional resources to support capital investments in strategic industries will also be mobilized through the Canada Development Bank, described below:

1. 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 for goods and services producing industries that demonstrate 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 expand value-added exports. In this way, the councils would constitute the first step in rebuilding Canada's broader national capacity for sector development planning. 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 council system will be supported with an annual operating budget of $50 million to support the Councils' work, commission research, and perform other infrastructural tasks. (Actionable policy initiatives that arise from their recommendations would be financed through other policy vehicles, including those listed below.)

2. Enhance Value-Added Production and Investment in Key Sectors

The sector development councils will begin the medium-term task of developing comprehensive strategies for strategic sectors. In some sectors, immediate measures can be taken. Measures will be funded through a $450 million annual budget allotment supporting sector development initiatives (as well as through debt and equity investments funded through the Canada Development Bank, described below). Immediate initiatives would include:

- *National Automotive Strategy*: The federal government has already established a $500 million five-year allotment to support investments in strategic automotive manufacturing facilities. However, because of restrictive terms and the lack of an appropriate encompassing policy framework (including supportive trade and procurement policies), this money is not being spent. The federal government will work with the industry, with provincial governments, and with Canada's scientific and innovation stakeholders to implement a comprehensive and consistent auto strategy including co-investments for major new projects in auto assembly and auto parts, supports for innovation and infrastructure, and recruiting a new generation of skilled workers.

- *Aerospace*: Aerospace and space technology is a rare example of a Canadian high-technology industry that more than carries its weight in international trade. Future Canadian production must be supported through an industry cluster program that features support for new technology and product programs; procurement and offset provisions relating to large Canadian aerospace purchases; and consolidation of funding for Canadian space and satellite programs. This approach will require further active partnerships with Canadian aerospace producers (through the continuation and expansion of the existing Strategic Aerospace and Defense Initiative), with special emphasis on supporting new product programs that improve fuel efficiency and reduce aviation greenhouse gas emissions.

- *Specialty Transportation Equipment*: Major overdue investments in public transportation systems are boosting the demand for buses, subway cars, and other specialty transportation equipment. An integrated federal-provincial strategy will be developed to maximize the potential for new transit projects (partly funded through federal programs) to utilize Canadian-made transportation equipment. This will also require the preservation of domestic procurement authority in the face of challenges from future trade agreements. In the railway industry, too, booming traffic and strengthened safety standards will motivate enormous investments in new rolling stock in coming years. The federal government, through its regulatory powers in transportation, can elicit commitments from railways for strong Canadian content in those new capital purchases.

- *Primary Metals and Metal Products*: Every year, Canada imports $4 billion of steel from offshore, but exports only about $1 billion. This severe trade imbalance subtracts jobs from Canadian steel mills and adds carbon to the global atmosphere. For example, producing a ton of steel in China emits about three times as much greenhouse gas as producing it in Canada. Foreign investors took over all of Canada's steel mills in 2007 and 2008. Enforcing their Investment Canada Act commitments is critically important to maintaining Canadian production and employment. Procurement policy should give preference to domestic steel over offshore imports. Trade remedies must be used to stop countries with lower labour and environmental standards from dumping steel into the Canadian market. In particular, workers and their unions should be allowed to participate in trade-remedy cases.

- *Digital Export Strategy*: Film, screen production, software, and electronic gaming have emerged as important export industries in recent years, and Canada's potential to successfully participate in these growth industries is not being fully utilized. Resources allocated to support Canadian production and export (through the Canada Media Fund, and various industry specific programs in film, digital, and other media) can be supplemented through the new sector development envelope. Following the successful Finnish model, the Canada Development Bank (described below) can invest in equity shares in promising firms, allowing them to sustain a longer-run and growing presence in Canada (instead of selling out to foreign producers as soon as they show early signs of success).

- *Green Energy Manufacturing and Skills*: Current initiatives in energy policy hold great potential to stimulate the Canadian manufacture of components for solar, wind, and other green energy systems. Federal policy can complement and support these initiatives with a refundable investment tax credit for new capital and tooling in green energy manufacturing, and support for skills development for new "green collar" jobs in the alternative energy, building retrofit, and conservation industries.
- *Forestry*: The forestry and wood/paper industries suffered immense damage in recent years (due partly to the effects of an overvalued currency, and partly to the sever downturn in U.S. residential construction that followed the 2008 financial crisis). The industry is poised for a significant rebound, as the loonie returns to earth and the U.S. economy recovers. Support for the industry's sustainable recovery will be provided through a continuation and expansion of the Forest Industry Transformation Program, with measures to enhance technology upgrades; the production of value-added forestry, wood, and paper products; energy conservation, cogeneration, and other sustainable practices; and new skills required for sustainable forestry and forestry products production.

3. 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 the Canadian 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 more meaningful and transparent cost-benefit test. For a takeover to be approved, a foreign investor must 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 the application of technology and capital by the foreign purchaser would truly enhance the productive capacity of Canadian firms.

4. Revise Monetary Policy Mandate to Consider Exchange Rate

The Canadian dollar has lost international value over the last two years in tandem with the weakening of oil prices. At time of printing, it has fallen back toward what the OECD and other international agencies estimate is its "fair value" based on relative price levels in Canada and other countries. (Economists call this the "purchasing power parity" value for an exchange rate; for Canada it is approximately 81 cents U.S.) The dramatic rise and fall of the loonie is a destabilizing and destructive side-effect of unregulated resource exports (and lightly regulated foreign takeovers of resource companies). While the dollar was soaring, free-market advocates adopted a "what: me worry" attitude, claiming it was a natural market development that should not be interfered with, and that the gains generated by resource exports would more than offset the losses from industries (especially manufacturing) squeezed out by an overvalued dollar. This optimism was hardly justified. Even as the dollar retreats to more sustainable levels, the lessons of this painful and unnecessary detour must be learned by our policy-makers.

Placing limits on foreign takeover of resource companies, and slowing the pace of future resource developments, will automatically lessen future upward pressure on the Canadian currency. The Bank of Canada refused to intervene when the dollar was soaring, unlike central banks in many OECD countries, which acknowledge the importance of exchange rate management. Its monetary policy mandate should now be altered to include explicit reference to the need to maintain the exchange rate at an internationally competitive level. This reform will justify future interventions by the Bank when currency markets go awry again, and will short-circuit future speculative rallies by altering the expectations of financial investors and currency traders (who will come to understand the likelihood of central bank reactions).

5. Establish a Canadian Development Bank

To provide financing for sector development strategies (including the proposals developed from within the sector development councils), the federal government will capitalize 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. It will also be authorized to take equity stakes in firms or projects with strategic value. The use of publicly-owned development banks has proven an effective sector development tool in many other regions (in Asia, Europe, and Latin America). It would evaluate and fund potential projects on the basis of broader criteria, including an integrated social cost-benefit analysis, than would normally be considered by private investors.

