2011 FEDERAL BUDGET SUMMARY AND OVERVIEW

Designed to Fail: Harper's Nickel and Dime 2011 Budget

The 2011 federal budget is billed as the "low-tax plan for jobs and growth," but there is little of substance new here—either on spending to create jobs or tax cuts. At most, it includes a lot of bits and pieces in a politically opportunistic bid to stay in power.

There's no change to the Harper Conservatives' irresponsible decision to continue with further corporate tax cuts that will cost the federal government over $6 billion a year once they are fully phased-in. More than a third of the benefits from the Harper corporate tax cuts will go to highly profitable banks, oil and gas companies and other finance and resource sector firms.

Federal support for infrastructure spending will decline significantly over coming years as stimulus spending expires and there's no money left for new spending under Building Canada Plan infrastructure programs. The result, together with major cuts to federal program spending in future years, is a job-killing budget that provides little hope for Canada's over 1.5 million unemployed. It's also a budget that doesn't provide anything for child care, affordable housing and nothing significant on health care, for Aboriginal Peoples or to reduce poverty.

Fair Taxation

- There's more of Harper's boutique tax credits and tax cuts for even more activities—children's arts credit, volunteer firefighters, family caregivers, examination fees, and for studying abroad—even when direct public spending has been shown to be more effective. The budget also extends the accelerated capital cost allowance for the manufacturing sector.

- More than a third of the benefits from Harper's $6 billion corporate tax cuts will go to highly profitable banks, oil and gas companies and other finance and resource sector firms. Previous federal budgets acknowledged that corporate tax cuts generate less than a third of the jobs that are created by public spending.

- There are a few limited measures to tighten up tax loopholes, including anti-avoidance measures for RRSPs and the ability of partnerships to defer corporate taxes. However, these plug up only a few of the many tax loopholes that exist and leave the much larger ones untouched. The main tax loophole that this budget proposed to close only developed because of continued cuts to corporate income taxes, so suggesting that they will save significant money from this beyond what they were expecting to lose from the corporate tax cuts is misleading.

- The budget signals ongoing major shifts in the tax load: corporate tax revenues are expected to shrink to less than 13 % of federal revenues within five years, down from 16 % when Harper Conservatives came to power. Meanwhile, federal revenues from personal income taxes will rise to almost 50 % of total federal revenues: that's up from approximately 40 % 25 years ago.

Funding for Public Services

- The Harper Conservatives' agenda of shrinking the federal government will become even more severe with this budget. There's little detail, but the impacts for future years will be major. In addition to the cuts announced in previous years, this budget announces a comprehensive one-year Strategic and Operating Review across the federal government this year. The aim is to cut direct federal program spending by 5 % or $4 billion a year by 2014/15. After accounting for inflation, this will amount to at least a 10 % cut.

- Operating for federal budgets will not be increased by 1.5 % this year to pay for wage increases, and will be frozen for the next two years. The freeze on operational spending will be effectively extended to federal Crown corporations such as CBC and Canada Post. The government plans to meet with unions to discuss "all compensation costs."

- This will result in major reductions in federal public sector employment levels and likely many further—but unspecified—cuts to programs in all different areas.

- This budget reveals that close to half of the departmental cuts identified from last year's budget will come from Human Resources and Skills Development—but doesn't have any real details on where they will be.

Major Transfers

- The 2011 federal budget doesn't signal any change to the growth rate for major transfers to the provinces for health care, social programs and funding through the equalization program.

- However, equalization payments are expected to fall in future years as a result of a hard cap the Harper Conservatives imposed, tying them to a three-year average in economic growth. CUPE and some provinces called for the federal government to protect the value of these transfers until 2013/14. This will reduce the transfers some provinces receive.

- It is widely expected that a majority Conservative government would cut the rate of increase of these transfers, particularly for health care.

Jobs and Employment

- The budget is called “a low-tax plan for jobs and growth” but there isn’t much new in it to create jobs. The only new targeted measure for jobs is a very limited one-time tax credit for small business of up to $1,000 against an employer’s increase in their EI premiums for 2011.

- This budget also extends the EI supported work-sharing program, renews the EI pilot projects for “working while on claim” and the best 14 weeks pilot project. The targeted initiative for older workers has also been extended and the wage earner protection program modestly extended to cover employees who lose their jobs as a result of an extended restructuring.

- Phasing out of the stimulus spending and reduced federal support for infrastructure, as well as major unspecified cuts to federal spending in future years will mean fewer jobs generated by federal spending in coming years.

- Despite the budget’s title as a “low-tax plan for jobs and growth” and the “next phase of Canada’s economic action plan” there are no calculations of the economic and jobs impact of the budget. The budget is relying on its cuts to corporate taxes to create jobs, even though previous federal budgets admitted they have the smallest immediate impact on creating jobs.

