

It's time to move on  
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# 2016

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climate change  
poverty reduction  
child care  
income inequality  
jobs  
gender-based violence  
soaring tuition  
affordable housing  
health care  
indigenous rights

## Alternative Federal Budget

retirement security  
equal pay  
responsible trade  
infrastructure  
respectful immigration  
progressive taxation  
quality public services  
clean water  
food sovereignty  
pharmacare



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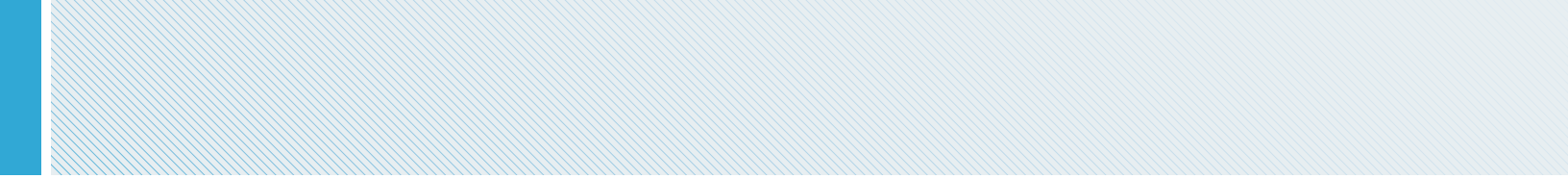
**This year's Alternative Federal Budget is dedicated to the memory of Michael McCracken (1940–2015).**

In the 1990s, when the consensus of the decision-making establishment swung toward balanced budgets and reduced government spending, Mike remained unwaveringly committed to full employment as the top policy priority, and to the power—and responsibility—of government to achieve this goal.

Mike's contribution to the AFB cannot be overstated. From almost the very start of our exercise in civil society budget-making, Mike lent the considerable weight of his macro forecasting model to validate the AFB's fiscal and economic plan. In other words, he put his reputation on the line to assert the AFB could meet its goals; that the numbers added up.

Mike's validation provided a major boost to the legitimacy of the AFB, thereby helping to establish the project as a fixture on the federal public policy scene. His endlessly generous support, both personal and institutional, provided methodological rigour to our work, and broadened our perspectives as analysts and people.

But obviously Mike's impact went far beyond the AFB. His towering intelligence provided those of us who worked with him a lasting legacy on how to approach economic problems—with the best technical skills possible, and based on profoundly humane principles. Mike set a high bar that continues to challenge and encourage us to do better and be better.



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# Introduction

The past decade in Canada has taught us to think small, be cautious, exercise restraint.

It's time to think big again.

The federal government is the smallest it's been since before the Second World War. Federal total spending as a share of the economy stands at 13% of GDP, its lowest point in the past 60 years. The last time the government was this small we had no national health care plan, no pension plan, no guaranteed income supplement, no employment insurance. Federal revenues have been diminished by cuts to the corporate tax rate, regressive income tax policies, and tax evasion on an ever-widening scale.

The result has been a measurable withdrawal of public services and support programs upon which many rely, and at precisely the moment they will need those services the most. The current period of slow growth has crept up on us, but it was not invisible. The previous government merely ignored it to pursue *laissez-faire* austerity measures instead — policy choices that have narrowed employment opportunities, depressed wages, and shrunk Canada's social safety net.

All of this is reversible. The right policies can help create jobs, grow wages, and renew our faith that the future will deliver more than the past.

Without question there is room to grow. Persistently low oil prices do not spell the end of our fiscal capacity. They point to the need to build a more diverse economy and do more to redistribute the resources available to us already. In spite of slow growth, low oil prices, and the falling value of the loonie, corporate profits maintain the gains they held over wages dating back to the 1990s. The distribution of wealth remains highly uneven, with more of it in the hands of the 86 people at the top of Canada's income spectrum than belongs to the bottom 34% of the population.

Canada's overall tax system has become so regressive that the top 1% pays a lower share of income in taxes than the poorest 10%. There are many changes we could make to our tax policies that would make the system more equitable while generating substantial additional revenues. For example, the AFB proposes to tax income from capital investments at the same rate as employment income, increase the federal corporate

income tax rate from 15% to 21% (still lower than it was in 2006), and increase the government's capacity to reduce the use of tax havens by corporations. These three measures alone could raise at least an additional \$20 billion annually.

With that renewed capacity, the AFB proposes government policies that could deliver a better life for millions of people in Canada. They include increased access to employment insurance for the jobless, more help for children and seniors living in poverty, and clean water and safe housing for First Nations communities that have been living without these basic human rights for far too long.

The economic policies of the past decade have focused single-mindedly on the resource sector, ignoring the diversity of our population and regions. We have become exporters of raw materials, failing to utilise the capacity of a highly skilled workforce to add value and provide innovative and sustainable goods and services. Far from expanding economic opportunities, an equally tunnel-vision trade policy has made it progressively more difficult to insist that some domestic upgrading of raw resources should happen in Canada.

The AFB would invest in infrastructure, education, and culture in Canadian cities, building the urban centres that attract employers and jobs. Concerted action on climate change — including a carbon tax rate that demonstrably reduces emissions — and investment in green infrastructure will make Canadian communities healthier and more sustainable. A national housing strategy, including investment in affordable hous-

ing, will ensure those cities are livable for everyone.

Employers are demanding higher levels of training and greater flexibility from young people entering the workforce. Enrolment in post-secondary education is growing — demonstrating that young people are willing to invest in that training. But the cost to students is increasing. The government's share of education funding has fallen by nearly 30% over the past three decades, with students filling the gap by paying ever-rising tuition fees. The collective student debt load now totals \$28 billion. The AFB would foster a highly skilled workforce, and ease the burden on young people entering the job market, by eliminating university tuition fees altogether.

Those starting families face additional hurdles. Record-high household debt means that in most two-parent families both parents need to work. Single-parent families struggle just to stay above the poverty line. There are a million families in Canada made up of two working parents and a child under the age of five, but only enough regulated child care spaces for half of them. Fees for child care can consume as much as three months' worth of a parent's median income in most Canadian cities outside Quebec.

The AFB would modernize social policy to meet the needs of today's families, investing in affordable child care and increasing the number of available spaces. It would provide parental leave tailored to the parent — lowering the threshold for qualification to reflect the fact that mothers are far more likely than fathers to work part time, and creating a parallel paternity leave pro-



gram based on the Quebec model, which has tripled the number of fathers taking parental leave in the province.

Those moving into their 60s face their own new challenges. The number of people in Canada with workplace pensions has declined steadily over the past decades, leaving many struggling to make up the difference with wages. This puts a particular financial strain on low-income and part-time workers, many of whom are women forgoing paid work to do the unpaid care work of looking after family members. The decision of the previous federal government to delay the age at which seniors receive Old Age Security and/or the Guaranteed Income Supplement will mean two additional years of economic insecurity for those without the capacity to save for retirement.

The AFB will contribute to the economic security of seniors by returning the age of eligibility for OAS/GIS to 65, increasing the amount of the GIS, and gradually increasing the Canada Pension Plan replacement rate from 25% to 50% of pensionable earnings. The combined result of these measures

will be an estimated 50% reduction in the number of seniors living below the poverty line in Canada.

The AFB will take steps in the long journey toward reconciliation by establishing nation-to-nation relationships with First Nations, Métis, and Inuit peoples. It will respond to the historic ruling by the Canadian Human Rights Commission — that child services for First Nations children have been systematically underfunded — by investing adequately in the well-being, education and training of a fast-growing cohort of Aboriginal youth, recognizing the unique skills, talents, and resources they bring to their communities, and that their communities bring to Canada.

We can afford to have better lives, from beginning to end. We can afford to have bigger lives with the resources already at our disposal. There is no deficit in the capacity or imagination of this country. As the AFB demonstrates, there is more than enough fiscal room for us all to grow. It's time to build a future that includes us all.

# Macroeconomic Policy

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## Recovery in the Era of Slow Growth

Like much of the developed world, Canada's economy in 2016 continues to be afflicted by slow growth. The first half of 2015 produced yet another recession, and though it was not as severe as in the aftermath of the 2007–08 financial crisis, recessions are never good news.

Since 2008, the Bank of Canada has held the monetary pedal to the metal with its benchmark overnight rate sitting very close to the zero lower bound. In 2015, the rate was cut to 0.5%, near what the bank considers its lowest option (0.25%). The message being sent to households and businesses is to borrow as much as they can in the hope it will kick-start stalled GDP growth. Average interest rates on five- to 10-year Government of Canada bonds sit below 1%<sup>1</sup> while mortgages can be had at rates of 2.5%. With inflation of about 2%, investors on the other side of those transactions can expect to break even at best, or even lose out at the end of the day.

Low oil prices, resulting in a collapse of capital spending in the tar sands, were nominally to blame for the 2015 recession. However, this only highlights Canada's deeper structural problem of slow growth. Despite the unprecedented push to borrow more,

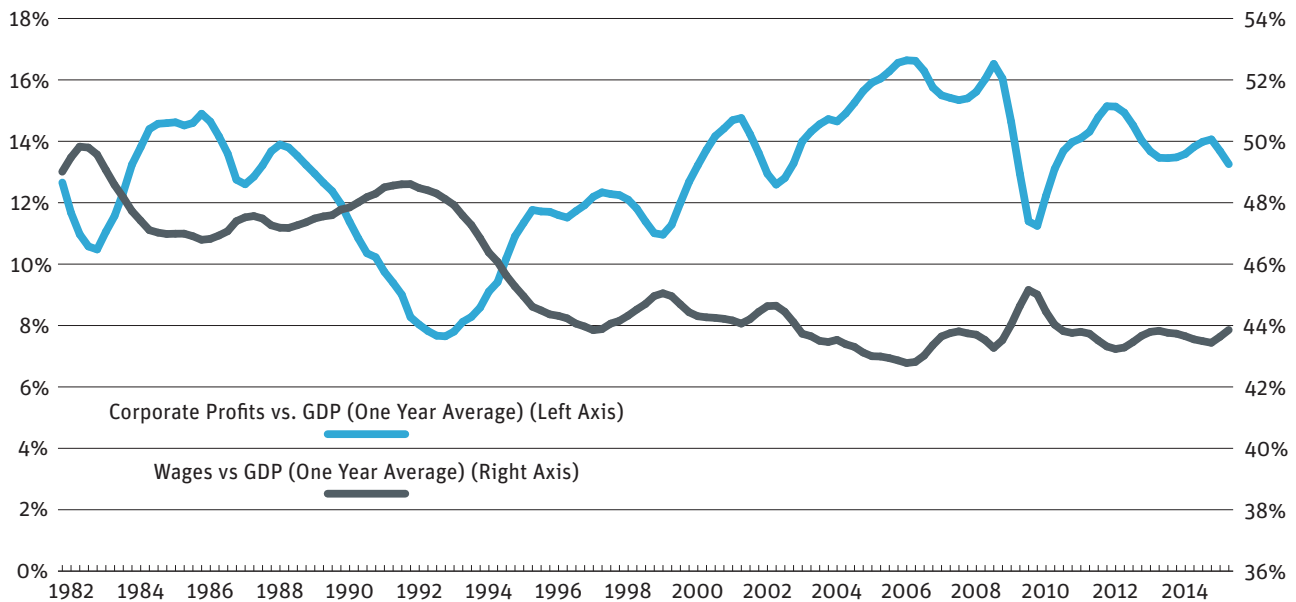
Canadian households and businesses were not willing to take on enough debt to make economic growth positive, much less normal, in the first half of 2015. It is a sign the Bank of Canada does not have the financial might to push the Canadian economy back to where it once was.

In fact, it now appears Canada's long-term prospects have been permanently harmed by economic approaches that rely on monetary policy without fiscal stimulus. In 2009, the federal budget projected long-term real GDP growth of 3%.<sup>2</sup> Based on the most recently available data, Finance Canada now estimates it will be more like 2%.<sup>3</sup> The Parliamentary Budget Officer is even more pessimistic, predicting long-term real GDP growth of 1.8%.<sup>4</sup>

In other words, the potential of the Canadian economy, in an ideal sense, has decreased by a third over the course of a sluggish seven-year recovery. Slow growth that is much more prone to technical recessions has become Canada's new normal.

The speed at which an economy grows is important, but so is the distribution of the new wealth it produces. As *Figure 1* illustrates, a higher proportion of GDP gains continues to go to profits compared with wages—a trend that really picked up in the early 1990s and was only temporarily interrupted by the Great Recession of 2008–

**FIGURE 1** GDP Split Between Profits and Wages



Source Cansim table 380-0063 and author's calculations.

09. Profits have since recovered as a share of GDP, but the wage share remains stagnant. Absent efforts to rebalance this discrepancy, we can expect future improvements in GDP growth to benefit profits more than previously.

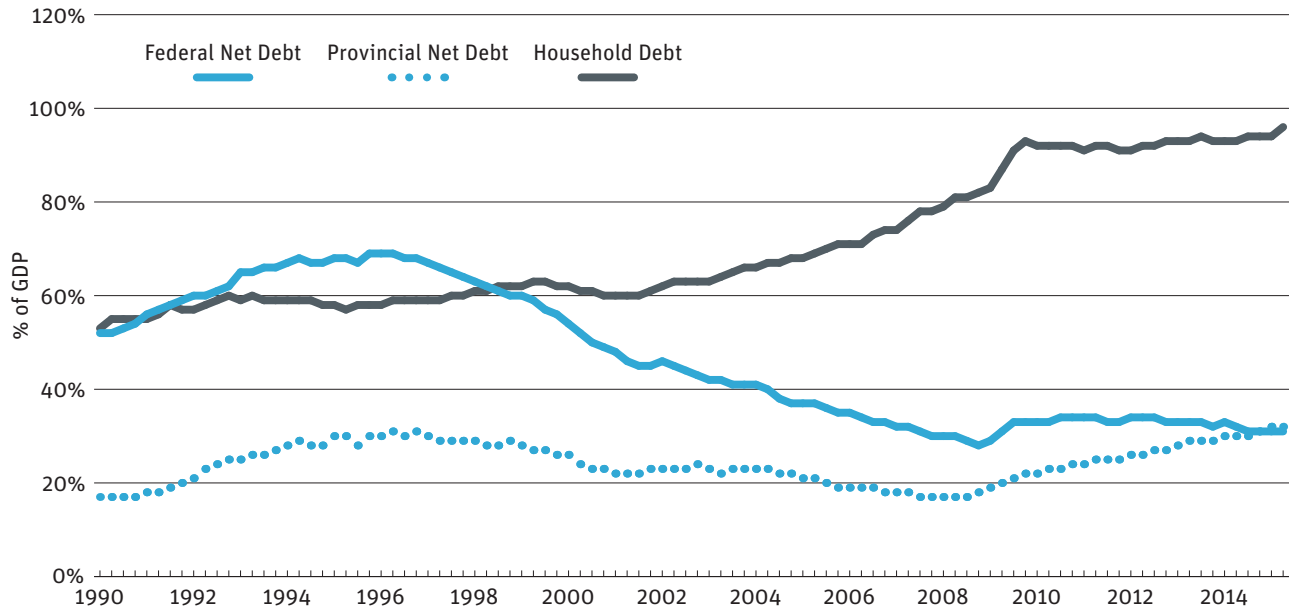
### The Canadian Debt Picture

Household debt, mostly attached to mortgages, sits at 96% of GDP, which is far higher than the debt of any other sector in the Canadian economy. As housing prices rise, mortgage values must rise in step to finance new purchases. While there has been endless concern about the federal government running a deficit of several billion dollars, households collectively ran a \$76-billion deficit in 2014 in order to purchase and up-

grade their houses. Canada's highly leveraged households are therefore at substantial risk from future increases in interest rates or downturns in property values.

In contrast, government debt (both provincial and federal) is relatively low, representing roughly 30% of GDP for each. As predicted in last year's Alternative Federal Budget (AFB), total provincial debt overtook federal debt in 2015 for the first time ever. The provinces ran \$10 billion worth in deficits in 2014 to the federal government's small surplus. Absent new spending initiatives announced in the Liberal election platform, the federal deficit would be \$2.3 billion in 2015–16, while Ontario and Alberta project \$5.7-billion and \$6.3-billion deficits respectively.<sup>5,6</sup>

**FIGURE 2** Debt Levels in Canada



Source Cansim tables 378-0125, 378-0123, 378-0122, 380-0063 and author's calculations.

This trend toward higher provincial debt and deficits, which started in 2008, shows no signs of changing—even as the federal Liberal government plans to carry high deficits to fund new infrastructure and program spending. We can say, then, that Ottawa's relatively stable financial position rests on the backs of indebted Canadian households and the provinces.

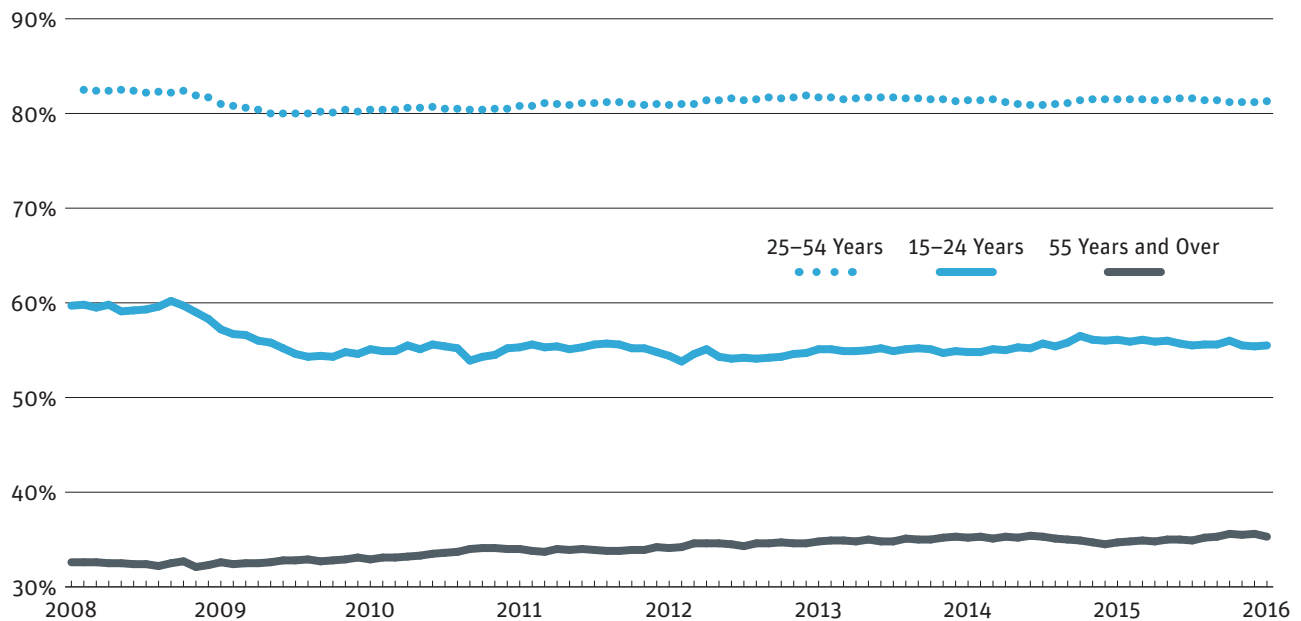
### Canada's Labour Market

Unemployment is often used as a simple, single measure to represent the health of the job market. One of the downsides of this approach is that the unemployment rate can go down for two reasons: more people may be finding work, but they can also just stop looking, as is the disturbing trend since

2008. In the current environment, the employment rate is a better measure of the job market. It tracks the proportion of Canadians who have a job irrespective of whether or not they are looking for one.

The employment rate has not recovered since 2008 for youth or adults in their prime working years. For Canadians 55 and over, however, not only did the 2009 and 2015 recessions not affect the employment rate, but it has climbed steadily. Youth have been the hardest hit of the three age groups: employment rates fell from highs of 60% prior to the recession in September 2008 to only 55.5% in January 2016, with young men facing a bigger drop than young women. If today's employment rate had been the same as it was in 2008, 186,000 more young people would be working.

**FIGURE 3** Employment Rates by Age Group



Source Cansim table 282-0087.

Adults aged 25–54 are also not working as much as before the 2008 recession, when employment rates hit 82%. In January 2016, the employment rate for this group was 81.3%. Both men and women in this category saw a similar drop in employment levels, although the rate was already lower for women in 2008. Were employment rates today what they had been before the Great Recession, 146,000 more people in their prime working ages would have a job.

### Canada's Worsening Economy

Projected GDP growth has worsened considerably since the most recent federal economic update in November 2015. Falling oil prices have resulted in estimated 2016

nominal GDP growth being cut from 4.1% to 2.4%. While growth forecasts pick up to some degree in 2017—to 4.6% on the expectation exports will benefit from the low dollar—they are still far below the 5% nominal GDP growth that was the norm in Canada prior to the recent financial crash.

As in previous years, the AFB uses the government's most recent economic update as its base case, this year that came in February 2016.<sup>7</sup> The base case mostly excludes items from the Liberal platform, which can be expected in the 2016 federal budget. It does include the tax bracket rate changes, cancelling the sick leave savings, the summer jobs program and costs of the Syrian refugee program.

The base case also includes a significant “contingency fund” of \$6 billion a

**TABLE 1** Base Case (Finance Canada)

<b>Macroeconomic Indicators (mil)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Nominal GDP	\$1,986,000	\$2,033,000	\$2,127,000	\$2,218,000
Real GDP Growth	1.20%	1.40%	2.20%	2.20%
GDP Inflation	-0.60%	1.00%	2.40%	2.10%
Nominal GDP Growth	0.6%	2.4%	4.6%	4.3%
Participation Rate	65.8%	65.8%	66.2%	66.5%
Labour Force	19,266	19,459	19,773	20,061
Employed (000s)	17,937	18,077	18,409	18,777
Employment Rate	61.3%	61.1%	61.6%	62.2%
Unemployed (000s)	1,329	1,382	1,364	1,284
Unemployment Rate	6.9%	7.1%	6.9%	6.4%
<b>Budgetary Transactions (mil)</b>	<b>2015–16</b>	<b>2016–17</b>	<b>2017–18</b>	<b>2018–19</b>
Revenues	\$290,100	\$285,500	\$298,200	\$310,900
Program Spending	\$267,200	\$278,700	\$287,800	\$292,900
Debt Service	\$25,700	\$25,600	\$26,200	\$30,000
Budget Balance (Surplus/Deficit)	-\$2,800	-\$18,800	-\$15,800	-\$12,000
Closing Debt (Accumulated Deficit)	\$616,200	\$635,000	\$650,800	\$662,800
<b>Budgetary Indicators as a Percentage of GDP</b>				
Revenues/GDP	14.6%	14.0%	14.0%	14.0%
Program Spending/GDP	13.5%	13.7%	13.5%	13.2%
Budgetary Balance/GDP	-0.1%	-0.9%	-0.7%	-0.5%
Debt/GDP	31.0%	31.2%	30.6%	29.9%

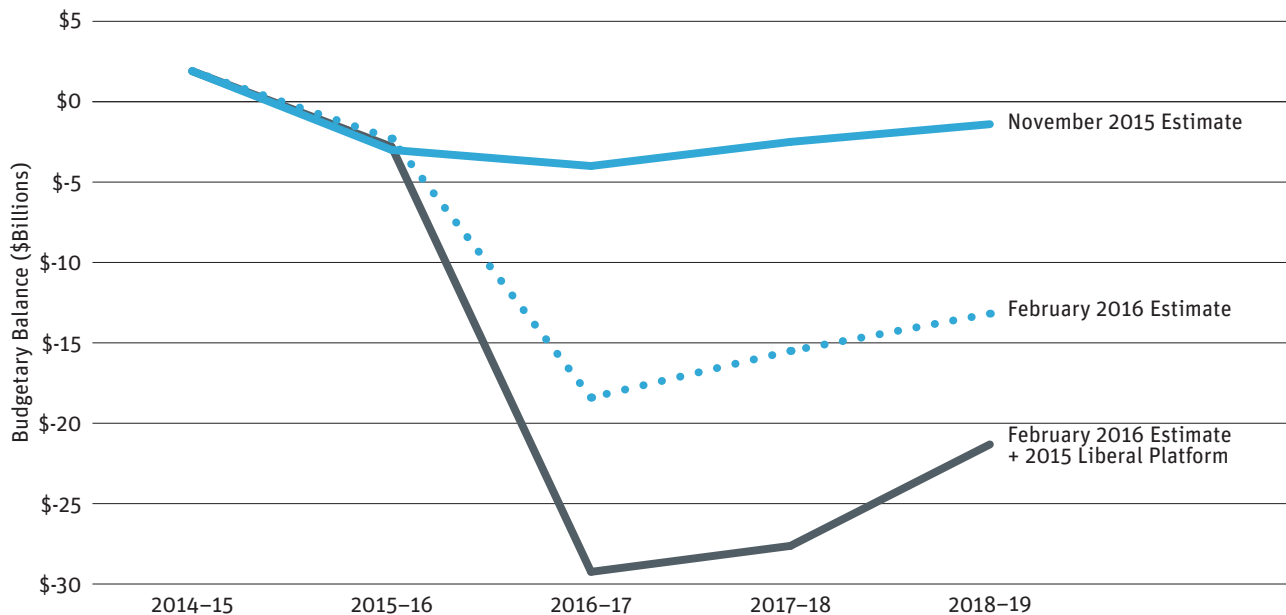
year. Meaning that if the projections of GDP growth are correct, then the base case deficit will be too high by \$6 billion a year. In previous budgets, it was generally at a lower \$3 billion a year.

As we can see, the impact of low oil prices on GDP in 2016 has reduced revenues and increased expenditures, turning a deficit of \$3.9 billion (estimated in the fall) into a \$18.8-billion deficit by budget day, gradually decreasing to \$12.0 billion by 2018–19, al-

though a third to a half of these deficits are the \$6 billion contingency fund.

While the numbers may seem large at first, it's important to recognize these deficits are relatively small compared to the size of Canada's economy, representing about 0.9% of GDP. Note in the table that the federal debt-to-GDP ratio drops to 29.9% by 2018–19, a historical low not seen for the federal government since 1980.

**FIGURE 4** Impacts of the Liberal Platform on Budgetary Figures<sup>8</sup>



**Sources** 2015 Update of Economic and Fiscal Projections; A New Plan for a Strong Middle Class (Liberal election platform); February 2016 Backgrounder—Canadian Economic Outlook and author's calculations.

## The Economic Impact of the Liberal Election Platform

At least in part due to slow growth, there was renewed interest in fiscal policy during the 2015 federal election. After monetary policy, government deficits are the other major lever for affecting growth levels. And with the Bank of Canada so close to the lower bound rate of 0.25%, fiscal policy, including deficit spending, becomes the only internally controlled option (outside of hoping for oil prices to rise).

The Liberal election platform promised larger deficits than any of the other parties. It said a Liberal government would, in its first three years, increase whatever base deficit already exists by (at most) \$11.6 billion in the second year. Using the updated base

case from *Table 1*, this would result in annual deficits of \$29.2 billion, in 2016/17 and \$27.4 billion 2017/18 (see *Figure 4*), which is 1.4% of GDP. These figures include the large \$6 billion contingency fund.

The actual increase in expenditures would be larger than the deficit, as much of the new spending is covered by increases in revenues. The new spending would be equivalent to 1.8% of GDP at its peak in 2017–18. Incredibly, despite this increase in spending, the federal government would remain relatively small historically speaking. Between 1940 and 2012, federal government total expenditures (program spending + debt service) exceeded 15.4% of GDP in 66 of those 72 years—what it would be if

**TABLE 2** AFB Case

	2015-16	2016-17	2017-18	2018-19
Nominal GDP	\$1,986,000	\$2,066,000	\$2,178,000	\$2,267,000
Nominal GDP Growth	0.6%	4.0%	5.4%	4.1%
<b>Revenues (mil)</b>				
Base Case	\$290,100	\$285,500	\$298,200	\$310,900
Net AFB Revenue Measures		\$51,300	\$57,700	\$62,600
Additional tax revenue due to higher GDP		\$4,200	\$7,900	\$9,700
Total	\$290,100	\$341,000	\$363,800	\$383,200
<b>Program Spending (mil)</b>				
Base Case	\$267,200	\$278,700	\$287,800	\$292,900
Net AFB Program Measures		\$74,400	\$80,400	\$83,500
Total	\$267,200	\$353,100	\$368,200	\$376,400
Debt Service	\$25,700	\$25,800	\$26,500	\$30,400
Budget Balance (Surplus/Deficit)	-\$2,800	-\$37,900	-\$30,900	-\$23,600
Closing Debt (Accumulated Deficit)	\$616,200	\$654,100	\$685,000	\$708,600
<b>Budgetary Indicators as Percentage of GDP</b>				
Revenue/GDP	14.6%	16.5%	16.7%	16.9%
Program Spending/GDP	13.5%	17.1%	16.9%	16.6%
Budgetary Balance/GDP	-0.1%	-1.8%	-1.4%	-1.0%
Debt/GDP	31.0%	31.7%	31.5%	31.3%
<b>AFB Employment Impact</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
AFB Jobs Created (000s)		362	520	468
Population (000s)	29,280	29,573	29,869	30,167
Participation Rate	65.8%	66.8%	67.8%	67.9%
Labour Force (000s)	19,266	19,755	20,251	20,484
Employed (000s)	17,937	18,439	18,928	19,245
Employment Rate	61.3%	62.4%	63.4%	63.8%
Unemployed (000s)	1,329	1,315	1,322	1,239
Unemployment Rate	6.9%	6.7%	6.5%	6.0%



the Liberal government implemented its entire 2015 election platform promises.

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## The AFB Case

The 2016 Alternative Federal Budget builds upon the base case in *Table 1*. As such, differences between it and the 2016 federal budget should relate to policy changes, not underlying economic conditions or differences in the contingency fund. The primary macroeconomic goal of the AFB is to drive employment growth. At its peak, the AFB will result in 520,000 new jobs, leading to wage-led nominal GDP growth of 5.4% in 2017. Unemployment will drop to 6% and the employment rate will surpass 63% for the first time since the Great Recession.

The strength behind the AFB recovery in 2016 is much higher government expenditures targeted to have the most impact. Major investments in physical infrastructure, and support for social programs and low-income households form its basis. In total the AFB increases federal expenditures by \$74.4 billion, raising the total expenditure-to-GDP ratio to 17.1% in 2016–17. This level was previously seen in 1999.

To pay for these new expenditures, the AFB proposes measures that would increase revenues to 16.5% of GDP in 2016–17, comparable to where they were in 2000 and before. Additional revenues are raised by closing tax loopholes for the wealthy, taxing tax havens, raising corporate taxes, introducing a national carbon tax, and ceasing subsidies to the energy industry. Increasing GDP through targeted expenditures will

put more people to work who, in turn, will pay more taxes back to the governments. The AFB raises an additional \$4.2 billion in 2016–17 as a result of this virtuous cycle.

While new tax measures help buffer the cost of new program spending, the AFB books a deficit of \$37.9 billion in 2016–17, declining to \$23.6 billion by 2018–19, to put people back to work and grow the economy. This is not far from \$29.2-billion deficit for 2016–17 that is expected in the 2016 federal budget, including Liberal platform measures. To put the AFB deficit into perspective, it amounts to 1.8% of GDP, which is relatively smaller than any federal deficit between 1972 and 1996.

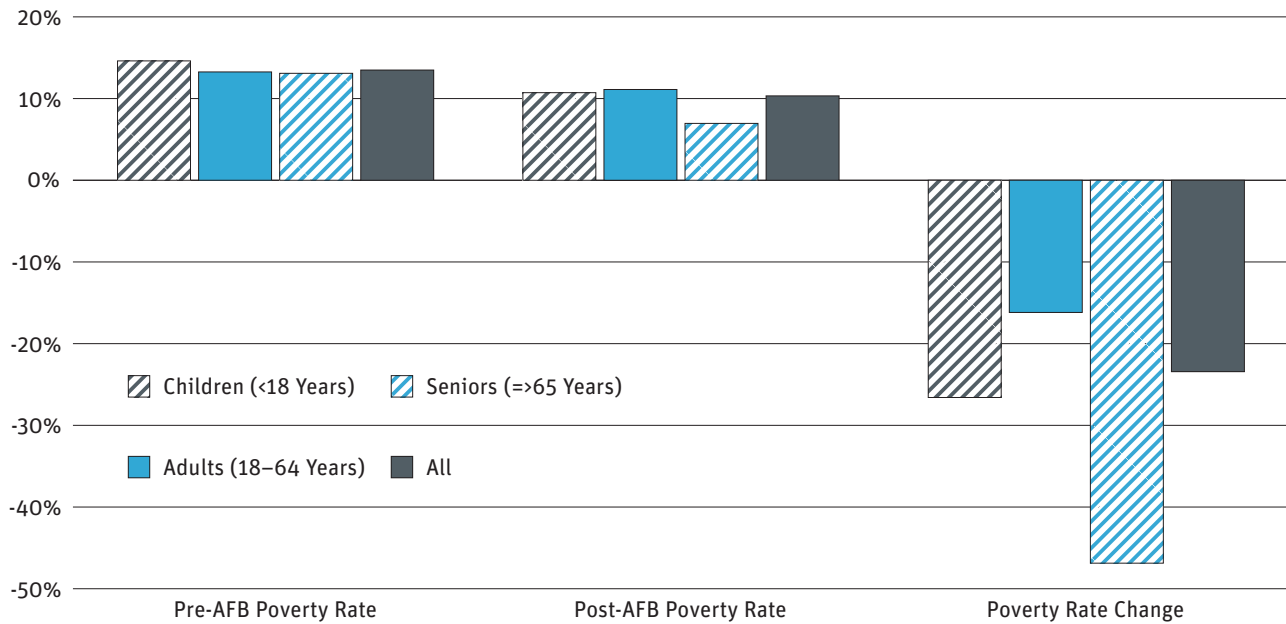
At the same time, the AFB generates growth sufficient to offset the increase in federal debt. By growing the economy and employing more Canadians, the AFB can enhance public services and offer additional help for the most vulnerable, while maintaining Canada's debt-to-GDP ratio at 31%.

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## AFB Impact on Poverty and Inequality

Many Alternative Federal Budget programs will have a direct impact on low-income families and people living in poverty. Broadly speaking, the AFB lifts 1.1 million people above the poverty line, including 380,000 low-income seniors (one in two), 270,000 children (one in three), and 490,000 adults (one in six). Doubling the GST credit, along with a new carbon tax refund (net of the carbon tax itself), will affect all age groups. New transfer payments to the provinces for

**FIGURE 5** AFB Impact on Poverty Rates (2016 LIM-AT)



Source: SPSDM 22.1 and author's calculations.<sup>9</sup>

poverty reduction will improve social assistance levels for children and adults. The new Canada Child Benefit—a Liberal policy the AFB adopts here—will drive down poverty among children and their parents. Improvements in the Guaranteed Income Supplement (GIS) will be of most benefit to seniors.