The CDB would have the mandate to cover its cost of capital on a net break-even basis (across its portfolio of investments). The fair value of those investments will be reflected on the asset side of the government's balance sheet, and hence the bank's initial capitalization (we propose an initial capital stock of $2 billion) is recorded as an investment by government (not a current expense). With interest rates even on very long-run government bonds (as long as 50-year maturities) at record lows (and near zero in expected real terms), this is an excellent moment to establish the bank. The stockpile of idle cash and liquid assets held by Canadian non-financial businesses now exceeds $600 billion. CDB investments will help to address the continuing failure of private businesses to reinvest their surplus cash flow in job-creating Canadian projects.

Senior and Retirement Security

Background

Canadians are living longer, and Canadian society is growing older.[1] As a result, the ratio of working-age Canadians (aged 15 to 64) to those 65 years and older is expected to fall from around 4.5 to 1 in 2013 to 2.3 to 1 by the late 2050s.[2] In 2014, the wave of baby boomers reaching normal retirement age continued to crest, fuelling a projected 3.6 million retirements over the coming decade.[3]

Canada's retirement income system is not fully equipped to deal with the challenge of an ageing population. A significant number of middle-income earners in the baby boom cohort are at risk of a sizeable drop in living standards when they retire. Varying estimates find that between 20% and 50% of middle-income households are not saving enough.[4] Looking beyond the fate of middle-income baby boomers, there is cause for further concern.

The greatest achievement of our retirement income system was a substantial reduction in poverty among seniors resulting from the maturation of Canada's compulsory earnings-based pension system.[5] In future, this system will face a very different context: longer lifespans coupled with later entry to the labour force, the decline of workplace pensions, and the spread of low-paid, insecure employment. Even sanguine observers concede that without government action the retirement savings gap will grow, and that it's likely retirees will be worse off in the future than they are today.[6]

The aging population, combined with uneven and uncertain market income growth, will put greater pressure on the provision of public pension income while simultaneously increasing its importance.[7] Yet despite growing evidence of the need for action, federal pension reform remains deadlocked. The government claims that fragile government finances and uncertain economic conditions rule out improved public pensions. Meanwhile, recent media portrayals have characterized pension reform as a plot to reward rich baby boomers at the expense of young workers.

Though concerns about intergenerational fairness are legitimate and deserve to be conceived broadly,[8] this caricature diverts attention from the significant increase in income inequality among seniors. The fact is that 1.7 million people — over 30% of the total senior population — receive at least partial Guaranteed Income Supplement (GIS) benefits, meaning they have annual incomes of just over $17,000 (if single), and $22,500 if they are in a couple with an Old Age Security (OAS) recipient.[9]

Current Issues

The Old Age Security pension (OAS) and the Guaranteed Income Supplement (GIS) comprise the foundation of Canada's retirement income system, providing a guaranteed annual income to 95% of Canadian seniors aged 65 and older. These benefits depend on residency and income rather than participation in paid employment. However, the federal government has committed to gradually increasing the age of eligibility for these benefits from 65 to 67 over a period of six years commencing in April 2023. Analysts dispute the government's claim that it cannot afford to pay these benefits at age 65.[10] In fiscal year 2013–14, the combined pension expenditures were $41.8 billion, with $31.9 billion going to OAS and $9.4 billion spent on GIS.[11]

In March 2014, the government tabled the Economic Action Plan 2014 Act, No. 1, which extended the period of ineligibility for GIS benefits for sponsored immigrants to the entire 20-year sponsorship period. The restrictions apply to immigrants who arrive under the parents and grandparents program, in which a sponsor living in Canada agrees to bear financial responsibility for his or her relatives. Currently, immigrants need to be in Canada for 10 years to be eligible for OAS and the GIS. Applications for OAS will still be allowed after 10 years, but 20 years will now have to elapse before an application for GIS can be made. When the restrictions begin in 2027, the estimated annual savings will be $23 million, rising to $700 million in 2036.[12] Immigrant seniors are at greater risk of being low income than are Canadian-born seniors, and recently arrived immigrant seniors are at greater risk than established immigrants. Therefore, denying access to GIS after 10 years can be expected to extend the duration in which immigrant seniors experience a low income.[13]

Canada's compulsory earnings-based pension, the Canada Pension Plan (CPP), remains stably funded. The 26th triennial Actuarial Report on the Canada Pension Plan, tabled in the House of Commons on December 3, 2013, reported that actual experience of the plan from 2010 through 2012 was better than anticipated. The valuation projected that the CPP combined contribution rate of 9.9% remains sufficient to sustain the plan to the year 2090. In fiscal year 2013–14, the CPP received $43.2 billion in contributions and paid out $37.3 billion in benefits, including $28.3 billion in retirement and post-retirement benefits. Some 13.5 million working people contributed to the CPP that year, and about 4.6 million seniors received CPP retirement benefits.[14]

At the December 2013 meeting of federal and provincial finance ministers, the federal government definitively ended discussions on whether and how to expand the CPP. As a result, the Ontario government has moved ahead with its own Ontario Retirement Pension Plan (ORPP). Ontario has not released all of the details, but it appears that the ORPP will be designed as a compulsory defined-benefit plan. Employers and employees would share contributions equally, with a combined contribution rate of 3.8% (1.9% each) on pensionable earnings up to $90,000 a year. The plan would seek to replace 15% of pre-retirement income. Coverage would not be universal, apparently excluding the self-employed and members of "comparable" workplace plans. The government of Ontario has committed to implementing the ORPP in 2017.

The percentage of paid workers in Canada with a registered pension plan at work has fallen from 46% in 1977 to only 38% in 2012.[15] In absolute terms, there were fewer members in private-sector plans at the start of 2013 than at the end of 2008, and the absolute numbers of defined-benefit plan members — 27.4% of workers overall and 11.5% of private-sector workers[16] — has been in near-continual decline since 2005.[17]

Strong investment returns during 2013 and the first three-quarters of 2014 led to dramatic improvements in the solvency funded status of defined-benefit plans. Nevertheless, sponsors continued to seek ways to reduce the funding risk and cost of meeting long-term liabilities. Employers, and especially public-sector employers, kept up a determined attack on defined-benefit pension plans by attempting to cap contributions and requiring members (active and retired) to bear the risk of a funding shortfall.

