

FEDERAL BUDGET 2010 SUMMARY/IMPLICATIONS

Canadian Teachers' Federation March 2010

A number of descriptions have been used by various pundits to describe the recent Federal Budget. Expressions like “so last year”, “status quo”, “stand pat”, “same old, same old”, and “stay the course” have been attributed to the Flaherty construction. One thing is for certain, it is a “conservative” budget.

First the facts:

- In 2009-2010 \$28 billion was spent as part of the Economic Action Plan (plus 8.4 billion from province/territory partnerships). In this fiscal year 2010-2011 another \$19 billion will be pumped into the economy in an eclectic mixed bag of initiatives.
- Meanwhile, there will be \$3.2 billion in personal income tax relief. The federal corporate income tax rate will drop from 22.12% in 2007 to 15% by 2012, the lowest such rate in the G 7 countries.
- There will be no cuts to federal transfers to the provinces/territories. The Canada Health Transfer and the Canada Social Transfer will continue to grow by 6% and 3% annually, respectively, up to 2014.
- Canada will become a tariff-free zone for manufacturers. Remaining tariffs on productivity-improvement machinery and products and goods for further manufacturing will be eliminated, resulting in \$300 million in annual savings for Canadian businesses.

Increased spending while cutting taxes during a recession is likely to result in a huge deficit. Just 16 short months after projecting a surplus for the 09-10 fiscal year, Minister Flaherty is now projecting that we will have a deficit of \$49.2 billion for 2010-2011, and \$27.6 billion for 2011-2012. By 2015 our debt is projected to surpass \$622 billion, 35.4% of GDP, with annual debt charges of \$41 billion. But Minister Flaherty intends that the deficit will be reduced to almost zero by 2015. How? This is the conservative part. No tax increases on the revenue side but projected growth in the economy to increase government coffers, and program cuts to reduce expenditures.

Where will the cuts occur? There are three main areas where cuts are projected:

- Increases in defense spending will slow as the mission in Afghanistan begins to wind down;
- International aid will see an 8% increase this year but will then be capped at 2010-2011 levels;
- Containing the administrative cost of government. The Government will be introducing legislation to freeze the salaries of the Prime Minister, Ministers, Members of Parliament and Senators for 2010–11, 2011–12 and 2012–13. It will also freeze the overall budgets of Ministers' offices and calls on Members of both

Houses of Parliament to do the same. It will also maintain the freeze at 2008–09 levels on departmental spending on travel, conferences and hospitality.

Budget 2010 Savings Measures – Expected savings (Millions of Dollars)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Restraining growth in National Defence spending				\$525	\$1,000	\$1,000	\$2,525
International Assistance Envelope			\$438	\$869	\$1,337	\$1,842	\$4,486
Containing the administrative cost of government		\$300	\$900	\$1,800	\$1,800	\$2,000	\$6,800
2009 strategic reviews		\$152	\$248	\$287	\$288	\$288	\$1,262
Tax fairness – closing tax loopholes	\$20	\$355	\$440	\$500	\$565	\$625	\$2,505
Total	\$20	\$807	\$2,026	\$3,981	\$4,990	\$5,755	\$17,578

Canadian Teachers' Federation Priorities

However, these numbers hardly tell the whole story. In a closer examination of the budget we look at how it addresses, or more often doesn't address CTF priorities. In the last year child poverty and assistance for vulnerable families have been at the forefront of our advocacy efforts at the national level. In materials distributed to parliamentarians in the last year we have made the following points:

- Canada's after-tax child poverty rate is stalled at 11.3%.
- Nearly one out of every nine Canadian children lives in poverty.
- Child poverty is persistent across Canada. Rates of child and family poverty are at double digits in five out of ten provinces.
- A startling 40% of low-income children live in families where at least one of their parents works full-time year round – they are the working poor.
- Children in new Canadian and Aboriginal families as well as children with disabilities are at greater risk of living in poverty.
- Nearly one out of every two children (49%) living in a family that recently immigrated to Canada (1996-2001) lives in poverty.
- Poverty rates are a formidable barrier in Aboriginal communities. Almost one in two Aboriginal children (49%) under the age of six (not living in First Nations communities) lives in a low-income family.

