

A Better Balance: Five Items That Should Be in the Federal Budget But Won't Be

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Summary

Much more than just technical financial documents, budgets are quintessentially political statements that reflect the values and priorities of those who assemble them. But they are statements with measurable impacts on people's lives and livelihoods. Choices about where to spend (and where not to) are some of the most important any government can make.

On April 21, the federal government will table its 2015 federal budget. For the 20th consecutive year, the CCPA has released its own Alternative Federal Budget, a collaborative project with over 100 contributors this year.¹ The goal of this annual budgeting exercise is to present fully-costed options for creating jobs, eliminating poverty, addressing climate change and sharing Canada's wealth more equitably.

What follows are Alternative Federal Budget fixes to five pressing issues facing Canadians, none of which will likely be included in the upcoming federal budget, since the government has prioritized balanced budgets and debt repayment over



job creation and investment. Again, this has nothing to do with economics; the AFB shows how the government could easily afford to invest in job creation, improved public services, and a more sustainable economy for future generations.

1. Kick-Start Canada's Stalled Job Market

At around 2%, economic growth in 2015 is going to be the weakest since the 2008–09 recession. A “regular” year for Canada would see GDP growth of 5%. The current alarmingly low growth is due to the collapse of corporate investment, particularly of falling capital spending in the tar sands in response to the drop in oil prices. Construction workers who would normally do the building associated with such investment face a more difficult labour market. The definition of a recession is two-quarters of negative growth. Canada isn't there yet for 2015, but we're dangerously close.

While economic growth has been low since the recession it is at least positive. The labour market, on the other hand, has seen almost no recovery. The proportion of Canadians with a job is the same today as it was in 2009 at the lowest point of the recession.² The unemployment rate has dropped since then, but the primary reason is very important: many people have stopped looking for work out of frustration or because they do not think there are jobs. The proportion of Canadians with a job is at its lowest point in a decade.

There has also been a marked drop in job quality, though this indicator has been on a fairly steady decline for more than a decade. Still, it is troubling that the Canadian Employment Quality Index has reached its lowest point in nearly 30 years.³ It means more Canadians are taking part-time work instead of full-time work, and high-paying full-time jobs are being created more slowly. Not surprisingly, this has meant slower wage growth and fewer raises in general. A higher proportion of Canadians also consider themselves as neither full-time nor part-time workers but self-employed—a notoriously unstable category of employment.

All signs point to a frail economy and a particularly fragile job market for the near future. The federal government has the fiscal room to be much more proactive in an effort to kick-start good job creation. The 2015 Alternative Federal Budget recommends an immediate infusion of federal dollars towards new transit construction, green infrastructure, improved services for the unemployed and veterans, and the hiring of more food and consumer product safety inspectors. Not only would this investment put more people to work and return high economic benefits to the Canadian economy, it would also improve the quality of services that many people rely on.

2. Lift 240,000 Children Out of Poverty

Canada's child poverty rate is higher than for any other age group in Canada. That is to say, children under 18 are more likely to be poor than adults or seniors. The most recent statistics available (from 2012) show that 16.3% of children live in poverty in Canada.⁴ In other words, one out of every six children lives below the Low Income Measure poverty line.

This child poverty rate makes Canada slightly worse than the OECD average based on a ranking of 41 countries with data (we are in 26th place).⁵ We should note the current OECD figures are for 2010 when Canada's child poverty rate was 14% and that the country's ranking may have slipped since then. For comparison, the rate of child poverty in Nordic countries is below 5%.

There is no compelling reason why Canada should not be performing better on the OECD ranking on child poverty instead of being halfway down. Transfer programs that target low-income families with children already exist, but they need to be properly funded. Doubling the National Child Benefit Supplement (NCBS) (from \$2,290 a year to \$4,580 a year for firstborn children) would lift 240,000 children out of poverty in Canada, reducing the child poverty rate by a quarter.⁶

3. Ensure Safe Drinking Water for All

Access to safe drinking water — a basic service and essential human right — is still not available in too many parts of Canada. In any given month, there are roughly 100 drinking water advisories in First Nation communities. As of February, there were 139 boil water advisories on 92 reserves, most of them in place for years, if not decades.⁷ It is unacceptable that a country that prides itself on the quality of its water services would let so many of its people go without potable water for so long.