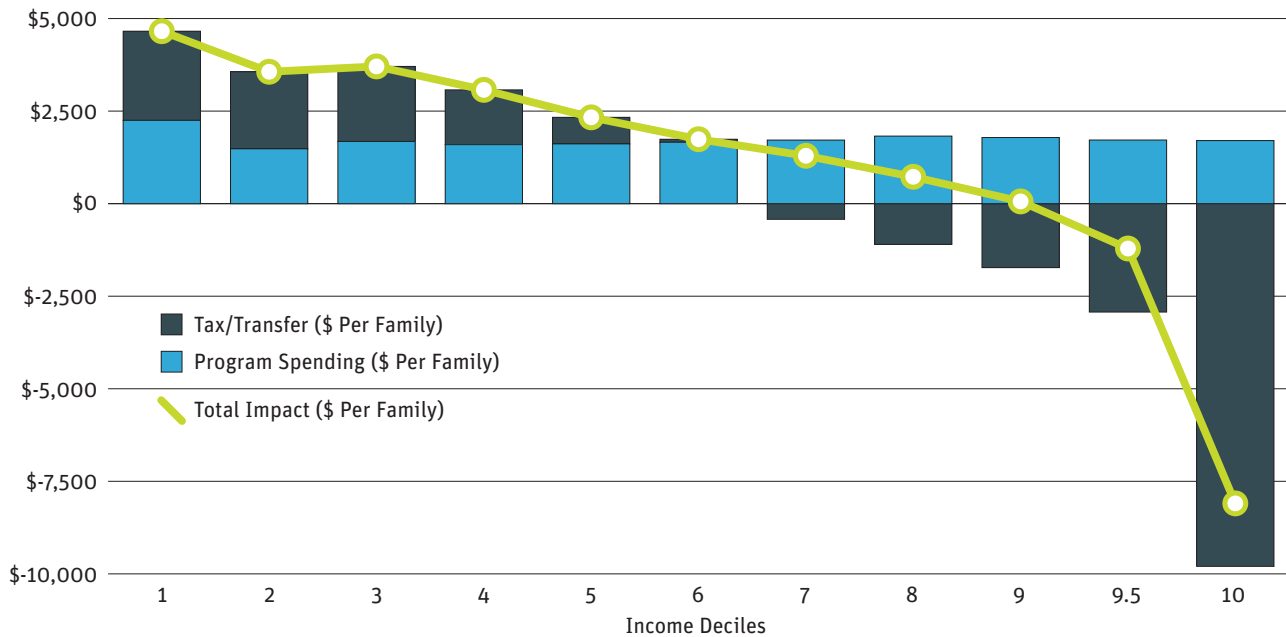
While doing much to address poverty, the AFB also helps to redress income inequality, which is growing in Canada and much of the developed world. It does this in two ways: with net cash transfers, and through the benefits that will come from new and improved programs. The distributional impact of tax or transfer measures in the AFB is tracked using Statistics Canada's tax modelling software SPSD/M. The distribution of program benefits is done by using proxies for the end beneficiaries (e.g., the expendi-

ture benefit of national pharmacare goes to the users who spend the most on prescription drugs).<sup>10</sup>

What these calculations tell us is that middle-income Canadians may benefit from an improved GST tax credit, but also from reduced costs for things like prescription drugs. Some benefits, like those from improved infrastructure, are spread more broadly across the entire population. Some families will pay more in taxes, but this will fund new services that benefit them as much as everyone else.

Although different AFB programs affect families differently, on average those with pre-tax earnings under \$77,000 (the bottom 60%) will see their incomes rise as a result of the AFB (see the Tax/Transfer bars in *Figure 6*). This same group will

**FIGURE 6** AFB Distribution of Benefits (\$ Per Family)



Source Deciles are based on economic family total income before taxes SPSDM 22.1 and author's calculations<sup>11</sup>

also receive additional benefits through programs, as shown in the Program Spending bars. Families in the seventh, eighth and ninth deciles, with pre-tax incomes between \$78,000 and \$165,000, will see a net increase in taxes. However, those new taxes will be more than offset by new program benefits like free tuition or better healthcare, as reflected in the Total Impact line in *Figure 6*.

We can see that all families making under \$165,000 a year will be better off under the AFB, while the top-earning 10% of families will pay more in taxes than they receive in transfers and new programs. The top 5% of earners, in particular, will pay on average \$9,800 more per year in taxes, or about 2.9% of their average income. At the same time, this group stands to benefit consider-

ably from free university tuition, pharmaceutical, improved health care, and better infrastructure.

Canadian families in the bottom deciles see the largest benefit of any group, with incomes rising approximately \$2,000 a year per family thanks to improved transfers. Incomes for Canada's lowest-income families will increase on average by almost a quarter. This group, and in particular low-income First Nations families, also benefits from new programs such as health care, free university tuition, and investments in social housing.

The 2016 AFB is a fully developed budget: programs are fully costed and assessed for their impact on government finances and employment. More than this, and unlike

any federal or provincial budget to date, the AFB uses sophisticated modelling to examine the distributional impacts, and likely effect on poverty levels, of its programs and tax/transfer measures.

As in past years, the 2016 AFB shows what a progressive Canada could look like with the right policies in place. *Table 3* below outlines the specific measures that will take us there and how we will pay for them. It proves we can fight climate change and create jobs at the same time, how we can reduce poverty through responsible economic growth. The impediments to a more progressive country are not economic and they are not fiscal, they are political.

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## Notes

**1** Bank of Canada, Government of Canada Marketable Bonds – Average Yield – 5–10 Year, <http://www.bankofcanada.ca/rates/interest-rates/canadian-bonds/>

**2** Finance Canada, Federal Budget 2015, Real GDP Growth 2011–2014, pg 60.

**3** Finance Canada, Update of Economic and Fiscal Projections, November 2015. Real GDP growth for 2020.

**4** Parliamentary Budget Office, Economic and Fiscal Outlook, November 2015. Annex A Real GDP growth in 2020

**5** Finance Alberta, 2015–16 Third Quarter Fiscal Update and Economic Statement, February 2016, (<http://finance.alberta.ca/publications/budget/quarterly/2015/2015-16-3rd-Quarter-Fiscal-Update.pdf>)

**6** Ontario Ministry of Finance, 2016 Ontario Budget, February 2016.

**7** Finance Canada, Backgrounder – Canadian Economic Outlook, February 2016 ([http://www.fin.gc.ca/n16/data/16-025\\_1-eng.asp](http://www.fin.gc.ca/n16/data/16-025_1-eng.asp))

**8** This deficit does not include the moderating impact that economic multipliers of government-induced economic activity will likely have, particularly on government revenues. As a result of the revenue multiplier effect, government revenue may be several billion dollars higher, thereby reducing the deficit by a few billion dollars.

**9** This analysis is based on Statistics Canada’s Social Policy Simulation Database Model 22.1. The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors.

**10** The methodology from this approach was derived from: Hugh Mackenzie and Richard Shillington, “Canada’s Quiet Bargain: The benefits of public spending,” The Canadian Centre for Policy Alternatives, April 2009.

**11** This analysis is based on Statistics Canada’s Social Policy Simulation Database Model 22.1. The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for the use and interpretation of these data is entirely that of the authors.

**TABLE 3** AFB Actions (All Figures in \$M)

	2016-17	2017-18	2018-19
<b>Agriculture</b>			
Reverse Research Cuts	90	90	90
Provide Support for New and Young Farmers	100	100	100
Support Farmers in Climate Change Adjustments	250	250	250
Re-establish the Prison Farm Program	4	4	4
Reinstate the Community Pastures Program	25	25	25
Reinstate the Shelterbelt Program	5	5	5
<b>Arts &amp; Culture</b>			
Increase Funding for the Canada Council for the Arts	90	180	180
Increase Funding at CBC/Radio-Canada	75	150	150
Increase International Cultural Promotion (Promart)	10	25	25
<b>Childcare</b>			
Expand Affordable Child Care	600	1,600	2,600
<b>Cities and Communities</b>			
Community Infrastructure Transfer	6,940	7,260	7,560
Neighbourhood Revitalization Program	100	100	100
<b>Employment Insurance</b>			
Keep EI Premiums at \$1.88 Per \$100 of Insurable Earnings	(750)	(3,000)	(3,000)
Working While on Claim	200	200	200
Eliminate 910-Hour Requirement on New and Re-Entrants	550	550	550
Parental Leave Flexibility	125	125	125
Compassionate Care Extension	190	190	190
Increase LMDA Funding	1,000	1,000	1,000
Reverse 2012 EI Changes	35	35	35
Restore Frontline Services	200	200	200
Establish Uniform EI Entry of 360 Hours	1,200	1,200	1,200
<b>Environment and Climate Change</b>			
Global Climate Financing	1,000	1,000	1,000
Remove Federal Fossil Fuel Subsidies	(1,341)	(1,341)	(1,341)
Expand Renewable Energy Generation	600	595	595
Increase Energy Efficiency	105	450	455

**First Nations**

Lift 2% Caps on First Nations Essential Services	160	170	180
Invest in First Nations Water Treatment Systems	470	470	470
Invest in First Nations Housing	1,000	1,000	1,000
Education Funding	465	695	844
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
Eliminate PSSSP Backlog for First Nations Students	466	490	514
Emergency On-Reserve Shelters	30	30	30
First Nations Justice Systems	50	50	50

**Gender Equality**

National Plan to Address Violence Against Women	500	500	500
Increase Funding for Status of Women Canada	100	100	100
Implement Equal Pay in Federal Government	10	10	10

**Health Care**

New Long-Term Care Spaces	2,300	2,300	2,300
Cut Long-Term Care User Fees by 50%	3,200	3,200	3,200
Retiree Caregiver Respite Support	360	360	360
Home Care Support	1,200	1,200	1,200
Community Mental Illness Support	250	250	250
National Pharmacare	3,390	3,831	4,597

**Housing and Neighbourhoods**

New Affordable Housing Supply	1,500	1,500	1,500
Supporting the Homeless	210	210	210
Protect CMHC Social Housing Support	297	400	450

**Immigration**

Immigrant Skills Recognition and Training	100	100	100
Restore Immigrant Settlement Funding Cuts	53	53	53

**Income Inequality and Poverty**

Poverty Reduction Transfer to Provinces	4,000	4,000	4,000
Double the Refundable GST Credit	5,110	5,263	5,421
Adopt the Canada Child Benefit (Net Cost)	3,425	4,704	4,845

**International Development**

Boost Development Funding Towards 0.7% of GNI	730	1,570	2,540
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**Post Secondary Education**

Eliminate Tuition Fees (50/50 Split With Provinces)	3,300	3,400	3,400
Cancel RESP	(155)	(155)	(155)
Cancel Canada Education Savings Program & Canada Learning Bond	(960)	(985)	(1,015)
Increase Research Funding by 10%	231	231	231
Add 3,000 new Canada Graduate Scholarships	17	17	17
Improve Labour Market Information	15	15	15
Create National Labour Market Partners Forum	5	5	5
Cancel the Canada Job Grant	(300)	(300)	(300)
Training for Unemployed Canadians Disqualified From EI	300	300	300
Improve Apprenticeship Training	35	35	35

**Public Services**

Assess the Budget Cut Impacts and Restore Programs Where Needed	500	2,000	2,000
Restore Court Challenges Program	5	5	5

**Sectoral Development Policy**

Sectoral Development Councils	50	50	50
Enhance Value-Added Production in Key Sectors	450	450	450

**Seniors and Retirement Security**

Increase GIS for the Poorest Seniors by \$1,300/yr for Singles and \$910/yr/Person for Couples	1,840	1,895	1,952
Limit RRSP Contributions to \$20,000/year	(1,140)	(1,320)	(1,520)
Cancel Pension Income Splitting	(1,250)	(1,313)	(1,378)

**Taxation**

Cancel Family Income Splitting	(1,904)	(1,999)	(2,099)
Cap TFSA at Present Level for Lifetime	(100)	(100)	(100)
Eliminate Stock Option Deduction	(610)	(675)	(750)
Close Small Business Loopholes	(500)	(500)	(500)
Cancel Boutique Tax Credits	(500)	(500)	(500)
Limit CEO Pay Deductions to \$1 Million Per Person	(150)	(175)	(200)
Equalize Capital Gains Treatment (Personal)	(3,700)	(3,811)	(3,925)
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	(3,000)	(6,000)	(9,000)
Set Small Business Rate to 15%	(1,000)	(2,000)	(3,000)
Financial Activities Tax	(5,000)	(5,100)	(5,202)
Inheritance Tax on \$5-Million (and up) Estates	(2,000)	(2,000)	(2,000)
Cancel second income tax bracket change (20.5% to 22%)	(3,204)	(3,524)	(3,877)

Tax Havens Withholding Tax	(2,000)	(1,800)	(1,620)
Boost Enforcement Authority	50	50	50
Revenues From Additional Tax Auditing	(750)	(1,000)	(1,500)
Federally Collected Carbon Tax	(17,880)	(17,000)	(16,500)
Provincial Carbon Tax Low-Income Transfer	8,940	8,500	8,250
Provincial Carbon Tax Infrastructure Transfer	8,940	8,500	8,250
<b>Water</b>			
National Public Water and Wastewater Fund	4,800	4,800	4,800
Implementation of Wastewater Systems Effluent Regulations	1,000	1,000	1,000
Water Infrastructure Aid for Small Municipalities	100	100	100
Water Operator Training, Public Sector Certification and Conservation Programs	75	75	75
Assess Environmental Impact of Energy, Tar Sands & Mining Developments	100	0	0
Reinstate Cut Water Programs at Environment and Climate Change Canada, and Fisheries and Oceans Canada	94	54	54
Protect Canada's Great Lakes and Freshwater Supply	613	1,059	1,059
<b>Youth</b>			
Youth Labour Market (YLM) Planning Board	30	30	30
Workforce Renewal Fund (Retiree/New Hire Job Sharing)	100	100	100
Renewal of Federal-Funded Internships	300	300	300
Magnet Program Funding	30	30	30
Penalize Companies Illegally Using Unpaid Interns	10	10	10



# Fair and Progressive Taxation

Canada needs a tax system for the 21<sup>st</sup> century. Our current system was built for a time when inflation and interest rates were high, capital was scarce, business was struggling, the federal government was stronger, climate change was only seasonal, and there were far fewer rich people. It is simply not cut out for the economic problems facing us today, and is making them worse in several ways.

**First, Canada's tax system is no longer acting as an income equalizer.** It has become so regressive that the top 1% of earners pay a lower share of income in tax than the poorest 10%. Not only is this unfair, it is also bad for the economy. The International Monetary Fund (IMF), World Bank, Organization for Economic Co-operation and Development (OECD), and Standard & Poor's now agree that growing income inequality is hampering economic growth.

We need to restore fairness and progressivity to our tax system by closing unfair and ineffective tax loopholes and aggressively fighting tax evasion using tax havens, while at the same time raising tax rates on upper incomes. Our tax system could also be used to promote intergenerational equity through incentives to reduce pollution and fight climate change.

**Second, our tax regime has become too complex and extremely inefficient.** The last time it was reformed — back in 1966 — we based it on the principle that “a buck is a buck is a buck.” In other words,

the government decided that income from different sources should be taxed at similar rates. Today, there are so many loopholes, tax credits, and opportunities for tax avoidance that few among Canada's wealthiest pay their fair share, while the rest of us struggle to understand the system's complexity. 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.

**Finally, our tax policy is not raising enough revenue to pay for the public services we need and deserve.** Tax rate 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 also fairly enforce tax laws to make sure wealthy corporations and individuals are paying their share.

The previous government diminished the significance and size of the federal government, as reflected in spending as a share of the economy, which could drop to 14% by 2019–20.<sup>1</sup> To put this figure in perspective, it represents the lowest government spending levels since 1948 — before the introduction of medicare, Old Age Security, or employment insurance.

The new Liberal government will not be able to live up to its promise to pay a more

activist role through deficit spending along. It will have to find ways to raise considerably more revenue in a fair and equitable way. The government has taken steps in this direction by reversing some of the most regressive tax policies of the Harper government (e.g., family income splitting), introducing a new, higher top income tax rate, and pledging to review and eliminate regressive and ineffective tax expenditures. Still, much more needs to be done.

The Alternative Federal Budget identifies a number of fair taxation measures that would raise significant new revenues in an equitable way while simultaneously addressing important economic, social, and environmental problems facing Canada today.

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## AFB Actions

### Eliminate regressive and ineffective tax loopholes and simplify the tax system

Canada's tax system has become riddled with ineffective, regressive, and expensive tax loopholes, many of which disproportionately benefit the wealthy. While raising tax rates at the top has the potential to make the tax system fairer, without also plugging the holes a significant part of the new revenues will leak out. Closing these loopholes will also provide major benefits to provincial governments that derive revenue from the federal tax base.

The AFB commends the new Liberal government's commitment to conduct "an overdue and wide-ranging review of the over

\$100 billion in increasingly complex tax expenditures that now exist, with the core objective being to look for opportunities to reduce tax benefits that unfairly help those with individual incomes in excess of \$200,000 per year."<sup>2</sup> We also welcome the decision to cancel the previous government's highly regressive family income splitting scheme and its poorly thought-out doubling of the annual contribution limit on Tax Free Savings Accounts (TFSAs).

The AFB and Canadians for Tax Fairness have identified over \$10 billion in annual savings that could be achieved from closing unfair and ineffective tax loopholes, including the following:

**Stock option deduction:** This loophole allows corporate executives to pay tax on their stock option compensation at half the statutory rate most pay on their working income. Not only is the deduction highly regressive, with over 90% of the benefit going to the top 1% of tax filers who make more than \$250,000 annually, it also encourages CEOs to inflate short-term stock prices through share buybacks instead of investing in the economy. Some suggest limiting the deduction by allowing a maximum annual amount and/or preserving the exemptions for initial public offerings (IPOs), but this would cost revenue and preserve inequities in the tax system. (Annual savings: \$610–\$750 million.)

**Abuse of small business corporations:** Tax laws allow accountants, dentists, doctors (in some provinces), other professionals, and small business operators to provide their services through Canadian-controlled private corporations (CCPCs) rather than as

employees. These individuals can thereby pay tax on income held within these businesses at the much lower small business rate (11%, declining to 9%) on their first \$500,000 of income instead of at the federal personal income tax rates of up to 33%. Michael Wolfson, Canada's former deputy chief statistician, estimates that \$500 million a year is lost through this loophole.<sup>3</sup> Closing it would produce the same amount in new revenue.

**Capital gains deduction:** Individuals and corporations who profit from the sale of investments or assets are able to pay tax at half the rate of tax on income from employment. This is an expensive deduction estimated to cost the federal government over \$10 billion annually. There are also generous lifetime capital gains exemptions for farming, fishing, small business, principal residences, and in other areas that cost the federal government another \$1 billion annually. The AFB would maintain the lifetime capital gains exemptions, but would tax income from capital investments at the same rate as employment income after adjusting for inflation, which would reduce potential revenues from this measure by approximately 20%. Allowing for an inflation adjustment would also encourage longer-term investments rather than short-term speculative investments. (Annual savings: \$8 billion.)

**Lifetime limit for Tax Free Savings Accounts:** Tax Free Savings Accounts (TFSAs) were initially justified partly on the basis that they provided low-income individuals with a more tax-effective way to save for retirement than RRSPs. However, the benefits of TFSAs primarily go to those earning higher

incomes, and their cost in terms of foregone revenues will escalate to many billions annually. The new Liberal government appropriately reversed the previous government's decision to double the annual TFSA contribution limit (from \$5,500 to \$11,000), but even the lower limit is too high. The cumulative amount individuals can contribute to TFSAs will be \$46,500 in 2016. The AFB will cap this at \$50,000. (Annual savings: \$100 million, but increasing in future years as the cap has more effect.)

**RRSP contributions and pension income splitting:** The AFB would limit annual RRSP contributions to \$20,000 and cancel pension income splitting. High RRSP contribution limits provide government support to high-income people who do not need help with their retirement savings, while leaving less revenue available to support lower-income seniors who need help the most. (Annual savings: \$2 billion, as outlined in the Retirement Security chapter.)

**Cancel family income splitting:** The AFB would cancel family income splitting. (Annual savings: \$2 billion.)

**Review and replace ineffective boutique tax credits:** Under the previous government, Canada's tax system became riddled with "boutique tax credits" for specific activities. These made filling out annual tax forms much more complex, and do not effectively stimulate positive economic activities. The AFB would review these tax credits, eliminate those that are ineffective and regressive, and replace them with direct funding where it can be proven to be effective and equitable. (Annual savings: \$500 million.)

**Limit deductions for executive compensation:** Canadian corporations can deduct from their expenses all the compensation they pay to CEOs and other executives. The AFB will adopt the U.S. model, where the deduction is limited to \$1 million each for the CEO and top three executives. (Annual savings: \$150–\$200 million.)

**Corporate meals and entertainment expense deduction:** Businesses are allowed to deduct half their meal and entertainment expenses, including the cost of season's tickets and private boxes at sports events. This can be used for inappropriate lobbying, is widely abused, and also drives up the cost of sporting events for ordinary people. The meal expense for long-distance truckers would be maintained. (Annual savings: \$400 million.)

**Fossil fuel and mining subsidies:** While some fossil fuel subsidies have been reduced, federal tax subsidies to the fossil fuel and mining industries still amount to hundreds of millions annually. (See the AFB Climate Change chapter.)

### **Increase corporate taxes**

The deep corporate tax cuts of the past 15 years have failed to stimulate higher investment, stronger economic growth, or job creation. In fact, as corporate tax rates were slashed almost in half from 29.1% in 2000 to 15% in 2008, business investment as a share of the economy declined while corporations made ever-higher profits and amassed over \$600 billion in surpluses and excess cash.<sup>4</sup> This “zombie money” also leads to speculation and contributed

to the 2008–09 financial crisis. Lower corporate tax rates have also resulted in tax leakage, as those with the means to do so channel their income through corporate entities rather than through the personal income tax base.

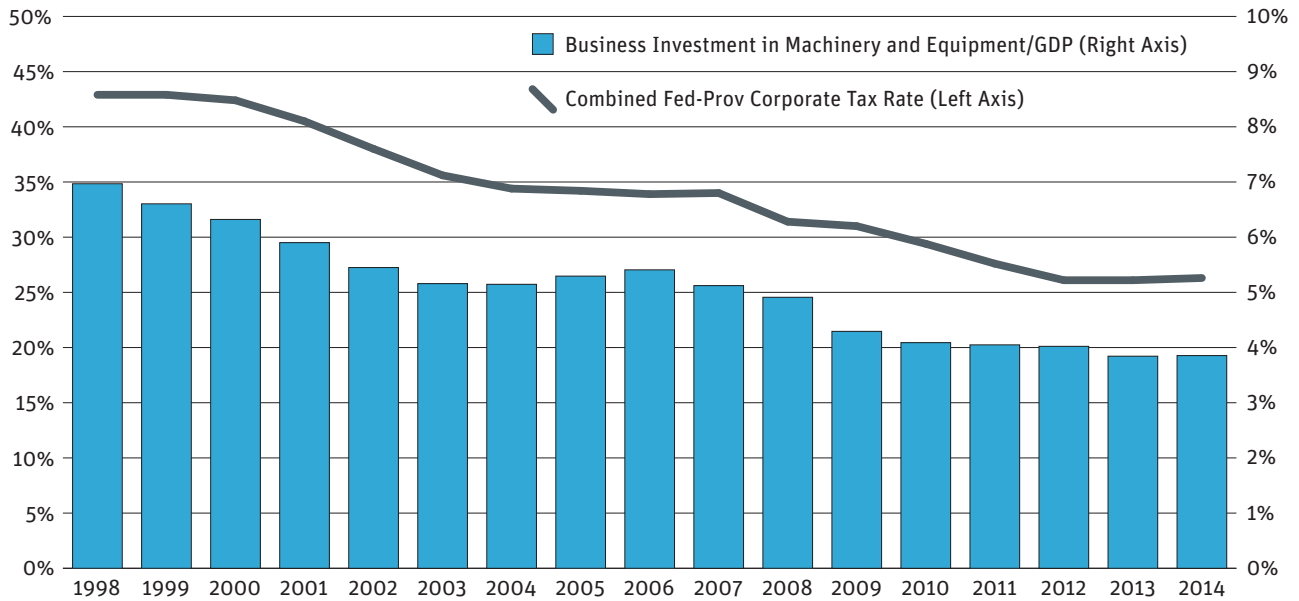
The AFB would gradually increase the federal corporate income tax rate from 15% to 21%, which is slightly lower than it was in 2006, when the Liberals were last in federal office, and considerably lower than the 34–35% statutory federal corporate rate in the United States. (Annual additional revenue: \$9 billion at maturity, or \$1.5 billion per point.)

Instead of lowering the small business tax rate to 9% (on the first \$500,000 of profit), the AFB will put it back to 15%. This will preserve proportionality between the small and general corporate tax rate, be consistent with the lower rate on personal income, and reduce the abuse of the CCPC regime by individual professionals. (Annual additional revenue: \$3 billion.)

### **Increase taxes on banks and finance**

There is a lot of interest around the world in increased taxation of the financial industry. It is driven in part by the desire to temper the financially destabilizing activities of the banks and claw back on tax avoidance in recognition of the way global banking has accelerated inequality and taken resources away from more productive investments. The added benefit of a financial transactions tax is that it would force the sector to pay for some of the costs of financial crises, which are more and more frequent.

**FIGURE 7** Combined Federal-Provincial Corporate Tax Rates and Business Investment in Machinery and Equipment



Source: CAN-SIM 380-0064, OECD.stat Table II.1 Corporate income tax rate and author's calculations

Financial transactions taxes (FTTs), or “Robin Hood” taxes, exist in different forms in many parts of the world and are being expanded in Europe. The IMF has also proposed a financial activities tax (FAT) on profits and remuneration in the financial industry as a way to apply a value-added tax to this sector.<sup>5</sup>

The AFB would either introduce a FAT rate of 5% on profits and remuneration in the financial sector or a FTT in collaboration with the provinces, which are responsible for securities regulation, at a rate of 0.5% on transactions of stocks (similar to the rate in the U.K.) and at lower rates for bonds, derivatives, and foreign exchange transactions (forex). (Annual revenues: \$5 billion.)

### Inheritance and wealth taxes

Unlike the United States and most European countries, Canada has no wealth or inheritance taxes except for property taxes, which are a regressive form of wealth tax. On the contrary, income from capital has been under-taxed in comparison with income from labour. This has led to growing inequality and economic stagnation because capital is much more concentrated.<sup>6</sup>

The IMF estimates Canada could generate \$12 billion annually from a tax of just 1% on the net wealth of the top 10% of households, similar to property tax rates on gross real estate values in major Canadian cities. The AFB would introduce a minimum inheritance tax of 45% on estate values over

\$5 million, similar to the estate tax in the U.S. (Annual revenues: \$2 billion.)

### **Make income taxes more progressive**

Income taxes need to be progressive to counterbalance regressive forms of taxation such as on property and consumer purchases (sales or value-added taxes). The Liberal government has taken a positive step in this direction by adding a new tax rate of 33% for incomes above \$200,000, which the AFB adopts this year. (Previous AFBs proposed a 35% tax rate on incomes above \$250,000.)

However, the lower rate the government has proposed for the second tax bracket is not progressive, as the biggest beneficiaries would be families making between \$166,000 and \$211,000 (near the top 90–95% of the tax bracket). These families get over \$500 in tax reductions on average while two-thirds of tax filers (who earn less than \$45,000 in taxable income) will get nothing.<sup>7</sup>

The AFB cancels this tax rate reduction and utilizes pre-existing transfers to the Guaranteed Income Supplement (GIS) and the National Child Benefit Supplement (the Canada Child Benefit under the proposed new regime) to better target those in need.

### **Tackle tax havens and cheats**

Canada is losing billions of dollars to tax avoidance, tax evasion, and tax havens. The previous federal government made huge cuts to the Canada Revenue Agency, laying off auditors and crippling the agency's ability to ensure everyone pays their fair share of taxes.

The AFB will increase the capacity of the CRA to go after tax evasion through tax havens. It will limit corporate tax-dodging by requiring there to be “economic substance” to any offshore subsidiaries for the purposes of calculating income taxes, as was proposed in Bill C-621 in 2014.

A \$30-million investment in 2005 to CRA's international compliance division yielded \$2.5 billion in recuperated tax revenue over four years. Since tax avoidance is a much bigger problem now than it was even then, the AFB would boost tax haven-focused enforcement capacity by \$50 million, which should raise an additional \$5 billion over four years. (Annual revenue: \$750 million and rising.)

There was \$199 billion of Canadian direct investment in tax havens in 2014 — a quarter of all Canadian direct investment abroad — and that is just what is officially reported in corporate balance sheets. The main reason for channeling investments through tax havens is to avoid paying taxes in Canada. The AFB will apply a 1% withholding tax on Canadian assets held in tax havens to raise \$2 billion in annual revenue, declining over time.

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.



## Introduce green taxes to address climate change

For many years, the AFB has proposed the introduction of a progressive national carbon tax. This would be harmonized with provincial carbon taxes, or “carbon prices,” where they exist in order to ensure a minimum rising threshold that would send a strong price signal to businesses and households. The AFB would ensure a broad-based carbon tax is in effect in all provinces and territories starting at a minimum rate of \$30 per tonne of CO<sub>2</sub> emissions on January 1, 2017. This rate would rise by \$5 per tonne, per year until it reaches \$50 per tonne in 2021.

A substantial share of the revenues from a carbon tax would go to a “green” tax refund to ensure a majority of Canadian households are better off after accounting for their increased costs as a result of the carbon tax. This would amount to an annual cheque equivalent to \$10 for every adult and \$5 per child for every \$1 per tonne in carbon tax (e.g., \$300 per adult for a carbon tax of \$30 per tonne).

The remainder of the revenues would go to complementary investments in climate change mitigation and adaptation, including for renewable energy, energy efficiency,

public transit, retrofits for low-income housing, and transition measures for the most affected workers and communities. The carbon tax would also include border tax adjustments to ensure Canadian industry is not put at a competitive disadvantage, and to put pressure on other countries to also introduce similar measures (with exemptions for impoverished nations).

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## Notes

- 1 “Table 5.2.4.” *Federal Budget Plan 2015–16*. Ottawa: Department of Finance.
- 2 Liberal Party of Canada (2015). *A New Plan for a Strong Middle Class: 2015 Election Platform*.
- 3 Wolfson, Michael et al. (2014). *Piercing the Veil: Private Corporations and the Incomes of the Affluent*. Montreal: Institute for Governance of Public and Private Organizations.
- 4 Brennan, Jordan (2015). *Do Corporate Income Tax Rate Reductions Accelerate Growth?* Ottawa: Canadian Centre for Policy Alternatives.
- 5 See Sanger, Toby (2011). *Fair Shares: How Banks, Brokers and the Financial Industry can Pay Fairer Taxes*. Ottawa: Canadian Centre for Policy Alternatives.
- 6 Piketty, Thomas (2014). *Capital in the 21<sup>st</sup> Century*. New Haven: Harvard University Press.
- 7 Macdonald, David (2015). *Liberal election platform shifts chips for the rich, takes a pass on the middle class*. Ottawa: Canadian Centre for Policy Alternatives.

# Agriculture

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## Background

Over the past decade, the erosion of the agricultural institutions that benefit Canadian farmers has intensified as the Canadian agricultural sector is re-aligned to create more opportunities for powerful global agribusiness corporations to extract wealth from farmers and rural communities. International trade agreements are being used to simultaneously justify and advance this process. Family farmers are facing increasingly higher financial risks brought on by policies that promote high volumes, low prices, and input- and capital-intensive production for export markets.

Meanwhile, public investment in the agricultural sector has declined, as it has in other sectors. This loss is especially felt in rural areas, where the decline of infrastructure intensifies hardships experienced by family farmers who remain on the land among dwindling rural populations.

The number of new farmers is being limited by the upcoming generation's access to land and their appetite for debt. Young farmers who enter large-scale production must often shoulder debt burdens that far exceed their urban counterparts' student loans. Many can't buy land because of competition from companies funded by wealthy investors who are assembling large

farmland holdings for speculative purposes. The farmers who rent from these companies have less autonomy and less security of tenure than they would as land owners. Young people who want to farm but are unable or unwilling to take on massive debt are operating at a smaller scale by using alternative land tenure relationships, direct marketing approaches, and low-input, often labour-intensive production to make ends meet. While their methods and products are supported by customers in food-conscious communities, they are given little encouragement by government policies and programs.

A new suite of agriculture policies — and the budget to support them — is needed. One that makes it a priority to keep farmers on the land, encourages new and young farmers, reinvests in public research, and rebuilds farmer-controlled marketing institutions. Otherwise, we will continue to see declining farm numbers, mounting debt, rural depopulation, and stagnant net farm incomes.

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## Current Issues

In December 2011, the Canadian Wheat Board's (CWB) legislated single-desk authority was eliminated, its farmer-elected directors were dismissed, and the remain-



ing government-appointed directors were tasked with privatizing or liquidating the CWB by 2017. In 2015 the remaining assets of the CWB were given to a partnership comprising the multinational grain company, Bunge, and the Saudi Arabian agriculture investment fund, SALIC. In return, this partnership, known as G3, promised to invest \$250 million into the company. The amount of public money the federal government invested prior to turning over the former CWB's assets to G3 is unknown, because audited financial statements have not been made public.

The single-desk CWB was not a grain company, it was an agent of prairie farmers that was empowered to market all prairie wheat and barley sold for export or for domestic human consumption. All proceeds of grain sales, net of operating costs, were returned to farmers each year, because the CWB's legislation prohibited retained earnings. Western grain farmers' beneficial ownership<sup>1</sup> of the grain extended from farm gate to end-use customer. This meant that all the appreciation in the value chain — from seed developed by plant breeders to the efficient assembly and transportation of shiploads according to customer specifications — was returned to farmers with their final payment every crop year. Today, farmers' ownership of their crops ends when those crops are purchased by a private grain company, thus any value-chain improvements are captured by the companies and not the farmers. Lower prices paid to farmers mean billions of dollars no longer entering or staying in the prairie economy. Meanwhile, multinational grain

companies have experienced vast increases in profits from their Canadian operations.

In 2015, the *Agriculture Growth Act* took effect. It brought Canada's *Plant Breeders Rights' Act* under the International Convention For The Protection Of New Varieties Of Plants (UPOV) regime. Adopting a UPOV '91-compliant seed law was a condition of Canada's joining the Trans Pacific Partnership agreement negotiations. This law gives seed companies greater property rights pertaining to new seed varieties. They gain more power to collect royalties and exclusive rights to import and export new varieties, among other things. Hand in hand with granting companies additional power over seed, the federal government shut down and/or reduced funding to public plant breeding institutions. The Cereals Research Centre in Winnipeg was closed, and federal scientists were directed to stop short of developing commercial varieties. Instead, promising germplasm lines that they develop are to be sold to private seed companies to finish, so the companies can obtain property rights for the resulting varieties and collect royalties when they sell the seed to farmers.

In October 2015, the Trans Pacific Partnership (TPP) negotiations were concluded. The text of the deal was published a month later. If ratified, the TPP will harm Canada's supply management system by increasing tariff-free access to Canada's domestic dairy, chicken, turkey and egg markets, thereby reducing the market share available to our own farmers. If the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) is also ratified, it will further erode Canada's dairy system.

CETA gives the EU a significant portion of our high-value cheese market, which will reduce both the total amount of milk produced on Canadian farms and the economic benefits of processing and selling made-in-Canada specialty cheeses.

Supply management provides market power for farmers and security of supply for consumers while operating without the need for government subsidies. The only ones who will benefit from breaking Canada's supply management system are multinational food-processing corporations seeking to bid down ingredient prices below the cost of production so they can capture higher profits<sup>2</sup>.

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## AFB Actions

The next five-year federal–provincial–territorial agriculture policy framework, Growing Forward 3 (GF3), is to come into effect in 2018. The AFB will redirect the vision of agriculture to align with the principles of food sovereignty and to acknowledge the relationship between climate change and agriculture by doing the following:

- 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.
- Redirect all current agricultural research funding to public and independent third-party research in the public interest, and reverse cuts to public agricultural research. (\$90 million/year)
- Include public interest research priorities as follows: renewed support for public plant breeding to develop varieties across a wide variety of crops adapted to Canadian regional climates; support for public plant breeding undertaken in conjunction with farmer-directed organizations that direct funds towards the development of new varieties (e.g., the Western Grains Research Foundation); new research and assessments of the use of neonicotinoid insecticides and farming practices that could increase biodiversity; and assessment and implementation of integrated pest management (IPM) programs run in the public interest and designed to benefit farmers and both natural and agricultural ecosystems.
- Launch a *Seed Act for Farmers*. The fundamental principles of this law will include the right of farmers to exchange and sell seed; 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 (after rights expiration, varieties would be in the public domain); and a seed 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.