- Some families live deep in poverty. Low-income two parent families, on average, would need an additional \$7,300 per year to reach the poverty line. For lone parent mother-led families, the average depth of poverty is \$6,500.
- In 2007, 720,230 people in Canada used food banks, including 280,900 children. This is an 86% increase since the 1989 unanimous House of Commons' resolution to end child poverty.

Given the prevalence of child poverty in Canada, its effects inevitably get played out in schools and classrooms. Poverty negatively shapes learning opportunities for students. Since government action can significantly reduce poverty and poverty reduction improves education attainment and economic well-being, the direction would seem obvious.

CTF's research has found that many low-income children experience reduced motivation to learn, delayed cognitive development, lower achievement, less participation in extra-curricular activities, lower career aspirations, interrupted school attendance, lower university attendance, an increased risk of illiteracy, and higher drop-out rates.

The strong correlation between socio-economic status and children's academic performance is well established. The inequities that exist between affluent and poor families with respect to education were the subject of a Statistics Canada study published in November 2006. In analyzing five-year-old children's readiness to learn on the basis of gender, level of household income, and a child's home environment, it concluded that children from lower income families were less ready to learn than children from more affluent households.

In concert with these observations the CTF made a series of recommendations on how these challenges can be addressed:

Recommendations

The Canadian Teachers' Federation urges all Parliamentarians to support a coordinated effort to reduce and eliminate child poverty in Canada.

This coordinated effort should be focussed along three main areas of action:

- Family Income
- Housing
- Educational Opportunity

Strategies and policy recommendations that could have a positive impact on inequitable educational opportunities linked to family socio-economic status and ensure that all children are better provided for, should include but not be limited to:

- Increased minimum wage;
- Expansion of eligibility for Employment Insurance;
- Major investment in social housing;
- Improved accessibility and affordability of post-secondary education and training;
- Inclusion of child and youth services as part of federal/provincial/territorial agreements concerning immigrants and refugees;
- Funding for First Nation's child welfare agencies to deliver in-home support and prevention services to First Nation children and their families;

- A universal child care system providing dedicated funding for high quality care and early intervention and school-readiness initiatives for all children.

The Budget: Response to CTF priorities

When we examine the Federal Budget in light of these recommendations we see the following:

Increased minimum wage;

The budget has no reference to increasing the minimum wage, no increase in worker tax credits.

Expansion of eligibility for Employment Insurance;

In Budget 2009, the Employment Insurance rate was frozen at \$1.73 per \$100 for each of 2009 and 2010.

- Additional funds will be used to strengthen EI benefits including:
 - An extra 5 weeks of employment insurance (maximum of 50 weeks) will be available at the end of the current EI entitlement.
 - Extending the Wage Earner Protection Program to include severance and termination pay (Note: the maximum insurable earnings remain the same)
 - Extend work sharing agreements by 14 weeks in each of the next 2 years.
 - \$20 million over 2 years to enhance the student summer job program.
 - Additional funds totalling \$1.9 billion has been allocated over two years in a number of programs for training and education initiatives.

However, The Canadian Centre for Policy Alternatives (CCPA) states that half of the people in Canada who are unemployed are not eligible to draw EI in the first place, and that there are over 800,000 Canadians whose EI benefits are about to run out with a grim job opportunity outlook.

Major investment in social housing;

The government, as part of the Economic Action Plan, will provide over \$2 billion in 2010-2011 to help provinces renovate and increase social housing.

Housing

Over 3,500 projects are underway to improve social housing and First Nations housing across the country.

