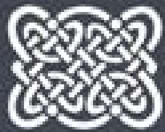

Caledon Institute of Social Policy

The 2017 Farewell Budget

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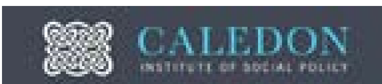

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Every year after the release of a federal Budget, the Caledon Institute of Social Policy issues an analysis and response. We not only comment on the announced measures: We also use our annual Budget reply as an opportunity to propose policy options that enhance social well-being in Canada.

We give every Budget response a unique name, deriving from a key theme highlighted in the document. For example, *The No-Budge Budget* introduced an ill-conceived social policy centrepiece: a hike in the eligibility age for Old Age Security from 65 to 67. Fortunately, this policy zombie did not reappear in Budget 2017.

Skills and training comprised the centerpiece of *The Skilled Budget* in 2013. While Canada's finances may have been moving toward balance from a fiscal perspective, *The Unbalanced Budget of 2014* was severely lacking in its efforts to tackle serious social problems plaguing the country.

2015 saw a small surplus for the first time in years, but *The Deficit-of-Ideas Budget* was largely devoid of substantive social policy measures. By contrast, *The Social-Policy-Is-Back Budget* of 2016 was distinctly different from the federal documents of the previous ten years in which the social policy well had largely run dry.

The title of our response this year is somewhat different. *The 2017 Farewell Budget* reply focuses not only on the social policy content of this year's federal Budget. It also signals that this is the last year in which Caledon will be issuing a Budget response. The Caledon Institute will be winding down as a distinct organization after 25 years, since our inception in 1992.

Over the years, Caledon typically has assessed the quality of any given federal Budget from the perspective of two lenses: the attention it pays to social well-being, in general, and the degree to which it helps lower- and modest-income Canadians with respect to social well-being and income security, in particular.

When it comes to public investment in services, such as education and health care, we have stressed the importance of ensuring access to high-quality services for all, as we have seen such 'universal' services as the best way to build Canada's social cohesion and opportunity. In income security, however, we have argued for reforms that benefit mainly lower- and modest-income households.

Not surprisingly, we were pleased to see that the 2016 Budget brought social policy back on the public radar screen after having been dormant for so many years. Budget 2017, by contrast, is not primarily about social policy but rather focuses predominantly on the economic side of Canada's well-being equation.

Budget 2017 is concerned largely with measures that will keep the wheels of the economy humming and that will meet the challenges facing all developed nations: uncertainties around global trade, lower productivity as a result of an aging population and profound job shifts linked to rapid technological change.

Investment in both innovation and infrastructure are the twin pillars on which the 2017 Budget is built. While both streams are intended mainly to bolster economic growth, they are also highly relevant to social policy.

The purpose of the announced stream of innovation investments is to support economic opportunities in selected sectors and to foster new methods and technologies in existing sectors of the economy. The ultimate goal of innovation is to create a vibrant economy that produces good, well-paying jobs. The latter are particularly important in light of the significant numbers of Canadians engaged in precarious employment, with resulting pressures on the social security system.

The related goal of infrastructure investment identified in the 2017 Budget seeks to repair, upgrade and build the roads, sewers, clean water facilities, ports and bridges that keep the economy moving, and that contribute to a higher standard of living. Several social infrastructure investments, in particular, will direct funds toward major social initiatives related to high-quality, affordable housing and child care – both of which are vital to Canadians' well-being.

These twin investments are discussed below along with their associated social policy implications. On the whole, we believe that the Budget is moving Canada in the right direction. There are implementation lags and funding shortfalls in several areas to be sure. But the policy platforms and associated actions are fundamentally positive.

Investing in Innovation

The Finance Minister and his 2017 Budget were both strongly influenced by the recommendations of his Advisory Council on Economic Growth. The Council made the following case for innovation:

> Innovation can play a major role in delivering the GDP growth needed to meet Canada's ambitious objectives of increasing productivity, driving inclusive growth, and helping to create conditions for entrepreneurial companies to scale up and become global champions. As the world moves briskly towards digitization and automation, Canada must adapt. We must exploit our advantages to drive the innovative thinking that creates high-value, specialized jobs that are more resilient to technological change and that allow middle-class families to enjoy prosperous livelihoods [Advisory Council 2017b: 2].

Budget 2017 announced an investment of $8.2 billion over five years (the total includes previously announced funding) in innovation and skills development in six key growth sectors: advanced manufacturing, agri-food, clean technology, digital industries, health/bio-sciences and clean resources. The investment is intended to spur the creation of good-quality jobs in these selected innovation clusters, which ideally will propel Canada to a leading role on the global economic stage.

Skills and training

In the usual pre-Budget whispers about what to expect in the 2017 Budget, there were many hints floated of a 'skills and training' Budget. To a large extent, these rumours have turned out to be accurate. The Budget's goal is to ensure that this country has the most skilled, talented, creative and diverse workforce in the world. However, several of the biggest changes initiated in the 2017 Budget will not, in fact, be in place until the 2018-19 fiscal year is well under way.

Most welcome is this Budget's understated promise to begin unravelling the damage done by the unilateral introduction of the Canada Job Fund initiative by the previous Conservative government. After a year of consultation and without much fanfare, Budget 2017 promised to return to cooperative federal-provincial/territorial development of skills and training programs while restoring greater provincial/territorial flexibility.

As part of this process, the confusing array of separate federal-provincial/territorial programs (Canada Job Fund Agreements, Labour Market Agreements for Persons with Disabilities and the Targeted Initiative for Older Workers) will be consolidated under a single Workforce Development Agreement. Total expenditures will increase by $900 million over the next six years.

The Canada Job Fund had seen almost all federal support for vulnerable unemployed and underemployed Canadians replaced by subsidies to companies for upgrading the skills of currently employed workers. Yet many of these companies had already been delivering training at their own expense.

Our expectation is that the new Workforce Development Agreements will provide training and skills development better attuned to the needs of the workforce and the labour market, and will be truly incremental to training efforts currently under way. However, the direction will become clear only after the provinces and territories sit down with the federal government over the next year and hammer out the new Agreements. The promised addition of $900 million will certainly make these negotiations easier and more congenial, while providing much-needed extra funding for programs.

As noted, the Labour Market Agreements for Persons with Disabilities will be consolidated into new Workforce Development Agreements. Our one concern is that persons with disabilities do not lose out in this process. With programs targeted at especially vulnerable groups, there is often a tension between the desirable goal of integrating programming into the mainstream, on the one hand, and protecting specialized programming by targeting funds to persons with disabilities, on the other hand.