- 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. A mechanism will also be established to develop additional producer car-loading sites when requested by farmers, and ensure that the Canadian Transportation Agency has the funding and resources to enforce the statutory common carrier obligations of Canadian railways under the *Canada Transportation Act*.
- Restrict the use of the Advance Payments Program to active farmers, and prevent farmland investment companies from using federally backed financing to subsidize land acquisitions when it is intended to support farmers.
- Support new and young farmers by lowering the cap on government support programs and making effective, affordable financing programs available to new farmers. Support will include micro loans and small grants, funding for farm apprenticeship programs and training. A prohibition will be placed on foreign, outside-investor, and absentee land ownership. (\$250 million/year)
- Recognizing that supply management provides Canadian farmers with a stable income based on the cost of production, the government will reject both CETA's and the TPP's allocation of parts of Canada's supply-managed commodities' markets, and will address loopholes to stop the dumping of dairy protein products into Canada's market.
- Safeguard the space for domestic food production for the long-term and reinvestment in Canadian fruit, vegetable and livestock/meat production and processing capacity that is distributed across the country. Globalization and the focus on increasing international trade has resulted in more of the food Canadians eat every day being imported, and thus subject to currency exchange rate fluctuations (for example, the current food inflation tied to imported foods being purchased in expensive U.S. dollars), external political events, and transportation issues.
- Re-establish the Prison Farm Program. In addition to providing effective rehabilitation for prisoners, prison farms produce wholesome food and provide valuable agricultural infrastructure that surrounding communities are also able to use. (\$4 million/year)
- Position family farmers as land stewards working to mitigate climate change by providing funding and support for measures such as improved crop rotations and increased cover cropping to lessen the requirement for fossil fuel-based inputs (such as fertilizers and herbicides) and the planting of windrows to stop soil erosion while sequestering atmospheric carbon. AFB programs that

help farmers increase their crop diversity will also help them to weather the financial risks that come with unpredictable weather caused by climate change. (\$100 million/year)

- Reinstate federal funding for the publicly owned community pastures program originally established under the Prairie Farm Rehabilitation Administration branch of the Department of Agriculture and Agri-Food. (\$25 million a year)
- Restore funding to the Prairie Shelterbelt program and tree nursery, located

at Indian Head, Saskatchewan, which provides seedlings to farmers across the prairies. (\$5 million/year)

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## Notes

**1** A beneficial owner is entitled to the benefit of owning the property in question even though the title to that property is in another's name, usually in situations where the other party acts as an intermediary on behalf of the beneficial owner.

**2** See the Trade Policy chapter for more analysis on this topic.

# Arts and Culture

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## Background

For generations of Canadians, arts and culture are sources of inspiration and national pride. Arts organizations push the envelope of artistic practice both in Canada and on the international stage to engage diverse audiences and open up critical conversations about a number of issues. Canadian artists and cultural workers show commitment and generosity toward their communities at the local, provincial, and national levels. This spirit is echoed throughout the performances, exhibits and events produced by creative businesses, not-for-profit organizations, charities, and ad-hoc collectives.

Sustaining a vibrant cultural sector helps to ensure that Canada remains one of the best places in the world in which to live, invest, innovate, and compete. The arts and culture sector contributed \$48 billion to Canada's gross domestic product (GDP) in 2010.<sup>1</sup> It employed roughly 650,000 workers in 2010.<sup>2</sup> For-profit creative and cultural industries, not-for-profit arts organizations, and artistic entrepreneurs comprise 3.7% of Canada's work force. This is two-and-a-half times larger than real estate (254,200 workers), almost double that of farming (339,400 workers), and only slightly smaller than that of the trades (733,500 workers).<sup>3</sup>

A growing consensus accepts arts investment as a cost-effective catalyst for high economic returns. Further investment in arts and culture will strengthen the capacity of artists and arts organizations, leading to increased presence in global markets, strong digital content, and the ability of the next generation of Canadian artists to fulfill their potential. In its 2008 report *Valuing Culture: Measuring and Understanding Canada's Creative Economy*,<sup>4</sup> the Conference Board of Canada noted that cities rich in cultural resources are hotbeds of creativity, generators of economic wealth, and magnets for talent.

Historically, the strength that the sector provides to the Canadian economy has been largely untapped by the federal government. Funding levels have remained stable from the 2014–15 federal budget to the 2015–16 one, but previous cuts, lack of new investment, and low per-capita spending has led to a tightening of expenditures in key programs across arts, heritage and culture.

Previous AFBs alongside the volunteer-run Canadian Arts Coalition have long advocated for increased support for CBC/Radio-Canada, the Canada Council for the Arts, Telefilm Canada and the National Film Board and for the restoration of international cultural promotion programs. Those measures appear likely to be implemented in the coming year. It is imperative that the sector con-

tinues to advocate for support and hold the government accountable to its commitments for the 2016–17 federal budget.

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## Current Issues

Public investment is the backbone of Canada’s cultural ecosystem. According to the Conference Board of Canada, \$1.85 is added to the overall real GDP for every dollar of real value-added GDP produced by Canada’s cultural industries, and performing arts organizations generate \$2.70 in revenues for every dollar they receive from governments.<sup>5</sup>

However, the current average total individual income of a Canadian artist is just \$32,800 — 32% less than average total individual income for the overall labour force in Canada (\$48,100). A cultural worker’s average total individual income is \$42,100 — 12% less than the overall labour force. Average incomes for minorities in the sector are even lower: visible minority artists earn an average annual income of \$23,800, immigrant artists \$25,200, and Indigenous artists \$22,700.<sup>6</sup> Investing in our emerging, mid-career, and established arts professionals is integral for sustainability in this sector.

Along with investment, inclusivity must be at the core of how the Canadian arts and culture sector operates. Canada’s cultural community is extremely diverse, including Indigenous and racialized peoples, people of all abilities, official-language minorities, and others who have been historically marginalized. In 2011, Canada was home to roughly 6.8 million foreign-born individuals — 20.6% of the total population, and almost 1% more

than the number 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.<sup>7</sup>

Further, Statistics Canada reports the following:

- In 2017, racialized peoples will comprise 19%–23% of the Canadian population, and Indigenous peoples will comprise 4.1%.
- In 2021, racialized peoples will comprise 29%–32% of the Canadian population — between 11.4 and 14.4 million people. This population will also include more youth under the age of 15 (36%).
- Canada’s Indigenous population is growing more quickly than the rest of the population. This population is also much younger, with Indigenous youth to form a major part of Canada’s future workforce.
- The number of people whose first language is neither English nor French will increase to 29%–32% by 2031, up from 10% in 1981.<sup>8</sup>

Demographic shifts are reflected in audiences as well. The Cultural Human Resources Council has noted the following issues:

- Although our aging population may have both time and disposable income, responding to their evolving interests requires ongoing attention.
- The shrinking attendance of “baby boomers” and the relative lack of engagement/development of younger audiences must



be addressed, since this affects the market for live entertainment.

- Accessibility of venues for persons with disabilities must be improved.
- Other changes in audience demographics may require the development of new genres, challenging presenters to maintain core audiences while building new ones.<sup>9</sup>

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

Clearly, arts organizations see the importance of responding to the needs and issues of all Canadians. In addition, 92% of Canadians believe that arts experiences are a valuable way of bringing together people from different languages and cultural traditions, and 87% of Canadians believe that arts and culture help us express and define what it means to be Canadian.<sup>10</sup> Targeted investment by the federal government will enable arts organizations to respond to the opportunities and challenges presented by Canada's changing demographics and advancements in technology.

## **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. While the ratios vary between sub-sectors and regions, the impact of the federal government's cultural policy and spending priorities is significant. They help to develop new markets and venues, provide incentives for donations and sponsorships through the tax system or through matching contribution programs, and subsidize particular aspects of cultural production.

The federal government's primary vehicle for sustaining the work of artists and arts organizations is the Canada Council for the Arts. This arm's-length agency 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.<sup>11</sup>

## **Strengthening Canada's ties and cultural image across the globe**

Artists and arts organizations are effective cultural ambassadors for Canada on the world stage, embodying Canada's diversity, innovation, and accomplishment. The federal government recognizes this, and has made a commitment to celebrate Canada's divers-

ity and share our cultural stories with the world.<sup>12</sup> Cultural promotion abroad also has the potential to result in diversified revenue streams, more jobs here at home, growth, and stability. Canadian artists, arts organizations, and the trade and tourism sectors will benefit directly from these work opportunities and increased activity.

With the 150<sup>th</sup> anniversary of Canada's confederation nearing, arts and culture plays an essential role in celebrating our nation's diversity around the world. The federal government has made it a priority to review current plans for the Canada 150 program, and has promised to champion this important celebration.

But 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. It is therefore essential that Global Affairs Canada promote our global cultural presence through Canadian embassies, trade and business development, and the international circulation of artists and their works.

### **Providing digital access to Canadian cultural content**

Digital platforms provide the ability to reach multiple markets in the global community simultaneously. However, since the end of the Canadian Culture Online initiative a decade ago, Canada has only widened a cultural trade gap that sees far more foreign cultural content coming in than flowing out.

Foreign content can now be accessed online through internet providers as well as through new unregulated and ubiquitous service providers who are exempt from Canadian content regulations and contributions.

To create a healthy competitive environment where Canadian culture is readily accessible, private and public revenue models must be reviewed and a comprehensive Canadian cultural digital strategy developed. Such a strategy will benefit all Canadians by enabling equal access to creativity and innovation by and for Canadians and creating greater opportunities for Canadian artists, thereby building local economic development and jobs for years to come.

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### **AFB Actions**

The AFB will do the following:

- Increase Parliamentary appropriations to the Canada Council for the Arts, which stands at \$181 million, by \$90 million in 2016 and \$180 million in 2017, with a long-term goal of reaching \$360 million by 2020. *Result:* artists and arts organizations will be supported in strengthening the Canadian economy; Canadians will be provided with better access to artistic work from all regions of Canada that reflects our rich cultural landscape.
- Increase the funding to CBC/Radio-Canada by \$75 million in 2016 with a long-term goal of reaching \$150 million by 2020. *Result:* CBC/Radio-Canada's capacity as a national public broadcaster will be strengthened, thereby increas-



ing its ability to reflect Canada's regional and cultural diversity.

- Restore the PromArt and Trade Routes international cultural promotion programs, with an initial investment of \$10 million in 2016, to be renewed annually at \$25 million until 2020, and create an integrated strategy with Global Affairs Canada. *Result:* Canadian artists will be better able to create and disseminate art to others around the world, leading to international engagement with Canadian culture.
- Investigate new revenue models to support a comprehensive Canadian cultural digital strategy that would enable the creation, dissemination and engagement of Canadian cultural content online. *Result:* Canadian artistic reach to multiple markets will be enabled, while connecting Canadian identity to a diverse global community.

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## Notes

**1** "Provincial and Territorial Culture Satellite Account, 2015." Ottawa: Statistics Canada. This figure considers the production of culture goods and/or services across the economy regardless of the producing industry, including non-cultural industries.

**2** "Provincial and Territorial Culture Satellite Account, 2015." Ottawa: Statistics Canada. This figure considers the jobs related to the production of culture goods and/or services across the economy regardless of the producing industry, including non-cultural industries. The number of culture jobs (642,486) is lower than the number of jobs in culture industries (707,012). The latter covers all jobs in the culture industries required to produce both culture and non-culture output. For example, the performing arts industry may require an in-

dividual 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). In comparison, Statistics Canada's Survey of Employment, Payrolls and Hours reports that 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 PTCSA 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 (671,100 people in cultural occupations) and the Labour Force Survey.

**3** Hill, Kelly (2014). *Statistical Profile of Artists and Cultural Workers in Canada*. Hamilton: Hill Strategies Research Inc.

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

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

**6** All income information from: Hill, Kelly (2014). *Statistical Profile of Artists and Cultural Workers in Canada*. Hamilton: Hill Strategies Research Inc.

**7** "National Household Survey 2011." Ottawa: Statistics Canada.

**8** *Projections of the Diversity of the Canadian Population: 2006 to 2031*. Ottawa: Statistics Canada. See also: Harvey, Jocelyn (2003). *Creative Management in the Arts and Heritage: Sustaining and Renewing Professional Management for the 21<sup>st</sup> Century: A Proposed Action Plan for Creating Winning Conditions*. Ottawa: Canadian Conference of the Arts.

**9** *Training Gaps Analysis: Presenters*. Cultural Human Resources Council.

**10** Phoenix Strategic Perspectives Inc. (2013). *The Arts and Heritage in Canada: Access and Availability Survey 2012*. Ottawa: Canadian Heritage.

**11** Canada Council for the Arts. *Funding to Artists and Arts Organizations 2013–2014: National Overview*, p. 1.

**12** Government of Canada. "Minister of Canadian Heritage Mandate Letter." Prime Minister of Canada, Justin Trudeau. November 2015. <http://pm.gc.ca/eng/minister-canadian-heritage-mandate-letter-sthash.Neltzzzj.dpuf>

# Child Care: Early Childhood Education and Care

In the 2015 federal election, three of four political parties supported the development of a national early childhood education and care (ECEC)<sup>1</sup> program. The new Liberal government began with a strong mandate to fulfill its election platform promise to “begin work on a new National Early Learning and Child Care Framework to deliver affordable, high-quality, flexible, and fully inclusive child care for Canadian families.”<sup>2</sup> The new government’s child care commitment is part of a broader family support policy package including the new Canada Child Benefit (incorporating the previous government’s Universal Child Care Benefit) along with more flexible maternity/parental leave.

Federal leadership on child care could not be timelier. In 2008, Canada ranked last on ten ECEC indicators among peer nations.<sup>3</sup> The Conservative government had just cancelled the national child care program that would have made substantial cash transfers to provinces/territories, and withdrawn the federal government from any role in improving child care provision.

Although some provinces have made progress, child care remains unaffordable, unavailable, and inconsistent in quality for most Canadians. Concerns about child care and affordability in general<sup>4</sup> are relevant across the population, but Aboriginal peoples face additional barriers to accessing

child care that respects the unique “histories, status, cultures, customs, languages and rights of their children, families and communities.”<sup>5</sup> Although the federal government has direct responsibility for Aboriginal child care, funding under the Conservative government was “virtually static since 2006, and dropped in 2008/2009.”<sup>6</sup> In its 2014 report *A Cold Wind Blows*, the BC Aboriginal Childcare Society concluded that “the decline of federal interest in Aboriginal [ECEC], together with a weak provincial commitment to Aboriginal [ECEC] policy and programs, and the continuing high child and family poverty rates in BC mean that the current policy environment for ensuring effective and responsive Aboriginal ECDC and programs for the majority of Aboriginal children in BC is a chilly one indeed.”<sup>7</sup>

Like health care and other social programs, child care is considered to be a provincial/territorial responsibility. However, a federal leadership role has been accepted as key to child care policy and funding since the 1970s. One reason that federal leadership is required is that child care across Canada has developed as a fragmented patchwork. Child care could resemble a more coherent system like public education, with long-term goals, planning, substantial public funding, and public management, but most provincial/territorial gov-

ernments continue to allow market forces to shape, finance, and deliver every aspect of child care services.

Outside Quebec,<sup>8</sup> parent fees cover most costs in regulated and unregulated child care. Most public funding comes through vouchers, cheques, or parent-fee subsidies as opposed to direct payments to service providers held publicly accountable for delivering affordable, high-quality child care services. The private sector (large child care chains, smaller entrepreneurs, and non-profit and charitable organizations) largely determines when and where child care services open and close. Non-profit and for-profit operators finance much of the capital cost and deliver most regulated child care with little public management or public planning.

This market-driven approach to child care has resulted in the following problems:

- **High user fees** — Access to regulated child care is out of the reach of many families, and fee subsidies for lower-income families fail to fill the gap. A 2015 study of fees in large cities concluded that Toronto's infant-care fees were highest, with parents paying \$1,736/month, while Quebec<sup>9</sup> cities had the lowest fees at \$174/month for all ages. The next-cheapest cities for infant care were Winnipeg (\$651/month), and Charlottetown (\$738/month). The study also found that fees have increased by 5% since 2014 — about five times the rate of inflation.<sup>10</sup>
- **Shortage of child care spaces** — Actual provision of child care services is far below the demand for them, and expansion is slow. More than 70% of mothers are employed, but there are spaces in regulated child care centres for only 24% of children aged 0–5.<sup>11</sup> Space shortages are particularly bad for infants, in Indigenous and rural/remote communities, and for people who work outside standard hours. Children with disabilities are frequently excluded because underfunded service-providers cannot accommodate their additional needs. As a result, many parents rely on unregulated care that is without public oversight. For-profit child care providers, which generally provide lower-quality care than non-profit programs,<sup>12</sup> benefit from the government policy void that drives desperate parents to use whatever is available. In 2014, for-profits delivered 30% of centre spaces,<sup>13</sup> up from 20% in 2004. Multiple for-profit chains are growing across Canada and now operate more than 20 centres each.
- **Low staff wages** — A 2012 survey found child care staff earned \$16.50/hour (median gross) Canada-wide, up only slightly from \$15.36 (inflation-adjusted) in 1998.<sup>14</sup> Low wages — particularly in for-profit centres — are an impediment to recruiting and retaining the well-qualified staff that are essential to providing high-quality child care.
- **Limited integration of care and education** — Although child care and kindergarten are usually administered in the same government department, they remain separated by starkly different policy and funding approaches. With low

wages and low educational standards relative to other developed countries,<sup>15</sup> child care services in Canada often fall short enough that they cannot be considered broadly “educational.” Eight provinces/territories now provide full-school day kindergarten for five-year-olds; Ontario also provides full school-day kindergarten for all four year olds.<sup>16</sup> This expansion of kindergarten hours highlights the benefits of public education systems: all children have the legislated right to participate, they are taught by teachers educated at post-secondary level who earn decent wages, and there are no direct parent fees. But these benefits are not available outside of school hours to the majority of working parents who need child care, nor are they available to those with children who are younger than kindergarten age.

- **Low public funding** — The most recent data shows that public spending for each regulated child care space in Canada has not changed over the last six years, even without adjusting for inflation. In 2007/08 Canadian governments spent an estimated \$3,560 per regulated space; in 2013/14 it was \$3,558.<sup>17</sup> Spending has been fairly static since the OECD<sup>18</sup> calculated Canada’s public spending on child care plus kindergarten to be only 0.25% of GDP (2006); this is about about one-third of the OECD average (0.7%) and far less than the international minimum benchmark of *at least 1%* of GDP for children 0–5 years of age.<sup>19</sup>

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## Current Issues

Two elements are key for shaping high-quality, accessible child care: robust public policy and substantial, well-directed public funding. Neither is significantly present in Canadian child care today. However, there is new cause for optimism, as three essential components to building a strong ECEC system have recently aligned: a strong evidence base, broad consensus, and political will.

The **evidence base** provides the firm foundation on which to build an effective ECEC system. The economic and social benefits of high-quality, affordable child care have been extensively studied and are now widely accepted in the research literature.

Next, a **broad consensus** helps to ensure public support for the proposed system. The 2014 Childcare2020 national policy conference led to a common vision paper grounded in the evidence base.<sup>20</sup> The paper’s call for a public system gained even more support in the weeks leading up to the 2015 election, as shown by multiple public polls.<sup>21</sup>

Finally, **political will** is evident from the election commitments made by Canada’s new majority federal government. As noted above, the government committed to meet with provinces, territories, and Indigenous communities within its first hundred days in office to begin work on researching “evidence-based policy, and best practices in the delivery of early learning and child care.”<sup>22</sup> Prime Minister Trudeau said in an interview that “...there is a need for national leadership to make sure that early learning and child care happens,”<sup>23</sup> and in 2014 he told Childcare2020 conference delegates:

As a country, we need to prioritize access to child care for every family that needs it. It must be affordable, available, and of the highest quality possible. When we're talking about our kids' development, we can't cut corners.<sup>24</sup>

However, our optimism must remain cautious until broad statements are turned into specific actions that move us to a public child care system. This will require strong and sustained federal leadership.

Further, there is a significant problem with the new government's child care commitment: the public funding component is not commensurate with the commitments or the research evidence, either in style or substance.

From a style perspective, the funding commitment is part of a broader social infrastructure fund to provide transfers to provinces/ territories not only for child care but also for affordable housing, seniors' facilities, women's shelters, and cultural/recreational infrastructure. Yet we know that when child care funding is bundled with other funds (as it is now in the Canada Social Transfer), little progress is achieved. Dedicated child care transfer funds are required.

In terms of substance, the amount of the federal funding commitment is simply too small. The social infrastructure fund provides a total of \$6 billion over the next four years (\$1.5 billion per year, on average), rising to \$20 billion over 10 years (\$2 billion per year, on average). While the ECEC spending required in year one is relatively modest (to allow time for effective federal/provincial/territorial/Indigenous planning

and preparation), substantial annual funding increases will be required after that to achieve the minimum established benchmark of 1% of GDP.

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## AFB Actions

The AFB will commit \$600 million of federal funding in 2016/17 through a dedicated and sustained social infrastructure stream. This funding will increase by \$1 billion over each of the following five years. The program will be evaluated at the five-year mark. It is expected that funding will increase until a mature universal program is achieved.

Consistent with the ChildCare2020 consensus vision, the AFB will also do the following:

- Provide \$100 million to empower Indigenous communities with the resources to begin to design, deliver, and govern ECEC systems and services that meet their needs and aspirations; and
- Provide \$500 million to provinces/ territories committed to developing their own policy frameworks based on principles of universality, high quality, and comprehensiveness. These would be based on the following components:
  - *Public plans* for developing integrated systems that meet the care and early education needs of children and their parents;
  - *Public management* of the expansion of public and non-profit services under public authorities, through



public planning processes (including integrating existing community services into publicly managed systems);

- *Public funding* delivered directly to ECEC services rather than through individual parent-payment measures, which will create and maintain high-quality and accessible services through predictable, dedicated funding; and
- *Public reporting* in federal, provincial, and territorial legislatures on quality, access, and other elements of the ECEC system.

The AFB will also commit to reviewing and developing a plan for strengthening the federal/provincial/territorial approach to maternity/parental leave with respect to eligibility, flexibility, adequacy of benefits, special considerations (such as children with disabilities, and adoption), and earmarked leave for a parent who is not the birth parent in a couple.

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## Notes

**1** While the terms “early childhood education and care” (ECEC) and “child care” are often used interchangeably, we use ECEC as an aspirational term meaning full- and part-time care and learning services for children from birth to compulsory school age, including centres, pre-schools/nursery schools, regulated home child care, kindergarten and family resource programs, as well as outside-of-school-hours care for children up to age 12.

**2** <https://www.liberal.ca/realchange/child-care/>

**3** UNICEF. (2008). *The Child Care Transition. Report care #8*. Florence: UNICEF Innocenti Research Centre.

**4** Given, for example, the high cost of housing, stagnant incomes, the prevalence of precarious work, and exorbitant student debt, as discussed elsewhere.

**5** First Call: BC Child and Youth Advocacy Coalition (2015). *Make BC’s Young Children and Families a Priority: A Call to Action*. P. 5. <http://firstcallbc.org/wordpress/wp-content/uploads/2015/08/ECD-Call-to-Action-FirstCall-2015-01.pdf>

**6** Friendly, M. and Beach, J. (2013). *The state of early childhood education and care in Canada 2010: Trends and analysis*. Toronto: Childcare Resource and Research Unit. Table 14.

**7** Jamieson, K. and Isaac, K., (2014). An Environmental Scan of Public Policy and Programs for Young Aboriginal Children in BC: A Cold Wind Blows, p. IV. [http://www.acc-society.bc.ca/files\\_2/documents/BCACCSENGlobalScanFINAL.pdf](http://www.acc-society.bc.ca/files_2/documents/BCACCSENGlobalScanFINAL.pdf)

**8** While the market approach is prevalent across Canada, Quebec has introduced public base funding to services and sets low parent fees, which are key elements of a public system.

**9** 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, and will increase to \$15 to \$20/day for those who earn more than \$150,000/year. See Fortin, P. (2015). How does the childcare system work and how much does a childcare space cost in Quebec?

**10** Macdonald, David and Thea Klinger (2015). *They Go Up So Fast. 2015 Child Care Fees in Canadian Cities*. Ottawa: Canadian Centre for Policy Alternatives.

**11** Friendly, M., Grady, B., Macdonald, L. & Forer, B. (2015). *Preliminary data: Early childhood education and care in Canada 2014*. Toronto: Childcare Resource and Research Unit.

**12** See, for example, Cleveland, G. et al, (2008). New Evidence About Child Care in Canada: Use Patterns, Affordability and Quality. <http://irpp.org/wp-content/uploads/assets/research/family-policy/new-evidence-about-child-care-in-canada/vol14no12.pdf>

**13** Friendly, M., et al. (2015). *Preliminary data: Early childhood education and care in Canada 2014*. Toronto: Childcare Resource and Research Unit

**14** Flanagan, K., Beach, J. & Varmuza, P. (2013). You bet we still care. A survey of centre based early childhood education and care in Canada: Highlights report. Ottawa:

Child Care Human Resources Sector Council. [http://www.wstcoast.org/pdf/YouBetSurveyReport\\_Final.pdf](http://www.wstcoast.org/pdf/YouBetSurveyReport_Final.pdf)

**15** See, for example, Bennett, J. (2008). *Benchmarks for Early Childhood Services in OECD Countries*. Innocenti Working Paper 2008-02. Florence: UNICEF Innocenti Research Centre. [http://www.unicef-irc.org/publications/pdf/iwp\\_2008\\_02\\_final.pdf](http://www.unicef-irc.org/publications/pdf/iwp_2008_02_final.pdf)

**16** Friendly, M., et al. (2015). *Preliminary data: Early childhood education and care in Canada 2014*. Toronto: Childcare Resource and Research Unit

**17** Friendly, M., et al. (2015). *Preliminary data: Early childhood education and care in Canada 2014*. Toronto: Childcare Resource and Research Unit. Table 1.

**18** 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. However, no comparative data are available as Canada's entries in the OECD Family Database and other international sources are incomplete (see, for example, [http://www.oecd.org/els/soc/PF3\\_1\\_Public\\_spending\\_on\\_childcare\\_and\\_early\\_education.pdf](http://www.oecd.org/els/soc/PF3_1_Public_spending_on_childcare_and_early_education.pdf))

**19** The 0.07% 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. [http://www.unicef-irc.org/publications/pdf/iwp\\_2008\\_02\\_final.pdf](http://www.unicef-irc.org/publications/pdf/iwp_2008_02_final.pdf), p. 38. The source of the 0.25% of GDP is Organisation for Economic Co-operation and Development. Directorate for Education. (2006). *Starting Strong II*. Paris: OECD Publishing.

**20** ChildCare2020 Steering Committee, 2014, [http://childcare2020.ca/sites/default/files/VisionChildCare2020Nov3ENG\\_.pdf](http://childcare2020.ca/sites/default/files/VisionChildCare2020Nov3ENG_.pdf)

**21** See, for example, the 2015 BC poll conducted by Mario Conesco at Insights West, <http://www.insightswest.com/news/british-columbians-want-a-real-investment-in-child-care/>

**22** *Greater economic security for middle class families*. (2015). Liberal Party of Canada platform

**23** Interview with Justin Trudeau. CBC, The House, May 8 2015

**24** Video presentation by Justin Trudeau at ChildCare2020 conference, Winnipeg, November 2014

# Cities and Communities

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## Background

Over 80% of Canadians live in cities.<sup>1</sup> Urban areas are centres of job creation, immigration, and innovation critical to sustaining our quality of life. But as urban populations have grown, investment in cities has failed to keep pace, and the infrastructure deficit has expanded. The health of cities and communities is of national concern, and federal investment in them is crucial.

The backbone of Canada's current municipal infrastructure system was built between 1950 and 1980. Since then, cities have been slowly starved. The replacement cost for aged infrastructure has ballooned as high as \$171.8 billion.<sup>2</sup> 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. Less money for cities also means less money for services like public transit, police and fire departments, libraries, water and sanitation services, and community centres.

Canadian municipalities are restricted in how they can raise revenue. They rely mostly on property taxes and user fees and cannot levy income or sales taxes. These regressive forms of revenue generation disproportionately affect vulnerable populations.<sup>3</sup> Property tax rates in some Canadian cities are among

the highest in the world.<sup>4</sup> 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 other levels of government.

With few exceptions, Canada's municipalities depend on higher levels of government to fund the large projects that are needed for urban renewal. In the early 1990s, transfers from Canada's federal and provincial governments provided 26% of local government revenues. But after 1995 transfers to cities from 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.<sup>5</sup> Local governments, especially in Ontario, increased property taxes, user fees, and service charges while reducing public services and delaying maintenance of existing infrastructure and investment in new infrastructure. Community organizations and community-based projects had trouble maintaining existing supports. 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 transfers to local governments in response to public pressure, the recession, and major structural problems with vital bridges and roads. At the federal level, the 2007 Building Canada Plan and the 2013 New Building Canada Plan offered municipalities stable, long-term revenue not enjoyed since transfers were cut in the mid-1990s. However, although these funds were an improvement, they did not fully remedy long-standing problems. Promised amounts were backend-loaded beyond the scope of the then government's mandate and ultimately proved inadequate. Even with new spending commitments, expenditure as a percentage of GDP was scheduled to start dropping again. The federal government failed to address the flaws in the funding structure itself: grants were still approved using a non-transparent process that discouraged a co-ordinated approach and led to accusations of unfairness and to projects that emphasized publicity over functionality.

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## Current Issues

### Victories on paper

Central to the recently elected Liberal government's platform is a commitment to increasing infrastructure spending by an additional \$60 billion over the next ten years. Tentative AFB victories include the following:

- increased spending in the immediate future (not backend-loaded beyond the scope of the new government's mandate);

- a new, entrenched level of funding that will see an increase in spending relative to GDP;
- dedication of federal money to public transit;
- the incorporation of a green lens for infrastructure;
- a commitment to repurpose brownfield land; and
- a commitment to remove the public-private partnership (P3) screen.

However, several unanswered questions remain.

### Funding formula

Funds have been promised but there is still no process in place for distributing them. Securing funding was a big piece of the puzzle, but making the transfer of those funds as effortless as possible is also essential. The current application-based system has been opposed by stakeholders like the Federation of Canadian Municipalities because it allows high profiles and visibility to be prioritized over function in local infrastructure projects. The Liberal platform proposed transfers based on bilateral agreements. If this principle is applied properly it will be a significant improvement, but nothing has been formally agreed to yet. Cities require a stable, long-term funding partner. They should not have to beg the federal government for money that is long overdue.

### **Public transit**

Spending commitments dedicated to public transit may represent a huge step forward, if they are implemented properly. In theory, earmarking funds means that transit projects will face less competition with other types of infrastructure development. Right now there are commitments for funding at a national level, but there is still no national transit plan. A national transit plan with tangible goals and a clear path to achieving them is badly needed. This plan should be aimed at taking cars off the road, and therefore public transit projects must be designed to increase ridership and reduce commute times for transit users.

### **Genuinely green infrastructure**

Cities are among the most important actors in the fight against climate change. The federal government has identified “green infrastructure” as a key priority but remains vague about how it plans to advance this priority. The increase in funding should be used as a lever to prompt cities to take big steps forward in properly assigning value to natural assets, limiting urban sprawl, reinvesting in brownfields, and making the long-term planning decisions required to actually make an observable environmental impact. Meaningful change will not happen by accident, there must be firmly established priorities to make it happen. In practice there are significant differences in the level of commitment to these priorities from city to city. Greening should no longer be up to the discretion of each city; it should be an unavoidable precondition for funding.

### **Role of the federal government**

The implicit overarching question is this: what role will the federal government play in advancing its plans? Cities want more autonomy, and they deserve it. The challenge ahead for the federal government is figuring out a way to relinquish control while at the same time achieving stricter discipline.

### **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, 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 work together to strengthen local economies while providing access to child care services, housing, local food, training, skill development opportunities, and other much-needed services in a way that empowers marginalized groups. These efforts build fairer and stronger local economies while creating sustainable and resilient communities. With the significant resources, capacities, and policy levers that they have at their

disposal, governments have an important role to play in supporting CED.

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. The former can be modeled after the one used by the Manitoba government. It would include a CED lens — a series of questions to help government departments assess the degree to which they are incorporating CED principles into their initiatives. This would ensure that CED principles, such as local skill development and local employment, are incorporated into government initiatives so that they can better respond to the economic, social, and environmental needs of communities. In doing so, a federal CED policy framework would promote inclusive, sustainable, and resilient Canadian communities.

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## **AFB Actions**

### **Community infrastructure transfer**

The AFB will dedicate \$7 billion a year to cities based on a formula that balances population and regional equity. This represents 1% of the GST/HST. Cities and communities need a stable, long-term funding partner who acknowledges the ongoing need for infrastructure spending at the municipal level and recognizes the systemic shortcomings that have created the current infrastructure deficit. The federal government will get out of the business of assigning an-

nual allowances to cities and approving individual projects based on short-term political goals, and move into the business of ensuring that long-term national priorities, such as climate change mitigation, are being properly addressed.

### **National Community Development Agency**

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 Community Development Agency will include representatives from all levels of government and will be tasked with removing obstacles to the smooth transmission of public resources into the productive and socially responsible investment that communities urgently need. Its mandate will include the following:

- 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 and lens modeled on the one currently used in Manitoba;

- reviewing foreign takeovers of Canadian business to assess the potential community impact as part of the foreign investment review process;
- creating an ongoing outreach strategy to promote co-construction of public policy with all levels of government, stakeholders, and civil society partners;
- developing and co-ordinating a national brownfield redevelopment strategy to bring former industrial sites back to productive community and economic use; and
- assisting municipalities in the development and implementation of community climate change strategies that will help the federal government achieve national climate change goals.

### 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 appropriate contracts. Practical examples include subcontracting to a social enterprise that provides jobs for people who face barriers to employment, using a community engagement process for the design of new buildings, providing employment opportunities for local youth, and partnering with local arts groups for community beautification. A CBC will not predetermine who may bid on a contract, but will incorporate evaluated percentage criteria that prompt bidders to show how their proposed approach would

provide residual benefits to the community (aside from price, quality, etc.). Any bidder, regardless of its 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 fund (cost: \$100 million/year for five years). The fund will provide multi-year support for the establishment and ongoing operation of neighbourhood renewal corporations (NRCs) in under-invested urban communities across Canada. 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 that are developed by the community. NRCs will also help community organizations develop proposals and apply for funding to support projects consistent with their neighbourhoods' five-year revitalization plans.

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### Notes

**1** “Population, Urban and Rural, by Province and Territory.” Ottawa: Statistics Canada.

**2** Federation of Canadian Municipalities (2012). *Informing the Future: Canadian Infrastructure Report Card*.

**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** Pomerleau, Kyle and Andrew Lundeen (2014). *International Tax Competitiveness Index*. Washington D. C.: Tax Foundation.

**5** “Population, Urban and Rural, by Province and Territory.” Ottawa: Statistics Canada.

# Defence

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## Background

The AFB has long taken the position that Canada is overspending on the military, which has been reflected in the government's policy of reducing the budget of the Department of National Defence (DND) in each of the last five years to 2014–15. The government spent only \$18.45 billion of the \$20.45 billion that was authorized for DND in 2014–15, leaving \$2 billion (nearly 10% of the entire military budget) unspent.<sup>1</sup> As a result, when measured in 2015 dollars, military spending declined from just over \$19 billion in 2013–14 to just over \$18.35 billion in 2014–15.<sup>2</sup>

The authorized military budget for 2015–16 is \$19.52 billion, which would represent a 6% increase over actual spending in 2014–15. However, given the Harper government's efforts to suppress departmental spending during recent years, it is unlikely the total authorized budget will have been spent by the end of the fiscal year, even allowing for the arrival of the Trudeau government, with its different budgetary priorities, in November of 2015.

Pundits and journalists continue to portray Canadian defence spending as being low relative to other countries. They can do this by comparing our military spending only as a percentage of the economy or GDP rather than looking at all three commonly

used measures: percentage of GDP, per capita spending, and actual dollars spent. In actual dollars, Canada is the sixth largest military spender among the 28 member nations of NATO and the 16th largest spender in the world.<sup>3</sup>

Overall, the DND budget has undergone significant reductions since its peak in 2009–10, when it was just over \$20 billion (about \$22.5 billion after adjusting for inflation). That said, about two-thirds of this reduction can be attributed to accounting changes and the decreased incremental cost of Canada's overseas military missions, most notably the winding down of the mission in Afghanistan.

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## Current Issues

### Ukraine and ISIS mission costs withheld from estimates

The overall incremental costs of the Canadian Forces' overseas missions in 2015–16 are projected in government estimates to be just \$38 million, but that does not include the costs of either the Ukraine mission or the mission against ISIS, both reported as classified.<sup>4</sup> This is the only time in the post-Cold War era that such estimates have been withheld from Parliament and the public.