Aboriginal Peoples

- Once again, the federal budget only includes a few limited measures for Aboriginal Canadians. There are three new spending measures for Aboriginal Peoples in the 2011 federal budget. For on-reserve infrastructure, $22 million over two years has been set aside for the upgrading and replacing of fuel tanks to ensure they meet environmental safety standards. An additional $8 million will go to promoting the deployment of clean energy technologies in Aboriginal and northern communities. The only other highlighted initiative is an additional $30 million over two years in support for the First Nations Policing Program. This is far less than what First Nations and Aboriginal Canadians had called for.

Child Care and Children

- Nothing new for child care or children except for a children’s arts tax credit of $500 per year—worth a maximum of only $75 in lower taxes for most families.

Employment Insurance

- The Harper government increased EI premiums for workers and employers while we are in a very tenuous recovery from the recession. This budget didn’t make any change to that, but says they will consult with Canadians on how the EI rate setting mechanism can be improved to ensure more stable rates going forward.

- They also introduced a patchwork of pilot projects that apply to some regions and not others, and do not address long term problems with the EI system, extending them bit by bit so the future is always uncertain.

- “Working while on claim” enables workers to pick up some work where and when available without breaking their claim and having to reapply. It was supposed to end in December 2010 but has been extended to August 2012.

- “Best 14 weeks” refers to the calculation of benefits. Benefit rates are calculated based on the highest 14 weeks of insurable earnings over the last 52 weeks, which may provide better wage replacement. This provision was set to end in October 2010 but has been extended to June 2012.

- “New entrants/reentrants” reduced qualifying hours from 910 to 840 hours to increase accessibility to claiming EI benefits. This pilot ended in December 2010.

- “Five extra weeks” provided five extra weeks of benefits for all claimants in the Harper government’s Economic Action Plan. This ended September 2010.

Environment

- The main measure here is $400 million for one year of the ecoENERGY retrofit program for houses, funding for which expired a year ago, but there is very little information on this and the budget notes state that “details regarding this program will be announced in the near future.” As this program requires the development of considerable infrastructure and expertise at the local community level, it is completely unrealistic to provide only a year’s funding for the program.

- There’s also $870 million over two years to renew funding for the federal government’s clean air agenda—but this is a renewal of funding for these programs.

- The budget includes a minor change to reduce fossil fuel subsidies for the oilsands, but it amounts to far less than the over $1 billion that environmental groups estimate goes to these subsidies. Meanwhile there’s more money to help develop the Alaska pipeline, other tax breaks for pipelines and an extra $405 million for Atomic Energy of Canada Ltd.

Health Care

- Health care tops the list of priorities for Canadians and yet there is nothing in this budget to assure a strong federal role in funding health care over the long term.

- The main new measure here is a new non-refundable Family Caregiver Tax Credit of $2,000 proposed for 2012 for family members to take care of disabled dependents. After tax, this works out to $300. This amount doesn’t buy many home care hours.

- The budget also proposes to forgive a portion of the Canada Student Loans owed by family doctors, nurse practitioners and nurses who practice in under-served rural or remote communities. Doctors could get up to $8,000 a year in loan forgiveness up to a maximum of $40,000 while nurses would get half this amount.

- Other measures are even smaller: removing the $10,000 limit on medical expense tax credits for financially dependent relatives, and a pitiful $3 million to support the development of new community-integrated palliative care models. CUPE has called for a national palliative care program with funded beds and staff—not the pittance provided in this budget for researching models.

Municipal Infrastructure

- There's virtually nothing new in this budget to address Canada's $200 billion municipal infrastructure deficit. The annual $2 billion gas tax transfer will be legislated at that amount, dashing hopes for it to be indexed so its real value doesn't continue to decline.

- The government has announced it will work with provinces, territories, the Federation of Canadian Municipalities and other stakeholders to develop a long-term plan for public infrastructure to extend beyond the expiry of the Building Canada Plan in 2013/14.

- There are some modest announcements for extra funding—for the Dempster Highway, for rail service from Toronto to Peterborough (through Minister Flaherty's riding) and for some bridges.

- At the same time, federal support for infrastructure spending is set to decline in the next few years with no new commitments as a result of the acceleration of infrastructure spending through the stimulus program. All the funding for future years under the communities component and virtually all of the funding under the major infrastructure component of the Building Canada Plan through to 2013/14 has already been allotted.

Pensions

- The main new measure here is an increase in the Guaranteed Income Supplement (GIS) with a maximum top-up of $600 per year for individual seniors and a maximum of $840 per year for couples. The maximum will only be available for the lowest income seniors—those with an annual income (outside of Old Age Security and GIS) of less than $2,000 a year for individuals and less than $4,000 a year for couples.