Given that jobs themselves are in the 'mainstream,' it is probably more effective to integrate training programs for persons with disabilities rather than maintain a separate training stream. However, this aspect of the new arrangements will bear close monitoring as it is not yet certain what the planned consolidation will involve.

While the new Workforce Development Agreements will provide training for anyone who can benefit from it, training under the larger Labour Force Development Agreements is accessible only to those who are eligible for Employment Insurance (or almost eligible through special circumstances like the 'reach-back' provisions in which EI allows former recipients to ask for training benefits if they had an EI claim that ended less than three years ago). The Labour Force Development Agreements are financed through Employment Insurance contributions and so are restricted, more or less, to contributors.

While the Budget "proposes to invest an additional $1.8 billion over six years, starting in 2017-18, to expand the Labour Market Development Agreements," it does not say additional to what. Unfortunately, the accounting for new funds in the Budget document is not provided as a clear list of initiatives linked to descriptions in the document (this problem applies to many areas of the Budget). There is no item in the table of expenditures on new initiatives that adds up to $1.8 billion over six years. Given the rapidly changing demands of the labour market and the need for continued upgrading, additional funds will likely be well used, if these are indeed new funds.

One element of inflexibility in the training provided under Employment Insurance, in particular, is that recipients can take training while receiving EI benefits only if they have been referred by the relevant authorities (the designated authority varies by province and territory). The 2017 Budget will allow recipients to choose their own training and continue to receive benefits. While this measure appears to be a positive initiative, it should be carefully evaluated to ensure that recipients are not being attracted to expensive programs that do not lead to employment. (Other aspects of Employment Insurance are discussed below.)

In respect of evaluation, the 2017 Budget provides funding for a new organization to support skills development and measurement in Canada. This proposal appears to be a version of the labour market information agency that has been often recommended and discussed in one form or another by business, labour and by federal/provincial/territorial Ministers of Labour. The details of the agency are to be provided over the next months.

Ideally, this new organization will be more than just a collector and provider of accurate labour market information. It should also have a mandate to undertake independent, rigorous and public evaluations of training and skills programs. We need to know when we are doing things right – and where money and time are not being as effectively spent so they can be redirected.

There are also about a dozen other initiatives in Budget 2017 geared towards increased education, skills and training. Among these are several changes to the Canada Student Loan program to make it better suited to the financial circumstances of Canadian families. The Budget expands support for co-op education as well.

Budget 2017 also announced the renewal of support for Pathways to Education Canada by providing $38 million over four years, starting in 2018-19. Caledon has written frequently about this holistic community-based approach to help vulnerable youth succeed in their education, complete high school and pursue further training and studies. (In this and a few other instances, the Budget notes that part of the program's financing will come from reallocation of Employment and Social Development Canada's existing resources – without saying from where the reallocations are coming. While redirection of funds from less effective programs is to be lauded, the government should be explicit about what it is ending and what it is beginning.)

Another measure in support of skills investment involves additional funds for the Canada Learning Bond. The federal government currently encourages families to save for their children's postsecondary education through tax-assisted Registered Education Savings Plans. It provides extra assistance to help low-income families with their savings through the Canada Learning Bond.

But the take-up rate of the Canada Learning Bond, to date, has been far too low. In 2015, only one-third of eligible children applied for this program. Budget 2017 reallocated $12.5 million over six years (again, without saying from where the funds are being reallocated) for a pilot project to increase awareness of the Canada Learning Bond and reduce barriers to access.

Finally, the Budget contains some important increments to funding for postsecondary education for Indigenous peoples. These measures include a much-needed increase of $90 million over two years to the Post-Secondary Student Support Program, through which First Nations assist their members pursuing postsecondary education.

Ideally, all education should be recognized as a Treaty obligation and ought to be available to all First Nations with treaties so that every member who is eligible for postsecondary education can afford to take up the opportunity.

Nonetheless, the funds have been severely limited and even shrinking on a per capita basis, forcing Bands to make painful choices. Any increase is welcome, especially as every First Nations member successfully completing postsecondary education is an invaluable resource towards national reconciliation. Similarly, funding for Indspire, which provides bursaries and scholarships to Indigenous students, is also being increased.

Overall, the 2017 Budget introduces a wide array of useful measures in support of improved training and skills acquisition. These areas will only become more important as future labour markets become more demanding of skills and increasingly volatile, requiring a flexible and highly skilled labour force.

In addition to skills development across the entire population, it will be essential to ensure that groups with disproportionately lower rates of employment be encouraged to join or remain in the paid labour market. The Advisory Council on Economic Growth identified seniors and Canadians with disabilities as among the key targets for this approach. But while both of these groups can benefit from further education and upskilling, lack of knowledge and skills are often not the main obstacles to labour force participation.

In the case of seniors, many report that they face quiet, and sometimes not so subtle, ageism when seeking employment or trying to remain at work. They are often encouraged by employers to leave to make room for the next generation who may also be paid lower wages.

Recent data show that older workers are employed predominantly in part-time positions – only sometimes by choice but often because there is no other option. Only 53,000 full-time jobs were created last year compared with 80,000 new part-time positions. Workers over age 55 accounted for 74,400 of these jobs. This older cohort now comprises one-quarter of all part-time workers compared with 17 percent a decade ago [Younglai 2017: B7].

People with disabilities face even more serious discrimination in the paid labour market. There is general lack of understanding of their capacity and concern that they will not be as productive or effective as other employees. The misinformation and fear together translate into poor numbers when it comes to meaningful paid employment. A recent poll commissioned by the CIBC found that 37 percent of respondents with disabilities said they were unemployed. The stark conclusion was that "employment conditions remain dismal" for persons with disabilities [McQuigge 2017: B3].

Educational attainment has improved, on average, among persons with disabilities. Gaining access to affordable technical aids and equipment, on the one hand, and confronting attitudinal barriers on the part of employers and co-workers on the other, comprise the primary obstacles to paid employment. Budget 2017 announced Ottawa's commitment in the coming year to improving work opportunities and employment outcomes for persons with disabilities. This commitment includes the development of new federal accessibility legislation.

The Budget also noted that assistive technologies such as screen readers, alternative keyboards and refreshable braille displays can make it easier for Canadians with disabilities to participate more fully in the digital economy. In order to expand the range of assistive technologies and access to digital services, Budget 2017 announced $223 million over five years to establish a new Accessible Technology Development program. The program will co-fund innovative projects led by private sector firms, voluntary organizations and research institutes, to develop new assistive devices and technologies.

Investing in Infrastructure

Infrastructure investment comprises the second major component of the economic growth equation in Budget 2017.