Governments in New Brunswick, Alberta, and now the federal government have explored the conversion of defined-benefit to targeted-benefit pension plans. In April, the federal government initiated consultations around introducing a targeted-benefit pension plan framework for federally regulated private-sector employers and for Crown corporations. These approaches have introduced a dramatic new step that would withdraw the legal protections on defined-benefit pension benefits earned through past service, as well as the legal requirement on employers to fund those benefits. These benefits would instead be converted to contingent targeted benefits that could be reduced in the future if the plan experiences a shortfall. In the new framework, pension benefits are provided to the extent that investment returns and the performance of the fund permit it; employers are no longer obligated to increase contributions, if necessary, to the extent required to fund the benefit.

While termed "shared-risk" plans, the effect of converting pension plans from defined-benefit to targeted-benefit is to shift risk from employers (whose future contributions are capped or strictly limited) to plan members (whose benefits may be reduced in the event of a shortfall). Retreating defined-benefit plans means that more workers will retire with workplace savings plans and retirement account balances in place of a secure pension.

AFB Actions

Increasing the eligibility age for OAS, GIS, and the Allowance or Allowance for the Survivor benefit will disproportionately negatively impact low-income seniors. Accordingly, the Alternative Federal Budget will return the age of eligibility to 65 (from 67) in the case of OAS and GIS, and to 60 (from 62) in the case of the Allowance or Allowance for the Survivor.

In light of the evidence of a significant retirement savings gap in Canada, and the inadequacy of private savings to bridge this gap, the AFB will also 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 current service cost of the CPP (the present value of the future CPP benefits earned in 2013) is an estimated $27.6 billion, or 6.4% of contributory earnings.[18] Increasing the combined contribution rate by 6.4%, from 9.9% to 16.3%, would be sufficient to double future retirement benefits, disability benefits, survivor and children's benefits, death benefits, and cover operating expenses as well.

In order to cushion the impact on low-income earners of increased CPP contributions, 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 savings will then be allocated toward increasing the income tax credit for CPP contributions made by low-income earners.

The AFB will triple the GIS top-up for singles and double the singles turndown point for the GIS top-up. The result of this measure alone would be a 17% reduction in the poverty rate among seniors (After-Tax Low-Income Measure). (Cost: $1.2 billion a year.)

Finally, the AFB will cancel pension income splitting, which disproportionately rewards high-income families and creates fiscal disincentives for women to retain independent employment and pension income. (Savings: $1.1 billion a year.)

Notes

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Trade Policy

Background

Trade is vital to the Canadian economy and the public has come to instinctively support trade and investment liberalization. However, Canada's experience with free trade over the past 25 years has been much more ambiguous than proponents of trade and investment liberalization would have us believe. Among other negative effects, free trade agreements (FTAs) have enhanced corporate rights and corporate wealth at the expense of Canadian citizens and workers, deepened structural weaknesses in the Canadian economy, and restricted the set of policy options available to Canadian governments hoping to fulfill economic and social objectives.[1]

In particular, dependence on resource exports, one of the most persistent structural weaknesses of the Canadian economy (see the AFB Sectoral Development chapter), can be attributed, in part, to FTAs. By banning performance requirements, minimum domestic processing rules, and other developmental regulatory actions, these agreements restrict our governments' ability to maximize the economic value of Canada's extractive industries. Rather than use our natural resource wealth as a springboard to economic diversification and sustainable sovereign development, as in Norway, Canada remains overwhelmingly reliant on the vagaries of international commodities markets and foreign investors.[2]

Far from addressing this historical weakness, Canadian trade policy has reaffirmed and entrenched Canada's dependence on resource exports. Over the past two decades, Canada has signed dozens of international FTAs and Foreign Investment Promotion and Protection Agreements (FIPAs) with countries as diverse as Chile, Jordan, and South Korea,[3] each of which is designed to open markets for or to protect (often controversially) investments by Canada's extractive industries abroad. As these agreements proliferate, a concerning socioeconomic restructuring is occurring.

For example, business productivity is lagging as investment is directed towards less productive, but more immediately profitable, resource exports. Canada's non-resource trade balance is deteriorating as non-resource industries lose government supports, and struggle to compete internationally. Unemployment and underemployment is rising (see the AFB Youth chapter) as capital-intensive resource extraction in a few regions undermines labour-intensive manufacturing and other industries in the rest of Canada. And socioeconomic inequality is soaring (see the AFB Poverty and Inequality chapter) as the profits from the resource boom flow overwhelmingly to large corporations and investors without benefiting the majority of income earners.[4]

In addition to their problematic socioeconomic implications, modern FTAs go far beyond trade matters to limit how societies organize themselves democratically. Investor rights provisions in agreements such as NAFTA have been used to attack the rights of governments to regulate in the public interest.[5] Excessive intellectual property rights have increased drug costs to Canadians and undermined medicare. And far-reaching services and investment provisions lock in privatization schemes, denying governments the ability to restore or expand public services.

The stakes are only getting higher. Frustrated by a decade of stalled multilateral negotiations in the World Trade Organization (WTO), developed countries, including Canada, are currently engaged in a flurry of bilateral and regional trade negotiations. These so-called 21st century or next generation trade and investment treaties build on the NAFTA model and go beyond it in certain areas such as intellectual property, government procurement, temporary movement of workers, and restricting the provision of public services. Provisions in these FTAs that grant new rights to investors and corporations at the expense of workers and the environment are highly anti-democratic.

Furthermore, these 21st century trade negotiations are increasingly secretive and skewed towards business interests. Corporate lobbyists have undue influence over trade negotiators, who tend to prioritize commercial over other social interests. Civil society organizations, such as First Nations, women's groups, environmentalists, and unions, are excluded from the formal negotiating process entirely. In some cases, even members of Parliament can't see the text of an agreement until the negotiations have been concluded, at which point no changes can be made.

The Canadian government is aggressively pursuing dozens of these opaque new "comprehensive" deals with a variety of partners. Unfortunately, the likely economic outcome is unchanged from past agreements: rather than contribute to a sustainable, inclusive economy, the *laissez-faire* bias of these new FTAs will further cement Canada's role as a resource exporter in an increasingly integrated global economy. Additionally, as these agreements delve further into "behind-the-border" regulatory matters, they pose new threats to human and environmental rights, and the democratic process.

Current Issues

Consistent with the government's current priorities, 2014 was a hyperactive year for trade policy.[6] Canada concluded, signed, or ratified FTAs with the European Union, Honduras, and South Korea. Seven FIPAs were also concluded, signed, or ratified this past year, most notably with China. At least 11 more FTAs and 11 more FIPAs are being negotiated, many of which have target completion dates in 2015.