Tax Measures to Support Housing and Business

	2009-2010		2010-2011	
	Millions of dollars			
	Stimulus Value	Stimulus Committed	Stimulus Value	Stimulus Committed
Home Renovation Tax Credit	3,000	3,000	–	–
Increasing withdrawal limits under the Home Buyers' Plan	15	15	15	15
First-Time Home Buyers' Tax Credit	175	175	180	180

It is estimated (CCPA) that 1.5 million Canadian households (more than 4 million people) are in core housing need, they spend more than 50% of their income on housing. The CCPA in its Alternative budget proposes that \$2 billion per year for the next three years is needed to begin to address this need.

Improved accessibility and affordability of post-secondary education and training;

Research and Innovation:

- The government will provide \$1.9 billion in post-secondary infrastructure, research, technology innovation and environmental protection.
- \$45 million over five years is allocated to establish a post-doctoral fellowship program.
- The combined research granting councils' budget will be increased by an additional \$32 million per year (\$16 million to CIHR, \$13 million to NSERC, \$3 million to SSHRC). Also \$8 million per year will be given to support the Indirect Cost of Research Program.
- \$222 million will be allocated over five years to strengthen research at TRIUMF.
- The College and Community Innovation Program will receive an additional \$15 million per year.
- The National Research Council regional Innovation Clusters program will receive \$135 million over 2 years.
- There will be \$49 million in annual funding for the regional development agencies to support innovation throughout Canada.
- There will be \$100 million over four years to establish the Next Generation Renewable Power Initiative to clear energies technology in the forestry industry.
- The government will provide \$40 million over two years to support up to 20 demonstration projects by small and medium sized business to promote innovation.

These are seemingly laudable efforts until one realizes that most of the projects relate to private sector partnerships, that the \$32 million increase to the research councils does not even cover inflation, and it doesn't come near to replacing the \$150 million cut they received last year. According to James Turk of the Canadian Association of University Teachers, "very little attention is paid to the fundamental, curiosity-based research from which innovation springs", and he notes that "President Obama earmarked 6% of the last budget for this, the gap between Canada and the U.S. is growing".

Inclusion of child and youth services as part of federal/provincial/territorial agreements concerning immigrants and refugees;

The budget was practically silent on appropriate supports in this category.

Funding for First Nation's child welfare agencies to deliver in-home support and prevention services to First Nation children and their families;

- Budget 2010 provides \$30 million over two years to support an implementation-ready tripartite K-12 education agreement.
- \$285 million is allocated over two years for Aboriginal health programs in five key areas: the Aboriginal Diabetes Initiative; the Aboriginal Youth Suicide Prevention Strategy; maternal and child health; the Aboriginal Health Human Resources Initiative; and the Aboriginal Health Transition Fund.
- Budget 2010 provides \$199 million to meet higher than expected funding needs in support of the settlement agreement with former students of the Indian residential school system.
- Budget 2010 provides \$53 million to ensure further progress toward a prevention-focused approach to child and family services for First Nations children and parents.

Again, this sounds impressive, until one realizes that the \$30 million over two years represents a 0.8% increase over the current budget allocations, and the other funding items are spread thinly over a number of areas and will barely scratch the surface of need.

A universal child care system providing dedicated funding for high quality care and early intervention and school-readiness initiatives for all children.

This continues to be perhaps the greatest omission in the budget. Four years after the introduction of the UCCB, and after an expenditure of between \$7 and \$8 billion dollars in public funds, it is clear that UCCB has abysmally failed to solve the child care crisis. Finding high quality child care is as elusive as ever for parents.

The December 2009 report of the House of Commons Standing Committee on Finance recommended that the federal government...*implement a national child care plan providing high-quality, affordable and inclusive child care services. This goal should be achieved through federal transfer payments to participating provinces and territories, and the plan should include measurable targets and timelines.*

Other than the ability to share the child tax credit, in some cases, between two people with joint custody of a child, there is no new support for poor families who have to spend between \$600 and \$1200 per month for child care. Single mothers trying to access support to find or return to work are not helped.

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