The Caledon Institute supports these investments, having called over the years for infrastructure financing. There are two major benefits to this form of stimulus – the immediate creation of jobs, and the long-term economic and social gains that derive from renewing the vital foundation of Canada's cities and communities.

We had also pointed out that discussions on infrastructure typically were very narrowly framed, concerned mainly with roads, sewers, water systems and basic elements that form its physical plant. Renewal and environmental upgrading of these elements are essential. Caledon has long urged a broader definition to include core components of infrastructure on the social side of the equation – affordable housing, schools, libraries, recreation centres and museums that contribute immeasurably to community well-being but often get overlooked in the mix.

National Housing Strategy

Budget 2017's investment of $11.2 billion over 11 years for affordable housing is a welcome announcement. Decent affordable housing is vital to the well-being of Canadians. It provides the foundation – literally – for the social well-being for all Canadians and especially for struggling low- and modest-households.

As part of a new National Housing Strategy, the Government will invest these funds in a range of initiatives designed to build, renew and repair Canada's stock of affordable housing. To fully understand their significance, the 2017 Budget's housing initiatives need to be seen in the context of the last several decades' flow and flux of federal housing policy.

After the Second World War, hundreds of thousands of veterans eager to start families returned to a country with severely diminished housing stock due to wartime constraints. Like all western governments in the immediate post-War period, Canada was willing to adopt a robust interventionist role for the state. Consequently, the federal government established the Canada Mortgage and Housing Corporation (CMHC) with an endowment of $25 million – equal to about $350 million in today's dollars, but in the context of a much smaller national economy.

During the 1950s, the federal government played a dominant role in housing policy, mainly through supporting the emergence of a well-functioning private market for housing, including a strengthened retail mortgage sector backed by mortgage loan insurance beginning in 1954. But by the mid-1960s, reflecting the prevalent social activism of the times, the federal role began increasingly to include active engagement in the construction and ongoing support of social and affordable housing.

Provinces had been little involved in the housing sector beyond property regulation in the 1950s. Reflecting the same social activism of the 1960s, provinces began establishing their own housing ministries and undertaking housing development, often in cooperation with the federal government but sometimes unilaterally. Provinces began to assert their jurisdiction over housing – the right to control federal housing development within their territory. By the mid-1980s, the federal government concurred and agreed to the principle of provincial primacy in the housing sector – or at least with respect to the development of social and low-income housing.

In the constitutional discussions of the early 1990s following the rejection of the Meech Lake Accord, amidst an air of crisis caused by the possibility of Québec separation, the federally-appointed Beaudoin-Dobbie Committee recommended that exclusive provincial primacy be recognized in six areas, one of which was housing. This development was accepted by the federal government as the basis for constitutional negotiations.

Despite the collapse of the subsequent Charlottetown Accord, in 1996 Ottawa announced that it would end its role in social and low-income housing entirely, excepting on-reserve, and phase out its existing agreements with provinces, territories and housing providers. The next several years were the low point of Ottawa's engagement in social and low-income housing.

Over the two decades following the official federal withdrawal from social and low-income housing, there were a few small but mainly symbolic federal developments in the housing sector. Critical federal assistance for existing co-op projects to pay for subsidy of low-income tenants was allowed to expire – most agreements ending only in the last few years. This was the state of affairs in 2015 with the election of the new Trudeau government.

Although to our knowledge Ottawa has not explicitly noted that it has rejected previous governments' promises to withdraw completely from social and low-income housing development, the new Liberal government made it clear that it intended to take an active role in the housing sector.

And its first Budget in 2016 provided dramatic evidence of this federal about-face in housing policy. That Budget contained a large ongoing financial commitment to building new and renovating existing affordable housing with the provinces, new seniors' housing, an Affordable Rental Housing Innovation Fund, substantial funds for Indigenous housing, funding to address the issue of expiring agreements and more.

The 2017 Budget continues the path set in the 2016 Budget. In some ways, it may even more unmistakably signal the reentry of the federal government into the housing sector: Budget 2017 gives substance to Ottawa's promise of a new National Housing Strategy by establishing a National Housing Fund of $5 billion over the next 11 years. The National Housing Fund will give the federal government the leverage it will need to collaborate with partners on innovative programs for low-income housing development. One of those innovative projects might be a portable housing benefit, which would not tie tenants with rent-geared-to-income to a specific property.

In addition to the National Housing Fund, the 2017 Budget continues provincial/territorial housing partnership funding and support for Northern housing and housing for Indigenous people in towns and cities. New programs will be developed in partnership with stakeholders to tackle homelessness, with significant funding beginning in 2018-19. More federal surplus property will be made available where it can be used to provide affordable housing.

In keeping with its commitment to evidence-based policy, the 2017 Budget provides funding to Statistics Canada to develop a Housing Statistics Framework. CMHC will be funded to improve data collections and data analytics, and support additional external research. These investments should give governments at all levels a much sounder basis for policy-making. One of the key missing pieces in the current escalation of house prices in some regions of Canada – especially the Greater Toronto Area and the lower mainland of BC – has been good data.

However, other than the necessary step of improving data collection and analysis, the 2017 Budget took no new initiative to address this rapid escalation of house prices in some cities. Increasing prices are busily making housing less affordable notwithstanding all Ottawa's efforts. The federal government tightened mortgage rules in the fall of 2016, but this seemed to cause little more than a blip (at best) in rising prices.

There have been many creative proposals to cool the real estate market. One possibility would be to extend the timeline for a capital gains exemption on a principal residence. Rather than the current requirement that a homeowner live in the residence for only one year to be entitled to 100 percent exemption of capital gains, the exemption would be earned 25 percent per year over four years. This or similar proposals would reduce 'flipping' and the attractiveness of speculative purchases.

The problem of rapidly increasing house prices is not Ottawa's alone: It is equally a provincial responsibility. We urge the federal government and the affected provinces to review measures to address the current price escalation, while also developing policies for the longer run to reduce volatility in the housing market.

Early Learning and Childhood Development Framework

Budget 2017 confirms the launch of the federal Early Learning and Childhood Development Framework, which seeks to tackle the serious lack of high-quality affordable child care in Canada. Starting in 2018-19, Ottawa will invest $7 billion over 10 years in high-quality, affordable child care spaces across the country. A portion of this investment will be dedicated to early learning and child care programs for Indigenous children living on- and off-reserve.

Over the next three years, these investments will increase the number of affordable child care spaces for low- and modest-income families by supporting up to 40,000 new subsidized child care spaces. Improved affordability of child care enables parents to join the workforce or return to work.