Canada-European Union Comprehensive Economic and Trade Agreement (CETA)

Nearly a decade after beginning exploratory talks, Canada and the European Union announced the formal conclusion of the CETA negotiations on September 26, 2014. The agreement must still be ratified by governments in both Canada and the EU before it takes effect. Although the Canadian government and the European Commission insist that the text is final, there is significant opposition to the treaty's investor-state dispute settlement (ISDS) provisions in the European Parliament and certain member states, so changes to the text may still occur.

The final CETA text includes 42 chapters and an array of annexes and other documents totaling more than 1,500 pages. The following elements of the agreement will be especially problematic for Canada:

- CETA contains a mechanism that gives foreign investors the right to sue governments for measures that may affect the value of an investment. Similar rules under NAFTA have allowed foreign corporations to successfully challenge environmental and other public interest regulations.
- CETA precludes the use of local preferences (i.e., "Buy Local") in government procurement contracts above a certain, low threshold, including at the provincial and municipal level. These rules undermine the capacity of Canadian governments to maximize the economic benefit of public investment in infrastructure, services, etc.
- So-called ratchet and standstill provisions in CETA's services and investment rules lock in current and future liberalization, including privatization, in all sectors that have not been explicitly exempted by negotiators.
- CETA extends pharmaceutical patent terms, which will delay the availability of generic drugs in Canada. The increased cost to the Canadian health care system is estimated at $850 million to $1.6 billion annually.[7] Even if the provinces are reimbursed by the federal government, Canadian taxpayers will ultimately pay the price.

The agreement also has implications for financial regulation, cultural policy, agricultural policy and the domestic regulatory process in Canada, among other areas. Unfortunately, despite the importance of these provisions and the extent to which they go beyond traditional trade issues, there has been very little political debate in Canada about the necessity or value of CETA.[8]

Canada-China Foreign Investment Promotion and Protection Agreement (FIPA)

The Canada-China FIPA was signed in September 2012 and ratified in October 2014 despite an outstanding legal challenge to the treaty's constitutionality from the Hupacasath First Nation of Vancouver Island, B.C. Like other investment agreements, the FIPA is designed to "ensure greater protection to foreign investors [by providing] prompt compensation in the event of an expropriation."[9] It includes extensive national treatment and market access obligations as well as an ISDS mechanism to enforce them, but several experts have called the deal unequal because the Chinese government shielded far more areas of public policy from these rules than did Canada.

The FIPA has largely escaped public attention, but it has seriously problematic implications. Among other issues, the agreement will allow Chinese investors — including powerful state-owned enterprises — to sue the Government of Canada for any regulatory action that may be harmful to the value of their investment.[10] The FIPA's investor protections are legally enforceable for a minimum of 31 years.

Canada-Korea Free Trade Agreement (CKFTA)

Canada and South Korea announced the conclusion of CKFTA negotiations in March 2014, although the agreement has yet to be ratified. Generally speaking, CKFTA is a comprehensive agreement in line with Canada's other recent FTAS. It reduces tariffs and other traditional trade barriers in addition to liberalizing services, procurement, intellectual property, and other "non-tariff barriers" to trade. It also includes an ISDS mechanism.

Trade flows between Canada and Korea are already quantitatively and qualitatively unbalanced. The value of Korean imports to Canada is twice that of Canadian exports to Korea, and Korean investments in Canada are 10 times higher than Canadian investments in Korea.[11] Canada's top exports to Korea are unprocessed resources like coal and copper, while our top imports are automobiles, electronics, and other high-value-added goods. After signing a similar agreement with Korea, the United States saw exports fall and imports rise, which increased their trade deficit with Korea by 50% in just two years.[12] We can expect CKFTA to similarly worsen Canada's trade deficit with Korea, erode key manufacturing sectors including autos, and further entrench Canada's role as a resource exporter.[13]

Trans-Pacific Partnership (TPP)

The TPP is a U.S.-driven plurilateral FTA currently being negotiated between twelve Pacific Rim countries including Canada. The secrecy surrounding the negotiations is so extreme that almost no official information has been made public, even to our elected officials. However, based on leaked documents and negotiator statements, we know that the TPP will impose an unprecedented level of pro-corporate obligations on signatories. For example, the leaked intellectual property chapter reveals a serious threat to Internet freedom in favour of big media companies, and the leaked environment chapter reveals that sustainability and conservation commitments for polluters will be voluntary, not binding. The TPP will also contain expanded investor protections enforceable through an ISDS mechanism.

Social and political consequences aside, Canada may not stand to gain much economically from the TPP. Canada already has

FTAs or is negotiating new ones with half the TPP countries. By some estimates, Canada's domestic value-added exports will actually *decline* by $81 billion per year under the TPP.[14] Nevertheless, the federal government is pushing ahead on the deal, which is in the final stages of negotiations.

Trade in Services Agreement (TISA)

Stymied by a lack of movement on services in the Doha Round of global trade talks, 23 governments representing 50 mostly developed countries began negotiating TISA on the sidelines of the WTO in 2012. The negotiations are being conducted in secrecy, so at this point there are few specifics about what the deal will contain, but we do know that its general purpose is radically deeper services liberalization.[15] All services are on the table, including public services like education and health care, unless specifically exempted by negotiators. Unfortunately, the institutionalized presence of corporate lobbyists in the negotiation process means final commitments will likely skew towards corporate interests.

Agreement on Internal Trade

The federal government and western provinces continue to campaign within Canada on the need to eliminate so called interprovincial trade barriers but without giving more than a few concrete examples of what they might be. These barriers, mostly in the form of regulatory differences between provinces, are sometimes said (including by the government) to cost up to $50 billion annually. But this number has been shown to be nothing more than a multiplication by 10 (for all the provinces) of a thoroughly discredited estimate, based on a tiny corporate survey, of the possible costs of barriers to B.C. and Alberta trade and investment.

Nonetheless, after considerable pressure from the federal industry minister, premiers have agreed to look at revising the Agreement on Internal Trade, signed at the same time as NAFTA, to bring provincial policy in line with the kinds of new constraints on their decision-making powers required of CETA and the TPP. Like those international agreements, the goal of a new interprovincial trade agreement would be to harmonize provincial rules of all types, and to give investors or corporations the ability to challenge differences (e.g., a ban on neonic pesticides in Ontario) in front of a trade or investment tribunal outside the normal court system. AIT reform of this kind would further undermine Canada's courts and do an end-run around the constitution, which spells out the responsibilities of the federal and provincial governments.

AFB Actions

Recognizing the many ways that the trade and investment liberalization era has compromised Canada's economic development, undermined democratic institutions, and contributed to income inequality, the AFB will:

- Require the Department of Foreign Affairs, Trade and Development to establish a new trade mandate for stimulating inclusive economic growth and the creation of good jobs — one that safeguards governments' right to regulate, and raises environmental and social standards to the highest common denominator;

- Ensure that investor rights are not elevated over the public interest in future trade policy, and that corporate lobbyists are not valued above the rest of civil society in the determination of trade policy priorities; and
- Require greater transparency and accountability in all ongoing and future trade negotiations; at a minimum that members of Parliament and the public will be able to review draft texts, and openly debate the merits of potential new agreements.