Former defence minister Jason Kenney stated on April 1, 2015 that the estimated incremental cost of the ISIS mission in 2015–16 was \$406 million.<sup>5</sup> More recently, the *Toronto Star* reported that “the mission is on track to cost just over \$200 million in the current fiscal year,” with the costs for 2014–15 in the neighbourhood of \$70 million.<sup>6</sup> The estimated cost of the Ukraine mission has still not been released. Thus, the overall incremental cost of overseas missions in 2015–16 is likely to be in the range of \$240–\$444 million, with the unspecified costs of the Ukraine mission (perhaps as much as \$15–\$30 million) coming in on top of that.

In 2009–10, the incremental costs of Canada’s overseas missions totalled just over \$1.7 billion (\$1.9 billion in 2015 dollars), of which about \$1.5 billion was for Afghanistan (\$1.6 billion in 2015 dollars). The difference between the 2009–10 total and the 2015–16 total represents \$1.43–\$1.64 billion in costs that DND does not face this year.

Accounting changes further reduced the costs that must be covered within the DND budget. For example, approximately \$300 million was taken on by the Communications Security Establishment and another \$300 million, for significant IT responsibilities, is now handled by Shared Services Canada.

Thus, while DND’s authorized 2015–16 budget is approximately \$3 billion lower (in 2015 dollars) than in 2009–10, the department’s ability to fund core programs has declined by about \$800 million to \$1 billion, and potentially as low as \$500 million if the costs of the 2015–16 overseas missions end

up coming out of an additional appropriation instead of the current budget authorities.

### **Canada still a freeloader on UN peacekeeping**

In November of 2015, there were 92,620 military personnel and 13,916 police personnel serving around the world in 18 United Nations peacekeeping missions.<sup>7</sup> Canada participated in five of these missions, contributing 27 military and 85 police personnel. This puts Canada in 66th place out of 125 contributing countries in terms of overall (military and police) contributions to UN peacekeeping, just behind Paraguay (120) and just ahead of Mali (108).

If we look at military contributions only, Canada ranks even lower, tied with Bolivia for 78th place out of 116 countries, behind Switzerland (28 military personnel), and ahead of Sierra Leone (21). The incremental cost of Canada’s military contribution to UN peacekeeping missions is projected to be just \$2.85 million in 2014–15. Contrast this dismal performance with notable NATO participants including Italy (1,089 military personnel), the Netherlands (655), and Spain (612).

The 2015 AFB called for Canada to re-engage in UN peacekeeping and the Liberal government has indicated it would like to make progress on this goal. The prime minister’s mandate letter to Harjit Sajjan instructs the defence minister to work with his counterparts at Global Affairs to renew Canada’s commitment to United Nations peace operations in the following ways: providing specialized medical, engineering, and



other capabilities; developing and staffing rapid deployment capacities; and leading an international training effort of both military and civilian personnel.

The AFB welcomes and commends these undertakings and calls on the government to commit more “boots on the ground” for UN peacekeeping, and to significantly upgrade Canada’s peacekeeping capacity through a new international peacekeeping training facility for civilian and military personnel.

### **Defence policy review**

In 2015, the AFB called for a public review of Canada’s defence policy. There has been significant progress on this recommendation. Defence Minister Sajjan says he plans to complete a thorough defence policy review (Defence White Paper) by the end of 2016 — and the public will be asked to participate.<sup>8</sup> The review, which will fulfil a key election promise of the Liberal Party, is essential for updating the expensive and outdated Canada First Defence Strategy put forward in 2008. Unlike his Conservative predecessors, Minister Sajjan has correctly identified the need to define what role the military should play before moving forward with new spending and weapons programs.

### **F-35 stealth fighters**

Supporters of Lockheed Martin’s F-35 stealth jet fighter have been on red alert since Justin Trudeau, campaigning to be prime minister, promised to abandon the overpriced and underperforming program if elected. He committed to hold a competition for a

more appropriate and affordable aircraft to fulfil Canada’s needs. Controversially, Trudeau said the F-35 would not be part of that competition.<sup>9</sup>

Rejecting the U.S.-built F-35 is a long-standing priority of the AFB. The Liberal change in policy is significant, but the F-35 lobby and its allies have been working hard to keep their jet in the competition — with signs of success. The Liberal government has not restated Trudeau’s campaign promise to exclude the F-35 from the competition. Should the prime minister renege on this commitment, the F-35 lobby will then set to work on DND officials to ensure the costly jet emerges in top place.

A defence policy review would help the new government avoid this embarrassing possibility by producing a clear “statement of requirements” to replace the current fleet of CF-18s with aircraft that can safely, capably, and affordably defend Canada’s airspace. A major project such as this should also meet the standard defence procurement requirement for guaranteed investment in Canada equivalent to the cost of the aircraft. Unlike some of the competition, the F-35 cannot meet any of these essential requirements.<sup>10</sup>

### **Veterans’ Affairs**

The 2015 AFB called for a public inquiry to address the “culture of denial” that plagues Veterans Affairs Canada. Despite its commitment to fix the problems at the department that are denying veterans of services and benefits, the government’s proposed change to financial support for disabled

veterans has been labelled a “cop out” by outspoken former ombudsman Pat Stogran, since it will do little to reduce problems like homelessness.<sup>11</sup> As such, the AFB reiterates its call for a root-and-branch review of this troubled department.

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## AFB Actions

The AFB remains optimistic that continued progress can be made on building and funding a Canadian military that serves Canada’s defense needs and makes a significant contribution to UN-led peace and security initiatives. Toward that goal, the AFB will take the following actions:

- Convene consultations with veterans’ groups and experts on the mandate for an independent public inquiry into the defence department’s ongoing inability to help Canada’s most needy veterans;
- Move forward expeditiously on a defence policy review by publishing a Green Paper to focus public and expert consultations. The Green Paper should prioritize UN peacekeeping and include a policy framework for Canadian participation in military operations abroad;
- Continue to reduce Canada’s defence spending, while shifting dollars to priority areas such as UN troop contributions and training for UN peacekeeping operations;
- Withdraw Canada from the U.S.-led F-35 program and pursue a competition to

replace Canada’s CF-18s without the F-35 option.

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## Notes

**1** Public Accounts of Canada 2015, Volume 2: Details of Expenses and Revenues. Government of Canada (2015).

**2** All figures rounded to two decimal points. The IMF is estimating negative inflation in Canada for 2015 relative to 2014, producing the very unusual result that 2014 spending is shown as a slightly smaller number when denominated in 2015 dollars.

**3** Based on: *Defence Expenditures of NATO Countries (1995–2015)*. Brussels: North Atlantic Treaty Organisation and the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database.

**4** “Cost Estimate for Canadian Armed Forces (CAF) International Operations.” Department of National Defence and the *Canadian Armed Forces: Report on Plans and Priorities 2015–16*. Ottawa: Department of National Defence.

**5** Brewster, Murray. “Cost of Canada’s mission in Iraq, Syria will hit \$528 million in coming year,” *Canadian Press*, 1 April 2015.

**6** Campion-Smith, Bruce. “Canada’s ISIS mission has cost close to \$300 million,” *Toronto Star*, January 23, 2016. According to the article, government sources said the 2014–15 costs for the ISIS mission would be published in a forthcoming 2014–15 departmental performance report.

**7** See also [http://www.un.org/en/peacekeeping/contributors/2015/nov15\\_1.pdf](http://www.un.org/en/peacekeeping/contributors/2015/nov15_1.pdf) and [http://www.un.org/en/peacekeeping/contributors/2015/nov15\\_3.pdf](http://www.un.org/en/peacekeeping/contributors/2015/nov15_3.pdf) for summaries of UN missions as of November 30, 2015.

**8** Marie-Danielle Smith. “Defence minister: Military review to be completed by end of 2016.” *Embassy Magazine*, January 13, 2016.

**9** “Justin Trudeau vows to scrap F-35 fighter jet program,” *CBC News*, September 20, 2015.

**10** See discussion of the F/A-18 Super Hornet in: Byers, Michael (2015). *Smart Defence: A Plan for Rebuilding Canada’s Military*. Ottawa: Rideau Institute.

**11** Nuttal, Jeremy. “Ottawa’s Plan Not Good Enough for Disabled Vets, Advocate Says,” *The Tyee*, January 15, 2016.



# Employment Insurance

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## Background

Employment insurance (EI) is a vital part of Canada's social safety net. Successive federal governments have made the program less equitable and harder to access 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.

Despite promising a moderate expansion of benefits, the new federal government will be reducing premiums at the expense of increased access to benefits.

The basic parameters of Canada's EI system are insufficient. The benefit rate is low — just 55% of earnings averaged over the previous six months, 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 2014, women's average weekly benefits were consistently about \$60 lower than men's.<sup>1</sup>

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 benefits for more weeks. The qualifying level for

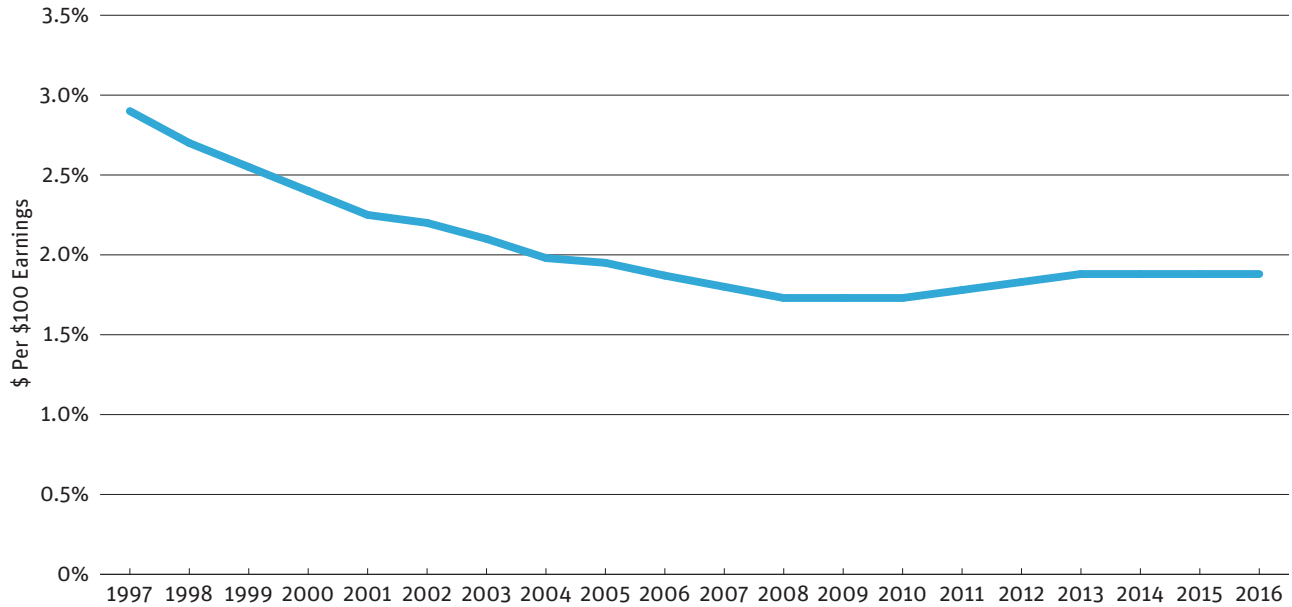
new entrants and re-entrants to the workforce is 910 hours, which represents almost six months of steady full-time work. One of the most important promises the new federal government has made is to eliminate this unfair restriction, which disproportionately impacts young workers and new Canadians.

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 on how long they have worked over the previous year. This threshold unfairly excludes 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.

There are still more than 1.2 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, which indicates that job growth has barely kept up with population growth.

**FIGURE 8** EI Premium Rate, 1997–2016



Source <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/cnt-chrt-pf-eng.html>

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 qualifying 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 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. The EI deficit was fully repaid in 2015 and the account is in surplus.

Cuts to frontline services have meant long delays in accessing benefits for many unemployed workers. The AFB will invest in more frontline workers to eliminate the backlog and ensure that EI is there for workers when they need it (see the Public Services chapter).

Despite the fact that the EI Operating Account is already in a surplus position, the new government's commitments to EI will not take effect until January of 2017. The AFB would act more quickly and expand access to EI immediately.

The federal government has promised to reverse the unwise 2012 changes to employment insurance, which created three tiers of recipients and requires workers to accept employment outside their usual field of work, at wages up to 70% lower than previous wages. This is welcome news. Changes to the Working While on Claim project are designed to benefit high-wage workers and have had a negative impact on lower-wage workers. Given that Working While on Claim has proven to be a positive pathway back into the workforce for many unemployed workers, the AFB would amend this pilot to undo the negative impact on lower-wage workers who find part-time work while receiving EI benefits.

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## AFB Actions

The AFB will take the following actions:

- Use most of the estimated \$4-billion surplus in the EI Operating Account to fund an expansion of regular benefits and training programs.<sup>2</sup> The AFB will maintain premiums at 1.88% in order to fund the ongoing expansion of access to benefits. This would raise \$3 billion in additional EI revenues.
- Implement the following key EI reforms in January of 2016 at a cost of \$1.4 billion per year:
  - eliminate the 910 hours entrance requirement for new entrants and re-entrants (\$550 million);

- parental leave flexibility (\$125 million);
- compassionate care extension (\$190 million);
- increase funding to Labour Market Development Agreements (\$1 billion); and
- reverse 2012 changes (\$35 million).
- 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 per year.)
- Restore frontline services to eliminate excessive wait times for unemployed workers in receiving benefits and in having appeals processed. (Cost: \$200 million per year.)
- Establish a uniform national eligibility requirement of 360 hours. Only about 40% of unemployed workers currently receive regular EI benefits, partly due to the disproportionate growth of temporary and part-time jobs. (Cost: \$1.2 billion per year.)

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## Notes

**1** Employment Insurance Monitoring and Assessment Report 2014. Ottawa: Statistics Canada.

**2** The 2016 Chief Actuary report estimated a \$4.6-billion surplus at December 31, 2016, but this was based on an unemployment rate of 6.6%. As of November 2015, the national unemployment rate was 7.1%. The Chief Actuary report estimates this level of unemployment would reduce the accumulated surplus to \$3.7 billion.

# Environment and Climate Change

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## Background

Prosperity and well-being in Canada, for this and future generations, will depend on healthy ecosystems. Unfortunately, that prosperity is threatened by climate change, habitat loss, invasive species, and pollution. Canada is particularly vulnerable to the impacts of climate change, which will affect our economy, infrastructure, health, food production, the landscapes around us, and the wildlife that inhabit them.

Without ambitious domestic policy action, Canada will continue to miss its international greenhouse gas (GHG) targets. The federal government must commit to its fair share of global emissions reductions, and implement a comprehensive climate action plan commensurate with its goal of doing more to mitigate and adapt to the impacts of climate change at home and abroad.

Achieving Canada's full renewable energy generation potential over the long term will help us achieve these goals. Recent research shows renewable energy will be the largest source of new power generation capacity worldwide over the next five years. Rapidly declining technology costs now yield more turbines and solar panels on the ground, meaning any federal investment in renew-

able energy infrastructure will generate much more power than it would have just a few years ago.

Canada has an abundance of diverse energy resources; there is more than enough clean energy potential to meet domestic needs and for export. The shift to a resilient, decarbonized Canadian economy must begin in 2016, as any further delay will increase transition costs over time and result in lost competitiveness in global energy markets. The AFB will start this transition toward a zero-carbon economy by supporting those energy resources that maintain a healthy environment, a safe climate, and a strong economy.

Canada has other important international commitments on climate change. Under the December 2009 Copenhagen Accord, developed countries agreed to provide three years' worth of "fast start" climate financing — toward a goal of US\$100 billion per year by 2020 — to help developing countries mitigate and adapt to climate change. Canada's contribution will be critical, not just to support action in developing countries, but also to build trust in its international negotiations.

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## Current Issues

The United Nations Framework Convention on Climate Change's (UNFCCC) 21st Conference of the Parties in Paris last year was an important step forward on a pressing collective action problem.<sup>1</sup> After 21 years of meetings, all countries have now pledged to turn away from fossil fuels. Backed by hard science, the agreement implies, but does not overtly state, that decarbonisation (i.e., 100% reliance on renewable sources of energy) must take place by the second half of this century. A ratchet mechanism in the agreement requires that countries tighten up their commitments every five years.

While it is promising that leaders in Paris recognized the need for greater ambition in the form of a 1.5-degree-Celsius limit on global temperature rise, rather than two degrees, it is not clear that politicians and negotiators understood exactly what this entails. The agreement is missing a coherent framework that clearly states a peak year for emissions, a target date for a 100% renewable economy, or a *carbon budget* — the total amount of carbon we can “safely” use before exceeding 1.5 degrees.

Pre-Paris estimates of the effect of country GHG reduction targets put the global temperature rise at three or more degrees Celsius. There is no way we can even contemplate a 1.5-degree target without serious measures to keep carbon in the ground. Given Canada's strong support for this goal in Paris, the federal government will need to adopt a much more ambitious domestic GHG reduction target (or Intended Nationally Determined Contributions (INDCs)).

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## AFB Actions

The AFB will take the following actions to meet this GHG reduction challenge, while putting Canada on a course to 100% renewable energy generation within 35 years (by 2050): create a national carbon price; contribute Canada's fair share of global climate financing; remove all direct and indirect subsidies to coal, oil, gas (including liquefied natural gas), and pipeline and refinery expansion; and support the financing of renewable energy generation and energy efficiency.

### 1. Creating a carbon tax in all Canadian jurisdictions

Carbon pricing regimes are currently in place or forthcoming in British Columbia, Quebec, Ontario, Manitoba, and Alberta. But an economy-wide carbon price will be key to achieving GHG emission reductions at the lowest cost. The limited “sector-by-sector regulatory approach” to GHG reductions of the last federal government, combined with this patchwork of carbon pricing regimes, leaves a substantial portion of the Canadian economy with few incentives to decarbonize.

The AFB will lead the development of a national carbon price to be collected by the federal government and harmonized with the provinces based on a common set of principles. It will set a stringent nationwide carbon price of \$30 per tonne, with no exemptions for any industrial sector, effective January 1, 2017. This price will increase by \$5 per tonne each year after its introduc-

tion. A portion of revenues from all carbon pricing regimes will be redistributed toward low-income families most affected by energy poverty (e.g., through retraining programs), providing a truly just transition to low-carbon energy.

The AFB will enforce a harmonized carbon price of at least \$50 per tonne of CO<sub>2</sub> by 2021 in all Canadian jurisdictions, thus providing all households and businesses in all sectors of the economy the same incentive to reduce GHG emissions and switch to low-carbon energy sources. (See the AFB Taxation chapter for more details.)

## **2. Paying Canada's fair share of global climate financing**

Developing countries face financial barriers to reducing their emissions and are already experiencing considerable losses and damages due to climate change. Recognizing this imbalance, the AFB will allocate \$1 billion annually for adaptation and mitigation activities in developing countries to reduce their dependence on fossil fuels. Reductions in GHG emissions can often be achieved much more efficiently and at a lower cost in developing countries, compared to more developed economies, since they frequently require less technology.

## **3. Removing federal carbon subsidies**

The AFB will completely phase out, over five years, all remaining federal tax credits, production subsidies, direct federal spending, and public financing for fossil fuels. These include the Mineral Exploration Tax Cred-

it (METC) for flow-through shares on coal mining (\$10 million a year), the Canadian Development Expense (CDE) for oil and gas well or mining development (\$1.1 billion a year), the Canadian Exploration Expenses (CEE) for coal mining exploratory expenses (\$182 million a year), the Accelerated Capital Cost Allowance (ACCA) provided to liquefied natural gas projects (\$9 million a year), the Canadian oil and gas property expense (COPGE) allowing companies to claim 10% of the costs of acquiring wells and rights (\$40 million a year), the duty exemption for imports of mobile offshore drilling units in the Atlantic and Arctic, the Foreign Resource Expense (FRE), and the Foreign Exploration and Development Expense (FEDE).

In addition to these fossil fuel subsidies, which total about \$1.3 billion a year, the federal government has provided significant public funding for the oil and gas industry in the form of advertising, outreach, and research support. Public financing for fossil fuel production in Canada and overseas from Export Development Canada (EDC) alone is estimated to be \$2.9 billion a year.<sup>2</sup> The AFB will conduct a systematic review of the financing portfolio of EDC, as well as Canada's financial contributions to multilateral development banks aimed at supporting investment in fossil fuel projects, which will be phased out.



#### **4. Achieving Canada's full renewable energy potential and improving energy efficiency for homes and businesses**

The AFB will work with the provinces and territories to modernize Canada's electricity infrastructure and increase renewable energy generation. In total, the AFB will spend \$3 billion over five years to accelerate Canada's transition to a fossil fuel-free future.

Natural Resources Canada will require additional resources to plan and implement this transition; for example, to upgrade and expand Canada's power grid so it can accommodate renewable inputs, in particular wind and ocean power generation in more remote locations. (Cost: \$380 million over five years.) The AFB will also commit funds to more rapidly develop existing renewable energy technologies like wind, solar, tidal, biomass, micro-hydro, and geothermal power. (Cost: \$1.35 billion over five years.)

Historically, accelerated capital cost allowances and flow-through tax credits have been used to encourage investment in the expansion of Canada's fossil fuel industry. Of the \$1.3 billion currently spent on fossil fuel subsidies, the AFB will redirect \$1.25 billion to encourage investment in clean technologies, including energy storage and new renewable energy generation.

Complementary to these efforts, which will make Canada a world leader in clean energy generation and export, the AFB will provide incentives to significantly increase energy conservation and energy efficiency in Canadian homes and businesses.

Improving energy efficiency is the cleanest, most affordable, and fastest way to reduce greenhouse gas emissions. The energy used to heat Canadian homes, run appliances, and keep lights on is responsible for roughly 14% of Canada's total GHG emissions.<sup>3</sup> We burn far more fossil fuel than we have to because of inadequate insulation, inefficient lights and appliances, and insufficient weatherproofing, with all the costs this creates for Canadian households and the environment. The AFB will fund a renewable heat program whereby incentives are provided to replace fossil-fuel fired heating systems with renewable heat sources, and renewable heating standards are phased in for new building constructions. (Cost: \$200 million over four years.)

Transportation is responsible for roughly 25% of Canada's GHG emissions, with personal vehicle transportation accounting for about one-third of this amount. Electric vehicles (EVs) have the potential to play an important role in helping the government meet its GHG reduction targets. The AFB will contribute to the widespread adoption of EVs by investing in more charging infrastructure in key travel corridors. (Cost: \$125 million over five years.) Investment in public transit and green infrastructure could lead to an even larger and more immediate reduction in GHG emissions (see the Cities and Communities chapter).

The AFB would also invest \$1.5 billion over four years to greatly improve energy efficiency in Canadian homes. This would begin by improving the capacity of key government departments to manage a National Home Retrofit Plan. Low-income families

would gain access to a specialized Home Retrofit Grant Program, which would make 50,000 homes per year more energy efficient.

A Canadian Energy Audit program would give other families an entry point for accessing a restored ecoEnergy Efficiency program, also for home retrofits. This will allow homeowners who do not qualify for the Home Retrofit Grant Program to access revolving “pay-as-you-save” federal loans based on before-and-after EnerGuide or infrared heat tests. Home retrofits offer homeowners relief from higher energy bills while significantly lowering GHG emissions from the building sector.<sup>4</sup>

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## Notes

**1** Adoption of the Paris Agreement. Conference of the Parties Twenty-first session, Paris, 30 November to 11 December 2015. United Nations Framework Convention on Climate Change. FCCC/CP/2015/L.9/Rev.1.

**2** Oil Change International, Overseas Development Institute, International Institute for Sustainable Development, November 2015. Estimate based on 2012 and 2013 data, originally reported in U.S. dollars and converted to Canadian using the 2014 IRS rate. EDC reported one transaction between \$435 million and \$870 million to India Reliance Industries Ltd. EDC’s reporting of its financing is not precise and should be investigated and publicly reported.

**3** Energy Efficiency Trends in Canada 1990 to 2010. Ottawa: Natural Resources Canada, 2013.

**4** According to Natural Resources Canada’s Report on the Review of Clean Energy Initiatives (2011), the energy used to heat Canadian homes, run appliances, and keep lights on is responsible for roughly 14% of Canada’s total GHG emissions.



# First Nations

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## Background

As a result of the historical and ongoing dispossession and marginalization of Indigenous peoples in Canada, there remains a persistent and unacceptable gap in outcomes on virtually every indicator of well-being. First Nations peoples face disproportionately high levels of poverty and lower levels of access to economic and educational opportunities. They are three times as likely to live in housing that is in need of major repairs and more likely to be without safe drinking water.<sup>1</sup> First Nations women and girls continue to experience disproportionately high rates of violence.<sup>2</sup>

This gap is the result of a relationship that has not been fulfilled; of Crown partners that have neglected treaties and ignored or subverted Indigenous rights. Closing the gap requires a fundamental transformation of the fiscal relationship between First Nations and the Canadian government. 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 basic services for First Nations since 1996. This barely keeps up with inflation, and makes no adjustments for the boom-

ing population growth in First Nations communities and the needs that come with it.

Removing the cap on funding growth and basing transfer amounts on actual need would reduce the disastrous poverty rate of First Nations children, which is currently 50%. The Assembly of First Nations estimates that the removal of the 2% cap would cost the federal government \$3.34 billion in 2016/17, noting that this investment does not account for the inadequate funding amounts that were originally imposed in 1996.<sup>3</sup>

In June 2015, the Truth and Reconciliation Commission of Canada released its principles for reconciliation along with 94 calls to action. These provide a roadmap to reconciliation and to implementing the actions set out in the Assembly of First Nations' report *Closing the Gap: 2015 Federal Election Priorities for First Nations and Canada*. Closing the gap and fulfilling human rights will be achieved by restoring the nation-to-nation relationship; fiscal fairness; committing to land, water, and environmental protection; protecting First Nations human rights; and implementing reconciliation. The recently elected federal government has committed to renewing Canada's nation-to-nation relationship with Indigenous peoples.

In addition to increased investment, new funding mechanisms — based on partnership

and the recognition of rights — are required to meet the needs of communities, ensure parity between First Nations and non-First Nations communities, and account for the real costs to First Nations governments of delivering services. New mechanisms must also ensure that every First Nation's access to sustainable resources is protected in accordance to that nation's rights and the fiduciary obligations of the federal government.

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## Current Issues

### Supporting First Nations families and communities

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

Canada's Non-Insured Health Benefits (NIHB) program currently fails to ensure that health outcomes for First Nations are comparable to those of Canadians. A long-term strategy is required for health care funding; one that is premised on realistic expenditure projections based on First Na-

tions population growth and aging rates, inflation trends over the past four years, and an annual escalator.

In 2015, First Nations developed the First Nations Mental Health and Well-Being Community Framework (FNMWCF) to answer the call for a co-ordinated and comprehensive approach to mental health and addictions programming. In 2015, the federal government invested \$350,000 to implement the FNMWCF in a few First Nations communities. The AFB will provide adequate, sustainable, flexible funding to ensure the full implementation of this program.

First Nations water quality continues to be a national concern. A national engineering assessment released by the federal government in 2011 concluded that 73% of First Nations water systems are at high or medium risk of negatively impacting water quality. Among First Nations communities, 124 remain on unsafe drinking water advisories.<sup>4</sup> Some advisories have been in place for a decade or more. Addressing water quality will require an investment of \$1 billion per year over the next 10 years.

Substandard housing conditions are another 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.”<sup>5</sup> 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 that need major repairs. Addressing housing conditions will require an investment of nearly \$1 billion per year over the next 10 years.

First Nations individuals experience higher rates and more severe forms of violence than any other population group in Canada, a discrepancy even more evident among women. 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; this was for spousal violence as well as violence perpetrated by other family members, friends, acquaintances, and strangers.<sup>6</sup> Canada must develop a national action plan to prevent and end violence against women and girls.

Rates of homicide against Aboriginal women are an estimated six times higher than for non-Aboriginal women.<sup>7</sup> 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.<sup>8</sup> There is no question that the government's recently announced national inquiry to address the high number of missing and murdered Indigenous women and girls is urgently needed. This inquiry must be fully inclusive and supportive of hearing the voices of families of those missing or murdered. Its role should be to create awareness; to ensure knowledge and understanding, including reliable data; and to provide an expert review of past approaches, root causes, and current practices of police and state institutions to ensure all levels of governments adopt tangible solutions to prevent further violence against and disappearances of Indigenous women.

First Nations Police Services (FNPS) play a critical role in ensuring public safety and keeping the peace in First Nations communities. However, while policing is generally considered an essential service within provincial jurisdictions, no similar legislative base exists for FNPS. Existing policy on First Nations policing is inadequate. It assumes that First Nation policing is an enhancement to existing policing services, which leads to chronic levels of underfunding, fewer training opportunities, and infrastructure gaps. This threatens the ability on FNPS to deliver high-quality police services, ensure safety, and deal with emerging issues such as gang activity.

### **Removing barriers to education and economic opportunities**

Improving the level of educational attainment is the foundation for long-term economic stability and prosperity. 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.<sup>9</sup>

First Nations schools are still underfunded as a result of a formula that was designed to provide education services in the 1980s, compounded by a 2% cap on increases. Some ad hoc, proposal-based funding has been added over time, but it still falls far short of addressing the gap in providing 21st century services for First Nations schools. The newly elected Liberal government has committed to “eliminate the ex-

isting funding gap in First Nations education and ensure every First Nation child receives a higher quality education.” This commitment includes an immediate new investment of \$515 million/year in K-12 education, rising to \$750 million/year by 2019/20.

The federal government has also committed a further \$500 million over three years to build and refurbish First Nations schools. First Nations are seeking clarity on the immediate provision of this equitable funding commitment, and for Canada to engage in an honourable process to develop and implement a path forward for the success of First Nations children.

Despite the fact that the majority of First Nations youth aspire to complete a post-secondary education degree, there remain persistent barriers – primarily lack of funding – to reaching this goal. The federal government’s Post-Secondary Student Support Program (PSSSP) remains the primary funding vehicle. In 2008, PSSSP supported an estimated 22,303 students at a total of \$300 million. Analysis done by the Assembly of First Nations indicated that, in actual fact, the PSSSP required an additional \$147 million in 2008 to support the real costs for those same students, plus an additional \$277 million to support First Nations people who have the qualifications and are ready to enrol in post-secondary education (see the Post-Secondary Education chapter for more details).<sup>10</sup> The newly elected Liberal government has committed an additional \$50 million/year to the program.

With the recent release of the historic Truth and Reconciliation Commission’s report, Canadians are coming to understand the

traumatic impacts of the residential school system; a system that disconnected Aboriginal children from their languages, cultures, and traditions. One lasting effect is the decline and expected loss of more than 50 Indigenous languages in Canada, where currently only three Indigenous languages are thriving: Cree, Ojibway, and Inuktitut. Much research has documented that direct bilingual or immersion language programming in schools would have an immediate, positive impact on educational outcomes. The federal government has committed funding to help Indigenous communities promote and preserve Indigenous languages and cultures across Canada. This funding would support First Nations communities in their efforts to promote and revitalize their languages, as well as for First Nations schools to offer immersion and bilingual programming for their students.

In 2012, the federal government began reducing the capacity of First Nations regional organizations and tribal councils across Canada by significantly cutting their core, operational funding. The initial indication was that all national and regional Indigenous organizations would have their funding reduced by 10%. In actual fact, by 2015, First Nations organizations had lost 65% of their operational budgets, on average. Some organizations saw their funding cut by up to 91%.<sup>11</sup> The AFB will restore funding to First Nations representative organizations at all levels – national, provincial/territorial, and tribal councils.

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## AFB Actions

The AFB will do the following:

- lift the 2% cap on First Nations essential services providing an immediate investment of \$160 million a year to bridge the funding gap;
- implement stable, equitable, and long-term funding transfer mechanisms for all First Nations programs and services, reflecting the real costs of delivering services, and honouring the original nation-to-nation relationship;
- advance treaty implementation in accordance with the spirit and intent of the agreements;
- 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/year for the next 10 years in First Nations water treatment systems;
- invest \$1 billion/year for the next 10 years to address the housing crisis in First Nations communities;
- launch an honourable joint process to close the education gap through First Nations control of First Nations education, including immediate and continuing investments in classroom funding to catch up from years of underfunding and neglect, and a guaranteed annual escalator to ensure equitable funding. Funding would start at \$465 million and would ramp up to \$844 million by 2019;
- make new investments in regional education organizations, systems development, new school construction, operations and maintenance;
- eliminate the backlog in the Post-Secondary Student Support Program (PSSSP) with \$460 million allowing all eligible First Nations students to attend post secondary education and not have high tuition costs be an impediment;
- engage in a collaborative process to develop a national action plan to address the root causes of violence experienced by First Nations women and girls;
- 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 \$120 million a year in “upstream Aboriginal health programs”;
- provide new investments of \$500 million/year for First Nations skills training and employment;
- double the current investment in emergency on-reserve shelters to \$60 million;
- invest \$50 million a year in First Nations justice systems and community-based justice programming; and
- invest in stable, predictable, sustainable, and culturally appropriate First Nations policing services.

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## Notes

- 1** National Household Survey 2011. Ottawa: Statistics Canada. 2008. *First Nations and Inuit Health: Drinking Water and Waste Water*. Health Canada. Online: <http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#s2d>
- 2** *No More Stolen Sisters*. Ottawa: Amnesty International. 2009; *What Their Stories Tell Us: Research Findings From The Sisters In Spirit Initiative*. Ottawa: Native Women's Association of Canada. 2010.
- 3** Assembly of First Nations (Unpublished). *Analysis of Investments required to lift the 2% cap*.
- 4** *First Nations and Inuit Health: Drinking Water and Waste Water*. Health Canada. <http://www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-eau-eng.php#s2d>
- 5** Evaluation Performance Measurement and Review Branch Audit and Evaluation Sector (2011). *Evaluation of INAC's On-Reserve Housing Support*. Ottawa: Aboriginal Affairs and Northern Development Canada.
- 6** Sinha, Maire (2013). *Measuring Violence Against Women: Statistical Trends, 2011*. Ottawa: Statistics Canada.
- 7** *No More Stolen Sisters*. Ottawa: Amnesty International. 2009.
- 8** *Missing and Murdered Aboriginal Women: A National Operational Overview*. (2014) Ottawa: Royal Canadian Mounted Police.
- 9** Sharpe, Andrew et al. (2009). *The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance*. Ottawa: Centre for the Study of Living Standards. p. vii.
- 10** Assembly of First Nations (2013). *Fact Sheet: First Nations Post-Secondary Education*. <http://www.afn.ca/uploads/files/pse-fact-sheet.pdf>
- 11** Assembly of First Nations (2015). *AANDC cuts to First Nation organizations and Tribal Councils — UPDATED 2015*. <http://www.afn.ca/uploads/files/usb2013/aandc-cuts.pdf>



# Gender Equality

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## Background

There are 8.5 million more women in the Canadian workforce than there were just 20 years ago.<sup>1</sup> The majority (73%) of employed women work full-time.<sup>2</sup> The growth in women's levels of employment and income has meant that family incomes have been able to keep pace with increases in the cost of living and consumer spending has continued to increase. It has also guaranteed an expanding tax base for governments.

In spite of these measurable contributions to well-being, women in Canada still face significant shortfalls in their access to the economic, social and political goods their society has to offer. Those gaps widen further for Aboriginal and racialized women, women with disabilities, transgender people, and women living in remote and Northern communities.