Most middle-income families struggle to pay the multi-thousand dollar fees charged in many communities for licensed care. While infant fees are the highest, toddler fees are also significant. Toronto has the highest toddler fees at $1,375 a month with Vancouver in second place with toddler fees of $1,325 and Richmond with median fees of $1,210 a month. Toddler fees have risen by 8 percent on average between 2014 and 2016 (compared to a 2.5 percent inflation rate) [Macdonald and Friendly 2016: 4].

Parents also face problems in terms of long wait periods. Almost all of the cities surveyed reporting that at least 70 percent of child care centres maintain a wait list.

The OECD has noted that Canadian families spend almost one-quarter of their income on child care, a ratio that is much higher than other parts of the world. Across the OECD, the average two-income family spends about 15 percent of its net income on child care. In Canada, that ratio is as high as 22.2 percent of net income – more than all but five countries monitored by the OECD [Evans 2016].

Many households wonder if it is worth joining and staying in the paid labour market when they end up with significantly reduced disposable income after paying income taxes, payroll contributions, work-related costs and extraordinarily high child care fees.

To ensure that Canadian families have better access to high-quality, affordable child care, Ottawa is working with the provinces and territories to develop a National Framework on Early Learning and Child Care. In addition, a distinct Indigenous Framework on Early Learning and Child Care will be created in cooperation with Indigenous partners. The distinct Indigenous framework will reflect the unique cultures and needs of First Nations, Inuit and Métis children.

The investment in child care spaces across Canada recognizes the two intrinsically linked purposes of high-quality child care. First, it supports the labour market participation of young parents and contributes to the financial well-being of Canadian households. Equally important, high-quality child care supports the healthy development and well-being of children.

It is also essential to note that this effort is intended to support a wide range of interventions. High-quality child care is often equated in the public mind with only one kind of approach: centre-based care with several early childhood development educators looking after a small group of children.

But the range of possible options is broader and includes licensed in-home care with a single provider (family day care is often used for infants or very young children), early childhood development programs in public schools and head start programs in community centres. The latter have been found to be particularly effective for Indigenous children and children living in difficult economic or social circumstances.

In a related strategy, Budget 2017 announced the extension of parental leave and benefits to 18 months. Women can decide whether they want to start this leave earlier – at 12 weeks prior to birth. Parents who choose to stay at home longer, however, will have to make do with a lower Employment Insurance (EI) benefit rate of 33 percent of their average weekly earnings, instead of the current rate of 55 percent.

Federal Investment in Communities and Neighbourhoods ($millions)

Building Stronger Communities and Neighbourhoods	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	Total
Supporting Families Through Early Learning and Child Care	0	0	540	545	550	550	2,185
A Renewed Federal-Provincial-Territorial Partnership in Housing	0	0	0	255	255	255	765
A New National Housing Fund	0	10	141	266	338	428	1,184
Targeted Support for Northern Housing	0	0	30	30	30	30	120
Targeted Housing Support or Indigenous Peoples Not Living On-Reserve	0	0	25	25	25	25	100
Working Together to Tackle Homelessness	0	0	54	203	213	237	707
Making More Federal Lands Available for Affordable Housing	0	2	20	20	20	20	82
Strengthening Housing Research and Establishing a Housing Statistics Frame-work	0	8	35	37	36	34	151

Source: Department of Finance Canada. (2017). *Building a Strong Middle Class. Budget 2017.* Ottawa: Her Majesty the Queen in Right of Canada, March, p.151.

Shoring up Canada's Social Safety Net

In our view, all these announced innovation/skills and infrastructure measures are vital investments. Of course, it can be argued that the funding is insufficient or the implementation is too slow. But they do move in the right direction and are on the right track. The success of this package of measures is crucial, given the uncertainties and rapid changes that have ravaged the labour market in recent years.

Both the investments in innovation through skills training and through enhanced child care are intended to support strong economic and active participation in the labour market. The investment in innovation is expected to enable the creation of good jobs – a vital imperative given recent developments in the Canadian labour market. On the plus side, the Canadian economy added significant numbers of jobs at last count. However, buried in the banner headlines was the real story: Most of these new jobs were part-time positions.

In 2016, employment gains totalled 214,000 jobs. This increase was the fastest December-to-December growth since 2012 [Statistics Canada 2016]. However, part-time employment represented most of the growth with 60,000 full-time jobs compared to 154,000 part-time positions.

Fortunately, the majority (65.8 percent in 2015) of Canadian workers are still engaged in full-time permanent employment. But there is growing concern throughout the developed world about precarious employment – part-time, casual and contractual work that typically comes with less financial security and stability. These jobs are linked to lower average wages, lack of predictable income, reduced access to benefits such as private pension plans and group health benefits, and uncertainty about the future. Many self-employed workers face the same pressures.

In 2015, the Organisation for Economic Co-operation and Development (OECD) noted a net increase in non-standard jobs in a number of countries, which likely contributed in recent decades to rising inequality throughout the developed world. The OECD pointed out that it is not only the quantity of jobs that fosters equality of opportunity and economic growth, but their quality as well [OECD 2015].

In a 2015 report, TD Economics identified precarious employment as a serious red flag for Canada. While this type of employment allows flexibility for employers and enables them to adjust more easily to economic shocks, precarious work can also harm the economy. Lack of security erodes consumer confidence, leading to lower spending and reduced business profits, investments and government revenue [TD Economics 2015].

Prime Minister Trudeau's recent speech in Germany made reference to growing inequality as a major cause of rising anger throughout the world [Curry 2017: A4]. He called upon corporations to assume greater responsibility for tackling this global problem by paying living wages to workers and by providing associated benefits.

Caledon has written for years about the need to improve working conditions for lower-income households to help offset the growing market inequality rooted in poor and unstable wages.

Equally important, from our perspective, are the insecurity and uncertainties that precarious employment creates for Canadians as well as its serious impact upon health and well-being. Job instability and insecurity put increased pressure on Canada's social safety net to perform effectively its dual functions: 1) to supplement low income, and 2) to replace lost or interrupted earnings.

Over the past 25 years, the Caledon Institute has put forward various policy options for making Canada's income security system stronger and more robust than its current configuration. We have argued the need for a reformed architecture of income security in which constituent programs are strong in both absolute and relative (i.e., indexed to inflation) terms, portable across the country and respectful of human dignity.

We were surprised, if not dismayed, to see no reference whatsoever in Budget 2017 to the federal (already-announced) commitment to launch a National Poverty Reduction Strategy. Granted, there are a number of significant measures in the Budget that will be of assistance to low-income households, including the investments in affordable housing and high-quality child care.