Canada's current approach to trade is inconsistent with the AFB's commitment to the basic values of equality, inclusivity, and sustainability. Therefore, the AFB will:

- Oppose the ratification of CETA, and end Canadian participation in the TPP and TISA negotiations;
- Refuse to negotiate any agreement that includes an investor-state dispute settlement mechanism or any similar measure that restricts the right of governments to regulate in the public interest; and
- Seek to eliminate ISDS from existing FTAS and FIPAS through renegotiation or, if necessary, by terminating them.

Notes

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Water

Background

Canada needs a national water policy based on the principle that water is a part of the commons, a public trust, and a human right. The notion of the "commons" asserts that water is a common heritage to be shared, protected, managed and enjoyed by all. A commons framework requires a shift in water governance to prioritize the human right to water, public participation, and the inclusion of First Nation and other communities in decision-making processes. 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 (UN) General Assembly recognizing the human right to water and sanitation. On September 23, 2011, the UN 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, assess the implementation of the plans of action, ensure affordable services for everyone, and create accountability mechanisms and legal remedies.

The Canadian government finally recognized the human right to water and sanitation in June 2012 at the UN Conference on Sustainable Development but has yet to implement this right.

Current Issues

First Nations' Water Rights

Despite repeated pledges from the federal government to ensure clean drinking water, Health Canada reported 136 Drinking Water Advisories in 93 First Nation communities in January 2015.[1] There are routinely over 100 water advisories in effect, with some communities living under advisories for over 10 years.[2] The Safe Drinking Water for First Nations Act passed into law in June 2013. The Act sets necessary high standards, but fails to allocate much needed funding to meet the standards.[3]

The AFB respects and upholds Indigenous self-determination, the authority of Indigenous governments and First Nations' water rights. It incorporates Indigenous knowledge and seeks the free, prior and informed consent of Indigenous peoples on water and wastewater policies.

Public Water and Wastewater Infrastructure

Canada's public water and wastewater infrastructure is aging. More than 40% of Canada's wastewater infrastructure is rated in fair to poor condition today.[4] Our drinking water infrastructure is in better shape, with only 14% in fair to poor condition.[5] The total replacement value of water, wastewater, and storm water 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.[6] Canada needs a long-term plan to maintain and replace water infrastructure across the country.

Sustaining Water Sources Through Science, Research and Regulation

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 among the more than 20 federal departments and agencies responsible for water. The federal government's cuts to critical environmental programs have hindered its ability to develop efficient freshwater policies and respond to threats to water sources.

According to the Department of Fisheries and Oceans (DFO) and Environment Canada's (EC) reports on plans and priorities and departmental performance reports, $19.6 million in funding was cut from EC's Water Resources program from fiscal year 2011–12 to its planned spending for 2016–17. During this period, $60.2 million was also cut from DFO's Sustainable Ecosystems including 426 Full-Time Equivalents. Some of these programs affected include:

- Experimental Lakes Area ($2 million annually);
- Ocean Contaminants and Marine Toxicology Program;
- Canadian Foundation for Climate and Atmospheric Sciences ($110 million from 2000–03);
- Polar Environment Atmospheric Research Laboratory.

Other programs include:

- Canada Centre for Inland Waters;
- UN Global Environmental Monitoring System/Water Programme, a global water quality database ($500,000 annually);
- Canadian Environmental Assessment Act ($12 million cut from 2011–12 to 2016–17 planned spending);
- National Roundtable on the Environment and the Economy ($5.5 million annually);
- Hazardous Materials Information Review Commission ($4.5 million annually).

A total of $102.1 million will have been cut from water research and programs from 2011–12 to planned spending in 2016–17.

The 2012 omnibus 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 and abdicated responsibility for 99% of lakes and rivers by overhauling the Navigable Waters Protection Act.

Over 150 billion litres of raw sewage are flushed into waterways in Canada every year.[7] The federal government passed wastewater regulations in June 2012 but without allocating needed funds for municipalities. The FCM calculates that the regulations will cost at least $20 billion for plant upgrades alone, with further spending on system-wide upgrades required over the next two decades.[8] The AFB will also work with provincial governments to harmonize reporting requirements, with the goal of reducing the cost of administering regulations.

Protecting Watersheds from Extreme Energy Projects

Extreme energy is a group of new energy extraction methods that require more water, energy, and effort and are more destructive to the environment and surrounding communities.[9] Examples include tar sands development, hydraulic fracturing (fracking), mountain-top removal mining, and deep water drilling. The extraction of extreme energy and associated transportation projects leave municipalities and Indigenous communities vulnerable to footing the bill for clean-up efforts from pipeline and tanker spills, associated health care costs, and the impacts of climate change on watersheds and water infrastructure.

Communities across Canada are raising concerns about fracking, a controversial practice that uses sand, water and chemicals to blast rock formations in order to extract natural gas or oil from them. A 2014 Ekos poll found that 70% of Canadians support a national moratorium on fracking. There are a plethora of risks associated with fracking, including groundwater contamination, poor air quality, increased seismic activity (earthquakes), and climate change.

There are currently up to 18 proposals to build Liquefied Natural Gas (LNG) plants along the coast of British Columbia and transport the LNG on supertankers for export. Plans to discharge fracking wastewater are threatening communities around the Bay of Fundy. Last May, the Council of Canadian Academies released its review, commissioned by the federal government, which pointed to large gaps of information on well leaks, chemical migration underground, well deterioration, cumulative impacts of fracking and the safety of fracking chemicals.

Major pipeline projects such as the Energy East pipeline (running 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 bitumen or fracked oil across the country, exacerbating climate change and putting water, food, and public health at risk. Transporting bitumen or fracked oil by rail exposes communities to derailments and other accidents like the Lac Mégantic train accident where 47 people were killed, and oil reached the lake and Chaudière River. Suncor's tankers transporting bitumen on the St. Lawrence River set a dangerous precedent for the Great Lakes and St. Lawrence River Basin and pose a unique threat to the source of drinking water on which millions of people rely.

There is a significant lack of independent scientific data on the consequences of diluted bitumen spills in water including how it reacts in waterways and the challenges in cleaning it up.

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. Canada exports 59.9 Bm^3 of virtual water (the amount of water used to produce or process a good or a service) each year. This makes it the second net virtual water exporter in the world.[10] One-third of Canadian communities rely on groundwater for drinking water. A 2010 Statistics Canada study showed that renewable water in southern Canada declined by 8.5% between 1971–2004.[11]

In recent years, right-wing think tanks in both the United States and Canada have made 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.