- The most galling thing about this proposal is that any income these low income seniors on GIS earn above $2,000 would be taxed back at a clawback rate of 75%. When the Harper government is cutting taxes on the largest and most profitable corporations to 15%, imposing a 75% tax back rate on low income seniors seems a bit unfair.

- This only works out to a maximum increase of only $50 per month for a small number of the poorest seniors, and less than this or nothing at all for the majority of low income seniors. This is far less than what CUPE and others had been calling for on the GIS. This works out to a maximum of $1.64 a day for individuals and a maximum of $0.41 a day after the clawback for those with incomes above $2,000, and a maximum of $0.57 a day after the clawback for a senior couple with income above $4,000.

- The federal government has made no commitments to improving the Canada Pension Plan (CPP)—except to say that they will continue to explore options for modest enhancements to CPP with provincial and territorial governments. After a June agreement with 9 out of 10 provinces to support the expansion of the Canada Pension Plan (CPP), in December Finance Minister Flaherty reneged on his commitment to do so in favour of an insecure, insurance company administered investment scheme in which employer contributions are “optional” (misleadingly called “Pooled Retirement Pension Plans” or PRPPs).

Post-Secondary and Training

- The 2011 federal budget includes funding for a list of different programs for research, innovation, post-secondary education and training. Much of this is for promotion of digital economy in universities and businesses and for commercialization of projects through universities and colleges. However, the money for this isn’t additional: it will come from unspecified cuts to the budget for other programs from Human Resources and Skills Development Canada. It also includes an additional $37 million a year split between the three research granting councils, more funding for research chairs and other funding for scientific research.

- The income exemption allowed to full-time students from Canada student loans and grants is to be doubled from $50 per week to $100 per week and family income thresholds for part-time students are also to be increased.

- The cost of examination fees for all occupational, trade and professional exams is to be made tax deductible, eligible for the tuition tax credit.

Poverty and Homelessness

- There is essentially nothing in Budget 2011 to help the thousands of Canadians who are homeless and/or living in poverty. Poverty and homelessness disproportionately affects women, children, Aboriginal peoples, new Canadians, and persons with disabilities. And yet the Harper government continues to ignore the most vulnerable of our citizens. The modest increases to the Guaranteed Income Supplement will do little to address the long-term consequences of poverty for low-income seniors and will do nothing for other disadvantaged groups, including the working poor. Better budget choices would include a poverty reduction strategy to eliminate poverty including a commitment to reduce poverty by 25% within 5 years, and by 75% within 10 years.

- The budget is silent on the issue of homelessness. One and a half million Canadians, or more than 4 million women, men and children are in dire need of affordable housing options. Canada needs a National Housing Strategy that would provide multi-year targeted funding for social housing with a view to eliminate homelessness within 10 years.

Privatization

- This budget expands the scope and powers of PPP Canada: going forward, all federal capital projects with a lifespan of at least 20 years and capital costs of $100 million or more will be subject to a P3 screen.

- Instead of investing directly in public services, the Harper government has instead provided tax cuts and tax credits, opening up these services for increased privatization. Further cuts to program spending will lead to increased contracting out and privatization, and likely more sales of public assets.

Water

- The 2011 federal budget was tabled on World Water Day, but it includes barely a drop in the bucket to help communities ensure clean water. The only specific measure is $5 million over two years to improve nearshore water and ecosystem health. Meanwhile, new federal regulations will increase the cost for communities to upgrade their wastewater facilities by over $20 billion during the next decade.

- CUPE had joined together with environmental organizations and municipalities in calling for the federal government to provide $1 billion a year for a national clean water fund in this budget. First Nations had also called for the federal government to provide $1 billion a year to provide safe drinking water in First Nations communities. The budget ignored these requests.

Women

- There's nothing in this budget specifically for women. The only mention is funding for microfinance initiatives in developing countries that can help women.

The Harper Conservatives' 2011 federal budget reads like a laundry list full of relatively small measures: extensions of some programs, a few new programs, half efforts, more boutique tax cuts, and tinkering with taxes and tax loopholes.

It doesn't address any of the big issues or priorities of Canadians in any substantial way: health care, unemployment, making Canada's tax system fairer for Canadian families, or reducing Canada's infrastructure deficit. At the same time, the budget signals steep cuts in federal program spending in order to pay for the cost of their corporate tax cuts.

This nickel and dime budget doesn't meet the priorities highlighted by any of the opposition parties. It was designed to fail: it's no surprise that all the opposition parties rejected the budget shortly after reading it.

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