However, a poverty strategy is concerned explicitly with shoring up and improving all the core elements of Canada's social safety net. In the notable absence of that agenda in the 2017 Budget, we set out below the key areas that we believe need to be addressed in the coming years.

i. Canada Child Benefit

Caledon's pioneering work on the Canada Child Benefit – and its predecessor the National Child Benefit – reflects powerfully the principles of adequacy, portability and respect for human dignity. The 2016 *Social-Policy-Is-Back Budget* introduced the Canada Child Benefit, the most important poverty-fighting measures in a generation. Budget 2017 refers frequently to this significant achievement.

The new income supplement for families is well-designed and effective. It is more generous than previous child benefits and better targeted to families that need it most. The program is already reaching the majority of families, working both to reduce poverty (lifting 300,000 children out of poverty) and to improve the well-being of middle-income Canadians.

Unfortunately, the introduction of this vital child benefit came with a significant omission: Unlike most federal social programs, the Canada Child Benefit will not be indexed to inflation until 2020. Adequacy involves both absolute value (the face value of a given benefit) and relative value – i.e., the value of a benefit over time when taking into account the cost of living.

Non-indexation means that the value of the new measure will drop in real terms over time. The *Budget Implementation Act, 2016, No. 2* did not remedy this concern but rather froze benefits at 2016 levels until 2020. So the purchasing power of the Canada Child Benefit will decline steadily and stealthily each year, unknown to most parents. The maximum payment, worth $6,400 today, will fall in value to about $6,030 by 2020, based on the latest Bank of Canada inflation projections.

At the other end of the age spectrum, the federal government runs the Old Age Security/Guaranteed Income Supplement program for Canadians ages 65 and older. It also administers the Canada Pension Plan (Québec operates the twin Québec Pension Plan). These programs are well designed and have played a vital role in tackling poverty among seniors – though more needs to be done (discussed below).

Last year's *Social-Policy-Is-Back Budget* introduced several important measures in both improving the Guaranteed Income Supplement and enhancing the Canada Pension Plan over the longer term. The Advisory Council on Economic Growth recommended an increase in the retirement age from 65 to 67. Fortunately, this measure was not included in Budget 2017, as it would have spelled bad news for lower-income seniors (discussed below).

While the two bookends on the income security spectrum are in fairly good shape, there is relatively little financial assistance available to the 'middle group' of working poor individuals, heads of households between the ages of 18 and 64, and Canadians with disabilities. This is a long-forgotten but crucially important group, given the concerns about ensuring high-quality employment for Canadians and staving off the spectre of precarious work. There is a need to beef up the Working Income Tax Benefit, the disability income system and Employment Insurance.

ii. Working Income Tax Benefit

Caledon has argued repeatedly for increases to the federal Working Income Tax Benefit, a crucial but largely hidden income supplementation program in Canada. The Working Income Tax Benefit (WITB) supplements low earnings from employment to help make work pay. It also assists social assistance recipients to make the often difficult move from welfare to work by topping up their typically low wages.

The Working Income Tax Benefit is indexed to the cost of living and also pays a disability supplement. The provinces and territories are allowed to vary the design of their WITB in order to harmonize it with their own income security systems (e.g., social assistance, minimum wage and tax credits). So far, four jurisdictions (Québec, Alberta, British Columbia and Nunavut) have taken up the federal offer to vary their WITB design.

Unfortunately, the Working Income Tax Benefit is currently far too modest to have a tangible impact on poverty. Moreover, its narrowly targeted design leaves out significant numbers of working poor singles, in particular.

The Working Income Tax Benefit sits in 2016 at a meagre annual maximum $1,028 for a single worker and $1,868 for a family. The cut-off point for WITB is so low ($18,529 for a single worker and $28,576 for a family in the 2016 tax year) that minimum-wage workers in some jurisdictions earn too much to qualify for the program. In Ontario, for example, a single minimum wage worker earns about $5,100 more than the level at which eligibility for WITB ends – at $3,854. Clearly, this is a weakness that needs to be addressed.

A small improvement to the Working Income Tax Benefit was announced recently by the federal government, which also operates the Canada Pension Plan (in concert with the provincial and territorial governments). Ottawa is substantially raising CPP maximum benefits eventually by about 50 percent. In today's dollar terms, the maximum amount will go from $13,110 to about $20,000.

To help pay for this enhancement, Canada Pension Plan contributions (i.e., the money used to pay for the program) will rise slowly over seven years, starting in 2019. For example, a worker earning $54,900 will contribute about an additional $6 more each month in that year. By the end of the seven-year phase-in, that person's contributions will be about an extra $43 per month.

To ease the burden of rising Canada Pension Plan contributions on low-income workers, Ottawa will provide an offsetting amount to the Working Income Tax Benefit starting in 2019. The maximum WITB benefit for single recipients will rise from $1,028 today to $1,192, and for families from $1,868 to $2,165.

Anything is welcome, but the Working Income Tax Benefit remains a very lean program even with the planned 2019 increase. Payments for singles will rise by just $164 a year, and for families by only $297.

Yet the Working Income Tax Benefit holds promise. A recent study carried out by researchers at Finance Canada found that the number of claimants remained stable between 2009 and 2012, at around 1.4 million recipients and a cost of $1.1 billion.

The take-up rate in 2012 (i.e., the percentage of eligible claimants who receive benefits) was an estimated 85 percent overall, which is strong given the program is still relatively new. Estimated take-up varied according to filing method. Take-up was lower for taxpayers who filed their taxes themselves on paper forms (49 percent) and much higher for those who used tax preparation software (86 percent) or agents (94 percent).

The researchers concluded from their study:

> Take-up of the benefit has been strong, but not universal, among eligible workers...the benefit is providing transitional support for some groups with temporarily low incomes – such as young workers just beginning to gain experience in the work force or couples in which one partner is temporarily out of work – as well as to a population of workers with persistently low incomes or who fall into low income on a recurring basis [Department of Finance Canada 2016b: 284-291].

The Working Income Tax Benefit needs a healthy, multi-year injection of funds before it can become an effective weapon in the war on poverty and inequality.

iii. Disability income

Neither are Canadians in this working-age group well served by the disability income system. The so-called 'system' is an agglomeration of programs that were designed for distinct purposes. That puzzle would not be so bad if all its component parts worked well together. But they do not: The eligibility barriers put in place by these programs and their limited coverage have generated growing pressure on provincial and territorial welfare systems.

Welfare incomes in all jurisdictions fall below poverty levels – no matter what poverty measure is used as a comparator. Fortunately, the story is not all bad. A few provinces have a separate stream for persons with disabilities that typically pays higher benefits than recipients without disabilities.