Trade Challenges on Water Regulation

When water is considered a tradable good or service under international trade agreements, there is pressure to commoditize it and make water-related policy and other measures vulnerable to investor-state challenges that involve a proprietary interest in water, its distribution and treatment. By excluding water in trade agreements and ending investment protections, the AFB will avert threats to Canada's water and costly NAFTA challenges such as the NAFTA challenge by pulp and paper company AbitibiBowater (now Resolute Forest Products) for $130 million and the $250-million NAFTA lawsuit challenging Quebec's moratorium on fracking in the St. Lawrence Rivery Valley. 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, health and environmental regulations without having to worry about trade challenges.

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 water and sanitation a human right.

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

- Creating a National Public Water and Wastewater Fund (federal cost: $2.6 billion a year);
- Implementing a new Wastewater Systems Effluent Regulation (cost: $1 billion a year over 20 years);
- Committing $100 million annually for water infrastructure aid for small municipalities;

- Committing $75 million annually for ongoing water operator training, public sector certification and conservation programs; and
- Committing $4.7 billion over ten years for water and wastewater facilities on First Nations' reserves.

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 (cost: $30 million); and
- Reinstating federal funding for the Experimental Lakes Area and water programs at Environment Canada, Fisheries and Oceans and other departments. ($49 million in 2015–16 and $16 million annually thereafter)

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 in year one, and an additional $950 million a year for each of the subsequent four 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;
  - creating a new water minister position;
- Committing $3 million to implementing a groundwater protection plan and $1 million to complete a review on virtual water exports from Canada.

Notes

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Youth

Background

One-fifth of Canada's population (or 7.1 million people) are between the ages of 15 and 29.[1] In contrast, nearly one-third (over 10 million people) are 55 or older. The population is ageing, with the median age rising markedly from 27.1 years in 1974 to 40.2 years in 2013.[2] For the first time since the country began collecting national statistics, there are more Canadians of "retirement age" (55–64) than there are Canadians entering the labour force (15-24-year olds).[3] It is thus no surprise that social and economic policy often fails to address the needs, desires, and challenges of young people. But in light of the coming shift in demographics, especially the ongoing retirement of the baby boom cohort, now is the time to focus on young people's' employment and, most importantly, income security.

The economy young Canadians encounter when they begin looking for work is one that demands "flexibility" on the part of workers and — because it relies increasingly on part-time, short-term, and even unpaid labour — offers workers little security in return.[4] This shifting political economy of work in Canada has affected young people's ability to make a living, as well as their ability to engage fully in civic life. Labour market regulation and policy have not been updated to reflect the rise of precarious work and unpaid internships and the erosion of employment security. Nor have social policies, including family and child care policy, responded to the changing lives and livelihoods of young Canadians and their families, which are increasingly characterized by "delayed transitions" and two earners, many of whom hold multiple jobs and are paying down student debts while also paying for child care and housing.[5]

Young adults are cramped by dramatic increases in home prices, with the average house costing $405,233 in Canada in 2014.[6] They earn lower wages than their parents did at the same age, despite having higher debts and more education. Yet government spending on supports for young families is a fraction of spending on supports for older Canadians.[7] Most young Canadians are unable to set aside an adequate portion of today's earnings for retirement, periods of unemployment, and other future costs, but the policy that shapes pensions and social assistance fails to reflect these difficulties.[8]

Further complicating the issue is the diversity of young people's pathways, needs and challenges. In our current economic structure, 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 barriers to secure, stable lives. 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. This diversity demands either a litany of targeted programs, or one overarching and very inclusive policy approach. The AFB recommendations lean toward the latter.

Current Issues

The AFB takes the position that the most pressing policy issue for young Canadians in 2015 is the erosion of income and employment security. This is a broad issue that encompasses the many more concrete challenges that dominate policy discussions — primarily debt, unemployment, and underemployment. Single young adults, couples and young families alike are dealing with an untenable mix of rising costs of living and decreasing and/or volatile long-term earnings. This combination impedes their ability to save money, to participate fully in civic life, to find work in rewarding vocations, and to care for others. Precarious work has been convincingly linked to anger, anxiety, alienation, and openness to antisocial currents.[9] Thus, precariousness in the labour market is more than an issue of young people's ability to make ends meet; it is a strain on the social fabric. The policy alternatives recommended here are intended to increase income and employment security by fighting the incidence and impacts of precarious and unpaid work by addressing the mismatch between the current Employment Insurance (EI) program structure and the lives of young workers.

Precarious Work and Unemployment

Worldwide youth unemployment has reached crisis proportions, with 73.4 million young people unemployed globally.[10] The situation in Canada is not as dire, where 13.4% of workers ages 15 to 24 years are unemployed, but young Canadians continue to drop out of the labour market and are over represented in precarious jobs that lack permanence, benefits, and stability.[11] Moreover, recent declines in the youth unemployment rate have been traced to young people dropping out of the labour market rather than finding employment.[12] This is especially problematic given the fact that many critical and expensive moments in the life course, such as family formation, post-secondary education, and home-buying, occur in young adulthood.

In the long run, as the world approaches the ecological limits of economic growth, it will be necessary to explore radically different structures of employment and income.[13] But the current situation demands an *immediate* strategy that seeks not only to improve employment opportunities — so that there are more full-time, permanent jobs with benefits available to young people — but also to improve income security so that the growing legions of young Canadians who lack job permanence are able to access income supports when they need them.

In the 1980s, during another high-point in youth unemployment (when it passed 20%), the federal government introduced several measures under the umbrella of a "youth employment initiative," which included wage subsidies for employment disadvantaged young people, funding for community projects with a youth focus, and youth units at Canada Employment Centres.[14] While a Youth Employment Strategy with a similar basic structure has survived, no significant adjustments have been made to respond to the current rate of youth unemployment, the rise of precarious work, and the effects of these shifts on young people's security and well-being.

Unpaid Internships

One more specific threat to young people's security 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, teaching and social work, for example — and usually leading to full-time paid employment, unpaid internships have been appearing in federally-regulated employers, such as media and telecommunications firms (the most prominent being Bell Mobility), and are often not connected to any future paid work with the same employer.[16]

Unpaid internships that are not associated with degree completion are illegal in many parts of 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.[17]

The legality of unpaid internships notwithstanding, the morality of expanding opportunities for *unpaid* work while paid opportunities dwindle is questionable. Unpaid interns are not explicitly covered under the *Canada Labour Code,* which covers federally-regulated employers, and often they do not receive the same benefits and security afforded to paid employees. Interns are at increased risk of being subject to exploitative and dangerous working conditions without penalty to the employer.[18] Due to misclassification, interns are typically unable to make and claim EI and CPP contributions.

