

Canadian Association of University Teachers
Association canadienne des professeures et professeurs d'université

CAUT Analysis of Federal Budget 2013



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The 2013 federal Budget was delivered ironically the same day as the Parliamentary Budget Officer was in court seeking more information about the impact of the government's \$5.2 billion in spending cuts announced last year. The lack of budgetary transparency and accountability has become a hallmark of the Conservative government. Anyone expecting this year's budget would break with that record will be deeply disappointed.

Budget 2013 is a smoke and mirrors budget, a financial sleight of hand that recycles old programs into "new" ones, adding money on the one hand while taking away from the other. Finance Minister Jim Flaherty unveiled some modest spending initiatives coupled with a deficit reduction plan that is based on wishful thinking about growth in the economy.

With weaker than expected economic growth this year, the Conservative government could have provided badly-needed stimulus to help stimulate domestic demand. Instead, the government is continuing with its painful and unnecessary fiscal austerity plans. The municipal Infrastructure Program is being renewed, but at a far lower level than before and billions short of what is needed. As announced last year, cuts of more than \$5 billion are to continue until 2015, with services being eliminated and more than 19,000 public sector jobs lost.

Against the backdrop of continuing fragility in the global economy, unemployment, growing inequality and unacceptably high rates of poverty, the federal government could have chosen a more sustainable path to fiscal

balance by focusing on investments to boost employment and growth through programs like health, social services, education and research. The federal government has the fiscal room to do so and such action would have helped offset some of the austerity measures being imposed at the provincial level.

For post-secondary education and research, Budget 2013 is another disappointment. While there were no cuts to cash transfers to the provinces in support of education, the planned 3 per cent increase remains far too little to offset inflation and enrolment increases. Given the cuts to post-secondary education at the provincial level, the federal government should have done more. Most of the provinces have far less fiscal room available to adequately fund health care, social services and post-secondary education.

While boasting that it is investing new money in training, the reality is the government is simply shifting money around with no real net gain. It is also creating a new and controversial Canada Jobs Grant that will require matching funding from the provinces and employers, raising questions about just how effective it will be.

As with last year's Budget, the most disturbing aspect for the post-secondary sector is in research. Despite offsetting some of the cuts to the granting agencies from last year, there is no net increase in funding and the government continues to ignore basic research in favour of a very narrow focus on commercialization and targeted funding.

Fiscal Outlook

The 2013 Budget continues with the Conservative government's fiscal austerity plans. While major transfers to persons and other levels of government will rise modestly, direct program spending will fall by about \$4 billion, mainly as a result of the cuts announced last year. New spending cuts were also announced affecting the Canada Revenue Agency (\$60.6 million) and the Department of Fisheries and Oceans (\$33 million)

The deficit for 2012-13 is estimated to be \$25.9 billion, up from the \$21.1 billion forecast in last year's Budget. In addition to spending restraint and a tightening of the tax code, the government is banking on very optimistic predictions for growth to push its finances into balance by 2015 – which in practice means cutting more than \$1 billion from the deficit per month over the next two years.

If all the pieces fall together, the deficit is projected to fall to \$18.7 billion next year, \$6.6 billion in 2014-15, and will be eliminated the following year.

The reduction in the deficit comes largely as a result of reduction in program spending from 13.8 per cent of GDP in the current fiscal year to just 12.7 per cent in 2016-17. By contrast, tax revenues are projected to rise just 0.5 per cent of GDP over the same period.

The continued focus on spending restraint is hard to justify. There remain a number of serious global and domestic risks to the short-term economic outlook, and expenditure reductions could weaken an already slow

growth. As well, the federal deficit and debt are not major problems at this time. The federal debt as a share of GDP remains lower than that recorded in 2005-06 and is lower than other G-7 countries. In the absence of any spending cuts, the deficit would continue to fall as a result of growth in the economy.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Tax revenues	11.5	11.5	11.8	11.9	12.0	12.0
Other revenues*	2.6	2.5	2.6	2.5	2.5	2.3
Program spending	13.8	13.8	13.6	13.2	12.9	12.7
Public debt charges	1.8	1.6	1.6	1.6	1.5	1.6
Total expenses	15.6	15.4	15.2	14.8	14.4	14.3
Deficit	-1.5	-1.4	-1.0	-0.3	0.0	0.2
Federal debt	33.0	33.5	33.8	32.6	31.1	29.6

* including Employment Insurance premiums

Post-Secondary Education and Training

Major cuts to post-secondary education have been announced in several provinces with costs being shifted further onto students and their families. Given the federal government's relative healthier fiscal situation, the Budget could have done more to assist the provinces in meeting rising demand while ensuring affordability.

Budget 2013 provides no new measures to assist students struggling with high debt loads and rising fees. There is no new money for post-secondary education through the Canada Social Transfer (CST) other than already built-in increases. The cash value of the CST will rise by 3 per cent next year, from roughly \$11.9 billion last year to \$12.2 billion in the coming fiscal year. Of the latter amount, 25 per cent will be nominally available for post-secondary education.

Rather than badly needed investments in core university and college funding, the Budget instead earmarks new money for marketing and recruitment initiatives. \$23 million over two years will be provided to support an International Education Strategy. This includes \$10 million over two years to support overseas marketing campaigns, and \$13 million over two years for the MITACS Globallink program that funds research internships for Canadian graduate students abroad and foreign graduate students in Canada.