Caledon has proposed a distinct income program for persons with disabilities that ideally would be run by the federal government. This proposed new Basic Income program – a form of guaranteed income – would replace provincial/territorial welfare for working age persons with severe disabilities.

A federal benefit would cover the entire country and would be portable among jurisdictions. The Disability Basic Income would provide an income 'floor' for persons with disabilities in the same way as the Old Age Security/Guaranteed Income Supplement acts as a 'floor' income for seniors. The proposed disability Basic Income would immediately and substantially reduce the extent of poverty among persons with disabilities in Canada in much the same way as the Old Age Security/Guaranteed Income Supplement successfully eliminated almost all deep poverty among the elderly.

The design of the proposed Basic Income for persons with severe disabilities could be modelled on the federal Guaranteed Income Supplement for low-income seniors. The new program would be more adequate than current welfare programs and would be indexed.

Caledon has recommended that the first step in moving toward this income guarantee is to convert the non-refundable Disability Tax Credit into a refundable credit. Converting the Disability Tax Credit to a refundable credit would have an immediate impact on hundreds of thousands of persons with disabilities who are eligible for the tax credit due to their severe disability, but for whom it is worthless because they have insufficient taxable income. In short, this reform would be perfectly targeted toward those with disabilities and the lowest incomes.

As part of this income security redesign, we have recommended a negotiated accord that would require reinvestment of provincial/territorial savings (resulting from the dismantling of disability welfare) into a coherent and comprehensive system of disability supports for all persons with disabilities – whether they are working or on some program of income support. The investment in disability supports would detach the delivery of these goods and services from welfare – a crucial advance in making these essential services more available to the general population.

These combined federal and provincial reforms would bring Canada into the front ranks of nations in our support for persons with disabilities.

iv. Employment Insurance

Employment Insurance (EI) is one of Canada's most important, but perennially troubled, programs. Protecting workers from unemployment is one of the essential tasks of the modern welfare state. However, over the years Ottawa has broken the social insurance contract that our social policy pioneers cherished as a crucial element of a modern social security system.

Virtually all employees pay EI premiums but far fewer than half – in 2016, only 41.4 percent – qualify for benefits if they become unemployed. EI tends to exclude the self-employed and precarious workers – the long-term unemployed, new workers and part-time workers (including persons with disabilities and those working part time due to family care responsibilities).

The Achilles heel of the Employment Insurance system is its regional variability structure. The program varies both work requirements and the maximum duration of benefits according to regional unemployment rates, of which there are no fewer than 58 across Canada. The unwelcome result is significant variation in work requirements and maximum duration of benefits from one local unemployment area to another.

Caledon has long argued that Ottawa should fix Employment Insurance. EI should operate under a uniform set of rules for work requirements and duration of benefits for all employed Canadians, wherever they live and work. The federal government should raise the program's earnings replacement rate from the current 55 percent of insurable earnings to 70 percent. Ottawa should also explore the idea of a new geared-to-income temporary program for unemployed workers who are not eligible for EI, as the old model no longer fits well with many workers in our modern flexible labour market.

As earlier discussed, Budget 2017 introduced a change to EI that will help more unemployed Canadians get the training they need. The program will now allow claimants to pursue self-funded training and maintain their EI status. The Budget's announced increase to EI premiums from $1.63 per $100 to $1.68 in 2017 will help finance this measure along with a new caregiver benefit, which we were pleased to see.

The purpose of the new caregiver benefit is to help families cope with illnesses and injuries which, while serious, do not involve an end-of-life situation. Right now, EI assistance for families caring for ill or injured adults only applies when there is a "significant risk of death." Current provisions pay a maximum 26 weeks of benefits.

Caledon had called for changes to the existing EI Compassionate Care Leave provisions, which are vital in purpose but seriously lacking in design. Compassionate care benefits are paid to individuals who have to be away from work temporarily to provide care or support to a family member who is gravely ill and who is facing a significant risk of death within 26 weeks.

Over the years, Caledon has proposed that these compassionate care provisions be expanded to permit leave for other caregiving circumstances, not just terminal illness, and be extended in terms of the duration of the caregiving period.

Coverage under the current provisions has been infinitesimally small. Only an average of 49 workers received the compassionate care benefit in 2016. Clearly, there is something drastically wrong with that program. The government's commitment to improve these provisions is a welcome initiative.

As noted, the new measure, which would extend up to 15 weeks, is meant for situations where a family member may be acutely ill or temporarily incapacitated but is expected to make a partial or full recovery. If the prognosis worsens, workers would be able to apply for 26 weeks of additional EI assistance under the current benefit.

Similarly, EI paid leave for the parents of critically ill children is confined to acute states of health. Yet there are many circumstances under which these parents may need time to provide vital extended care – and not necessarily for life-threatening conditions. Unfortunately, there were no changes for families relying on EI to care for sick children.

Caledon's second concern had to do with the eligibility for these benefits. We stand by our long-held conclusion that general reforms to Employment Insurance are essential in order to provide broader coverage and to ensure that the majority – not a minority – of Canadians are able to benefit from its provisions.

Despite our support for the new measure, we still contend that Canada's approach to caregiving must be far more robust and far-reaching than the very modest programs currently in place. A broader strategy for caregivers is required, involving multiple federal departments, to better cope with the social and economic pressures of Canada's rapidly aging population.

v. Benefits for seniors

As part of its innovation package, the Advisory Council on Economic Growth made a number of recommendations for harnessing Canada's productive capacity. One of the most controversial was its proposal to raise the retirement age for the Old Age Security program from 65 to 67. We were pleased to see that this proposal did not make its way into the 2017 Budget.

The Tories had announced this policy change back in 2012 when Stephen Harper unexpectedly proclaimed it from the hills of Davos, Switzerland. The Liberals rescinded the measure when they came to power in 2015.

Caledon argued forcefully against this change in 2012 and we repeat here our continued objections in the event that this policy change is ever considered in future. We noted at the time that there is no compelling need to weaken the strong and effective set of programs for seniors that Canada is fortunate to have built over many years. There is just not the kind of evidence to back up the tsunami feared by the critics.

Trends in Old Age Security costs typically are presented in current dollars. When expressed this way, basic Old Age Security expenses are slated to quadruple between 2010 and 2040.

The trend in constant (inflation-adjusted) dollars, by contrast, tells a different story. Between 2010 and 2040, basic Old Age Security outlays expressed in constant 2012 dollars will only double in value. So the cost of the basic Old Age Security pension is rising considerably in real terms, but nowhere near as much when expressed in current dollars.