There are already structures 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 employees who are "misclassified" as interns or independent contractors; both of these departments could work with provincial labour regulators to address misclassification of interns.[19] Vague and varying legislation across Canadian provinces, coupled with a complaints-based employment standards enforcement model, means that stamping out unpaid internships currently depends on individual complaints, which makes systemic change impossible. Moreover, unpaid internships are not tracked by official statistics, so there is no way of knowing exactly how many unpaid internships exist.[20]

Employment Insurance

Most young workers are simply unable to access Employment Insurance (EI) given the prevalence of precarious employment, contract work, and unpaid internships. This constitutes a serious problem with a key feature of Canada's social safety net.[21] Under current EI rules, it is very difficult for new labour market entrants, especially those moving from one part-time, temporary or on-call position to another, to meet the eligibility requirements (minimum hours worked, for example). Thus, in 2013, only a small percentage of unemployed young workers were able to collect EI: 18% for young men and 8% for young women.[22] This widespread inability to collect EI is troubling enough, but because many active labour market programs are designed specifically for EI recipients, it also means that young people are cut off from critical retraining opportunities.[23]

All of this, combined with punishingly low social assistance rates, creates a situation where young people can be forced to take any job simply to survive, which leads to underemployment, skills atrophy, and wasted potential. EI simply is not currently designed for the realities that young, precariously employed workers face in Canada's post-financial crisis economy. With an aging workforce and labour shortages on the horizon, having EI based on the labour market of the 1960s is extremely poor public policy. Fundamental reforms are necessary to bring EI in line with the realities of the Canada's labour market in the 21st century. (See the Employment Insurance chapter.)

AFB Actions

The AFB will introduce a Young Workers Initiative. Youth will be defined as people aged 15 to 29 years, to acknowledge the protraction of the so-called "transition" to adulthood. The Young Workers Initiative will include:

- *Youth Labour Market (YLM) Planning Board*: Working with the relevant sectoral development councils (see the *Sectoral Development* chapter), the Youth Labour Market Planning Board will ensure that jobs have people and people have jobs, and that employers take on more of the responsibility for training employees. It will coordinate via Statistics Canada and/or directly gather quantitative data on job openings, labour market characteristics, unpaid internships, and placement rates of universities and qualitative data on the labour market experiences of young people. A key component of this activity will be providing additional federal funding to Statistics Canada so that it can monitor unpaid internships on a monthly basis via additional questions in the *Labour Force Survey*. The objective will be to identify the causes and develop responses to wage-suppression and precariousness in the Canadian labour market. [Cost: $30 million]
- *A Training Tax on Firms with payrolls of >$250,000*: Guided by the assumption that businesses that invest in training their employees will be more likely to retain those employees full time and on a permanent basis, the federal govern-

ment will pass a law requiring all businesses with a payroll of greater than $250,000 to invest the equivalent of 1% of their payroll in training for young employees.[24] Those who fail to meet that amount will be required to pay the difference into the national fund for the *Young Workers Initiative*.

- *Workforce Renewal Fund*: The YLM Planning Board will promote and oversee the disbursal of a workforce renewal fund. The fund will offer modest financial assistance to firms that implement job-sharing between retirement-age workers and new hires, wherein older workers voluntarily go down to half-time and half-pay to serve as mentors for new hires for three years preceding retirement. Funds will be used to cover the human resources costs for the new hire and to top up the new hire salaries in the event that half of a senior employee's salary is not adequate for a new hire. [Cost: $100 million]
- *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.
- *Renewal of federal-funded internships*: The federal government will provide funding to not-for-profit organizations for 20,000 six-month paid internships on an annual basis. [Cost: $300 million]

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 worker's 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, 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 undertake a review of the EI system with the following objectives:

- Determine what changes to eligibility requirements are necessary and feasible to recognize that prolonged periods of precarious work are now a feature of the school-to-labour market transition.

- Design active labour market programs linked to the receipt of EI that direct unemployed young workers into training programs linked to actual, available jobs.

Notes

1 "CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual." Ottawa: Statistics Canada.

2 "CANSIM Table 051-0001: Estimates Of Population, By Age Group and Sex, Canada, Provinces and Territories, Annual." Ottawa: Statistics Canada.

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4 Vosko, Leah F. (2009). *Managing the Margins: Gender, Citizenship, and the International Regulation of Precarious Employment*. Oxford: Oxford University Press.

5 Beaujot, Roderic. (2004). *Delayed Life Transitions: Trends and Implications*. Ottawa: Vanier Institute of the Family; Clark, Wayne (2007). *Delayed Transitions of Young Adults*. Ottawa: Statistics Canada; See also the Generation Squeeze campaign at www.gensqueeze.ca for many fact sheets detailing the rising costs and declining incomes of young Canadians.

6 "National Average Price Map." Ottawa: Canadian Real Estate Association.

7 Carrick, Rob. "2012 vs. 1984: Young adults really do have it harder today." *The Globe and Mail*. May 7th, 2012. See also: www.gensqueeze.ca.

8 "80 Per Cent of Young Canadians Concerned About Their Ability to Save for Retirement." BMO Financial Group, 2013.

9 Standing, Guy (2012). *The Precariat*. New York: Bloomsbury Press.

10 *Global Employment Trends for Youth 2013: A Generation at Risk*. Geneva: International Labour Organization (2013).

11 Statistics Canada, 2014. Labour Force Survey. *The Daily* (October 2014). Accessed November 11th, 2014 at http://www.statcan.gc.ca/daily-quotidien/141107/dq141107a-eng.htm

12 Standing, 2012. Cf. Latouche, Serge. (2014). *Farewell to Growth*. London: Polity Press; Klein, Naomi (2014). *This Changes Everything: Capitalism Vs. The Climate*. Toronto: Random House.

13 Employment and Immigration Canada. (1982). "What Does The New Employment Initiative Mean?" *The Windsor Star,* Friday, Sept. 17, p. B5. The 1990s also saw the widespread appearance of internships in Ontario's labour market, with the Federal government creating large scale internship programs in the private and non-profit sectors, and the creation in 1996 of Career Edge, a non-profit with a mandate to place immigrants and young workers into internships with the support of a number of large corporations. See Marquardt, R. *Enter at Your Own Risk: Canadian Youth and the Labour Market*. Toronto: Between the Lines, 1998, at 119–120; and, Crane, D. (1996, February 22). "50,000 Ottawa jobs plan for grads." *The Toronto Star*, at pg. A1. Ibbitson, J. (1997, September 12). Internships give youth corporate edge. The Ottawa Citizen, pg. F2

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15 Sagan, Aleksandra. (2013). "Unpaid Internships Exploit 'Vulnerable Generation.'" CBC News. July 02, 2013. Online at: http://www.cbc.ca/news/canada/unpaid-internships-exploit-vulnerable-generation-1.1332839

16 Tomlinson, Kathy. (2013). "Bell accused of breaking labour law with unpaid interns." CBC News. June 24th, 2013. Online at http://www.cbc.ca/news/canada/british-columbia/bell-accused-of-breaking-labour-law-with-unpaid-interns-1.1356277

17 See Andrew Langille's blog, youthandwork.ca, and The Canadian Intern Association's website, http://www.internassociation.ca/, for excellent ongoing coverage and background research on the issue of unpaid internships in Canada.