As was expected, the centerpiece of the Budget was a focus on skills training. A new Canada Jobs Grant is being created to provide employers with a federal grant of \$5,000 if matched by the provinces and the employer to cover the costs of short-term training programs at an “eligible institution”. Eligible institutions will include community colleges, career colleges and trade union training centres.

The program will be funded by reallocating \$300 million of the \$500 million in annual funding provided to the provinces under the Labour Market Agreements. This funding

currently assists low-skilled workers ineligible for EI. In addition, an as yet unspecified amount of the \$2 billion provided annually through the Labour Market Development Agreements with the provinces will also be reallocated to the new grant program.

Providing more opportunities for workers to upgrade their skills is important. However, the Canada Jobs Grant is an ineffective and regressive way of meeting skills needs. First, the program essentially reshuffles funding currently allocated to workers who do not qualify for EI into a subsidy for employers for training that they should be providing. There is no guarantee those most in need of training will receive it.

Secondly, the government is indicating that private career colleges will be recognized as eligible institutions for the grant. There are serious questions about the quality of many of these career colleges that could further undermine the effectiveness of the program.

In addition to the Canada Jobs Grant, the Budget also unveiled some very modest initiatives with respect to apprenticeships. The government will reallocate \$4 million over the next 3 years to harmonize apprenticeship requirements and develop new assessment tools. The government also intends to require the use of apprentices on federal construction projects. Finally, \$19 million over the next two years will be used to encourage young people to pursue education and training in “fields where there is high demand from employers.”

Research Funding

The research funding initiatives in the Budget were particularly disappointing. The government is continuing to pursue a narrow commercialization agenda for research, ignoring the long-term value of basic research.

There are no net increases in the budgets of the three federal granting councils. The government is ostensibly “increasing” the budgets of the granting councils by \$37 million, but this matches a planned cut of \$37 million announced last year. Moreover, almost all the “new” funding is targeted rather than dedicated to basic research. Of the \$15 million provided to NSERC, 80 per cent is to be used for the College and Community Innovation Program. SSHRC received \$7 million earmarked for research to improve the participation of disabled Canadians in the labour market. CIHR’s \$15 million is to be dedicated to supporting the Patent-Oriented Research Strategy.

Other research initiatives in the Budget include \$165 million over 3 years for Genome Canada. An unspecified amount of funding, conditional upon matching funding from the territorial government and the private sector, will be provided to support infrastructure development of the Yukon College’s Centre for Northern Mining Innovation. The Canada Foundation for Innovation will receive \$225 million to assist in infrastructure needs, but this is not new money. Rather, CFI will be required to finance the increase out of interest it has accrued on its account.

Budget 2013 continues a disturbing pattern of government targeting and erosion of support

for basic investigator-initiative research. The de facto freeze in the base budgets of the granting councils means less money for basic research. The government clearly undervalues basic research in favour of a narrow focus on commercialization that, ironically, in the long-term will actually hinder innovation. The most fundamental advances in knowledge that lead to innovative applications have their origins in basic scientific research with no predicted commercial outcomes.

Aboriginal Education

Aboriginal issues have been in the spotlight in recent months as a result of the Idle No More movement. The Budget, however, offers relatively little to meet the needs of Canada’s Aboriginal communities.

The main initiative unveiled is a controversial job training program under the Income Assistance Program for First Nations. The new First Nations Job Fund will receive \$241 million over five years to provide personalized job training. To be able to access the program, however, local Aboriginal authorities must require mandatory participation in training programs for young people receiving income assistance. The reaction from Aboriginal leaders has already been negative, with many objecting that once again the government is imposing measures on them without consultation.

The Budget also provides \$10 million over two years to *Indspire*, a program that supports Aboriginal students in post-secondary education. Additionally, \$5 million over 5 years will be provided to Cape Breton University’s Purdy Crawford Chair in

Aboriginal Business studies to continue its work in providing business education to Aboriginal students. Finally, the Budget also indicated that the government plans to develop a First Nations Education Act next year following consultations.

Conclusion

Budget 2013 represents another missed opportunity. It continues with the austerity measures announced last year at a time of rising inequality, record high household debt and diminishing opportunities for young people and the unemployed. New spending measures are extremely modest and will do little to provide real help for the unemployed, to address pressures in the health care system, and to combat poverty and homelessness.

The federal government situation could have done more to sustain the recovery and help confront some of the major social and environmental challenges we face. Even a reversal of previous corporate tax cut would have freed up nearly \$6 billion for health care, seniors, the environment, and education. In the last fiscal year alone, it is estimated that tax cuts introduced by the Conservative government since 2006 will cost more than \$50 billion in foregone revenue. Budget 2013 missed the opportunity to revisit these poor decisions made in recent years.

Budget 2013 should have done more to address the pressing needs in post-secondary education and research. With many provinces now struggling with comparatively higher deficits and debts, the federal government could have helped make the needed investments in the core operations of universities and colleges. The continuing underfunding of the granting councils and the shifting of resources away from basic scientific research remains a serious concern and a weakness.

The education and training initiatives announced in the Budget are inadequate and regressive. The government is simply shifting resources around rather than making a serious new investment in skills development. The Canada Jobs Grant takes money away from some of the most vulnerable workers and hand it to employers as a grant.

Finally, the Budget once again means the granting councils base budget will not keep up with inflation and they will not be able to sustain even the present levels of investment in basic research. As a result, Canada's research community, already reeling from the closure of internationally-renowned laboratories and projects, will be under further pressure. All Canadians will lose if the government continues to undermine our ability to advance knowledge and promote the economic, social and cultural development of Canada.