We also pointed out that another key indicator is Old Age Security expenditures measured as a percentage of GDP (Gross Domestic Product). Basic Old Age Security expenditures amounted to 1.7 percent of GDP in 2010 and will rise to a peak of 2.4 percent in 2030, 2031 and 2032. It will fall steadily to 1.9 percent by 2060 (close to today's 1.8 percent) as baby boomers die. The temporary (and quite affordable) increase in costs is no reason to panic and weaken our retirement income system.

Raising the age of eligibility for the Old Age Security program from 65 to 67 would be a regressive move hitting low-income seniors hardest: They rely most on Old Age Security for their income and would suffer most if the program were cut by reducing the number of years that seniors can receive benefits. Low-income seniors (including those with disabilities) who are on welfare or in the low-wage workforce would have to wait two more years to receive the better benefits provided by Old Age Security and the Guaranteed Income Supplement.

Low-income seniors would lose in yet another way. They typically receive Old Age Security for a shorter time than middle- and upper-income seniors because the poor have the shortest life span, on average. Raising the age of eligibility for benefits would further reduce the number of years that poor seniors typically can draw Old Age Security.

We pointed out and still contend that Ottawa would have to take firm steps to shield low-income elderly women and men from the impact of the increase in the age of entitlement for Old Age Security – by providing an income-tested benefit for low-income seniors ages 65 and 66. It already has the mechanism in place to do so, in the form of the Allowance – the third of the programs that comprise the Old Age Security package.

vi. Canada Pension Plan

When the Canada and Québec Pension Plans were created in the mid-1960s, they were designed to pay modest benefits. The maximum amount is only one-quarter of average earnings, which in 2016 meant a maximum annual CPP retirement payment of $13,110.

The private tier of employer-sponsored pension plans and individual savings plans was expected to constitute the lion's share of the earnings replacement objective for middle- and upper-income Canadians. The Canada and Québec Pension Plans were designed to play only a secondary role – except in the case of low- and modest-income recipients, for whom the two public tiers (Old Age Security and the Canada Pension Plan) provide all or most of their earnings replacement.

But things did not work out according to the original intent. Private pension and savings plans never grew sufficiently to adequately serve the earnings replacement objective for most Canadians.

While most employees in public sector jobs belong to employer-sponsored pension plans, only about one in three workers in the private sector have them. Coverage of RRSPs (Registered Retirement Savings Plans) is also weak – at last count (2014) only 22.5 percent of tax filers contributed to an RRSP.

The coverage problem is due partly to the growth of nonstandard work, which includes part-time, seasonal and temporary work. These jobs typically do not provide private pensions or savings. There has been corresponding erosion of middle-wage employment, including middle management positions and well-paid blue-collar jobs in traditional industries, such as manufacturing.

There have been a number of attempts at reforming the CPP over the years, aimed at strengthening and expanding the plan. These efforts have generally proved unsuccessful, with the important exception of a well-designed restructuring of the plan's financing in 1996. But finally, in 2016, the federal and provincial/territorial governments managed to craft an agreement to renew and revitalize the Canada Pension Plan.

The new CPP is far too complex to explain even briefly. We suggest that interested readers consult two documents: S*tronger Canada Pension Plan Now a Reality* [Department of Finance 2017] and Caledon's short paper, *Canada Pension Plan: The New Deal*. Here are some key features of the current and new CPP.

CPP contributions currently are paid on earned income between a minimum (frozen at $3,500 a year since 1966) and a maximum level of earnings equal to average annual earnings in Canada. This is called the Year's Maximum Pensionable Earnings (YMPE).

CPP retirement benefits are calculated as 25 percent of a worker's pensionable earnings as a percentage of the YMPE during his or her contributory period, less 17 percent of the worker's lowest earning years and other possible exempt years – e.g., for child rearing. The contributory period starts when a worker turns 18, or 1966, whichever is later. The contributory period ends when the worker starts collecting the pension.

The new federal-provincial agreement will see the CPP replacement level gradually increase from the current one-quarter of eligible earnings to one-third of these earnings from 2018 to 2023. The changes that comprise the new deal will be phased in over seven years, from 2019 to 2025, to minimize the impact of rising contributions upon both employers and employees.

CPP retirement benefits today total a maximum annual $13,370. The reform will raise them by 50 percent, to about $20,000.

Funding the new CPP adds some complexity to the program. It is little understood that the CPP is not at present fully funded. Rather, the CPP fund is kept at a level sufficient to maintain a 'steady state' of contributions at 9.9 percent – 4.95 percent for employees and 9.9 percent for the self-employed.

The fund must be large enough so that when demographics or other factors result in the flow of contributions at 9.9 percent being insufficient to pay current obligations, then supplementary financing will be provided by the fund. In the current forecasts, the CPP fund will have to be partly sold in the first half of this century to pay for pensions.

Not so for the expansion of the CPP. The new enhancements are to be fully funded. This means that a second separate fund will have to be maintained that will have enough in it at any given time to pay all of the additional benefit obligations stemming from the expansion. Aside from whether or not full funding is necessary, this dual track funding policy will require building one or perhaps two more funds segregated from the current CPP fund.

Another concern is the impact of rising CPP contributions on low-wage earners. To ease this burden, Ottawa will provide an offsetting boost to the Working Income Tax Benefit (WITB) starting in 2019. The maximum WITB amount for single recipients will rise from $1,028 to $1,192 in 2019, and for families from $1,868 to $2,165. These enhancements are welcome, but small. WITB payments for single recipients will rise by just $164, and for families by only $297.

Another aspect of the CPP affecting low-wage earners is the continued freeze of the minimum contribution. The amount has been frozen at $3,500 since 1996. Translated into constant 2016 dollars, it now amounts to only about $2,400 in 2016. But if it had been indexed to the cost of living, this year it would come to $5,100. Why should the minimum contribution be frozen when all other aspects of the CPP are indexed to real wages or the Consumer Price Index?

Failure to index the minimum contribution decreases the progressivity of the CPP each and every year. As the government has expressed concerns about growing inequality, a simple step to increase progressivity in at least one small way would be to index the minimum contribution in the same way that every other component of the CPP is indexed.

vii. Tax credits

In 2016, the federal government undertook a review of selected tax credits to determine their continued appropriateness and effectiveness. Caledon has long called for such scrutiny. We had expressed concern about the skewed distribution of many current tax measures. Canada spends billions on tax-delivered assistance that disproportionately benefits higher-income taxpayers.

Budget 2017 introduced only minor tax changes and left most tax credits largely intact. We hope that the government will continue its review to make some deeper changes in this area in order to effect more fundamental tax reform.

The reality is that most Canadians households incur additional costs for a variety of social purposes – whether it is for their children's participation in arts or recreational programs, child care educational textbooks or health-related goods and services.