Funding for services in First Nation communities, including health care, roads, housing and clean water, is a federal responsibility co-ordinated by the Department of Aboriginal Affairs and Northern Development Canada. Since 1996, federal transfers to reserves have been frozen at 2% a year, or barely enough to account for inflation, meaning effectively there has been no real adjustments to First Nations base funding in almost 20 years. In contrast, health care funding to the provinces for non-Aboriginals increases at 6% a year.

The effect of stagnant social transfers to First Nations is easy enough to predict. If the youth population on a reserve grows, there are no additional funds to expand schooling. If large infrastructure breaks down, a water system for example, there is very little money available to fix it. The lack of any funding adjustment to account

for changing social or population conditions in First Nation communities is unheard of in the rest of Canada, contributing to the lack of basic services and compounding stupefying levels of poverty (50% for First Nations children) on reserves.⁸

Neglecting basic services for some of Canada's poorest communities is not an economic necessity; it is a choice that will likely continue with the coming federal budget. As the Alternative Federal Budget demonstrates, for \$470 million a year for ten years, water systems could be upgraded so that everyone in Canada has access to safe drinking water.

4. Provide Affordable Childcare

While primarily felt by parents, the reality of the staggering costs of child care in Canada are prompting calls to increase the number of affordable child care spaces. Outside of Quebec, in Canada's bigger cities, it is normal for parents to pay between \$40 and \$60 a day in child care fees depending on the age of their child.⁹ At this level, annual fees for child care are far higher than annual university tuition fees, consuming between a quarter and 33 cents of every dollar that a woman (generally the lower earner in a household) makes. Child care is a huge burden on young families where both parents work.

In the 1970s, less than half of women worked outside the home. Today, most women have paid employment that makes a vital contribution to household income. There are a million Canadian families with children under five where both parents work. However, there are only half a million regulated child care spaces available to them.¹⁰ The gap is even wider when we consider the number of families in which one parent, usually the woman, is not working due to high fees in the first place.

Child care is most affordable in Quebec where parents pay \$7.30 a day for a regulated space irrespective of the age of their child. (In most Canadian cities, care for infants costs far more than a child care space for preschoolers aged three to five.) Outside of Quebec, costs are sky high.

The federal government recently introduced two new "child care" programs: family income splitting and the "enhanced" Universal Child Care Benefit (UCCB). While plenty of federal resources have been devoted to these programs, there is very little to show for it in terms of more affordable child care for lower- and middle-income families.

As has already been well-established, income splitting is heavily skewed toward higher-income households and provides no benefits at all for single-parent families. The after-tax monthly UCCB cheque (currently \$100 but increasing to \$160 per child under six) pays for about three days' worth of child care. The enhanced Universal

Child Care Benefit sends a new \$60 a month cheque to families with children between 6 and 17 who likely have no child care costs. In fact, more than half of these three “child care” programs target families without any child care expenses (i.e., those raising teenagers).¹¹

When combined with the total cost of these three programs (income splitting, base UCCB and the enhanced UCCB) will be \$7 billion a year. That is enough money to give all parents \$7-a-day child care if they need it. Truly affordable child care is right there for the taking if only the federal government would make a different choice to the one it has taken. The spending is already in place, it is just so badly targeted that parents who actually use child care gain almost nothing from it.¹²

5. Take Action on Climate Change

There is no doubt that Canada, like the rest of the world, is warming due to human-caused climate change. Temperatures are rising everywhere in Canada.¹³ We can see the impacts of climate change, which are well documented by Environment Canada, in the rapidly shrinking glaciers of B.C. and Alberta, as well as rising sea levels.¹⁴