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## Current Issues

### Economic policies

Men and women are still paid different wages for the same work, regardless of education, age, hours or occupation — and the pay gap is growing. Women with university degrees earn 17% less than men with university degrees (for full-time work).<sup>3</sup> The less educa-

tion men and women have, the larger the gap in their pay, with the least-educated women in Canada earning 29% less than their male peers for full-time work.<sup>4</sup>

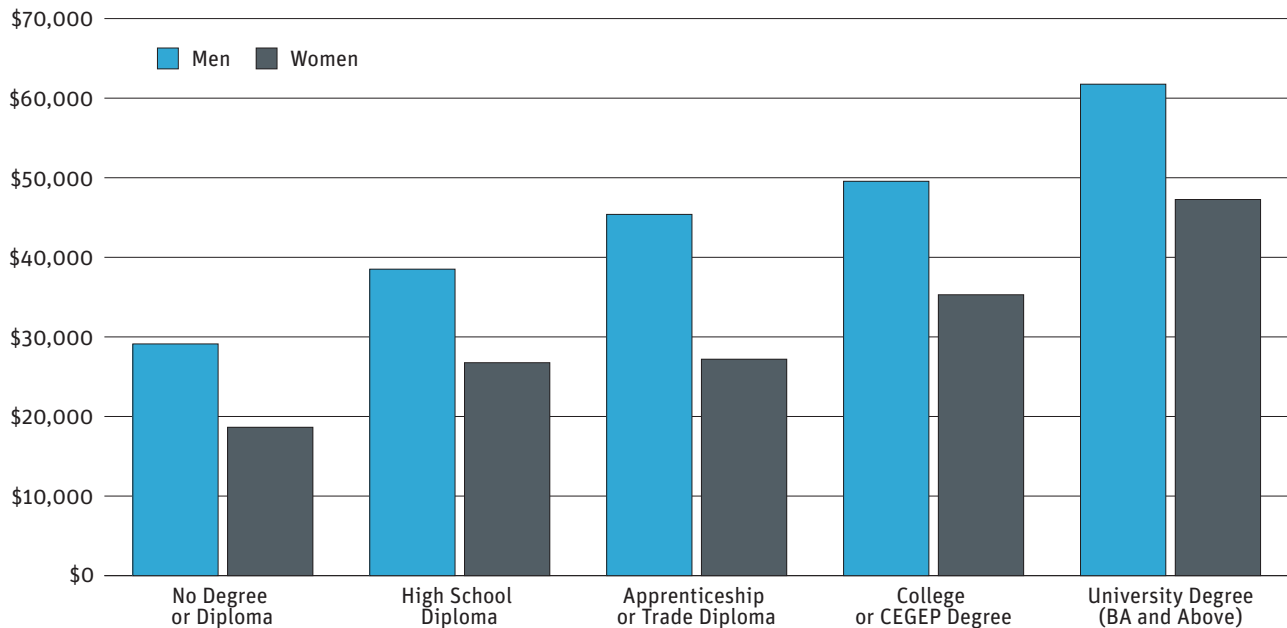
Women who have children see an additional decline in their earnings that extends well beyond any period of parental leave. The “motherhood penalty” means that women in Canada will see an estimated 8% decrease in their earnings, even when differences in age, education, and employment level are accounted for.<sup>5</sup>

More significantly, progress on narrowing the wage gap has slowed and even reversed in a number of occupations. Across the fifteen occupational categories tracked by Statistics Canada's *Labour Force Survey*, the gender wage gap for full-time workers has actually grown in seven categories in the past year.<sup>6</sup>

The combination of lower earnings, lower levels of employment, and a higher burden of unpaid care work means that women are consistently more likely to live in poverty than are men in Canada. That difference is amplified for a number of groups of women.

More than one in three (37%) of single mothers live in poverty.<sup>7</sup> Poverty rates are also significant for two-parent families relying on a single income; 22% of these families live below the poverty line.<sup>8</sup>

**FIGURE 9** Median Incomes by Education and Sex, Ages 25–54



Source: National Household Survey 2011

Women with disabilities are more likely to live in poverty than women without disabilities, and they are more likely to live in poverty than men with disabilities.<sup>9</sup>

Older women are far more likely to live in poverty than are older men, with 14% of women over age 65 living below the poverty line, compared to 9% of men.<sup>10</sup> That number rises to 32% for single women over the age of 65, a demographic that is likely to increase as the baby boom generation ages, given that women have longer life-expectancies than men.<sup>11</sup>

Increased levels of education and training are not sufficient to close the gender gaps in income and employment. Women now outnumber men among university graduates, yet those graduates continue to see gaps in their earnings. The share of Ab-

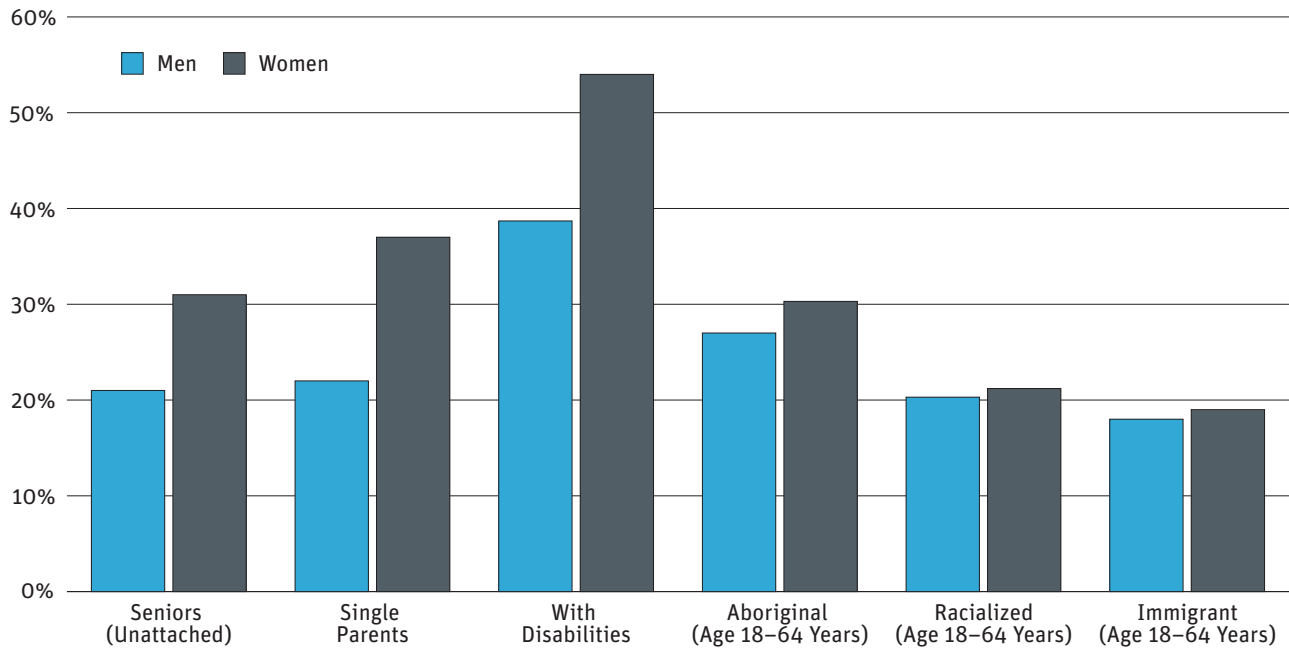
original women attaining university degrees has risen steeply over the past decade, yet an Aboriginal person with a university degree working in the private sector can expect to make only \$1,000 more per year than they would with only a high school degree.<sup>12</sup>

Aboriginal, racialized and immigrant women all face larger than average employment gaps. Immigrant women have higher levels of education than non-immigrant women, but they have lower levels of employment. Rates of poverty are also higher among these groups, with 30% of adult Aboriginal women, 21% of racialized women, and 19% of immigrant women living below the Low Income Measure.<sup>13</sup>

The persistence of these gaps in wages and employment can be attributed partly to the fact that men and women tend to work



**FIGURE 10** Percentage of People Living Below the Low Income Measure (After Tax)



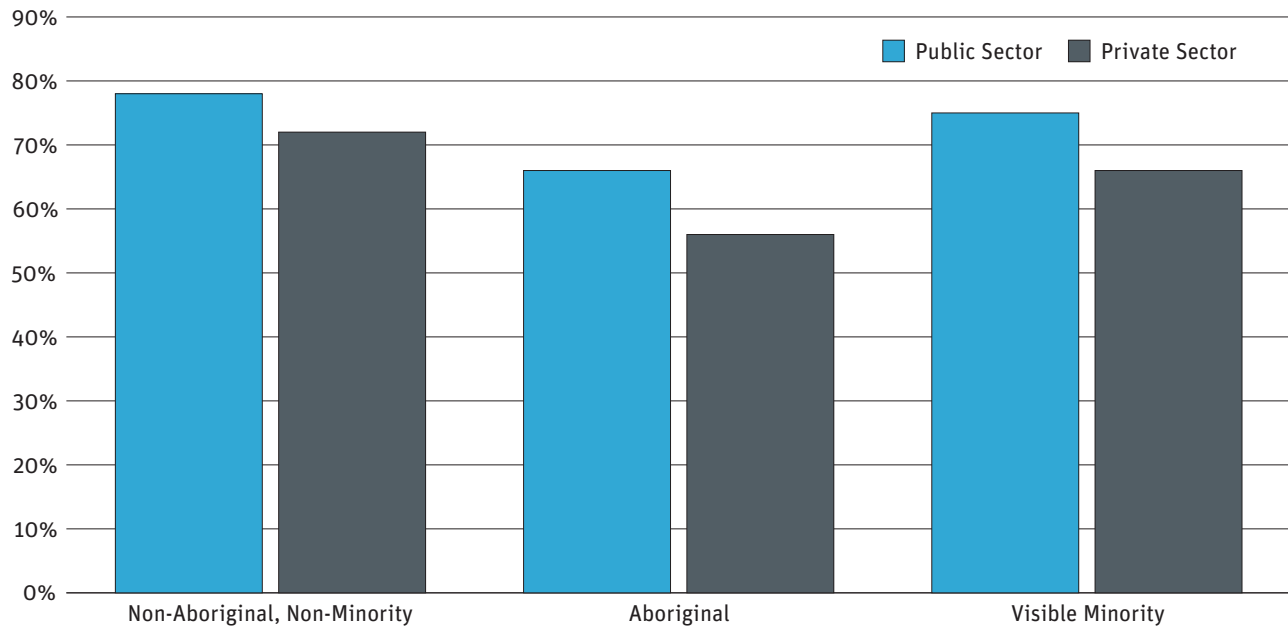
Source CAN-SIM 202-0804 (2011), CAN-SIM 115-0014 (2012), 2011 National Household Survey

in different occupations, and that predominantly female occupations pay less well on the whole than do predominantly male occupations. However, concerted efforts to train women to work in fields that are predominantly male have not resulted in a significant increase in the share of women working in those fields. For example, although the federal government has invested \$4.5 million over the past five years in programs to increase women's participation in the mining, oil and gas sector, the share of women working in that sector has remained stagnant at 19%.<sup>14</sup> The wage gap in the oil and gas sector remains one of the largest of any occupation, with women earning 64% of what their male peers earn (for full-time work).<sup>15</sup>

Increasing the representation of women in predominantly male employment sectors may pay off for women and their communities in the longer term, but the rate of change is slow. Further, the recent downturn in the oil sector demonstrates the need for a more diverse job creation strategy. Families hit hard by the downturn in a predominantly male sector will be more resilient if they include women who have jobs in other sectors. This all argues strongly in favour of investing in job growth in the sectors where women are employed (education, health and social services) to compliment the current focus on creating jobs through infrastructure investments.

The persistence of the wage gap and the recent widening of that gap in several oc-

**FIGURE 11** Women’s Full-Time Wages As a Share of Men’s Wages



Source 2011 National Household Survey, *Narrowing the Gap: The Difference that Public Sector Wages Make (2014)*

occupational sectors both suggest the need to implement pro-active policies to address that gap. For example, policies on tracking wage differences, making wage information public, and supporting wage-setting mechanisms – particularly those afforded by collective bargaining.<sup>16</sup> The difference in public- and private-sector wages in Canada demonstrates the impact of transparency, tracking, and unionization – both in addressing the gender wage gap and in narrowing the wage gap experienced by racialized and Aboriginal workers.

Wage and employment gaps also come from the double burden of unpaid care performed by women. Women in Canada continue to add nearly four hours per day of home and child care work to their hours of paid work, compared to just over two

hours for men.<sup>17</sup> This double burden of unpaid work has been exacerbated by recent austerity measures that cut care services, doubly disadvantaging women (who make up the majority of workers in those occupations) and leaving women to take up additional hours of unpaid care work.

Any solution to narrowing gaps in pay and employment must ensure that women and their families have access to affordable and available child care. A third of all women working part time on an involuntary basis do so because they lack access to affordable child care.<sup>18</sup> Parental leave that fits the parent is another important lever in ensuring greater economic stability for women and their families.<sup>19</sup> The introduction of a supplementary parental leave specifically for fathers in Quebec in 2005 has resulted in

over 75% of men in Quebec taking parental leave, compared to 25% of men in the rest of Canada.<sup>20</sup> The rebalancing of child care work in the home has the potential to create a permanent shift in the distribution of unpaid care work. It also has the potential to make employers value care work — potentially raising wages for child care and home care workers, who remain among Canada's lowest paid workers.<sup>21</sup>

Status of Women, the federal department currently tasked with ensuring gender-based analysis occurs across all government departments and agencies lacks the human, financial and political resources to adequately meet this goal, as noted by the Auditor General in 2009.<sup>22</sup> Status of Women's annual budget for supporting this work is between \$2 million and \$2.5 million.<sup>23</sup> Without high-level political support from within the government's central agencies, there is no guarantee that policies will be shaped by an analysis of their equal (or unequal) impact on men and women. High-level leadership, greater resources, and monitoring are all necessary to ensure that the federal government is making informed decisions about how its policies affect the lives of men and women in Canada.

## **Social policies**

Women in Canada continue to face gender-specific challenges to their safety and well-being. Rates of violence against women have remained largely unchanged over the past two decades. A million women report having experienced sexual or domestic violence in the past five years.<sup>24</sup> On any given day, more

than 4,000 women and over 2,000 children will reside in a domestic violence shelter.<sup>25</sup> More than 500 women and children are turned away from shelters on a typical day, primarily because of overcrowding.<sup>26</sup> These facts signal the persistence of the problem, the inadequacy of the justice system's response alone, and a failure to provide basic supports for survivors of violence.

Rates of gender-based violence are significantly higher for Aboriginal women and girls. Aboriginal women in Canada experience three times the level of violent victimization of non-Aboriginal women.<sup>27</sup> Young Aboriginal women make up 63% of those who report experiencing violent victimization.<sup>28</sup> Between 2005 and 2010, the Native Women's Association of Canada's (NWAC) Sisters in Spirit project documented the murders and disappearances of 582 Aboriginal women and girls over 20 years.<sup>29</sup> In 2014, the RCMP documented 1,181 murders and disappearances of Aboriginal women and girls between 1980 and 2012.<sup>30</sup> This is an endemic problem that has received international attention and condemnation, including most recently by the United Nation's Committee on the Elimination of All Forms of Discrimination Against Women, which conducted an inquiry into the issue.<sup>31</sup>

Existing federal policy on violence against women is largely gender-neutral despite a surfeit of evidence showing the need to address these forms of violence as gender-based.<sup>32</sup> One of the few federal mechanisms for addressing violence against women specifically is the grant program administered by the federal Status of Women department. Status of Women disperses rough-

ly \$15 million/year in grants and contributions to non-profit organizations to deliver a variety of services ranging from shelters to public education.<sup>33</sup> But the estimated actual cost of violence against women in Canada is much higher, at \$12.2 billion.<sup>34</sup>

The current government has committed to putting in place a much-needed national strategy to address violence against women. A broad coalition of women's organizations, service providers, and researchers have produced a *Blueprint for a National Action Plan on Violence Against Women*, based on the best available research, the experience of service organizations, survivors, and experiences in other countries.<sup>35</sup> For it to be effective, the federal government must ensure the plan addresses both prevention and response. It must adequately fund the collection of data on rates of violence at the provincial and municipal level (this is not currently being done) in order to assess the success and failure of current programs and policies across different jurisdictions.

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

The current government's decision to form a federal cabinet made up of equal numbers of men and women is an important symbolic step. But it must be matched

by substantive and concrete political, human, and financial resources if we are to see real progress in ensuring that men and women in Canada live equal lives.

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## AFB Actions

The AFB will do the following:

- Invest in a National Action Plan to Address Violence Against Women based on the Blueprint for a National Action Plan (cost: \$500 million annually).<sup>36</sup> Components of the plan will include the following:
  - 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 services.

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

- 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). *Result:* Federal policies will benefit women and men more equally; decisions about funding

for women's services will be based on research; the organizations that respond to the needs of women on a daily basis will be empowered to share their insights into what programs and policies work.

- Implement a clear mechanism to ensure equal pay for work of equal value by repealing the *Public Service Equitable Compensation Act*, establishing proactive pay equity legislation, and implementing the recommendations of the 2004 Pay Equity Task Force (cost: \$10 million annually). *Result:* The gender wage gap will narrow, increasing women's economic security and in turn increasing economic activity as a result of those higher wages.
- Implement a job growth policy that targets both male-dominated and female-dominated job sectors. This will mean investments in education, health, and social services in keeping with investments in large physical infrastructure projects. *Result:* a more balanced strategy that ensures families and communities are less vulnerable to sectoral downturns; increased economic security for women, including those most vulnerable to poverty.
- Ensure that family policies address the unequal burden of unpaid care work performed by women. First by making child care outside the home more readily affordable and available, and second by instituting a supplementary paternity leave allowance for fathers on the same terms as the Quebec Parental Insurance Program. *Result:* More equal lev-

els of unpaid work will enable women to access full-time work more easily and reduce their overconcentration in low-paying shift work.

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## Notes

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# Health Care

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## Background

The health policy commitments of the new federal government include promises to renegotiate the Health Accord, and to increase access to home care, mental health services, and prescription drugs.<sup>1</sup> Health sector activists greeted these proposals with relief, but they do not go far enough to fix and improve Canada's public health care system, which will require the new government to address growing inequalities across society.

Increasing income inequality along with government cuts to income support programs is strongly associated with poor health.<sup>2</sup> Today, Canadians are less equal than at any other time in the country's history, with the richest 1% receiving 12% of all taxable income compared to 7% in the 1980s.<sup>3</sup> Canada's universal health care system has mitigated income-related disparities in access to hospital and physician care, but other health care services are becoming inaccessible to a growing number of Canadians.

The Harper government's cuts to federal health transfers and its changes to the equalization formula, combined with provincial actions in support of privatization, threaten the health care achievements of the post-war period.<sup>4</sup> Federal policies introduced during the previous 15 years are also frustrating efforts to move medicare beyond the narrow

scope of doctors and hospitals, an objective that has been on the public agenda since Saskatchewan introduced North America's first system of universal health care.

While Canadians have maintained a firm commitment to universal medicare, there has been a significant rise of corporate involvement in health service delivery.<sup>5</sup> Hospitals have outsourced maintenance, laundry, food, and other services to multinational companies such as Sodexo, Compass, and Aramark, with a consequent decline in workers' wages, working conditions, and morale.<sup>6</sup> Provincial and regional health authorities are using competitive tenders to outsource a range of services from home care to outpatient surgeries.

Over the last 30 years, there has been a significant increase in the role played by the insurance industry, which finances 41.3% of private health expenditures today compared to 29.2% in 1988.<sup>7</sup> Per capita out-of-pocket spending has also increased — from \$277 in 1988 to \$844 in 2014.<sup>8</sup> There is evidence of growing gaps in how Canadians use private health services based on ability to pay.<sup>9</sup> Quebec's move to allow physicians to extra-bill for some services will increase private spending among those who can afford to pay the fees, while erecting barriers for those who cannot.<sup>10</sup>



These barriers to accessing some health services coexist today with stagnant job creation and an employment rate that is still below pre-recession levels.<sup>11</sup> Almost one in seven people in Canada lives in poverty, with women and racialized families disproportionately affected.<sup>12</sup> Access to nutritious diets, a healthy environment, higher education, social inclusion, stable employment, and adequate, affordable housing — all determinants of health — is declining for many people. The health care system cannot address the root causes of poor health, leading many experts to call for an integrated policy response across all sectors that would address social determinants of health and support increased health equity across the population.<sup>13</sup>

Supporters of health care privatization claim public health expenditures threaten to consume an ever-growing share of provincial budgets.<sup>14</sup> But shrinking provincial revenues are boosting health care's share of budgets. In fact, while public health expenditures increased by 2.4% and 2.0% in 2013 and 2014, private spending went up 2.5% and 2.6%.<sup>15</sup> Since the *Canada Health Act* was enacted, the portion of health services it covers has actually shrunk, in part because hospital services have moved into the community and the home. The amount spent on services covered by the *Canada Health Act* (hospitals and doctors) has declined from 57% of total health expenditures in 1984 to only 41.2% today.<sup>16</sup> Another 26% of public spending is for private goods and services outside the “medicare basket,” including psychological and mental health services, prescription drugs, home and long-term

care, and services such as physiotherapy that are provided in the community.

Two trade agreements threaten to increase Canada's annual expenditures for prescription drugs and undermine efforts to establish a national strategy to increase access to needed medicines. The Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union would, if ratified, extend patents on brand name drugs by up to two years, adding between \$850 million and \$1.65 billion annually to our drug bill (see the AFB Trade chapter).<sup>17</sup> The Trans-Pacific Partnership (TPP) threatens Canada's ability to contain costs through bulk purchasing and reference-based pricing. The deal would also lock in long terms of data exclusivity on new biologic drugs, delaying competition from generic drug-makers. Both the TPP and CETA offer U.S. and European companies a powerful extra-legal venue (investor–state arbitration) to sue governments for measures, like the invalidation of a patent (on lack of proven utility) or the introduction of public pharmacare, that threaten their profits. Worryingly, the TPP contains language that could prevent Canadian governments from protecting confidential health information.<sup>18</sup>

Canada would be much better off with a single public system that manages drug costs through four levers: universal public insurance, a national formulary of essential drugs, independent evidence-based drug evaluation, and bulk purchasing.<sup>19</sup> A national pharmaceutical strategy could save more than \$10.7 billion in annual costs for prescription medicines — an estimated 43% of Canada's \$25.1-billion drug bill.<sup>20</sup>

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## Current Issues

In 2012, the federal government unveiled a new unilateral funding formula that promised to significantly reduce the federal share of health expenditures from 20.4% to 18.6% over the following 25 years.<sup>21</sup> The Canadian Federation of Nurses' Unions estimated these revisions to the escalator and funding formula would reduce federal transfers by \$43.5 billion over the first eight years alone.<sup>22</sup>

The new Liberal government has vowed to renew the 10-year (2004–14) Health Accord and allocate \$3 billion over the next four years to home care. The government should also scrap the 2012 funding formula, develop a strategy to establish national pharmacare and long-term care programs, and integrate Canada's mental health and home care infrastructure into the primary health care setting.

The AFB provides an alternative vision for health care with a strategy to increase the federal share of total health expenditures and expand the portion of services covered by the *Canada Health Act*. An integrated health system backed by proactive federal leadership is key to supporting such a strategy.

Such efforts confront a number of challenges, including an increase in private delivery and funding that leads to fragmentation, the reliance on lower wages and salaries for non-physicians employed in the community, and hospitals with occupancy levels above 85%.<sup>23</sup> Medicare must expand its lense if we are to successfully address these challenges.

## Expanding medicare

Many provinces hope to save money by transferring services out of the publicly funded, highly unionized hospital sector to unorganized, privately funded for-profit providers. These strategies are undermining public access to community-based venues that are known to reduce reliance on emergency rooms, the most expensive part of the health care system.

Corporations are targeting health services; in many provinces they are being encouraged by government to invest in surgical services, long-term care, mental health, rehabilitation, and home care. Between 2000 and 2012, private spending on many of these services increased by 140%, a much higher rate of growth than public expenditures for the same services.<sup>24</sup> We need strategies that will reduce private expenditures — both out-of-pocket spending and through private insurance — and increase the public portion of overall health costs.

For years we have underinvested in measures that can prevent or manage ill health, including mental health services, home care, dental care, and other areas. These measures can improve health and reduce costs in the current fiscal year, but the real return on investment comes further down the road. Savings and improved outcomes can also be achieved by better managing what we spend. Pharmacare is one such example: the development of a national formulary for a core set of commonly prescribed drugs, and single-desk bulk purchasing of those pharmaceuticals, could shave up to 42% off total drug expenditures.<sup>25</sup>

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

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## AFB Actions

This year's AFB will allocate funding to support the integration of long-term care, home care, and pharmacare into Canada's publicly funded health care system. The *Canada Health Act* will be amended to ensure it covers these services. Health Canada will be expanded to reinforce the CHA division responsible for monitoring provincial compliance with the criteria of the CHA.

### Long-term care

Total expenditures in long-term care reached \$20 billion in 2010, split among federal and provincial/territorial governments and out-of-pocket payers. At the same time, an estimated 7% of acute care beds (7,550) are occupied by patients awaiting rehabilitation or placement in a long-term care facility, at an annual cost of \$2.3 billion.<sup>26</sup>

The AFB will invest \$2.3 billion in long-term and residential care to enable hospitals to move Alternate Level of Care (ALC) patients currently in acute care beds to a more appropriate setting. This will free up hospital resources to reduce unacceptably high occupancy rates and long wait times, and support the establishment of outpatient rehabilitation clinics. The AFB will also in-

vest \$3.2 billion to reduce health care user charges (applied to residents of long-term care facilities) by 50%.<sup>27</sup>

### Home care

There are large gaps in the available data on Canada's community, home care, and support sectors. To assist in identifying funding priorities and allocations, the AFB directs Statistics Canada to work with the provinces to develop a standard format for annual reports on volume, rates of usage, and expenditures by service type in residential care services, home support, home care, community rehabilitation, and integrated and geriatric specialty services. These reports will cover services provided in every home and community program.<sup>28</sup>

The Conference Board of Canada estimated in 2010 that combined public and private spending on home care, home support, and community care services had reached up to \$10.5 billion, including almost \$4 billion on home care and \$3.2 billion for home support. Private spending represented between 22% and 27% of total funding.

Home care is also a gendered issue: a large percentage of the people providing home care/support are underpaid female workers.<sup>29</sup> However, unpaid family caregivers provide the majority of services in this sector, with an estimated value in 2009 of more than \$26 billion annually.<sup>30</sup> Provincial support for family caregivers is patchy at best. In addition, approximately 260,000 volunteers provide up to 18.5 million hours of labour across the country.

There is currently no federal/provincial fiscal arrangement on home care. The AFB will amend the *Canada Health Act* to include both home care and long-term care. Provinces that participate in a national home care program will see federal contributions of up to 40% to jurisdictions in compliance with the *Canada Health Act*. The AFB would make the federal contribution to home care \$1.2 billion a year.

In 2004, Ottawa designated \$1 billion for a federal compassionate leave program to provide employment insurance benefits to people who take time off work to care for ill family members. This does not go far enough, since many caregivers are retired from the workforce. The AFB will allocate \$1.8 billion over five years to support those who are eligible for Old Age Security benefits and in need of respite care.

An additional \$2.5 billion will be allocated over 10 years for a basket of health and social care services delivered through community health centres and other venues staffed by inter-professional teams dedicated to supporting people with serious mental illness.

## National pharmacare

The AFB will initiate a national pharmacare program to replace private spending on prescription drugs and, with reference-based pricing, significantly reduce public expenditures. To the extent that such measures run foul of trade and investment agreements, including the TPP and CETA, the agreements will be amended or renegotiated to accommodate the new government programs.

The AFB will allocate \$2 billion plus 10% of private expenditures on prescription drugs (\$1.39 billion) in 2016–17 toward a national pharmacare plan for a total expenditure of \$3.39 billion. In 2017–18, the AFB will increase the allocation by 13% for a total expenditure of \$3.83 billion. In 2018–19, this amount will increase by 20% to \$4.59 billion. Future savings will offset the program's startup costs.<sup>31</sup>

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## Notes

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# Housing and Neighbourhoods

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## Background

Millions of Canadians are precariously housed and more than 235,000 experience homelessness annually.<sup>1</sup> There are many dimensions of housing need in Canada, including the following:

- **unaffordable housing** — 3.3 million households (25.2% of households) spend 30% or more on shelter;<sup>2</sup>
- **substandard housing** — 982,200 households (7.4% of all households) report their dwelling needs major repairs;<sup>3</sup> and
- **overcrowded housing** — 794,000 households (6% of all households) report having more residents than the number allowed under the National Occupancy Standard.<sup>4</sup>

Canada's Aboriginal population (First Nations, Métis, and Inuit) faces a heavier burden of housing insecurity and homelessness than the non-Aboriginal population. For example, 29% of First Nations households live in housing that requires major repairs — more than four times the rate of the non-Aboriginal population, as noted above.<sup>5</sup>

There are no reliable national numbers on the size of waiting lists for affordable housing, but the Ontario Non-Profit Housing Association reported that 168,711 households

were on active waiting lists in that province in 2015.<sup>6</sup> Waiting lists for supportive housing for people with special needs are also reported to be long.

Housing is one of the most important determinants of health for individuals and for the population health of communities.<sup>7</sup> It is also important for the health of the economy. The federal government has estimated that the dollar impact of its housing investment measures is 1.5, one of the highest multipliers of all fiscal measures: for every dollar spent on housing, the economy grows by \$1.50.<sup>8</sup>

About two-thirds of Canadians live in ownership housing (69% in 2011<sup>9</sup>). There is a clear income split between ownership and non-ownership housing (rented or social housing). Owner households reported real median incomes of \$83,500 in 2013, while renter households reported less than half that, at \$39,200.<sup>10</sup>

Inequality in household incomes leaves a much higher proportion of renter households in “core housing need,” the federal government's composite indicator for those living in the most insecure and inadequate housing: 12.5% of all Canadian households are in core housing need, but 26.4% of renter households are housing insecure, compared to 6.5% of owner households.<sup>11</sup>

Much of national and sub-national housing policy is focused on the ownership market, covering areas like interest rates, supply, and first-time ownership. But most housing needs are in the non-ownership sectors, including Canada's aging affordable rental and social housing stock, as well as the growing need for new affordable and social housing supply in most parts of the country.

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.<sup>12</sup> Painfully low rental vacancy rates in major cities like Toronto and Vancouver leave low-income households without healthy options.<sup>13</sup>

Rents have increased well above the rate of inflation over the past two years, even as household incomes have stagnated — leaving a growing number of households priced out of rental housing. One clear indicator of housing insecurity are the long and growing lines at food banks across the country as people find they cannot properly nourish themselves after they have paid the rent.

It was a Canadian, John Peters Humphreys, who helped to draft the Universal Declaration of Human Rights in the mid-1940s that first set out the right to housing. Canada has signed on to numerous international treaties, covenants, and other legal instruments recognizing the right to housing. Canada's Leilani Farha is the leading international expert on housing and the UN's special rapporteur on the right to ad-

equate housing. Despite this rich tradition, Canada's domestic housing policies, funding, and practice are not based in a rights-based approach. Canada has been frequently criticized by international panels for failing in its housing-rights obligations.

Some provinces and municipalities have started to take on a rights-based approach to housing, including the Ontario Human Rights Commission,<sup>14</sup> and this has led to important advances.

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## Current Issues

Housing issues and policies were prominent in Canada's 2015 federal election, after a concerted campaign by municipal leaders and housing advocates to place housing on the election agenda. Three national parties made substantial commitments to housing, including the Liberal party, which was elected to a majority government. Most significantly, as the Advocacy Centre for Tenants Ontario reported in their housing report card, the Liberals, New Democrats and Greens all agreed to recognize and commit to housing as a human right, and to adopt a national housing strategy.<sup>15</sup>

The Liberals made several significant election promises about housing:<sup>16</sup>

- to renew federal leadership in housing, starting with a new, 10-year investment in social infrastructure;
- to prioritize investments in affordable housing and seniors' facilities, build more new housing units and refurbish old ones, support municipalities to main-



tain rent-geared-to-income subsidies in co-ops, and give communities the money they need for Housing First initiatives that help homeless Canadians find stable housing;

- to encourage the construction of new rental housing by removing all GST on new capital investments in affordable rental housing, providing \$125 million per year in tax incentives to grow and renovate the supply of rental housing across Canada;
- to modernize the existing Home Buyers' Plan to allow Canadians impacted by sudden and significant life changes to buy a house without tax penalty, easing the burden on people facing job relocation, the death of a spouse, marital breakdown, or a decision to accommodate an elderly family member;
- to direct the Canada Mortgage and Housing Corporation and the new Canada Infrastructure Bank to provide financing supporting the construction of new, affordable rental housing for middle- and low-income Canadians;
- to conduct an inventory of all available federal lands and buildings that could be repurposed, and make some of them available at low cost for affordable housing in communities where there is a pressing need; and
- to review escalating home prices in high-priced markets like Toronto and Vancouver, and consider all policy tools

that could keep home ownership within reach for more people.

The specifics of these promises have not yet been made clear, but the housing portion of infrastructure spending could easily amount to several hundred million dollars per year, which would be significantly more than the amount of funding offered by the previous government.

The previous federal government had set in place multi-year funding for several housing programs. The government agreed to pay \$119 million/year to the Homelessness Partnering Strategy from 2014–19 and also committed \$1.25 billion in total for a five-year extension of the Investment in Affordable Housing Program. The federal government provided some funding for on-reserve housing through the Department of Aboriginal Affairs and Northern Development. In 2013, the federal government committed to spend \$100 million in one year to increase the housing stock in Nunavut. However, a major challenge in tracking federal housing promises is to ensure that the money has actually gone to new, truly affordable homes as it passed through federal and provincial/territorial coffers.

The major federal housing programs under the previous government are set to expire in early 2019. Canada Mortgage and Housing Corporation reports that federal housing program expenses will fall to \$1.9 billion by 2018 under current projections — a reduction of 36% from 2010 levels.<sup>17</sup> The reduction in housing investments as the federal government winds down its commitment to existing social and affordable

housing means that the estimated number of households receiving assistance under federal programs will decline rapidly, from 613,500 in 2010 to an estimated 452,300 in 2018. This is a loss of 161,200 homes (a reduction of 26% in federally funded, affordable housing stock) at a time when serious housing needs persist across the country.

The Liberal party's commitment (along with most other national political parties) to a rights-based approach to housing is a critically important component of building a new national housing plan for Canada. Our last national housing plan, which helped to fund more than 600,000 affordable homes across the country over two decades starting in 1973, was defunded and then dismantled in the 1990s. A rights-based housing plan recognizes that there are diverse housing needs across the country, and that governments, non-government organizations, and the private sector have a responsibility to effectively collaborate to respond to those needs. This approach also brings people who have direct experience with housing needs to the centre of the debate, where they belong.

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## AFB Actions

The upcoming federal budget can deliver the down payment on a long overdue national housing plan by making a substantial, immediate, and long-term financial commitment. Predictable funding over the next decade will allow housing developers to properly plan and deliver the homes that Canadians need.

The AFB will do the following:

- *Stop the sharp decline in overall federal housing investments* — Any funding that becomes available as the federal government completes long-term housing agreements with affordable housing developers will 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 Ontario's Auditor General as a major threat to housing in that province. Maintaining federal investments in existing social housing (including co-op and non-profit housing) will not only preserve the current stock and prevent the loss of the 161,200 homes slated for termination in the coming years, it will also allow housing managers to tackle necessary capital repair issues in aging housing stock. Cost: \$300 mil and rising
- *Increase the federal investment in affordable and social housing and related programs by \$1.7 billion annually* — \$1.5 billion of that total will be spent on new social housing. An additional \$210 million/year investment will ensure that federal spending to prevent and end homelessness reaches more appropriate levels. It will mean that direct federal investment in new social and afford-

able housing — the foundation of a long overdue national housing plan — is also increased to adequate levels.

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# Immigration

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## Background

Everyone should be concerned that immigrants to Canada are not faring well economically. Given a relatively low birth rate and an aging population, immigrants will soon be the key driving force behind Canada's economic engine. In fact, by 2017, nearly all new entrants to the labour market will be immigrants, and 20% of Canadians will belong to a visible minority.

Canada's population grew by almost 6% between 2006 and 2011, the highest increase among G8 countries.<sup>1</sup> Immigration accounted for two-thirds of population growth in the last 10 years, and over 75% of labour market growth.<sup>2</sup> Statistics Canada warns that without a sustained level of immigration, or a substantial increase in the birth rate, Canada's population growth could be close to zero in 20 years.

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## Current Issues

### Growing disparities

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.<sup>3</sup> Between 2008 and 2011, labour market conditions for immigrants between the age of 25 and 54 also showed a sharp deterioration compared to Canadian-born, and this was most visible among recent immigrants.<sup>4</sup>

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. 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.<sup>5</sup>

The chronic underemployment of skilled immigrants in Canada and strong correlation between racialization and the growing wage gap in the labour market is well documented.<sup>6</sup> Recent immigrants at all skill levels are facing higher levels of unemployment and underemployment compared to earlier cohorts, and compared to those born in Canada. For many, re-training, re-qualify-

ing, and licensing in Canada has not resulted in a significant change in job or wage prospects, and discrimination continues to be a significant barrier — particularly for racialized immigrants and refugees.