18 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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Acknowledgements

From its beginnings, the fundamental premise of the Alternative Federal Budget is that budgets are about choices and choices reflect the values and priorities of those who make them. The AFB starts from a set of social justice values — human dignity and freedom, fairness, equality, environmental sustainability and the public good — embraced by representatives of a broad spectrum of civil society organizations: labour, environment, anti-poverty, church, students, teachers, education and health care, cultural, social development, child development, international development, women, disability, Aboriginal.

The AFB's credibility speaks volumes about what can be achieved by a dedicated group of volunteers working together far away from the ivory and glass towers of the government and corporate worlds. We would like to acknowledge the very valuable financial assistance provided by the Canadian Labour Congress, the Canadian Auto Workers, the Canadian Union of Public Employees, the Canadian Union of Postal Workers, the National Union of Provincial and General Employees, the Public Service Alliance of Canada, the Communications, Energy and Paperworkers Union, and the United Steelworkers.

This document was prepared thanks to the generous volunteer contributions of many people, including:

Lynell Anderson (Child Care Advocacy Association of Canada), **Morna Ballantine** (Public Service Alliance of Canada), **Kirsten Bernas** (Canadian Community Economic Development Network), **Michèle Biss** (Canada Without Poverty), **Peter Bleyer** (Professional Institute of the Public Service of Canada), **Lesley Bramhill** (Canadian Arts Coalition), **Jordan Brennan** (Unifor), **Diana Bronson** (Food Secure Canada), **Abra Brynne** (Food Secure Canada), **Michael Butler** (Council of Canadians), **Sean Calvert** (indepedent), **Karen Campbell** (Assembly of First Nations), **Ryan Campbell** (Professional Institute of the Public Service of Canada), **Amy Casipullai** (Ontario Council of Agencies Serving Immigrants), **Tony Clarke** (The Polaris Institute), **Eve-Lyne Couturier** (l'Institut de recherche et d'informations socio-économiques), **Graham Cox** (Canadian Union of Public Employees), **Roxanne Dubois** (Communication, Energy and Paperworkers Union of Canada), **Judy Duncan** (Acorn Canada), **Myles Ellis** (Canadian Teachers' Federation), **Susan Eng** (Canadian Association of Retired Persons), **Nick Falvo** (Carleton University), **Leilani Farha** (Canada Without Poverty), **Karen Foster** (independent), **Martha Friendly** (Childcare Resource and Research Unit), **Colleen Fuller** (PharmaWatch), **Avvy Go** (Metro Toronto Chinese & Southeast Asian Legal Clinic), **Tam Goossen** (Urban Alliance on Race Relations), **Melissa Gruber**

(Canadian Arts Coalition), **Joe Gunn** (Citizens for Public Justice), **Liyu Guo** (Campaign 2000: End Child and Family Poverty in Canada), **Kayle Hatt** (Independent), **Guillaume Hébert** (l'Institut de recherche et d'informations socio-économiques), **Cathy Holtslander** (National Farmers Union), **Dennis Howlett** (Canadians for Tax Fairness), **Andrew Jackson** (Broadbent Institute), **Anita Khanna** (Campaign 2000: End Child and Family Poverty in Canada), **Julie Lalonde** (Feminist Alliance for International Action), **Andrew Langille** (Youth and Work), **Jarrett Laughlin** (Assembly of First Nations), **Keith Lowe** (CCPA Manitoba), **Emma Lui** (Council of Canadians), **Angella MacEwen** (Canadian Labour Congress), **Peggy Mason** (The Rideau Institute), **Tara Mazurk** (Canadian Arts Coalition), **Jessica McCormick** (Canadian Federation of Students), **Alex McKinnon** (United Steelworkers), **Graham Milner** (Canada Without Poverty), **Anil Naidoo** (Canadian Federation of Nurses Unions), **Michael Nicin** (Canadian Association of Retired Persons), **Darcy Penner** (Canadian Community Economic Development Network), **Marc-Andre Pigeon** (Credit Union Central of Canada), **Susan Prentice** (University of Manitoba), **Fraser Reilly-King** (Canadian Council for International Co-operation), **Kate Rexe** (independent), **Chris Roberts** (Canadian Labour Congress), **Bill Robinson** (Rideau Institute), **David Robinson** (Canadian Association of University Teachers), **Laurel Rothman** (Campaign 2000: End Child and Family Poverty in Canada), **Toby Sanger** (Canadian Union of Public Employees), **Sylvain Schetagne** (Canadian Association of University Teachers), **Paul Shaker** (Centre for Community Study), **Michael Shapcott** (Canadian Alliance to End Homelessness), **Ann Slater** (National Farmers Union), **Vicky Smallman** (Canadian Labour Congress), **charles c. smith** (Canadian Arts Coalition), **Jim Stanford** (Unifor), **Erin Tomkins** (Assembly of First Nations), **Monica Townson** (Monica Townson Associates), **Simon Tremblay-Pepin** (l'Institut de recherche et d'informations socio-économiques), **Andrew Van Iterson** (Green Budget Coalition), **Stewart Webb** (Rideau Institute), **Erin Weir** (United Steelworkers), **Howie West** (Public Service Alliance of Canada), **Tony Wohlfarth** (Carleton University Academic Staff Association), **Megan Yarema** (Canada Without Poverty).

The dedicated staff, volunteers, and research associates at the Canadian Centre for Policy Alternatives, as always, pull the AFB project together with no deficit of enthusiasm, generosity and good humour: Bruce Campbell, Simon Enoch, Lynne Fernandez, Kerri-Anne Finn, Iglika Ivanova, Kaley Kennedy, Seth Klein, Marc Lee, Katie Loftus, Molly McCracken, David Macdonald, Kate McInturff, Hadrian Mertins-Kirkwood, Tim Scarth, Erika Shaker, Christine Saulnier, Scott Sinclair, Diane Touchette, Stuart Trew, Emily Turk, Amy Wood, and Armine Yalnizyan.

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