As Canadian summers become hotter, weather events in general are expected to become more extreme. No one specific weather event can be directly attributed to climate change, but the general trends are increasingly problematic—and expensive. For instance, in 2011, Canadian insurers paid out record high damages related to extreme weather. A new record was set again in 2013.¹⁵

The European Union economy has successfully grown by 45% since 1990 while at the same time reducing its greenhouse gas emissions by 20%.¹⁶ In contrast, while the federal government talks about making Canada’s economy more sustainable, it has not taken any serious steps to lower carbon emissions for fear of how this might affect economic growth particularly in the oil and gas sector. This strategy of betting raw energy extraction, tar sands expansion and new pipelines is backfiring with the falling price of oil. And this over-reliance on fossil fuels, with their associated threat to biodiversity, jeopardizes the real prosperity and quality of life of future generation.

The 2015 Alternative Federal Budget proposes a suite of measures to move Canada toward low-carbon future. One of the most important steps is the implementation of a \$30/tonne carbon tax to mirror what is in place in British Columbia. A carbon tax refund would offset the regressive nature of such a tax, and excess revenue generated will be invested in green infrastructure to further reduce Canada’s carbon footprint.

The provinces have been the ones driving action on climate change, with B.C., Quebec and Ontario, representing over half of the Canadian population, now hav-

ing or proposing some form of carbon pricing to try to lower emissions. It's time for the federal government to co-ordinate these efforts. Avoiding or ignoring the issue is not an economic necessity, but a political choice.

Conclusion

While these fully-costed policy options are available to the federal government in the 2015 Alternative Federal Budget, it is highly doubtful the upcoming budget will include any of them.

This government has made a political choice to rush to balance the books ahead of this year's federal election and is promising to put future surpluses toward debt repayment instead of new job creation, relief for parents and First Nations, and a solution to child poverty and climate change. The most immediate consequence of that choice will be to almost certainly delay Canada's full economic recovery.

Notes

- 1 Canadian Centre for Policy Alternatives, "Alternative Federal Budget 2015: Delivering the Good," March 2015.
- 2 Cansim 282-0087 Employment Rate
- 3 Benjamin Tal, Employment Quality—Trending Down, Canadian Employment Quality Index, CIBC Economics, March 5, 2015
- 4 According to the After-tax Low Income Measure (LIM) Cansim 206-0003.
- 5 OECD Family database, Table CO2.2 <http://www.oecd.org/social/family/database.htm>
- 6 Canadian Centre For Policy Alternatives, "Alternative Federal Budget 2015: Delivering the good," March 2015
- 7 www.hc-sc.gc.ca/fniah-spnia/promotion/public-publique/water-dwa-eau-aqep-eng.php
- 8 David Macdonald and Daniel Wilson, Poverty or Prosperity: Indigenous children in Canada, Canadian Centre for Policy Alternatives, June 2013.
- 9 David Macdonald and Martha Friendly, "The Parent Trap Child Care Fees in Canada's Big Cities," Canadian Centre for Policy Alternatives, November 2014.
- 10 Kate McInturff and David Macdonald, "Time to Grow Up Family Policies for the Way We Live Now" Canadian Centre for Policy Alternatives, January 2015.
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- 12 Canadian Centre For Policy Alternatives, "Alternative Federal Budget 2015: Delivering the good," March 2015
- 13 Warren, F.J. and Lemmen, D.S., editors (2014): Canada in a Changing Climate: Sector Perspectives on Impacts and Adaptation; Government of Canada, Ottawa, ON, pg 6.

14 Warren, F.J. and Lemmen, D.S., editors (2014): Canada in a Changing Climate: Sector Perspectives on Impacts and Adaptation; Government of Canada, Ottawa, ON, pg 7.

15 Warren, F.J. and Lemmen, D.S., editors (2014): Canada in a Changing Climate: Sector Perspectives on Impacts and Adaptation; Government of Canada, Ottawa, ON, pg 11.

16 European Commission, Progress towards achieving the Kyoto and EU 2020 objectives, October 2014 (http://ec.europa.eu/clima/policies/g-gas/docs/kyoto_progress_2014_en.pdf)



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