Federal government investment in immigrant employment has tended to focus more on foreign credentials recognition (e.g., the Foreign Credential Recognition Loans program) and less on becoming employed in jobs that are consistent with skills and experience. Initiatives such as Ontario's bridge training program have proven to be more effective at finding internationally trained immigrants employment in their field according to their skill level.<sup>7</sup> Prime Minister Trudeau's mandate letter to the minister of employment, workforce development and labour is silent on how the federal government plans on promoting employment for immigrants.<sup>8</sup>

## Refugees

In July of 2015, the Federal Court ruled that denying access to the Refugee Appeal Division for applicants from designated countries of origin (DCO) violated their Charter rights. The new government has instructed the responsible minister to provide a right to appeal for these refugee claimants and to determine designated countries of origin through an expert human rights panel. While these are important changes, the DCO scheme itself is highly problematic, since it creates a two-tier refugee determination system that discriminates based on an applicant's nationality (i.e., their country of origin).<sup>9</sup>

Refugee claimants fleeing persecution because of their gender or sexual orientation face particular vulnerabilities and challenges in the refugee claim process. DCO claimants are subject to more restrictions and have fewer entitlements, making it more difficult to succeed in having their claim recognized.

In 2014, the Federal Court ruled that the cuts to the Interim Federal Health Program (IFHP) for refugees were unconstitutional. The new government has withdrawn the appeal to the ruling launched by the previous government, while promising to restore the IFHP to what it was before the cuts.<sup>10</sup> At the time of writing, coverage was restored for Syrian refugees, but not for other refugees and those seeking refugee status.

The government has a long-standing practice of charging transportation and medical costs up to \$10,000 to government-sponsored and privately sponsored refugees. Canada is also the only resettlement country to charge interest on these costs, which are considered a loan.<sup>11</sup> While 91% of refugees pay back the loan, the practice creates a major debt burden for the most disadvantaged of newcomers just as they are about to rebuild their lives in a new country, since repayment must begin 30 days after arrival. Some refugees have used their child tax benefit to repay the loan.<sup>12</sup> At the time of writing, the government has exempted Syrian refugees from loan repayment. It is time that all refugees are exempted as called for by the Canadian Council for Refugees and others.<sup>13</sup>

Changes to the Canada Social Transfer in December of 2014, via omnibus budget legislation (Bill C-43), gave provinces and

territories the power to impose minimum residency requirements on certain groups of individuals based on their immigration or refugee status. The provinces had not requested the change, which would allow them to deny refugee claimants access to basic assistance upon arrival. The AFB will reverse these changes rather than wait for the constitutionality of the decision to be challenged in court.<sup>14</sup>

### **Family sponsorship and citizenship**

On January 1, 2014, rules restricting the sponsorship of parents and grandparents (PGP) came into effect that increased the sponsor's eligible income requirement to 30% above the low-income cut-off, doubled the sponsorship period to 20 years, and capped the number of PGP applications at 5,000 a year — a quota that was filled in just one month.<sup>15</sup>

Subsequently, the former government passed legislation that would, if implemented, make it harder for the much smaller group of sponsored PGPs to get three important senior's benefits: the Guaranteed Income Supplement (GIS), spousal allowance, and survivor allowance. Previously, in order to receive these benefits, the person must have lawfully resided in Canada for at least 10 years (in the aggregate) after the age of 18. With the sponsorship period doubled, PGPs will not be eligible for the GIS or other allowances for 20 years — even if they have lived in Canada for more than 10 years and would otherwise qualify for Old Age Security.

In August of 2014, the age of dependent children was lowered from under 22 to under 19, restricting the number of people who can come to Canada either as dependents in their parents' application or as sponsored family class members.

Also in 2014, the government passed Bill C-24, the *Strengthening and Modernizing the Citizenship Act*. Among other problematic changes, the legislation gave the minister the power to strip citizenship from dual citizens in cases of "treason" or "terrorism," which includes convictions outside of Canada. Importantly, this provision can be applied retroactively. With these new powers, the government effectively created a two-tier citizenship. The power to revoke citizenship applies even if the person was convicted in a country with questionable legitimacy.

### **Immigrant selection**

Economic immigrant selection is one of the most important aspects of our immigration policy, given our demographic realities. The policy changed drastically with the previous government's introduction, on January 1, 2015, of the Express Entry (EE) process, previously named Expression of Interest, which gave employers a bigger role in dictating immigrant selection.

A mid-year report on Express Entry in July of 2015 showed the selection process was skewed (85.5%) toward temporary foreign workers already working in Canada.<sup>16</sup> External applicants must have a job offer in Canada backed up by a Labour Market Impact Assessment (LMIA) stating that no Canadian worker is available to fill the job — a



requirement that did not exist for the previous skilled worker class of immigration. The system disadvantages international students in Canada, including those already working in their field.<sup>17</sup>

Applicants from certain countries are disadvantaged under the new system, the most obvious change showing that China has dropped drastically in country-of-origin rankings. The diversion of resources to EE has delayed processing of other applications, including under the Canadian Experience Class (CEC). Some applicants' work permits are expiring and cannot be renewed, forcing them to quit their jobs and leave the country.<sup>18</sup>

### **Temporary foreign workers**

Temporary foreign workers are among the lowest-paid workers in Canada and particularly vulnerable to abuse and exploitation. For instance, employment insurance (EI) deductions are taken out of their paycheques, but various rules prevent the workers from accessing EI benefits. The previous government introduced several changes to the Temporary Foreign Worker Program that only increased worker vulnerability and financial burden and did little to reduce exploitation or program growth. Enforcement of employer compliance has been poor to date in a primarily complaints-driven system, leaving workers with very little recourse.

When the maximum four-year work permit ("four years in/four years out") took effect for the first time on April 1, 2015, many employers called on the federal government to allow temporary foreign workers to stay,

calling for permanent residency for low-skilled workers.<sup>19</sup> At present, the only avenue for PR for low- and semi-skilled workers is through the Provincial Nominee Program (PNP), but this option is not available in all provinces and territories (e.g., Ontario), and in some there are very high language requirements that exclude many applicants. Workers in the Seasonal Agricultural Worker Program (SAWP) are among the most vulnerable to exploitation and abuse, with no access to permanent residency anywhere in the country.

### **Live-in Caregiver Program**

The November 2014 changes to the Live-in Caregiver Program (LCP) removed the guaranteed pathway to permanent residency, while introducing higher language requirements and, for the first time, a cap on the number of applications. New requirements were introduced for employers and a new fee for caregivers and employers. Between January and March of 2015, 90% of employer LMIA applications were rejected, reducing available caregiver jobs.<sup>20</sup>

The existing backlog in processing caregiver applications for permanent residency has grown, causing lengthy family separation, and considerable hardship and distress for workers and their families. The average wait is 44 months and for some it has reached seven years or more.<sup>21</sup> Most workers in the program are racialized women from the Global South, particularly the Philippines and the Caribbean.



## Immigrant settlement services

The federal government is the biggest funder of settlement services for immigrants and refugees, and manages the program in all provinces and territories except Quebec. Permanent residents, Convention refugees, protected persons, and live-in caregivers are eligible for the program.<sup>22</sup> Canadian citizens, migrant workers, refugee claimants, international students, and those without immigration status who need settlement services must rely on programs funded by provincial and territorial governments at a fraction of federal funding levels.

The federal funding formula is based on a three-year rolling average of permanent resident arrivals. In theory this is an equitable per-client distribution, but funding totals are not consistent with the formula for a variety of reasons.<sup>23</sup> Federal funding for settlement services has dropped across Canada (except Quebec) over the last several years, starting with a \$53 million cut in 2010, of which nearly \$45 million was in Ontario.<sup>24</sup>

In 2013–14, Citizenship and Immigration Canada returned \$130 million (8% of its budget) to the government.<sup>25</sup> Organizations affected by the cuts have yet to recover full capacity. At the same time, they are dealing with an increased demand for services, triggered partly by the new complexities of immigration law and policy, and most recently by new demands with respect to Syrian refugee resettlement.

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## AFB Actions

The AFB will take the following actions:

**Immigrant employment disparities:** Invest \$100 million per year in initiatives such as bridge training that will lead to skills- and experience-consistent jobs for immigrants and refugees; create time-limited incentives for employers to practice employment equity, including through hiring, training, promotion, and the retention of workers from equity target groups for permanent positions.

**Refugees:** Reverse changes to the Canada Social Transfer so that provinces cannot impose minimum residency requirements to prevent refugees and other individuals from accessing social assistance; end transportation loans for all refugees; immediately restore Interim Federal Health Program benefits for all refugees; abolish the designated countries of origin system.

**Sponsorship:** Move quickly to allow sponsorship of dependent children under the age of 22 instead of 19; eliminate the minimum income requirement for all family class sponsorships.

**Citizenship:** Repeal all provisions introduced through Bill C-24.

**Immigrant selection:** Scrap Express Entry and return to the skilled worker immigration program that existed before January 1, 2015; amend the points system to include workers at all skill levels and all international students.

**Temporary foreign workers:** Give all migrant workers a pathway to permanent residency and full citizenship through changes to the Provincial Nominee Program; increase program monitoring and enforcement of employer compliance in all migrant worker programs.

**Live-in caregivers:** Provide permanent residency on arrival; in the interim, remove current permanent residency restrictions including the cap on number of applications from caregivers.

**Immigrant settlement services:** Invest \$53 million annually to provide services on the basis of need instead of immigration status, allowing access to refugee claimants, migrant workers, and citizens; restore immigrant settlement funding that was cut starting in 2010; review the settlement funding formula to identify and adopt criteria in addition to landing numbers.

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# Income Inequality and Poverty

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## Background

Inequality and poverty rates remain stubbornly high in Canada. Income data from census results and other in-depth surveys show higher rates of poverty are systematically experienced by racialized minorities, Indigenous peoples, and people with disabilities. Single parents and people living alone also face a higher incidence of poverty. In every category, women experience more poverty than men.

The AFB proposes the terms of a comprehensive federal poverty reduction plan. Even though we have evidence that good policy can make a difference, too often we become resigned to the presence of persistent poverty, and food and housing insecurity. But there is nothing inevitable about poverty, hunger, and homelessness in a society as wealthy as Canada's. Nor are high and sustained levels of inequality an inescapable fact of life.

Evidence from other countries demonstrates how governments that commit to bold action on poverty and inequality get results.<sup>1</sup> Nations such as Denmark and Finland have seen child poverty rates fall below 3%.<sup>2</sup> According to the latest comparable data from the Organization for Econom-

ic Co-operation and Development (OECD), Canada tolerates almost five times that rate for children (14.4%).<sup>3</sup> Yet Canada is the 11th largest economy in the world. We have the resources to create any kind of society we want. We know we can do better, and we know how to get there. We've done it before.

In 2002, Quebec became the first province to commit to a poverty reduction strategy, followed by Newfoundland and Labrador in 2006. Since then, all the provinces and territories except for British Columbia have some kind of poverty reduction plan in place or in development, and numerous cities are following suit.<sup>4</sup> Momentum for action on poverty reduction is building.

In 2009, all parties supported a House of Commons motion directing the federal government to "develop an immediate plan to eliminate poverty in Canada."<sup>5</sup> That same year, a Senate report also urged the government to "adopt a poverty-eradication goal."<sup>6</sup> In November of 2010, a House of Commons committee released a major report on the federal role in poverty reduction, recommending the government "join with the provinces to introduce an action plan for reducing poverty in Canada."<sup>7</sup> In February of 2015, the House of Commons again passed,

with near unanimity, a motion calling for the elimination of child poverty.<sup>8</sup>

After years of stubborn refusal in Ottawa to join these efforts, a newly elected government appears ready to change course. This just makes sense. The government of Canada has lead responsibility for poverty among Indigenous people and seniors, and is the only jurisdiction that can reduce disparities among poor children, recent immigrants, and people with disabilities. Key income support programs (e.g., the Canada Child Benefit, Guaranteed Income Supplement, GST credit, and employment insurance) are also in the hands of the federal government. And vital non-income-based support — from child care to housing and public transit, health care to post-secondary education — further shapes the lives and opportunities of people living in low-income households. As the variation in access to these essential resources accelerates from region to region over time, the question arises: what does it mean to be Canadian? From the beginning, the idea of sharing costs with the federal government was meant to increase access to, and lower the cost of, the services that improve our quality of life.

Without question, reducing poverty is a matter of urgency. But international research reveals an important link between poverty and inequality: the more unequal a society is, the higher the rate of poverty it will tolerate.<sup>9</sup> This is a problem, since neither phenomenon is inevitable. Good policy decisions can reduce both poverty and inequality. For example, while the top 1% of income earners 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.<sup>10</sup>

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, a time of robust growth and job creation.<sup>11</sup> The richest 1% of earners in Canada accounted for 32% of all income gains between 1997 and 2007. That is four times their share of total income gains during the 1960s (a period of similarly rapid growth) and almost double their share of income growth during the Roaring Twenties.<sup>12</sup>

Since the recession, inequality has not continued to increase if measured by the share of income going to the top 1%, which was lower in 2013 (11.4%) than at its pre-recession peak in 2007 (13.7%). This is because incomes at the very top dropped slightly and those of the 99% rose modestly over the course of the recovery.<sup>13</sup> However, most of that growth occurred near the top of the 99% income span (in the top decile), and much has changed since 2013 (the latest year for which income data is available).

While income growth has also occurred in the bottom 50%, that growth has stalled since 2012. In 2013, 50% of earners in Canada reported incomes below \$31,800.<sup>14</sup> The average income of the bottom 50% was \$14,900, while that of the top 1% was \$516,000 — almost 35 times as much, though taxation reduced the disparity to a multiplication of 26.

In 2013, the average after-tax income of the richest 10% of Canadian households was 20 times that of the average income of the poorest 10%, the second highest ratio

at any point on record since 1976.<sup>15</sup> Economist Lars Osberg notes the situation will become much worse if trends hold: “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.”<sup>16</sup>

Income inequality in Canada is also highly racialized and gendered. Levels of income and employment are consistently lower for women, Indigenous peoples, racialized groups, persons with disabilities, and new immigrants. These differences cannot be attributed to educational levels alone. Women and men are equally likely to have post-secondary training, yet women still earn 20% less working full time, all year.<sup>17</sup> Indigenous workers with university degrees actually experience an even larger pay gap than less educated Indigenous peoples: in the private sector, they take home an astonishing 44% less than non-Indigenous peers. Women are also overrepresented at the low end of the income spectrum, making up 59% of all minimum-wage workers in Canada.<sup>18</sup>

As inequality increases, the rich bid up the cost of basic goods like housing, causing affordability problems for lower-income households. The squeeze on household incomes — downward pressure on wages alongside rising costs — is being managed by higher household debt or just by spending less, making inequality bad for business, too.<sup>19</sup>

As the International Monetary Fund (IMF) has pointed out, higher levels of inequality are correlated with fewer and shorter spells of growth.<sup>20</sup> The OECD has identified inequality as a major societal and economic

challenge, and recently launched the Centre for Opportunity and Equality (COPE) to explore and showcase ways of accelerating inclusive growth.<sup>21</sup>

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## Current Issues

Canadians have elected a new federal government led by a party that campaigned vigorously on a promise to tackle inequality and substantially reduce child poverty. To this end, the government plans to introduce a new Canada Child Benefit (CCB) that should notably reduce the child poverty rate (by up to a quarter), boosting incomes for low-income families with children by slightly more than what the AFB and Campaign 2000 have called for in recent years.

A promised 10% increase to the Guaranteed Income Supplement (GIS) for low-income seniors also represents an important enhancement that should lower the poverty rate among seniors by approximately 20%. The new government has further committed to taking action on Indigenous poverty, and has signalled changes are coming to employment insurance (EI) that will improve access and benefits. These policies, once enacted, represent important victories for progressive voices advocating for those experiencing economic insecurity. But the task of adequately tackling poverty and inequality remains far from complete.

Prime Minister Justin Trudeau has asked the Minister of Families, Children and Social Development to work with the Minister or Employment, Workforce Development and Labour on a “Canadian Poverty Reduction



Strategy that would set targets to reduce poverty and measure and publicly report on our progress.” The strategy “will align with and support existing provincial and municipal poverty reduction strategies,” according to the prime minister’s mandate letter.<sup>22</sup>

We are greatly encouraged by this development. We further applaud the new government’s decision to scrap both the Universal Child Care Benefit and income splitting for families with children in order to reallocate federal resources toward lower-income households. The AFB and Campaign 2000 have both long called for the annual amount in the Canada Child Tax Benefit/National Child Benefit Supplement to be increased to \$5,600 per child. The CCB, once enacted, would go further — providing \$6,400 per child to low-income families, thereby lifting an estimated 315,000 children out of poverty.

Nevertheless, there are important omissions in the new government’s strategy. For example, the government does not seem to appreciate that to truly tackle income inequality, policies are needed to address the *pre-distribution* of income (i.e., how society shares income prior to it being modestly redistributed through the tax and transfer system). This will require federal action on the minimum wage (something the new government has thus far rejected), measures to boost unionization (one of the strongest predictors of inequality in a society), and other policies that would restore the relative bargaining power of workers, including replacing temporary foreign worker programs with permanent immigration as labour shortages become widespread.<sup>23</sup>

Tackling poverty is also about more than income; it requires strong action on the social support programs that enhance affordability, quality of life, and economic security. In this regard, the new government has thus far failed to propose meaningful action on the urgent need for a national child care program. And while the Liberals campaigned on a promise for new spending on social housing, the details remain to be seen.

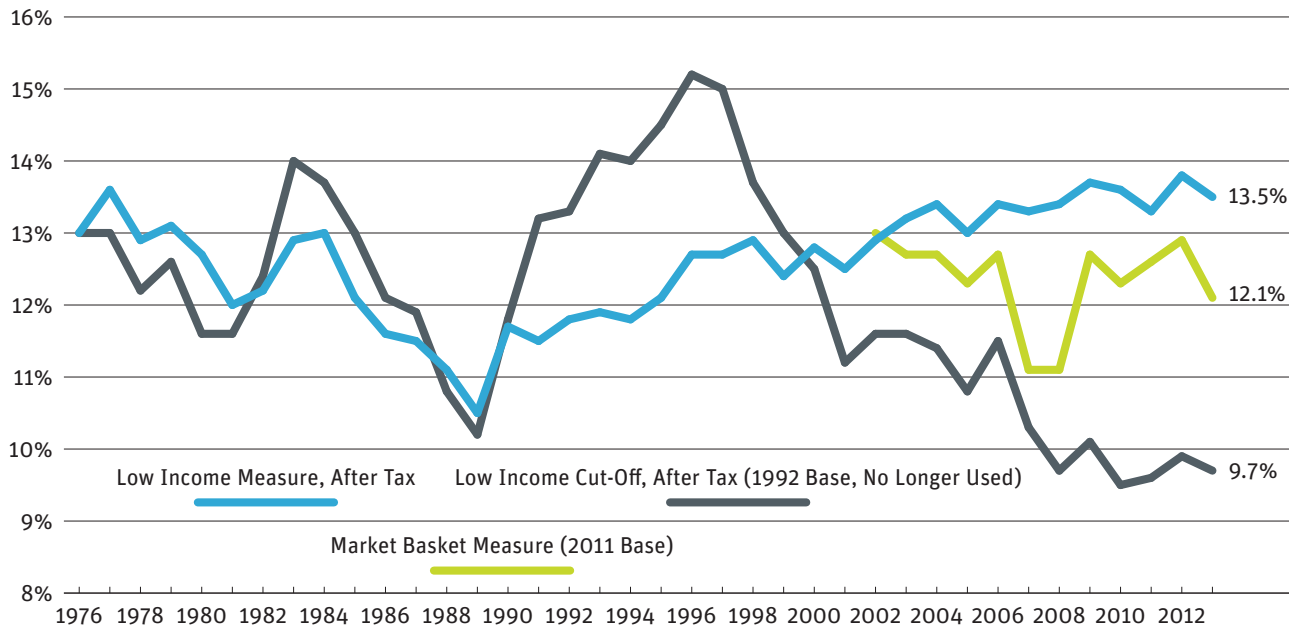
While the depth of poverty is due largely to inadequate provincial social assistance, its breadth is primarily a low-wage story. Millions of people in Canada continue to struggle with unemployment, underemployment, and precarious work. Employment insurance benefits now reach less than four in 10 unemployed workers, a level not seen since 1944.<sup>24</sup> 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.<sup>25</sup> Those facing job loss, the loss of a spouse, the loss of good health, or old age find that the social safety net meant to catch them has been shredded.

The statistics on poverty make clear the need for a comprehensive plan. 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.

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



**FIGURE 12** Measuring Poverty in Canada: Percentage of Persons in Low Income, Annual, 1976–2013



Source: Statistics Canada CANSIM Table 206 0041

ate metric. For this reason, our tracking of poverty rates employs the more reliable low-income measure (LIM) and market basket measure (MBM).

As we see in *Figure 12*, the choice of measure determines how many people – from 3.4 million to 4.6 million – are struggling with poverty. (For a more detailed look at poverty and inequality in Canada, see the associated AFB technical paper by Seth Klein and Armine Yalnizyan.)

## AFB Actions

### Reducing poverty rates

The AFB adopts the following indicators, targets, and timelines with respect to ending poverty and reducing inequality in Canada:

- Reduce Canada’s poverty rate by 40% by 2020, and by 75% within a decade.
- Ensure the poverty rate for children and youth under 18, lone-parent households, single senior women, Indigenous people, people with disabilities, recent immigrants, and racialized people also declines by 40% in four years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations.
- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line.
- In two years, ensure there is sufficient emergency shelter so that no one has to sleep outside, and within 10 years ensure there is sufficient stock of high-

quality, affordable housing for everyone who needs it.

- Within two years, reduce by half the number of people who report both hunger and food insecurity.

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

- Establish a human rights framework by which the federal government provides leadership on poverty and inequality issues, with a plan grounded in legislation that includes targets and timetables to eradicate poverty, effective accountability and reporting mechanisms, and input from those with a lived experience of poverty.
- Introduce a new federal transfer payment to the provinces and territories (\$4 billion in the first and second years, over and above the costs associated with the federal measures outlined below) to help them achieve their poverty reduction goals, as recommended in the 2010 report of the House of Commons standing committee on human resources, skills and social development and the status of persons with disabilities. The lion's share of these funds should help the 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, only provinces and territories that demonstrate improvement in income support and progress on a number of other outcome indicators will continue to receive federal funding.
- Reinstate, through legislation, minimum national standards for provincial income assistance to ensure that welfare is accessible and adequate.
- As the Liberals promised during the election campaign, introduce a new Canada Child Benefit (CCB) that would provide low-income families with \$6,400 per year, per child up to age six, and \$5,400 per year, per child between ages 6–17. This amount must be increased annually, with the goal that the CCB, in combination with the other policies outlined below, will reduce child poverty by 50% within five years.
- Cancel the Universal Child Care Benefit and the Enhanced Universal Child Care Benefit.
- Immediately double the refundable GST credit and lengthen the phase-out period to include more families. (Cost: \$5.1 billion per year).<sup>26</sup> This is vital to boosting the income of *all* low-income households, not just those with children and seniors, even in the face of provincial resistance to increasing social assistance benefit rates.
- Improve the earnings and working conditions of those in the low-wage workforce. This will be achieved by re-establishing a federal minimum wage of \$15 per hour, indexed to inflation and covering all workers under federal jurisdiction, and committing that federal government contracts will only go to living-wage employers.<sup>27</sup>

- Revise Canada’s 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).
- Substantially enhance the GIS top-up for low income seniors (see Seniors Chapter)

### **Reducing inequality**

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

1. Halt and reverse Canada’s drift towards an economy based primarily on resource extraction and a low-paid service sector by establishing an industrial policy that emphasizes the creation of value-

added jobs in the primary sector of the economy, rebuilds manufacturing capacity with well-paid jobs, and invests in research and development to accelerate energy-efficient production and use of sustainable energy sources (see the Sectoral Development chapter).

2. Enhance the infrastructure and public services upon which most people rely (e.g., child care, post-secondary education, housing, transit, etc.), thereby stretching paycheques and improving the purchasing power of the broad middle class.
3. Rebalance the bargaining relationship between capital and labour through measures that support unionization, collective bargaining, enforce and enhance the employment standards of vulnerable workers, and limit the use of temporary foreign workers.
4. Prioritize improvements in the incomes of all low- and middle-income households (e.g., better public pensions, higher minimum wages, the widespread adoption of living-wage policies, and improved support for the ill, unemployed, young, and old).
5. Increase the progressivity of Canada’s overall tax regime, and reduce tax exemptions for high-income and highly profitable corporations (see the Fair and Progressive Taxation chapter).

## Notes

- 1** For how Canada compares to other OECD countries on inequality, see the Conference Board of Canada (<http://www.conferenceboard.ca/hcp/details/society/income-inequality.aspx>) or the OECD data (<http://www.oecd.org/els/soc/income-distribution-database.htm>).
- 2** Organization for Economic Co-operation and Development, OECD Family Data Base, Table Co2.2 Child Poverty (includes family poverty) <http://www.oecd.org/social/family/database.htm> Data up to 2012.
- 3** Statistics Canada. Data from the new Canada Income Survey, for the year 2013, measured by the Low Income After Tax measure for persons 18 years of age and under. CANSIM Table 206-0041.
- 4** In the fall of 2014, Saskatchewan became the latest province to announce it will develop a plan, leaving B.C. alone in refusing to accept the need for a poverty reduction plan.
- 5** House of Commons Standing Committee on Human Resources, Skills and Social Development (2009). Minutes of Proceedings, Tuesday, November 17, 2009. Ottawa: Parliament of Canada.
- 6** 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.
- 7** House of Commons Standing Committee on Human Resources, Skills and Social Development, and the Status of Persons with Disabilities (2010). *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*. Ottawa: Parliament of Canada.
- 8** MP Rathika Sitsabaiesan tabled Motion 534 calling for a national anti-poverty plan to address the need for affordable housing, child care, and nutrition, with special emphasis on the unique needs of First Nations, Inuit, and Métis communities. On February 4, 2015, Motion 534 was passed near unanimously with little fanfare or media coverage.
- 9** Fortin, Pierre (2010). “Quebec is Fairer”, *Inroads*, Winter/Spring, Issue No. 26, pp. 58–65; and Ravallion, M. (2007). “Inequality Is Bad For The Poor” in *Inequality and Poverty Re-examined*, edited by Steven Jenkins and John Micklewright, Oxford University Press.
- 10** See the World Top Incomes Database, developed by Facundo Alvaredo, Tony Atkinson, Thomas Piketty and Emmanuel Saez: <http://topincomes.parisschoolofeconomics.eu/>
- 11** Conference Board of Canada (2011). *World Income Inequality: Is The World Becoming More Unequal?* Link: <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. than Canada because of the strength of global demand for Canadian natural resources, and women’s higher labour force participation rates here. Developments in 2015 will see this offsetting force diminish, but we will not see the results in income data until 2017.
- 12** Data are based on individual incomes. Yalnizyan, Armine (2010). *The Rise of Canada’s Richest 1%*. Ottawa: Canadian Centre for Policy Alternatives.
- 13** Income is pre-tax from all sources including capital gains. Data is from Statistics Canada, CANSIM Table 204-0001. The most recent data available is from 2013.
- 14** All incomes in this section refer to pre-tax income, including capital gains.
- 15** Statistics Canada CANSIM Table 206-0031. The rich/poor ratio was slightly higher in 2000. In 2013, the most recent data available, it was at the highest level it has been since the 2008 recession.
- 16** Osberg, Lars (2014). *Canadian Inequality, then and now: Can increasing inequality be a steady state?* Link: <http://myweb.dal.ca/osberg/classification/conference%20papers/May%2022%20Canadian%20Inequality%20Then%20and%20Now.pdf>
- 17** Statistics Canada. *2011 National Household Survey*. Ottawa.
- 18** Our data for these critical dimensions of poverty are out of date and not as reliable as they have been in the past because they come from the National Household Survey — the previous federal government’s voluntary survey replacement to the mandatory long-form census questionnaire. The very first act of the new government of Canada was to restore the mandatory long-form census, the only source for data that can link income, education, ethnicity, and immigration data. The next census takes place in May 2016, and data associated with income will be released in 2018.
- 19** Yalnizyan, Armine. “Inequality is Bad for Business.” *Canadian Business*, August 11, 2011.
- 20** Ostry, Jonathan, Andrew Berg and Charalambos Tsangarides (2014). *Redistribution, Inequality, and Growth*.

International Monetary Fund Discussion Note, Washington, D.C.

**21** The launch of the Centre for Opportunity and Equality (COPE) took place at the Organization for Economic Co-operation and Development, October 26, 2015 with a forum on the topic. This website is an archive of OECD materials on the topic of inequality and ways of overcoming it: <http://www.oecd.org/els/soc/launch-centre-for-opportunity-and-equality.htm>

**22** Prime Minister Justin Trudeau's mandate letter to the Minister of Families, Children and Social Development: <http://www.pm.gc.ca/eng/minister-families-children-and-social-development-mandate-letter>

**23** Jaumotte, Florence and Carolina Osorio Buitron (2015). *Inequality and Labour Market Institutions*, International Monetary Fund: <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf>

**24** 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.

**25** 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.

**26** Statistics Canada. Social Policy Simulation Database and Model. Ottawa..

**27** 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

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## Background

Last year saw the adoption of 17 Sustainable Development Goals (SDGs) expanding on the unfinished business of the Millennium Development Goals (MDGs) to include issues related to the environment and climate change, employment, economic growth, inequality, and peace and security, *inter alia*.

Like the MDGs, the SDGs will inform and shape plans and priorities at a global, regional, national, and local level. Unlike the MDGs, these new goals are universal in nature, applying to all countries, rich or poor. This means the SDGs will go beyond guiding international co-operation efforts, to encouraging countries like Canada to determine how they will address their own sustainable development challenges domestically, and how they will contribute to addressing challenges internationally.

Finally, the universal nature of the goals requires collective action around a range of global public goods, such as addressing climate change and promoting a fair, rules-based trading system. Canada is required to make measurable progress toward achieving these goals at home and abroad, with commensurate resources for implementing the SDG agenda.

The year 2015 also marked the 20<sup>th</sup> anniversary of the Beijing Declaration and Platform for Action, 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. Progress has also been slow in checking violence against women.<sup>1</sup>

World governments met in September of 2015, at the Global Leaders' Meeting on Gender Equality and Women's Empowerment, to reaffirm previous pledges and commit to making women's empowerment and gender equality a national priority integral to the implementation of the SDGs. States recognized the need to increase investments in gender equality, push for parity for women at all levels of decision-making, eliminate discriminatory legislation, and end social norms that perpetuate gender inequality and violence against women.

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## Current Issues

### Implementing the new global agenda

In September of 2015, in statements made at the plenary of the United Nations summit



for the adoption of the post-2015 development agenda, 21 governments announced their plans for implementing the new SDGs.<sup>2</sup> Canada was not among them. The Liberal government elected in October last year has committed to developing “a comprehensive plan to make measurable progress toward achieving these goals both at home and abroad.”<sup>3</sup>

Moving the SDGs forward must be a top priority and will require a significant commitment. To realize the global goals, Canada will need to use an integrated, multi-sectoral approach that is not just whole-of-government, but rather whole-of-Canada. This will depend on all sectors of society placing sustainable development at the centre of all their work — much as the government has said it will do on climate change. It will also require the development of a government action plan for implementing the SDGs, informed by consultations with, and commitments from, a broad range of Canadian stakeholders.

### **Financing the agenda**

The new and universally applicable SDGs, and the adoption of the Paris Agreement on climate change in December, represent a key opportunity to put people and the planet first. In order to achieve this, Canada will need to reverse the trend of recent years that has seen aid budgets decline to historically low levels. Canada must also provide much greater predictability in terms of aid allocations internationally and spending on this plan domestically.

In Budget 2012, the government announced the International Assistance Envelope (IAE) — the budgetary basis of Canadian aid that goes toward poverty reduction — would be reduced by more than \$350 million (to about \$4.6 billion) between 2011–12 and 2014–15. Analysis of aid allocations in 2012–13 and 2013–14 suggest the IAE may have already dropped to below \$4.4 billion.<sup>4</sup> This was likely due to lapsed spending that was returned to Treasury.<sup>5</sup>

On a positive note, the overall Canadian aid budget seems to have bounced back from \$4.9 billion in 2013–14 to \$5.7 billion in 2014–15. However, the increase is exaggerated by a one-off concessional loan of \$400 million to Ukraine in 2014–15, and a double payment to the World Bank’s International Development Association. (Canada sent the bank two payments of \$441.6 million in the same fiscal year due to a procedural change that year.) If you subtract these one-off payments, the overall aid budget is closer to \$4.8 billion.<sup>6</sup>

Although government support for the integration of 25,000 Syrian refugees is wholly welcome, this will increase the overall aid budget by \$876.7 million in 2015–16.<sup>7</sup> Refugees typically account for \$200 million per year of the overall aid budget. This one-off will again exaggerate the increase to the aid budget without any commensurate increase to the IAE.<sup>8</sup>

Similarly, the government has not yet made it clear whether the \$2.65 billion recently committed for climate finance will draw from the existing IAE or represent new funding. While the aid budget will fluctuate in the coming years due to a series of



one-off increases, the best way to generate predictability in the aid budget is through regular increases to the IAE.

### **Focus on the poorest and most marginalized**

To ensure that no one is left behind — a key mandate of the new 2030 Agenda for Sustainable Development and the SDGs — prioritizing the poorest and most marginalized must be a priority. This means focusing on the poorest countries, on women and girls, and on the impacts of climate change.

Prioritizing those who are most in need requires a focus on so-called low-income countries, least developed countries (LDCs), and fragile states, as the prime minister's mandate letter to the minister of international development indicated the Liberal government will do. In 2014, Canada was among the top three donors in the OECD countries in only six of its current 25 countries of focus. To maximize the impact it can have on the ground among the poorest and most in need, Canada should aim to become a top donor in more of the countries where it operates.

Investing in women, adolescents, and young girls — who are disproportionately affected by inequality and poverty — and funding women's rights organizations should also be a top priority for Canada. While Canada has historically been a leader in gender equality, in recent years Global Affairs Canada (formerly the Department of Foreign Affairs, Trade and Development) has spent only 1% to 2% of its budget on programs designed to advance gender equality and

women's empowerment — well below the OECD average.<sup>9</sup>

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### **AFB Actions**

In 2016, the Canadian government has the opportunity to provide leadership on a global framework for sustainable, inclusive, and equitable development. To do so the AFB will:

- Establish an interdepartmental task force to implement the SDGs, co-chaired by Global Affairs Canada and Environment and Climate Change Canada. This task force will produce a draft strategy and action plan for implementing the SDGs at home and abroad ahead of the next High Level Political Forum in 2016. Domestically, this action plan will have clear indicators, targets, and timelines appropriate to the national context. This draft should be the basis for timely and meaningful national consultations with key stakeholders in 2016–17, and for a new federal sustainable development strategy for 2030 that ensures policy coherence for sustainable development.
- Announce a 10-year timetable for reaching the aid target of 0.7% of gross national income (GNI). This will entail increasing Canada's IAE by 15.7% annually, from \$4.62 billion in 2015–16 to \$5.35 billion in 2016–17, \$6.19 billion in 2017–18, and \$7.16 billion in 2018–19.<sup>10</sup> This timetable will allow Canada to predictably increase aid flows for poverty reduction, conscious that one-off pay-

ments have increased the overall aid budget without commensurate increases to the IAE. This gradual increase will allow for countries to absorb the new funds incrementally. The net new spending will amount to \$730 million, \$1.6 billion, and \$2.5 billion in each of the next three years.

- Starting in 2016–17, dedicate 50% of overall Canadian aid to least developed countries (LDCs), low-income countries, and fragile states.<sup>11</sup> In the next four years, or by 2019–20, 0.15% of GNI will be aid dedicated to LDCs.<sup>12</sup> By 2019–20, Canada will also be among the top three donors in at least one half of its countries of focus. Furthermore, the AFB will quadruple Canada’s investment in women’s rights organizations by 2019–20, and ensure that 20% of all aid investments have a principal focus on advancing gender equality and women’s empowerment.<sup>13</sup>
- 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, in particular national plans for implementing the SDGs and nationally determined contributions on climate change, and make Canada’s spending more predictable and transparent.

## Notes

**1** For a comprehensive analysis of progress on the Beijing Platform of Action in Canada, see “Progress on Women’s Rights: Missing in Action report - A Shadow Report on Canada’s Implementation of the Beijing Declaration and Platform for Action,” Canadian Centre for Policy Alternatives (2014). Link: [https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2014/11/Progress\\_Women\\_Beijing20.pdf](https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2014/11/Progress_Women_Beijing20.pdf)

**2** From “A Commitment towards implementation? A Review of Statements delivered during the UN Sustainable Development Summit – 25–27 September 2015,” Beyond2015, October 2015. Among statements made by 96 countries during the High Level Summit, 21 (or 22% of the total) made clear references to how they are already translating Agenda 2030 into national reality; 26 (or 27%) indicated some degree of implementation; and 49 (or 51%) did not mention any national plans. Those 21 countries include Bangladesh, Belize, Colombia, Congo, Costa Rica, Czech Republic, Germany, Indonesia, Jordan, Laos, Mauritius, Pakistan, Romania, Samoa, Solomon Islands, Sweden, Switzerland, Tajikistan, Timor Leste, Venezuela, and Zimbabwe.

**3** Report on Survey Sent to Parties,” Canadian Council for International Co-operation, October 2015. Retrieved from: [http://www.ccic.ca/\\_files/en/2015\\_10\\_16\\_Report\\_Survey\\_Parties.pdf](http://www.ccic.ca/_files/en/2015_10_16_Report_Survey_Parties.pdf)

**4** Based on figures from Foreign Affairs, Trade and Development Canada (2013). *Statistical Report on International Assistance*. Fiscal Year 2012–2013. Retrieved from: <http://www.international.gc.ca/development-developpement/assets/pdfs/sr-rs-2012-2013-eng.pdf> and Foreign Affairs, Trade and Development Canada. (2014). *Statistical Report on International Assistance*. Fiscal Year 2012–2013. Retrieved from: <http://www.international.gc.ca/development-developpement/assets/pdfs/sria-rsai-2013-14-eng.pdf>

**5** Berthiaume, Lee. (2013). “Hundreds of millions in foreign aid unspent last year, federal records confirm,” *Postmedia News*, November 1, 2013. Retrieved from: <http://www.canada.com/business/Hundreds+million+s+foreign+unspent+last+year+federal+records+confirm/9114155/story.html>; Blanchfield, Mike. “Foreign Affairs Canada Lets \$125 Million In Aid To Poor Countries Lapse,” *Canadian Press*, November 20, 2014. Retrieved from: [http://www.huffingtonpost.ca/2014/11/20/foreign-affairs-canada-lapsed-funds\\_n\\_6194630.html](http://www.huffingtonpost.ca/2014/11/20/foreign-affairs-canada-lapsed-funds_n_6194630.html); Fekete, Jason and Lee Berthiaume. “Tories left \$9.5 billion in approved funds untouched to avoid deficit during elec-

tion year,” *National Post*, December 10, 2015. Retrieved from: <http://news.nationalpost.com/news/canada/tories-left-9-5-billion-in-approved-funds-untouched-to-avoid-deficit-during-election-year>.

**6** That said, it is impossible to definitively ascertain Canada’s IAE amount since this figure has not been made public since 2010.

**7** Levitz, Stephanie. “Cost of Syrian refugee plan pegged at \$1.2B over 6 years,” *Canadian Press*, November 20, 2015. Retrieved from: <http://www.cbc.ca/news/politics/syrian-refugees-billion-six-years-1.3327780>

**8** The cost of refugees living in Canada in their first year is included in our overall aid budget, but is not part of the IAE. Therefore, an increase in refugee costs increases our aid budget without seeing any increase to the resources going to fight poverty in developing countries.

**9** Plewes, Bettery (2014). *Digging Deeper. Towards Greater Action on Global Rights for Women and Girls*. Retrieved from: [http://www.ccic.ca/\\_files/en/DiggingDeeperEnglish\\_Web.pdf](http://www.ccic.ca/_files/en/DiggingDeeperEnglish_Web.pdf)

**10** The estimate of GNI from the November 2015 Fiscal Update for each of the years 2015 (\$1,999.7 billion), 2016 (\$2,017.7 billion), 2017 (\$2,100.42 billion), 2018 (\$2,197.04 billion) and 2019 (\$2,293.71 bn) is used. To establish the IAE for each year, we assumed that the IAE for 2015/16 remains flatlined at the 2014–15 level of \$4,622. We then increased subsequent years by 15.7%.

**11** In 2013–14, the government allocated \$2.23 billion in aid to these countries out of a total of \$4.86 billion, or 46%..

**12** In 2013–14, the government allocated \$1.70 billion in aid to LDCs, or 0.09% of GNI. This would see funding to LDCs shift from \$1.7 billion in 2013–14 to approximately \$3.4 billion in 2019–20.

**13** In 2013–14, the government allocated \$5.2 million to women’s rights organisations. By 2019–20 this should be \$20.8 million.

# Post-Secondary Education

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## Background

The attainment of post-secondary education has become an important prerequisite for participating in the labour force, despite being much less affordable now than it was 25 years ago. Whether it is a trade certification, college diploma, undergraduate degree, or an advanced degree, today's economy requires higher levels of education and training than ever before.

Post-secondary education, like most social programs, constitutionally falls within provincial jurisdiction. However, like Canada's health care system, the post-secondary education system receives considerable funding from the federal government. Through the *Canada Health Act*, the federal government has the ability to set standards of care and funding, and ensure universal access legislatively. Historically the federal government has also played a key policy role in post-secondary education. And yet Canada is the only G20 nation without a national vision of higher education.

Without a national vision, access to post-secondary education, its affordability and priorities shift considerably from province to province to territory. This results in students facing significantly different challenges in accessing higher education depending on where they study. It is not in the interest of

social equality and economic development 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 1982 and 2012, government funding for universities as a share of operating revenues plummeted from 83% to 55%. Students have been forced to fill this funding gap: tuition as a share of university operating revenue increased from 14% to 38% over the same period.<sup>1</sup>

Students in Canada face a combination of challenges as they attempt to acquire the education they need to have a chance of succeeding in today's rapidly changing labour force. These include record-high levels of student debt; stubbornly high unemployment rates (double what it is for the general public), with an estimated 40% of university graduates aged 25–34 suffering from underemployment; and an increasing demand to participate in unpaid internships.<sup>2</sup>

In 2015–16, university tuition fees in Canada increased by 3.2% to an average of \$6,191 per year.<sup>3</sup> Tuition fees alone have seen a real increase of over 160% since 1990.<sup>4</sup> Institutions often charge additional compulsory fees in order to circumvent provincial

tuition fee regulations, as these fees are not regulated in all provinces. For 2015–16, these fees on average increased the cost to attend university by \$838 per student, raising total average undergraduate fees to over \$7,000.<sup>5</sup>

However, dramatically different approaches to post-secondary education funding are hidden by these averages. Undergraduate tuition fees range from \$7,868 a year in Ontario, to \$2,660 in Newfoundland and Labrador.<sup>6</sup> In specialized programs such as medicine, law, and dentistry, tuition fees are often unregulated. Students can pay three or more times the average for these programs, driving student debt for many future health professionals into the six-figure range. In 2012, 30% of medical students expected to graduate with over \$100,000 in debt, and 13% expected over \$160,000 in student debt.<sup>7</sup>

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## Current Issues

### Core funding

Starting in 1967, federal funding for post-secondary education was provided on a cost-sharing model. The provinces made decisions about policy, programming, and spending, and administered the system; the federal government matched provincial 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 reduced both overall funding within the transfer and the level of accountability the provinces had with the funds. 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.<sup>8</sup>

The Canadian Federation of Students estimates 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 adequate numbers of instructors and support staff, maintain fair labour practices, resulting in a reduction in the quality of Canada's universities and colleges.

### Student financial aid

The financial burden on students has greatly increased the number of students requiring financial assistance and the amount required. The most recent actuarial report on the Canada Student Loan Program (CSLP) projected the \$19-billion ceiling in aggregate student loans would be reached in

2021. However, in May 2015, the federal government was forced to increase the legislative ceiling to \$24 billion to avoid it being reached as early as January 2016, a full five years sooner than expected.<sup>9</sup>

This figure accounts for only a portion of total student debt; it does not include provincial and personal student loans, lines of credit, or education-related credit card debt. As of 2012, Statistics Canada estimated total student loan debt was over \$28 billion.<sup>10</sup>

High levels of student debt have been linked to lower degree completion rates and a reduced likelihood of continuing studies beyond a first cycle. Heavy debt loads are also a negative factor in an already weakened economy characterized by increasingly precarious work and stagnating wages. 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 goals.

In the fall of 2009, the federal government established the Canada Student Grants Program (CSGP). This program greatly increases support for students, but to meaningfully reduce student debt a much larger investment is required. The government spent over \$1 billion in 2014 on the Registered Education Savings Plan (RESP).<sup>11</sup> The RESP is costly, ineffective, and primarily used by higher-income families that need the least financial help to pay for post-secondary education. In 2014, the total price tag for the federal government's tax credit and savings schemes was over \$2.9 billion.<sup>12</sup>

## First Nations students

The federal government has a moral and legal responsibility to provide for the well-being of First Nations, Inuit, and Métis peoples, including their access to post-secondary education. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which status First Nations and Inuit students receive financial support from the federal government. Since 1996, annual growth in funding for the PSSSP has not been based on eligibility or enrolment, but capped at 2% per year, although actual increases have been closer to 1%.

But as inflation, population growth, and tuition fees 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 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 moving forward as a result of the funding cap.<sup>13</sup> See the AFB First Nations chapter for funding details.

## 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 commercialize university research has far-reaching conse-



quences — from limiting academic freedom and public ownership of research to discouraging private market innovation. In addition, federal funding increases directed toward 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.

### **Apprenticeships and skills-based training**

Former prime minister Stephen Harper declared Canada's so-called skills shortage "the biggest challenge our country faces" when it comes to future economic growth. But the previous federal government likely contributed to the shortage through budget cuts that put Canada near the bottom of the industrialized world when it comes to public investment in skills training. Cuts to Statistics Canada and the elimination of core funding from multi-stakeholder organizations such as the Canadian Apprenticeship Forum, Canada Labour Business Centre, and Canadian Council on Learning resulted in flawed labour market information and public policy advice. The government also made it more difficult for Canadians to access training programs to address alleged skill shortages. Employment insurance (EI) eligibility was restricted, with only 40% of unemployed Canadians qualifying for benefits and training. Those not covered by EI had funding for training programs slashed.

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## **AFB Actions**

### **Eliminate tuition fees in Canada**

The AFB calls for the introduction of a federal *Post-Secondary Education Act*.<sup>14</sup> The legislation should be modelled on the *Canada Health Act*, ensuring that principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom are upheld. Within the act a new, dedicated post-secondary education cash transfer will be introduced.

The federal government will provide funding equal to 50% of the amount needed to eliminate tuition and other fees in the most expensive province, growing annually based on enrolment and inflation escalators. All provinces will receive the same per-student federal funding irrespective of their present tuition level. The cash transfer will be conditional on the provinces working with the federal government to eliminate all tuition and ancillary fees.

The elimination of tuition fees will dramatically lower student financial need during studies, reducing government expenditure on the CSGP and PSSSP, at a federal cost of \$3.3 billion for the 2016–17 academic year. A portion of the funding needed to eliminate tuition fees (\$1 billion) would come from the cancellation of the Registered Education Savings Plan (RESP), Canada Education Savings Program (CESR), and Canadian Learning Bond (CLB).

### **Research funding and scholarships**

The AFB will end the narrow funding focus and short-term commercialization approach.



**TABLE 4** Federal Expenditures to Eliminate Canadian Student Tuition (\$mil)

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	Total
2016–17	\$ 48	\$ 12	\$ 116	\$ 59	\$ 610	\$ 1,580	\$ 131	\$ 104	\$ 361	\$ 266	\$ 3,286
2017–18	\$ 47	\$ 12	\$ 116	\$ 58	\$ 628	\$ 1,612	\$ 134	\$ 107	\$ 372	\$ 271	\$ 3,357
2018–19	\$ 47	\$ 12	\$ 116	\$ 58	\$ 647	\$ 1,644	\$ 136	\$ 110	\$ 383	\$ 277	\$ 3,429

The federal granting agencies' base budgets will be increased 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 average growth of the program since 2003. These will be distributed proportionately among the research granting councils according to enrolment figures.

### Apprenticeships and skills-based training

The AFB will launch a comprehensive national strategy to help Canadians get the skills training they need to find and keep good jobs. It will also establish a new Workplace and Employee Survey to improve Canada's labour market information system and help stakeholders make informed training decisions. Additionally, the AFB will provide funding to bring key stakeholders together through the creation of a national Labour Market Partners Forum. This will allow major labour market issues to be identified, and a forum for public policy advice to be provided.

With the employment insurance account projected to have annual surpluses moving forward, the AFB will reinvest

these surpluses into EI training programs to expand access. This will provide more unemployed Canadians the opportunity to get the training they need to get back into the workforce (also see the AFB Employment Insurance chapter).

- \$15 million to improve labour market information
- \$50 million over ten years to create a national Labour Market Partners Forum
- \$300 million to help unemployed Canadians who do not qualify for EI
- Raise \$300 million by canceling the Canada Job Grant
- \$35 million improve apprenticeship training

### Notes

- 1 Canadian Association of University Teachers (2014). *CAUT Almanac of Post-Secondary Education in Canada*.
- 2 Office of the Parliamentary Budget Officer (2015). *Labour Market Assessment 2015*.
- 3 Statistics Canada (2015). *University Tuition Fees, 2014/2015*.
- 4 Statistics Canada (2013). *Tuition and Living Accommodation Costs for Full-time Students at Canadian Degree Granting Institutions for Academic Years 1972–1973 to 2012–2013*.

- 5** Statistics Canada (2015). *University Tuition Fees, 2014/2015*.
- 6** *Ibid.*
- 7** Buske, Lynda (2013). *Off to work I owe!* Canadian Collaborative Centre for Physician Resources.
- 8** Canadian Association of University Teachers (2014). *CAUT Almanac of Post-Secondary Education in Canada*.
- 9** Canada Gazette. *Regulations Amending the Canada Student Financial Assistance Regulations, June 2015*.
- 10** Statistics Canada. CANSIM Table 205-0002: Survey of Financial Security (SFS), composition of assets (including Employer Pension Plans valued on a termination basis) and debts held by all family units, by age group, Canada and provinces.
- 11** Treasury Board of Canada Secretariat (2015). *Statutory Forecasts (C) 2014–15*.
- 12** Canadian Federation of Students (2015). *Postsecondary Education Tax Credits*.
- 13** Sharpe, Andrew et al. (2009). *The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance*. Centre for the Study of Living Standards.
- 14** See 2011 private members' bill C-265 for an example of a comprehensive PSE Act.

# Public Services

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## Background

During the federal election campaign, the Liberal Party promised to create new public service performance standards, streamline applications, reduce wait times, offer “money-back guarantees,” and expand the availability of in-person services. Improvements were to begin within departments administering employment insurance (EI), veterans’ benefits, immigration, and EI and Canada Pension Plan (CPP) appeals. The problems these reforms are meant to address relate directly to cuts and restructuring in the public sector made by the previous government. Simply put, there is insufficient funding and staffing to provide the services the public needs in a timely, accurate, and transparent way.

Between the 2011 election and March of 2015, 25,318 positions were cut from core public services and agencies.<sup>1</sup> Statistics Canada estimates 50,000 jobs were cut over the same period in the broader federal public administration, while departmental spending reports show even more cuts were planned.<sup>2</sup> The result has been decreased service quality and a public service less able to do its job.<sup>3</sup>

Recent cuts have also harmed public research and should be reversed. Although partnerships between government, academic, and industry research institutes are im-

portant, the public sector alone maintains the neutrality and tolerance to risk that is so important for innovation and groundbreaking research that is non-proprietary and benefits all Canadians.<sup>4</sup>

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## Current Issues by Department

### Canadian Food Inspection Agency

The Canadian Food Inspection Agency (CFIA) lost 1,407 full-time staff positions between 2012 and 2016, representing 20% of its workforce. Cuts of 720 positions came from programs that mitigate the risks to human health from animals, fruit, and vegetables. Programs that regulate food packaging and production facilities saw staff cuts of 429 positions.<sup>5</sup> In 2014, there were 60% fewer ground meat inspections than there were in 2013. Fewer than half of the independent food retailers inspected in 2013 were slated for inspection in 2014.<sup>6</sup> Veterinarians and scientists employed by the CFIA argue that recent policy changes undermine Canada’s culture of food safety.<sup>7</sup> More inspectors are required, and policies that were amended to facilitate industry self-regulation need to be reversed.

## Agriculture and Agri-Food Canada

The Liberal government has promised to invest \$100 million over four years to enhance agricultural research. Treasury Board statistics show that between 2011 and 2015, Agriculture and Agri-Food Canada shed 1,764 jobs. It would take over \$100 million per year to restore lost research capacity and programs (see the AFB Agriculture chapter).

## Environment and Fisheries

The Liberal government has promised to conduct a review of recent changes to the *Fisheries Act* and *Navigable Waters Protection Act* that undermined environmental protection at the federal level. The government commits to restoring the \$40 million that was cut from ocean and science monitoring programs, putting \$1.5 million back into freshwater lakes research, and reinvesting in the Experimental Lakes Area. It also has promised to enact the recommendations of the Cohen Commission with respect to increasing salmon stocks in British Columbia.

The Conservative government repealed key portions of the *Fisheries Act* in June of 2012, endangering habitats and removing triggers for impact assessments of major projects. The *Canadian Environmental Assessment Act* was replaced with a much weaker version that restricts assessment hearings. The Conservative government also reduced environmental oversight in the *Species at Risk Act*. These changes should all be reversed, and ongoing National Energy Board reviews of industrial projects should

be halted until a transparent review of Canada's environmental assessment processes can be undertaken.

Between 2010 and 2017, Environment and Climate Change Canada (formerly Environment Canada) will have cut 21% of its staff, including 338 employees from the climate change division. At Fisheries and Oceans Canada, 30% of the staff positions responsible for the *Species at Risk Act* have been cut.<sup>8</sup> In 2014, the Federal Court ruled the ministers of Environment and Fisheries and Oceans acted unlawfully in delaying the creation of recovery strategies for species at risk. Department officials admitted staff shortages were in large part to blame for their inaction.<sup>9</sup> More than \$100 million in cuts were made at Fisheries and Oceans Canada for water protection.<sup>10</sup>

## Parks Canada

The Liberal government promises to invest \$25 million to reverse recent cuts to Parks Canada, and to improve and better manage the environments in Canada's national Parks. This includes a commitment to create 5,000 green jobs for youth and hire more guides, interpreters, and other staff. At the same time, longer seasons at Canada's parks should be restored, and staff who were laid off should be rehired. Increased student staffing would enable students to make a fair wage, and be covered under health and safety arrangements that have been negotiated by unions with Parks Canada.

## Statistics Canada

The Liberals have brought back the long form census. Their platform also promised to make Statistics Canada independent, and provide it with the authority to release key information that informs government decisions.

Statistics Canada was one of the departments hit hardest by budget cuts during the Harper years. One of the biggest losses during this period was the elimination of the mandatory long-form census. The long form census is important to provinces, municipalities, businesses, NGOs, academics, pollsters and the news media as well as the federal government.

## Employment and Social Development Canada

The effectiveness of any changes by the government to Employment and Social Development Canada will be undermined if there are too few public service employees to administer them. New staffing introduced in the 2015 budget has not repaired the damage caused by Conservative cuts.<sup>11</sup> According to Treasury Board, 2,954 jobs have been cut since 2011.<sup>12</sup> This contributed to 26 million calls to the EI helpline being blocked between 2011 and 2013.<sup>13</sup> The AFB will invest \$200 million per year to hire additional EI employees to make sure all calls are answered (see the AFB Employment Insurance chapter).

## Immigration

Canada currently welcomes over 250,000 immigrants a year. Given Canada's aging population there is a strong economic argument to increase this number. There is an even stronger moral argument for Canada to welcome more refugees. The World Bank estimates that by 2030, between 35 and 122 million people will be living in poverty because of climate change.<sup>14</sup> Poverty and food shortages are leading to more migration. Canada and other prosperous nations must begin to plan for this new reality.<sup>15</sup> Increased resources are required for building capacity and to meet ongoing demand. Visa offices and the Refugee Board are both understaffed, making it almost impossible for the department to respond in a timely way to everything from family reunification to administering citizenship applications.<sup>16</sup>

## Court Challenges Program

The Court Challenges Program, created in 1978, provided an average of \$2.3 million annually to help Canada's disadvantaged and marginalized bring Charter challenges related to language and equality rights. The previous government cancelled the program in September of 2006. Because of the length of time it takes for cases to wind their way through the courts, the Court Challenges Program is still receiving minimal, though inadequate, funding for existing cases.<sup>17</sup> The AFB will reinstate this program, which promotes increased opportunities for equality within Canada's justice system.

## **Government Operations**

Access to Information requests have been increasing for a number of years. Time limits are seldom met, and active unanswered requests date back to 2009.<sup>18</sup> Departments must be resourced to end backlogs and address requests in a timely manner. The Liberal government has directed the justice minister to “ensure that Canadians have easier access to their own personal information, that the Information Commissioner is empowered to order government information to be released and that the Act applies appropriately to the Prime Minister’s and Ministers’ Offices, as well as administrative institutions that support Parliament and the courts.”<sup>19</sup> The Liberal platform also committed to developing a new official languages plan to support English and French linguistic minorities, and to establish a free, online service for learning and retaining English and French as a second language. Increased transparency in government and support for bilingualism is welcome, but effectively operationalizing these goals will require additional resources.

## **Canada Revenue Agency**

Canadians for Tax Fairness estimates that in 2014, Canadian corporations had \$199 billion hidden in the top ten tax havens, with more recent research showing Canadians have at least \$40 billion stashed away in Switzerland alone.<sup>20</sup> From 2011 to 2015, the Conservative government cut almost 1,800 jobs at the Canada Revenue Agency.<sup>21</sup> Hundreds of senior auditors were laid off.

The Liberal government has committed to “[i]nvest additional resources to help the CRA crack down on tax evaders and work with international partners to adopt strategies to combat tax avoidance.”<sup>22</sup> It also says it will develop a better client relationship that includes proactively contacting Canadians when they are entitled to tax benefits they are not receiving, creating returns for those with lower or fixed incomes, supporting more people who want to file paperless tax returns, and ensuring all CRA correspondence is user-friendly. The CRA does not currently have the capacity to fulfill these promises without more resources.

## **Canada Post**

Canada Post has created revenue for the government in all but two of the past 17 years. The 2014 Canada Post budget showed \$194 million in profit. In the first quarter of 2015, the corporation posted a pre-tax profit of \$24 million.<sup>23</sup> The Liberal party promised to stop the planned cancellation of door-to-door mail delivery. There are other options for increasing revenue at Canada Post, including postal banking, which research at the corporation concluded to be a “proven money-maker.”<sup>24</sup>

## **Veterans Affairs Canada**

The Liberal government has committed to reopening the nine Veterans Affairs service centres closed by the previous government, hire more staff, and “fully implement all of the Auditor General’s recommendations on enhancing mental health service deliv-



ery to veterans.”<sup>25</sup> The same mandate letter promises to provide greater education, counselling, and training for families providing care and support to veterans, and to budget \$20 million for two new centres of excellence in veterans’ care. Between 2011 and 2015, Veteran’s Affairs cut 915 jobs. Although the promised 400 new service delivery staff will be welcome, more personnel will likely have to be hired.

### **Canadian Coast Guard**

The Liberal government has promised to reopen the Maritime Rescue Sub-centre in St. John’s and the Kitsilano Coast Guard base in Vancouver. The Conservative government planned to cut \$20 million and 300 full time jobs from the Coast Guard.<sup>26</sup>

The Kitsilano Coast Guard base responded to about 350 calls for rescues per year. Calls for assistance must now be handled 17 nautical miles and 35 minutes away. According to the former commander of the Kitsilano station, the fuel leak that occurred in April of 2015 would have been responded to in 10 minutes instead of the several hours it took had the base still been open.<sup>27</sup> The Maritime Rescue Sub-centre in St. John’s covered 900,000 square kilometers of ocean and 28,956 kilometers of coastline, responding to more than 500 distress calls a year.

Besides reinstating these centres, the AFB will also reopen the 10 Coast Guard communications centres shut by the last government.<sup>28</sup>

### **A healthy public service**

The new government has promised to bargain in good faith with public sector unions. It has committed to implementing the Mental Health Commission of Canada’s *National Standard of Canada for Psychological Health and Safety in the Workplace*, and to revoking recent changes to labour legislation that undermine fair representation, subvert the bargaining process, and deplete health and safety representation. Importantly, the government promises to stop muzzling public service workers (scientists in particular) and rein in political interference. Early measures toward this end are welcome, but more needs to be done to ensure the independence and non-partisan role of the public service is maintained.

### **P3 Privatization**

The Harper government aggressively pushed privatization and public-private partnerships (P3s) throughout its decade in power. This started with their so-called “Financial Accountability Act” in 2006 that significantly reduced transparency and accountability for government procurement and P3s, was accelerated with their creation of PPP Canada Inc. the P3 Canada Fund and P3 screening for infrastructure projects in 2007, and then clearly exposed their ideological bias when they decreed that all projects receiving public transit funding would have to be P3s in their 2014 Budget.

P3s cost far more than publicly financed and operated projects because private financing costs far more and also because those



in the P3 industry—including lawyers, financiers, consultants etc.—make far more from P3s, which is why they push them so aggressively. But they hide the higher costs using very creative accounting techniques and by claiming that billions of dollars of risk are shifted to the private sector. This is false: numerous Auditor Generals have reviewed specific P3 projects and found they cost more and deliver less.

Most recently, Ontario’s Auditor General reviewed 74 P3s under taken by that province’s P3 agency, Infrastructure Ontario, and found they cost \$8 billion (or 29%) more than if they had been publicly financed and operated. Moreover, she found that there was not a shred of evidence for claims of risk transfer, strong bias exhibited in favour of P3s, reduced competition with P3 projects, massive double counting of costs, and a disturbing lack of adherence to conflict of interest rules.

What’s even more disturbing since these revelations is that construction giant SNC-Lavalin, which was barred from competing for World Bank contracts for an unprecedented ten years following widespread charges of fraud and corruption, including on a P3 hospital in Montreal, has become even more successful in winning multi-billion dollar P3 contracts in Canada.

The higher costs of P3s aren’t just abstract amounts that will be paid by future generations: they are already resulting in cuts to front-line services, particularly in hospitals and health care.

The new Liberal government took a good first step by removing the “P3 screen”—which required that recipients of federal funding for

large infrastructure projects consider P3s—and also removing the requirement that federally-funded public transit projects be P3s.

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## AFB Actions

The AFB will reverse several of the cuts mentioned above and in other chapters. However, many additional impacts on services from past budget cuts have yet to be fully understood or addressed. The AFB will introduce a program review process to make the public service more transparent and adaptive to the needs of everyone, to be ramped up to \$2 billion per year. This review process will prioritize the following needs:

- to 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;
- to create permanent employment by ensuring temporary staffing agencies are used only for short-term, unanticipated work;
- to enact legislation that protects all temporary workers employed by the federal government, including casual employees, temporary staffing agency employees, and students; and
- to review and reduce contracting-out where required, with a view to redirecting the anticipated savings into programs and projects in the broader public interest.

- Eliminate the \$1.25 billion P3 Fund that subsidizes P3s—the only fund of this type in the world—and eliminate PPP Canada Inc. and redirect the remaining funds to public infrastructure projects.
- The federal government should introduce comprehensive P3 and Procurement Transparency and Accountability Legislation and also conduct a full and transparent review of the costs of federal P3s and those funded by the federal government. It should put a moratorium on any further federal P3s or federally-funded P3s pending results of this review.
- The federal government should also cancel the Harper government’s Social Finance and Social Impact Bond initiative, which are similar to P3s for social services, and ensure that its proposed Canada Infrastructure Bank doesn’t just become another way for the public purse to subsidize private finance and profits.

## Notes

- 1 Treasury Board of Canada, *Population of the Federal Public Service*. Link: <http://www.tbs-sct.gc.ca/res/stats/ssen-ane-eng.asp>. This information is retrieved from the government’s regional pay system and consists of two population segments: the Core Public Administration (CPA) and Separate Agencies (SA). The changes from 2014 overall are negligible, with only 104 fewer jobs. In the last year, the government chart shows that some departments and agencies continue to cut positions (e.g., CRA, CFIA, CSC, and AAND) and others have increased their staff from the previous year (ESDC in particular).
- 2 Statistics Canada. Survey of Payrolls (SEPH), CAN-SIM table 281-0023
- 3 MacKinnon Leslie. “Most cuts hitting services, says budget watchdog,” *CBC News*, November 7, 2012. Link:

<http://www.cbc.ca/news/politics/most-cuts-hitting-services-says-budget-watchdog-1.1217923>

4 Mazzucato, Mariana (2013). *The Entrepreneurial State*. Anthem Press, New York, p. 13: “From the development of aviation, nuclear energy, computers, the Internet, biotechnology and today’s developments in green technology, it is, and has been, the State — not the private sector — that has kick-started and developed the engine of growth, because of its willingness to take risks in areas where the Private sector has been too risk averse.”

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12 Treasury Board of Canada, *Population of the Federal Public Service*. Link: <http://www.tbs-sct.gc.ca/res/stats/ssen-ane-eng.asp>

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- 15** O'Hagan, Ellie Mae (2015). "Mass migration is no 'crisis': it's the new normal as the climate changes," *The Guardian* <http://www.theguardian.com/commentisfree/2015/aug/18/mass-migration-crisis-refugees-climate-change>
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- 17** Rennie, Steve. "Scrapped court challenges program still 5-7 years from winding down," *The Canadian Press*, March 04, 2015.
- 18** Cheadle, Bruce. "Data show unfulfilled federal access-to-information requests going back to 2009," *The Canadian Press*, June 25, 2015. Link: <http://www.theglobeandmail.com/news/national/data-shows-unfulfilled-federal-access-to-information-requests-going-back-to-2009/article25106483/>
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- 21** Treasury Board of Canada. *Population of the Federal Public Service*. Link: <http://www.tbs-sct.gc.ca/res/stats/ssen-ane-eng.asp>
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# Sector Development Policy

## 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.

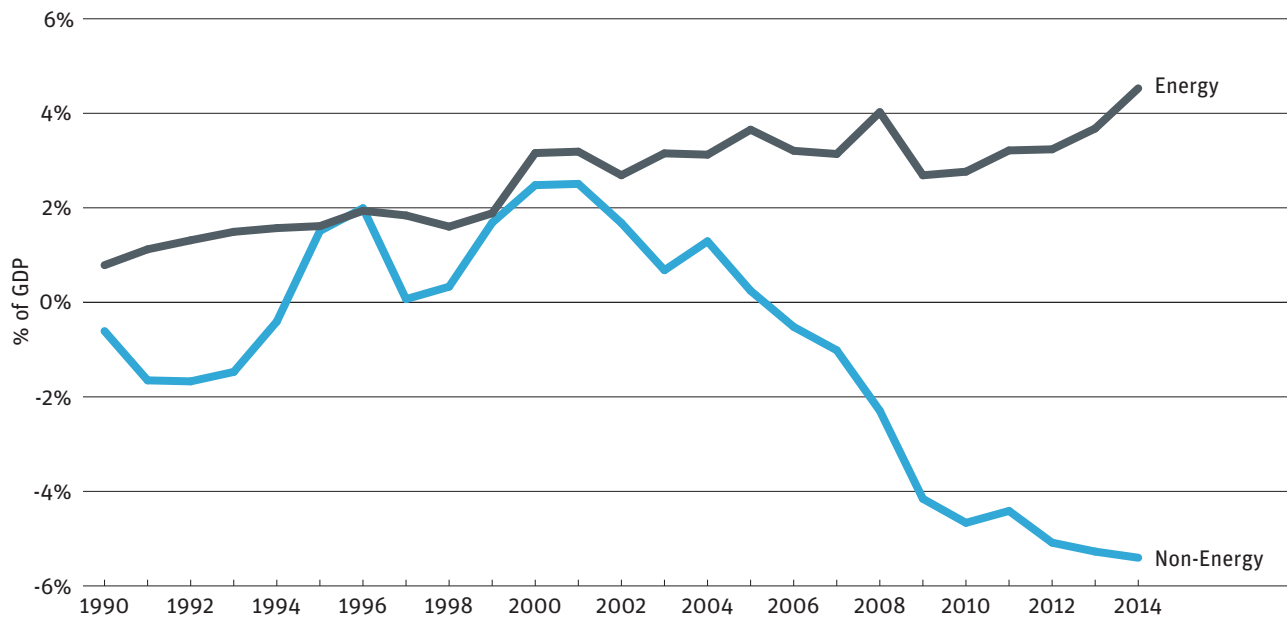
The outgoing federal government placed the narrow interests of its core economic base (the petroleum industry) ahead of the priorities of nation-building, stability, and sustainability. The lasting and painful consequences of Canada’s ‘extractivist’ sectoral policy are manifold, as is increasingly evident. 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 new federal Liberal government supported an ambitious new target on climate change at the recent UN meeting in Paris. While it is promising that leaders recognized the need for greater ambition, in

**FIGURE 13** Canadian Energy and Non-Energy Trade Balances



Source: Industry Canada Strategies database.

the form of a 1.5 degree target, rather than two degrees, it is not clear that politicians and negotiators understood the details of what that entails. For Canada, this means a more ambitious domestic GHG emission reduction target in line with Canada's strong support for a 1.5C global target in Paris. 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).

The outgoing federal government 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.

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 part-

ly 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 ongoing decline in oil prices 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.

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## **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.

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## **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, this money is not being spent because of restrictive terms and the lack of an appropriate encompassing policy framework (including supportive trade and procurement policies). 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 internation-



al 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 severe 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. 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 Canada-US exchange rate falls to the lowest level it has seen in over a decade, 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 develop-

ment 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.

# Seniors and Retirement Security

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## Background

In 2015, the number of people in Canada aged 65 and older exceeded, for the first time, the number of children under the age of 14. One in six people in Canada today is a senior, and it will reach one in five in less than a decade.<sup>1</sup>

Changing demographics will affect all parts of the country, but regional strains will emerge as ageing occurs more rapidly in some places than others. In less than 20 years, seniors could make up nearly one-third of the population of Newfoundland and Labrador, but just 18% of Alberta's population.<sup>2</sup> This would constitute a dramatic shift from even 10 years ago, when just a few percentage points separated the oldest from the youngest provinces.

Differential ageing will reinforce tensions in Confederation with respect to Ottawa's largest transfers to the provinces and territories — the Canada Health Transfer and the Old Age Security program benefits. Retirement income is already a growing component of total income in communities across Canada.<sup>3</sup> However, there are serious gaps and weaknesses in the system when it comes to ensuring adequate retirement incomes for an ageing population.

For instance, retirement saving as a share of employment earnings rose between 1990 and 2012.<sup>4</sup> Yet this increase was entirely attributable to a rise in workplace pension contributions, offsetting a drop in retirement savings plan contributions. Indeed, individual savings plan contributions fell as a share of employment earnings, and as a share of all contributions to retirement saving vehicles.

The percentage of paid workers in Canada with a registered pension plan at work has fallen from 46% in 1977 to below 38% in 2014.<sup>5</sup> In absolute terms, there were fewer members in private sector plans at the start of 2014 than at the end of 2008, and the absolute number of defined benefit plan members has been in near continual decline since 2005.<sup>6</sup> The increase in temporary, casual, and contract jobs with no benefits means that a growing number of workers cannot expect to have a pension at work in the future.

As many as half of middle-income baby-boomer households can expect a significant drop in living standards in retirement.<sup>7</sup> Amidst a sluggish and uncertain economic recovery, difficult employment prospects of younger cohorts are compounding the income challenges of retired and near-re-

tired Canadians. Premature Registered Retirement Savings Plan (RRSP) withdrawals remain at elevated levels, and reports are commonplace of parents taking on debt and delaying retirement to support adult children who cannot obtain sustained employment with decent incomes and benefits.<sup>8</sup>

If current trends continue, an ageing population will rely more heavily in the future on public pensions for income. Yet public pensions remain a largely residual element in a system resting primarily and precariously on voluntary saving in private retirement income vehicles.<sup>9</sup>

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## Current Issues

In its April 2015 budget, the federal Conservative government reduced the minimum withdrawal factors for Registered Retirement Income Funds (RRIFs) for the 2015 and subsequent tax years. The estimated federal cost of this measure will be \$670 million between 2015–16 and 2019–20.

The 2015 federal election significantly changes the pension reform landscape. The newly elected Liberal government has committed to repealing a planned increase in the eligibility age for Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) benefits. These programs are the foundation of Canada's retirement income system and provide a guaranteed annual income to 95% of Canadian seniors aged 65 and older.

The OAS and GIS benefits depend on residency and income, rather than participation in paid employment, and are particu-

larly important to women and low-income seniors. In fiscal year 2014–15, OAS program expenditures amounted to \$44.1 billion, a 5.5% increase over the previous year. These expenditures are projected to continue rising at this pace, reaching \$46 billion in 2015–16 and \$60.2 billion in 2020–21.<sup>10</sup>

Canada's compulsory earnings-based pension, the Canada Pension Plan (CPP), remains stably funded; the Chief Actuary of Canada projects the combined employer-employee contribution rate of 9.9% is sufficient to fund the plan at least through the year 2090. Virtually all workers in Canada participate in the CPP (or Quebec Pension Plan in that province): it is fully portable, inexpensive, and delivers a secure, predictable monthly benefit in retirement, protected against inflation, for the remainder of a retired worker's life. The CPP is publicly administered on a not-for-profit basis.

Saving through the CPP is far more efficient than through voluntary individual plans and even many pooled schemes offered on a for-profit basis by the financial industry where fees can be quite high.<sup>11</sup> The average annual per-household expense of saving through the CPP is about \$120 – roughly 8% of the \$1,600 per-household cost each year for the management and administration of retirement savings-related mutual funds (RRSPs, RRIFs, and Tax Free Savings Accounts).<sup>12</sup> Compounded over a lifetime of savings, these high mutual fund fees and charges can reduce the value of retirement savings by half.

The principal drawback of the CPP from its inception is that the benefit level has been too low. In 2016, the CPP will pay a



maximum of \$1,092.50 a month; in November 2015, the average CPP monthly retirement benefit paid was \$550. On average, women received a retirement benefit of just two-thirds the average for men — \$448 per month compared to \$660 for men. Seniors struggle to live in dignity on this low amount even when combined with other pensions and supplements.

By law, changes to the CPP's benefit level must have the consent of at least seven provinces representing two-thirds of the population of Canada. Ontario, with 38.5% of the population, holds an effective veto in this process. Amidst the impasse in CPP expansion discussions after December of 2013, the Ontario government moved ahead with its own Ontario Retirement Pension Plan (ORPP) with an initial January 2017 implementation date, excluding members of “comparable” workplace plans. The plan would seek to replace 15% of pre-retirement income.

The debate over CPP expansion will hinge partly on universality versus a “targeted” approach. A universal plan will have administrative and cost advantages over one that attempts to exempt low-income individuals or those who are part of “comparable” workplace pension plans. From the Working Income Tax Benefit to federal and provincial tax credits for contributions, the federal and provincial governments have a range of options available to expand coverage and help lower and modest-income individuals participate in the CPP.

The GIS clawback imposes severe reductions in the incomes of low- and modest-income seniors. Eligibility for the GIS is determined every year based on the previ-

ous year's income. From the first dollar of monthly income, the maximum GIS benefit is reduced by 50 cents for every dollar of income from CPP, private pensions, employment insurance, rental income, and employment and self-employment income above \$3,500. This is in addition to any reduction to the GIS top-up, which is reduced by 25 cents for every dollar of income in excess of \$2,000 for GIS single recipients and \$4,000 of combined income for couples.

The new federal government has committed to increasing the maximum GIS by \$920 a year for single seniors and boosting the amount of income exempted by \$1,000. A greater impact in reducing old-age poverty could be accomplished by increasing the GIS to an annual maximum of \$1,300 for single seniors and by \$910 per senior in a couple. The government also committed to an alternative “senior's price index” for adjusting OAS and GIS benefits, which takes place four times a year to reflect changes in the all-items index from the Consumer Price Index. (The adjustment is only upwards; benefit levels do not fall if the CPI declines.) The argument has been made that the different pattern of consumption expenditures by seniors (e.g., higher health care costs and lower transportation costs than other age groups) means the CPI all-items index does not adequately reflect the rising cost of living for seniors.<sup>13</sup>

In Canada, the health and personal care price index has increased more slowly than the all-items CPI since 2012. Nevertheless, over the long run, nominal wages can be expected to increase faster than prices, which means the inflation-indexed OAS will de-

cline in value relative to the average wage and salary. The AFB proposes to index the OAS to the average industrial wage and salary instead of CPI.

Following the lead of several provinces, the federal government initiated consultations in April 2014 around introducing a target-benefit pension plan framework for federally regulated private sector employers and Crown corporations. These approaches have introduced a new and dramatic 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 retroactively converted to contingent, “target” 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. This effectively allows employers to renege on past pension promises and shifts pension risks — for both past and future service — entirely to plan members, both active and retired.

The previous federal government stopped short of introducing legislation permitting conversions to target-benefit plans. During the election campaign, the Liberal Party signalled its openness to target-benefit plan conversions going forward, while respecting accrued benefits. The AFB will prohibit the conversion of defined benefit to target-benefit plans and seek ways to preserve and

expand defined benefit pension coverage in the federal sector.

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## AFB Actions

Increasing the eligibility age for OAS, GIS, the Allowance, and Allowance for the Survivor, as the previous government proposed, will disproportionately impact low-income seniors. Accordingly, the AFB will return the eligibility age for benefits to 65 from 67, in the case of OAS and GIS, and from 62 to 60 in the case of the Allowance and Allowance for the Survivor.

The AFB will also double the CPP’s replacement rate from 25% to 50% of 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.<sup>14</sup> Increasing the combined contribution rate by 6.4 percentage points from 9.9% to 16.3% would be sufficient to double future retirement, disability, survivor, children’s, and 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 the government \$1.1 billion a year. These savings will be allocated toward increasing the income tax credit for CPP contributions made by low-income earners.



The AFB will eliminate pension income splitting, leading to annual savings of \$1.1 billion.

The AFB will triple the GIS top-up benefit for seniors and double the point at which the seniors' top-up benefit is reduced. This would boost incomes for the poorest seniors by \$1,300 a year for single seniors and \$910 a year for seniors in a couple. These two measures will achieve an estimated 23% reduction in the after-tax low-income measure among seniors, at a cost to the government of \$1.8 billion a year.

Finally, the AFB will index OAS to the average industrial wage and salary instead of the CPI all-items index to ensure the flat retirement benefit keeps up with earned incomes.

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# Trade Policy

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## Background

Trade has long been a crucial component of the Canadian economy and efforts to enhance trade and investment are essential. Free trade agreements (FTAs) and Foreign Investment Promotion and Protection Agreements (FIPAs) are ostensibly meant to do just that, but Canada's experience with both FTAs and FIPAs over the past 25 years has not been universally positive. Instead of benefiting all Canadians through widely shared economic prosperity, the post-NAFTA era of trade and investment liberalization has seen notably slower economic growth, a surge in corporate concentration, and heightened income inequality.<sup>1</sup> Gains from free trade, in other words, have gone overwhelmingly to a wealthy few.

Meanwhile, these FTAs and FIPAs have granted considerable rights to multinational corporations at the expense of citizens, eroded quality work in many industries, deepened structural weaknesses in the Canadian economy, and restricted the capacity of governments to act in the public interest. Importantly, these treaties leave our governments with a reduced capacity to address emerging social and economic challenges, including the threat of climate change, and a reduced capacity to manage Canada's resource development more sustainably.

Almost all Canadian FTAs and FIPAs since NAFTA ban performance requirements, minimum domestic processing rules, and other regulatory actions that federal and provincial governments could once deploy to maximize the economic value of Canada's extractive industries. Consequently, rather than use our natural resource wealth as a springboard to economic diversification and sustainable sovereign development, as in Norway, Canada remains overwhelmingly dependent on the vagaries of international commodities markets and foreign investors. Canada's overreliance on resource exports was obvious in 2015, as a drop in global oil prices tipped the entire Canadian economy into recession.

As a growing number of Canadians are realizing, while "free trade" agreements do not protect good jobs or create many new ones, they do grant special rights and protections to foreign investors. Through FTAs and FIPAs, multinational corporations from dozens of countries are able to sue Canadian governments outside the court system for actions that might impair their investments, including environmental and public health rules. Canada has already paid out hundreds of millions of dollars in compensation to corporations and backed away from public interest regulations as a result of this investor–state dispute settle-

ment (ISDS) mechanism. In 2015 alone, Canada lost two high-profile NAFTA claims related to resource management.<sup>2</sup> There are nine active ISDS cases against Canada involving billions of dollars in damages claims from U.S. investors.<sup>3</sup>

### **“Free Trade” deals in the 21<sup>st</sup> century**

Unfazed by the failings of the FTA agenda thus far, Canada is currently engaged in a flurry of trade and investment treaty activity, headlined by the Canada–European Union Comprehensive Economic and Trade Agreement (CETA) and the Trans-Pacific Partnership trade agreement (TPP), both described in more detail below. This new generation of treaties is characterized by a common set of problematic features that build on and extend the NAFTA model.

First, these agreements are almost always negotiated in extreme secrecy. Rather than consult with the public (or even, in some cases, with Parliament), trade ministers (with guidance from the Prime Minister’s Office) and unelected bureaucrats have complete control over Canada’s trade and investment agenda. Remarkably, corporate lobbyists and other industry representatives are often given a special role in the negotiations even as unions, NGOs, academics, and other civil society actors are deliberately excluded. By the time the final text of a deal is made public, it usually cannot be changed.

Second, these agreements go well beyond traditional trade issues, such as tariffs and quotas, to address a wide range of regulatory and policy matters including intellectual property rights (IPR), government

procurement, and the provision of public services. The TPP and CETA, for example, will require Canada to make changes to its domestic copyright and patent rules that will increase drug costs for consumers, despite current legislation meeting all of Canada’s existing global obligations. Where government measures are found to breach Canada’s commitments in any of its international trade treaties – even where the legislation is constitutional, passed in the public interest, and treats foreign and domestic investors in exactly the same way – those measures can be overturned.

Third, these agreements give new and enhanced rights to corporations at the expense of government sovereignty and the public interest. The ISDS mechanism that is now commonplace in FTAs and FIPAs raises multinational corporations to a level on par with states. Through this quasi-judicial system, foreign investors can bypass domestic courts to challenge almost any action taken by governments before largely unaccountable arbitration panels.

Fourth, these agreements lack substance on important social, developmental, and environmental issues. Whereas foreign investors are granted extraordinary, enforceable rights through ISDS, the protections granted to workers and the environment in FTAs and FIPAs are at best aspirational and at worst counterproductive. Despite assurances to the contrary from the Canadian government and other proponents, these agreements do not provide adequate protections for social, developmental, and environmental concerns – let alone enhance the rights of workers or the environment.

## New government, new approach?

During its tenure, from January 2006 to October 2015, the federal Conservative government made the signing of new FTAs and FIPAs a top foreign and economic policy priority. The Conservatives signed or ratified seven FTAs, bringing Canada's total to 12. They also signed or ratified 18 FIPAs, bringing Canada's total to 36. The government concluded several other major agreements that have not yet been signed or ratified.

Canada's new Liberal government has expressed its support for this free trade agenda, but it promises a more pragmatic, evidence-based approach to new FTAs and FIPAs.<sup>4</sup> It says it will provide greater support to the groups and industries that may be most negatively affected by these agreements. It has also promised a public review of some pending deals. However, the new government has not indicated it will challenge the underlying logic of trade and investment liberalization or question the most problematic provisions of these deals, such as ISDS. It has also not guaranteed a more open and inclusive negotiating process moving forward.

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## Current Issues

2015 was another busy year on the trade file for Canada. The 12-country Trans-Pacific Partnership made headlines when negotiations were declared complete in October. Canada also ratified an FTA with Korea and a FIPA with Serbia, signed FIPAs with Burkina Faso and Guinea, and concluded (but did not sign) an FTA with Ukraine and a FIPA

with Hong Kong. Negotiations continue on a further eight FTAs and 11 FIPAs, alongside exploratory talks with four other countries.<sup>5</sup>

Notably, although Canada and the EU concluded CETA negotiations in September 2014, there was little movement in 2015 and it is unclear when the deal might be ratified. Chinese officials have been pressing the new Liberal government to launch free trade negotiations, but talks are not yet underway.

## Trans-Pacific Partnership

The TPP is a U.S.-led plurilateral agreement between 12 Pacific Rim countries including Canada. After more than seven years of talks, the negotiations were declared complete on October 4, 2015 and the 6,000-page text of the treaty was released publicly several weeks later. The agreement was signed on February 4, 2016 and each party now has two years to ratify it.

The TPP is an archetypical trade and investment liberalization agreement built on the NAFTA model. If ratified, it will likely exacerbate the socioeconomic restructuring described above without offering significant benefits to many Canadians or Canadian industries. According to Canada's former trade minister, Ed Fast, the TPP, if fully implemented, is estimated to give a small \$3.5-billion boost to Canada's nearly \$1.8-trillion economy — an increase to GDP of less than 0.2%.<sup>6</sup>

Despite offering few benefits, the TPP's costs are significant. Among other concerns in the deal's 30 chapters, the following are noteworthy:

- The TPP contains an ISDS mechanism that will allow foreign investors from TPP parties to sue governments in international arbitration courts. The deal will deepen and widen Canada’s exposure to these cases, especially from investors from Japan and Australia, where FDI to Canada is highest.
- The TPP will extend and entrench intellectual property rights — through longer copyright terms, stricter trademark protections, and longer patent terms in particular — that will reduce access to medicines, restrict Internet freedom, and stifle tech innovation in Canada. The TPP will require amendments to Canada’s lauded *Copyright Modernization Act* among other laws, mainly to the benefit of multinational media corporations.
- The TPP will create serious challenges for key Canadian industries. The automotive sector (and tens of thousands of its employees) is threatened by a tariff phase-out that will allow cheaper Japanese imports into Canada without increasing Canadian auto exports to Japan. The dairy sector is threatened by quota concessions and other provisions that undermine Canada’s supply-managed agricultural system.

Canada’s new federal government promised a public consultation process for the TPP. For that review to be meaningful, it must satisfy all of the following conditions:

1. It must be conducted with the understanding that Canada will change and/or abandon the TPP if it is found un-

satisfactory. It cannot be merely a symbolic process.

2. It must be completed *before* Canada proceeds to ratify the TPP. The government cannot advance the implementation process until the consultations have ended.
3. It must be empowered to apply the conclusions and recommendations of the review to other existing, pending, and future trade and investment agreements. If, for example, the review determines that the TPP’s ISDS mechanism is problematic, other agreements containing an ISDS mechanism, including NAFTA, should be publicly reviewed.

### Canada-EU Comprehensive Economic and Trade Agreement

The conclusion of the CETA negotiations was announced in September 2014 after a decade of talks, but there has been little progress since. Officially, the text is undergoing a “legal scrub” before it can be brought before governments for approval. However, in practice, political opposition within the EU is largely holding up the deal. Opposition to CETA (and related agreements) has reached a fever pitch in Europe even as it has fallen off the radar in Canada. EU activists and politicians are especially concerned about the agreement’s investor–state dispute settlement mechanism, which has already proven so destructive in Canada.

At the time of writing, the likelihood of CETA being ratified in Europe without first reopening negotiations on the ISDS chap-

ter is small, and proposals to amend the investor dispute provisions are being considered. However, should the deal go ahead as it stands, it will have significant implications for Canada beyond the inclusion of ISDS. The following other issues in the deal's 42 chapters and 1,500 pages should also be reviewed:<sup>7</sup>

- CETA precludes the use of local preferences (e.g., “buy local” rules) in government procurement contracts above low thresholds, 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.<sup>8</sup> Even if the provinces are reimbursed by the federal government, Canadian taxpayers will ultimately pay the price.

Unlike with the TPP, the new federal government has called not for a review of CETA, but rather for its timely ratification. This decision is dubious given the signifi-

cant degree of overlap between the most problematic provisions in CETA and the TPP.

## Trade in Services Agreement

Stymied by the unwillingness of developing countries to discuss services liberalization 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 and corporate-friendly reregulation.<sup>9</sup>

All services are on the table in TISA, 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 toward corporate interests.

Paraguay and Uruguay pulled out of TISA negotiations in 2015 and opposition from other actors is growing. Banking-friendly Zurich, Switzerland, for example, is one of several cities to declare itself a “TISA-free zone.”<sup>10</sup>

## Canada-Korea Free Trade Agreement

The CKFTA only came into force on January 1, 2015, but already it has had troubling — and entirely predictable — consequences. Canada's trade deficit with South Korea grew to a record high of nearly \$4 billion in 2015. If



the swelling U.S. trade deficit following its own bilateral deal with South Korea is any guide, there is worse to come.

Canada sells mostly unprocessed, low-value-added, carbon-intensive resources to South Korea (e.g., coal, copper, pulp, aluminum) and in return buys mostly high-tech manufactured goods (e.g., cars, electronics, appliances). Consequently, the CKFTA is likely to further entrench Canada's global role as a natural resource supplier to the detriment of high-value-added sectors such as manufacturing.

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## AFB Actions

The AFB recognizes 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 also recognizes that Canada's current approach to trade and investment treaty negotiations is inconsistent with the AFB's commitment to the basic values of equality, inclusivity, and sustainability. It therefore takes the following actions with respect to trade:

- The AFB will require Global Affairs Canada to establish a new trade mandate based on the principles of social, economic, and climate justice. *Result:* Negotiators will pursue a trade agenda that stimulates inclusive economic growth and the creation of good jobs — an agenda that safeguards governments' right to regulate, and raises environmental and

social standards to the highest common denominator.

- The AFB will require Global Affairs Canada to develop a new approach and process for negotiating international trade treaties based on the principles of transparency, inclusivity, and accountability. *Result:* Investor rights will not be elevated over the public interest in future trade policy, and corporate lobbyists will not be valued above the rest of civil society in the determination of trade policy priorities. Parliament and the public will be able to review draft texts and openly debate the merits of potential new agreements before they are signed.
- The AFB will reject 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. *Result:* Canada will seek significant changes to the problematic CETA, TPP, and TISA agreements or, if changes are no longer possible, withdraw from them entirely. Canada will seek to eliminate ISDS from existing FTAs and FIPAs through renegotiation or, if necessary, by terminating those treaties.

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## Notes

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- 4** Justin Trudeau, “Minister of International Trade Mandate Letter.” Office of the Prime Minister of Canada. November 13, 2015. <http://pm.gc.ca/eng/minister-international-trade-mandate-letter>.
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# Water

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## Background

Canada needs a national water policy based on the principles that water is 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 Indigenous water rights. Principles of public trust mean that governments would be required to protect water sources for communities’ reasonable use, and to make private use of water subservient to community rights.

Since 2010, the United Nations has passed several resolutions recognizing the human right to water and sanitation, and again recognized this right in its 2015 Sustainable Development Goals. The UN Human Rights Council has called on governments to develop comprehensive plans and strategies, assess the implementation of plans of action, ensure affordable services for everyone, and create accountability mechanisms and legal remedies.

The Canadian government recognized the human right to water and sanitation at the 2012 UN Conference on Sustainable Development, but has yet to take any action to implement that right. Now is the time to

implement the human right to water and sanitation with federal legislation and adequate funding.

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## Current Issues

### Drinking water in Indigenous communities

Despite repeated pledges from the previous government to ensure clean drinking water, 168 drinking water advisories were issued in 120 First Nations communities in the fall of 2015.<sup>1</sup> Routinely there are more than 100 water advisories in effect, with some communities living under advisories for nearly 20 years.<sup>2</sup> Prime Minister Justin Trudeau has committed to ending boil-water advisories within five years.

The *Safe Drinking Water for First Nations Act* has set necessarily high standards for drinking water, but has failed to allocate the funding to meet those standards.<sup>3</sup>

### Public water and wastewater infrastructure

Canada’s public water and wastewater infrastructure is aging. One third of Canada’s water infrastructure, including linear (pipes) assets, is rated in fair to poor condition.<sup>4</sup> Non-linear (facilities, pumping stations,

etc.) assets are in better shape, with 16% in fair to poor condition.<sup>5</sup> The total replacement value of water, wastewater, and stormwater assets is \$575 billion. The 2016 Canadian Infrastructure Report Card estimates the cost of replacing systems graded “poor” or “very poor” at \$61 billion.<sup>6</sup>

The federal government no longer requires municipalities to enter into public-private partnerships to receive federal funding for large infrastructure projects. The newly elected Liberal government has committed nearly \$20 billion in funding, which is to be spread across local water and wastewater facilities, clean energy, and climate-resilient infrastructure. However, it is currently still unclear how much funding will be dedicated to water and wastewater infrastructure. Canada needs a long-term plan to adequately fund public or community-run water and wastewater infrastructure.

### **Sustaining water sources through science, research, and regulation**

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 the previous federal government’s legislative changes, severe funding cuts, and lack of coordination among the more than twenty federal departments and agencies responsible for water have put the country’s water sources at risk.

According to departmental reports on plans and priorities and performance reports, \$73.4 million in funding was cut from Environment Canada’s Water Resources pro-

gram and from the Department of Fisheries and Oceans’ Sustainable Aquatic Ecosystems from 2011/12 to 2015/2016. Some of the major programs affected include the following:

- Experimental Lakes Area;
- Ocean Contaminants and Marine Toxicology Program;
- Canadian Foundation for Climate and Atmospheric Sciences;
- Polar Environment Atmospheric Research Laboratory;
- Canada Centre for Inland Waters;
- UN Global Environmental Monitoring System/Water Programme (a global water quality database);
- *Canadian Environmental Assessment Act*;
- National Roundtable on the Environment and the Economy; and
- Hazardous Materials Information Review Commission.

The Liberal government has committed to immediately reviewing Canada’s environmental assessment processes, introducing new, fair processes as well as restoring lost protections from the *Navigable Waters Protection Act* and the *Fisheries Act*, and incorporating up-to-date safeguards. The government has pledged to restore \$40 million to federal ocean science and monitoring programs, to invest \$50 million annually for the next four years in water science and monitoring, to allocate \$1.5 million for freshwater research each year, and to make new investments in the International Insti-

tute for Sustainable Development's Experimental Lakes Area.

Over 150 billion litres of raw sewage are flushed into waterways in Canada every year.<sup>7</sup> The federal government passed wastewater regulations in June 2012, but it did not allocate any funds for municipalities to take the necessary actions to comply with those regulations. The Federation of Canadian Municipalities calculates that the plant upgrades alone that are needed to comply with the regulations will cost municipalities at least \$20 billion.<sup>8</sup> The AFB will 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 refers to forms of energy that require more water, energy, and effort to extract and are more destructive to the environment and surrounding communities.<sup>9</sup> Examples include tar sands development and hydraulic fracturing (fracking). The extraction of extreme energy and associated transportation projects leave municipalities and Indigenous communities vulnerable because they are the ones who will be footing the bill for clean-up and health care costs.

Communities across Canada are raising concerns about fracking, a controversial practice that uses sand, water, and chemicals to blast rock formations to extract natural gas or oil from them. There are a large number of risks associated with fracking, including groundwater contamination, poor air quality, increased seismic activity

(earthquakes), and climate change. A 2014 report<sup>10</sup> that the federal government commissioned from the Council of Canadian Academies pointed to large gaps of information on well leaks, chemical migration underground, cumulative impacts, and the safety of fracking chemicals. A 2014 Ekos poll<sup>11</sup> found that 70% of Canadians support a national moratorium on fracking.

Right now there are up to 20 proposals to build liquefied natural gas plants along the coast of British Columbia where super-tankers will transport it for export. Major pipeline projects like the Energy East pipeline, B.C.'s Kinder Morgan Trans Mountain Pipeline, the Alberta Clipper to the Great Lakes, and Line 9 in Ontario and Quebec would transport tar sands bitumen or fracked oil, exacerbating climate change and putting water, food, and public health at risk. Transporting bitumen or fracked oil by rail exposes communities to a different set of risks: derailments and other types of accidents like the Lac Mégantic disaster.

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. Suncor's tankers transporting bitumen on the St. Lawrence River set a dangerous precedent for shipping tar sands bitumen into the Great Lakes and St. Lawrence River Basin. The Liberal government has committed to ban oil tankers on B.C.'s northern coast and renewed its commitment to protect the Great Lakes and St. Lawrence River Basin. It should also add banning LNG tankers on the Pacific Coast

as well as unconventional oil shipments in the Great Lakes–St. Lawrence River Basin.

### **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 snow-fall every year. Canada exports 59.9 Bm<sup>3</sup> 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.<sup>12</sup>

One-third of Canadian communities rely on groundwater for drinking water. A 2015 study published in *Nature Geoscience* found that only 6% of groundwater around the world is renewable.<sup>13</sup>

In the past, right-wing think tanks in both the United States and Canada have made proposals to bulk-export water from Manitoba and Quebec. Not only would these projects be tremendously costly, they would also 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. Water-related policies and other measures become vulnerable to investor–state challenges that involve a proprietary interest in water, its distribution, and treatment.

By excluding water from trade agreements and ending investment protections, the AFB will avert threats to Canadian water sources and avoid 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 River Valley. Water-related challenges under NAFTA have cost the government \$171.5 million to date.<sup>14</sup> Excluding water from trade agreements and ending investment protections will also protect the rights of municipalities, provinces, and territories to regulate or create new public monopolies for the delivery of water and sanitation services without having to worry about trade challenges.

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## **AFB Actions**

The following measures will begin the process of developing a national water policy that makes the conservation and protection of water a public trust, and water and sanitation a human right.

The AFB will do the following to support the full realization of the right to water and sanitation:

- create a national public water and wastewater fund (\$4.8 billion/year);
- implement the Wastewater Systems Effluent Regulation (\$1 billion/year over 20 years);
- commit \$100 million per year for water infrastructure aid for small municipalities;
- commit \$75 million per year for ongoing water operator training, public sec-



tor certification, and conservation programs; and

- commit \$4.7 billion over ten years for water and wastewater facilities on First Nations' reserves.<sup>15</sup> The AFB respects Indigenous self-determination and water rights and seeks the free, prior and informed consent of Indigenous peoples and governments.

The AFB will do the following to support and fund environmental impact research:

- provide assessments of all energy and mining projects, including community consultations, seeking free, prior, and informed consent of Indigenous communities (\$50 million);
- provide an in-depth and independent study of the effects of tar sands development (\$30 million); and
- reinstate federal funding for the Experimental Lakes Area and water programs at Environment Canada, Fisheries and Oceans, Parks Canada Agency and other departments (\$93.5 million in 2016–17; \$53.5 million/year thereafter).

To ensure the safety and sustainability of freshwater in Canada, the AFB will do the following:

- implement a comprehensive action plan to protect the Great Lakes (\$500 million in year one plus an additional \$950 million/year for each of the subsequent four years);
- establish water quality- and quantity-monitoring frameworks (\$327.5 million

over three years) by training staff in water-monitoring, increasing the number of monitoring stations, and creating a Minister of Water cabinet position; and

- commit \$3 million towards implementing a groundwater protection plan and \$1 million to complete a review on virtual water exports from Canada.

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## Notes

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**3** For more details, see the First Nations chapter.

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**15** See the First Nations chapter.

# Youth

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## Background

One-fifth of Canada's population (7.1 million people) are between the ages of 15 and 29.<sup>1</sup> 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.<sup>2</sup> For the first time since the country began collecting national statistics, there are more people of "retirement age" (55–64) than there are people entering the labour force (15–24).<sup>3</sup>

In light of this shift in demographics, especially the ongoing retirement of the baby boomer cohort, it is time to focus on young peoples' employment and, importantly, their income and economic security.

Canadian labour market regulation and policy have not been updated to reflect the rise of precarious work, unpaid internships, the erosion of employment security, or the fraying of our social welfare system. Nor have social policies, including family and child care policy, responded to the changing lives and livelihoods of young people and their families, which are increasingly characterized by "delayed transitions."<sup>4</sup>

Young adults are cramped by dramatic increases in home prices, with the average house in Canada costing \$454,342 in December of 2015.<sup>5</sup> They earn lower wages

than their parents did at the same age, despite having higher debts and more education. 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.<sup>6</sup>

Further complicating the issue is the diversity of young people's needs and challenges. In our current economy, young people from rural areas and low-income families, those who leave school early, Aboriginal youth, newcomer youths, young people with disabilities, young parents, LGBTQ youth, and racialized, homeless, and unemployed young people each face different barriers to stable and meaningful lives. Disproportionately marginalized, these segments of the population often lack the social, financial, political, and cultural capital to overcome barriers to employment, civic participation, family and personal stability, and post-secondary education.

This diversity demands either a litany of targeted programs or, as the AFB recommends, one overarching and inclusive policy approach based on the concept of intergenerational equity — a necessary lens through which policy decisions and implications need to be analyzed. Often decisions are not taken with any recognition of

how the impacts will play out across the age spectrum. Intergenerational equity presents an opportunity to analyze and craft innovative solutions to problems related to housing, health care, child care, and a range of other issues.

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## Current Issues

### Precarious work and un(der)employment

In Canada 13.3% of workers aged 15 to 24 are unemployed, and young Canadians continue to be overrepresented in precarious jobs with no benefits.<sup>7</sup> Moreover, recent declines in the youth unemployment rate have been traced to young people dropping out of the labour market rather than finding work.<sup>8</sup> This is especially problematic given that many critical and expensive moments in a person's life (e.g., relationship and family formation, post-secondary education, the purchase of a home) all typically occur in young adulthood.

In the 1980s, during another high point in youth unemployment (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.<sup>9</sup> While a Youth Employment Strategy with a similar basic structure has survived, no significant adjustments have been made to respond to current issues.

### Unpaid internships

An estimated 100,000 to 300,000 young people in Canada work for no pay.<sup>10</sup> Once the domain of specific industries (e.g., journalism, teaching, social work), and usually leading to full-time, paid employment, unpaid internships have been appearing among federally regulated workplaces, often unconnected to any future paid work with the same employer.<sup>11</sup>

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 the 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. Laws are also generally complaint driven and therefore under-enforced.<sup>12</sup>

Unpaid interns are still not adequately covered under the Canada Labour Code, which covers federally regulated employers, and often they do not receive the same benefits and security afforded to paid employees. Recently created federal loopholes deny students and young workers basic labour standards under the Canada Labour Code; furthermore, these loopholes give profitable corporations in the transportation, telecommunications, and media industries the opportunity to legally force students and young workers to work for free for months or even years.

Interns are at increased risk of being subject to exploitative and dangerous working conditions without penalty to the employ-

er.<sup>13</sup> Interns are typically unable to make and claim employment insurance (EI) and Canada Pension Plan (CPP) contributions, which can have a long-lasting impact on the economic security of women in particular.

Structures already in place could deal with the problems of 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, and both of these departments could work with provincial labour regulators to address this issue.<sup>14</sup>

### **Employment Insurance**

It is very difficult under current rules for new labour market entrants – especially those moving from one part-time, temporary, or on-call job to another – to meet the eligibility requirements (e.g., minimum hours worked) to qualify for EI. In 2013, only 18% of young men and 8% of young women who were unemployed were able to collect EI.<sup>15</sup> Many active labour market programs are designed specifically for EI recipients, meaning young people are cut off from retraining opportunities.<sup>16</sup> (See the Employment Insurance chapter.)

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### **AFB Actions**

The AFB will introduce a Young Workers Initiative for people aged 15 to 34, which acknowledges the protraction of the so-called “transition” to adulthood. This initiative will include the following components:

### **Youth Labour Market Planning Board**

Working with the relevant sectoral development councils (see the Sectoral Development chapter), the Youth Labour Market (YLM) Planning Board will ensure that employers take on more of the responsibility for training employees. It will co-ordinate via Statistics Canada and/or directly gather quantitative data on job openings, labour market characteristics, unpaid internships, and placement rates of universities, as well as qualitative data on the labour market experiences of young people. Additional federal funding will be given to Statistics Canada to monitor unpaid internships on a monthly basis through 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.)

### **Training tax**

Guided by the assumption that businesses that invest in training will be more likely to retain employees full time and on a permanent basis, the federal government 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.<sup>17</sup> 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 disbursement 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. (Cost: \$100 million.)

## Public works projects for young workers

All federally funded infrastructure projects will reserve, at minimum, one-quarter of the jobs they create for young workers. A minimum of one-tenth of the jobs these projects create will be reserved for young workers from historically marginalized and equity-seeking groups.

## Renewal of federally 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.)

## Funding for Magnet

The Magnet program is job-matching technology based out of Ryerson University that links young workers directly with employers and also provides real-time labour market data about job openings and the characteristics of job seekers. The federal government will provide funding to deliver this technology to young workers across the country. (Cost: \$30 million.)

The AFB will direct Statistics Canada to collect data related to the following areas:

- unpaid internships, unpaid labour, and volunteerism; and
- tracking those not in education, employment, or training.

The AFB will implement the following reforms to the *Canada Labour Code*:

- Ensure that recent amendments to part 2 of the code (relating to interns, trainees, and students) allow them to enjoy similar coverage to other workers under occupational health and safety provisions.
- Amend the code to prohibit unpaid internships and unpaid trainees, and cover interns, trainees, and students under all provisions in part 3 granting protections related to labour standards.
- Amend section 239.1 of the code to require federally regulated employers to 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 by ap-



plicable workers' compensation legislation in the person's province of permanent residence. The equivalent rate would be no less than the hourly average industrial wage.

- Establish regional units within the Labour Program dedicated to proactive inspections and enforcement to penalize those illegally using unpaid interns. (Cost: \$10 Million.)

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; and
- design active labour market programs linked to the receipt of EI that direct unemployed young workers into training programs linked to available jobs.

The AFB would make the following changes to the EI system:

- implement an EI premium rebate for employers who take on young workers; and
- eliminate the waiting period for EI benefits entirely for workers under the age of 35.

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10 Sagan, Aleksandra (2013). "Unpaid Internships Exploit 'Vulnerable Generation,'" *CBC News*, July 2, 2013 (<http://www.cbc.ca/news/canada/unpaidinternships-exploit-vulnerable-generation-1.1332839>).

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

12 See Andrew Langille's blog ([youthandwork.ca](http://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.

**13** The case of Andy Ferguson, an intern who died in Alberta after a 16-hour overnight shift, is an extreme example of what can happen when unpaid interns are not protected by labour legislation. 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 9, 2013 (<http://www.cbc.ca/news/canada/british-columbia/intern-s-death-afterovernight-shift-sparks-outcry-1.1704532>).

**14** See Langille, Andrew and Josh Mandryk (2013). “Ontario Must Take Urgent Action On Unpaid Internships,” *The Toronto Star*, November 4, 2013 ([http://www.thestar.com/opinion/commentary/2013/11/04/ontario\\_must\\_take\\_urgent\\_action\\_on\\_unpaid\\_internships.html](http://www.thestar.com/opinion/commentary/2013/11/04/ontario_must_take_urgent_action_on_unpaid_internships.html)).

**15** House of Commons Standing Committee on Finance (2014). Minutes of Proceedings, 41st Parliament, 2nd session, meeting no. 23. Retrieved from the Parliament of Canada website: <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=6472412&Language=E&Mode=1&Parl=41&Ses=2>

**16** Schmid, Gunther and Bernd Reissert (1996). “Unemployment Compensation and Labour Market Transitions.” In *International Handbook of Labour Market Policy and Evaluation*, edited by Gunther Schmid, Jacqueline O’Reilly and Klaus Schomann, pp. 235–76. London: Edward Elgar Publishing Limited.

**17** See Zizys, Tom (2014). *Better Work: The Path to Good Jobs is Through Employers*. Toronto: Metcalf Foundation.

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**It's time to move on.**