The federal government helps offset the costs of these social purpose goods and services through tax breaks for the individuals who purchase them. With respect to design, most of the tax credits introduced for social purposes are delivered as non-refundable credits. In other words, an individual must owe income tax in order to gain any benefit. As a result, non-refundable tax credits leave out households that are too poor to pay income tax or that pay relatively little tax. Ironically, these are precisely the people who would benefit most from this financial assistance if it were properly designed as a refundable credit.

This skewed distribution is precisely why Caledon has argued that non-refundable credits with a social purpose should, at the very least, be turned into refundable credits. Better still, financial assistance for designated social purposes could be delivered as an allowance or direct payment. This type of design helps with cash flow as it is delivered monthly rather than in one lump sum after reconciliation at the end of the tax year.

Ideally, Ottawa would shift funds toward broader community investment. But the federal government may instead prefer to use the personal income tax system for social purposes because it can move expeditiously to implement its own agenda. It does not need to hammer out agreements with the provinces and territories. It need not engage in antagonistic bilateral or multilateral negotiations.

A one-size-fits-all tax formula may be politically expeditious. But it is not the most effective solution when it comes to complex social challenges, such as offsetting the various costs related to caregiving or independent living supports for persons with disabilities.

We support the 2017 Budget's announcement to eliminate the Public Transit Tax Credit. The government notes that this measure has been ineffective in encouraging the use of public transit and reducing greenhouse gas emissions. Ottawa will instead allocate $20.1 billion over 11 years to provinces and territories, plus at least $5 billion through the newly-announced Canada Infrastructure Bank, for improved public transit.

Caledon has proposed that we have a broad discussion in this country about the policy purpose of non-refundable tax credits. That debate was given impetus by the 2016 Budget's announcement to abolish the Children's Fitness Tax Credit and Children's Arts Tax Credit by 2017. An important philosophical issue has to do with whether Canada chooses to incentivize and reward the behaviour of selected households or whether we invest in social goods that can be used by the entire population.

At the very least, the federal government can improve and clean up the complexities of the current system. It took one important step by announcing a consolidation of the existing Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit into the new Canada Caregiver Credit. Caledon has argued over the years that the caregiver tax credit system, in which the three credits each have different eligibility rules, was too confusing. Budget 2017 simplifies the existing system.

The Canada Caregiver Credit will provide tax relief on an amount of $6,883 in 2017 in respect of expenses for care of dependent relatives with infirmities or disabilities including parents, brothers and sisters, adult children and other specified relatives. (The tax deduction will actually be worth only $1,032 – or 15 percent of that amount). It will allow $2,150 in 2017 (a tax deduction of $323) in respect of expenses for care of a dependent spouse/common-law partner or minor child with an infirmity or disability.

The Canada Caregiver Credit will start to be reduced when the dependant's net income is above $16,163 in 2017. This income threshold, along with the amounts for the credit, will be indexed to inflation.

This announcement is positive because of the confusion associated with the former three different credits. The removal of live-in requirements for the care receiver will also remove unnecessary restrictions. However, a better strategy in our view would have been to convert the new non-refundable credit into a refundable credit in order to help offset the costs incurred by all caregivers, including those at the lower and modest ends of the income scale. Better still, the government would provide a monthly allowance to help offset costs. This would assist with cash flow.

Budget 2017 proposes to add nurse practitioners to the list of medical practitioners that can certify the impacts of impairments for Disability Tax Credit applicants. We agree that this measure is an important step to improve access to the credit in areas of the country where, due to a shortage of medical doctors, nurse practitioners are the primary care provider. In fact, this change had been proposed by the Technical Advisory Committee on Tax Measures for Persons with Disabilities in its review more than a decade ago [Department of Finance 2004].

viii. Indigenous issues

Only the most hardened of cynics could doubt the sincerity of the Trudeau's government's commitment to addressing Canada's historic mistreatment of Indigenous Peoples. The 2016 Budget included unprecedentedly increased allocations for critical areas of Indigenous policy, such as on-reserve education and clean water. The 2017 Budget once again includes substantial allocations for Indigenous issues (though we recognize the current controversy around the adequacy of funding for Indigenous child welfare, in particular).

While the will of the government's is clear, the challenge will be in the execution of the multiple measures announced in Budget 2017. This challenge is not just for Ottawa alone; it is also for Indigenous governments and organizations as well as provincial and territorial governments.

An example of the challenge of execution – going from having a goal and funding to actually implementing policies that are effective in reaching that goal – will be in realizing one of the more surprising and enlightened announcements in the 2017 Budget – namely, new measures to restore Indigenous languages and culture.

The Budget provided $90 million over the next three years for support of Indigenous languages and culture, through a number of initiatives. Canadians who have mourned the loss of historical and cultural artifacts in faraway lands, sometimes through neglect and sometimes through purposeful destruction, should welcome these steps to restore some of the world's most important linguistic and cultural heritage within our own country.

A cornerstone of the new initiative will be the enactment of an *Indigenous Languages Act*. This Act is to be "co-developed with Indigenous Peoples." Co-development is the correct and only way to go about creating this Act but the challenge – for Indigenous Peoples as much as for government – will be to get an Act written and endorsed by Indigenous governments and organizations, and Parliament, within a reasonable time (say the remaining life of this Parliament) and at a reasonable cost. Compromises will be necessary on all sides. This Act may be a test of all parties' ability to accomplish common goals in a consensual and cooperative manner.

The challenge of execution has been especially difficult in implementing the undertakings in social policy from the 2016 Budget. For example, it is not clear how much of the increased funding for on-reserve education has actually yet made its way to schools.

While the 2017 Budget highlights progress in the formation of a First Nations' school system in Manitoba, this progress was actually decades in the making. The Manitoba First Nations school system was made possible by the well-established Manitoba First Nations Education Resource Centre, which was founded by the Assembly of Manitoba Chiefs in 1998. While the 2016 Budget provided funding and a 'push,' the move towards a First Nations school system in Manitoba is built upon 19 years of development and experience. Similarly, progress in other provinces has almost always been based upon many years of prior evolution of First Nations' multilateral educational institutions.

Is there a way to accelerate the development of enhanced on-reserve education?

The Harper government tried in its own way to speed up improvements in the on-reserve education system, but these efforts ultimately failed – perhaps largely due to that government's use of coercive measures, rather than allowing First Nations to make their own decisions about opting in or otherwise. So far, the Trudeau government has seemed to go to in the opposite direction, negotiating on a one-to-one basis as opportunities arise. This approach may allow for successes, but at the cost of time, during which generations of on-reserve children will pass through schools.

An open, transparent and accessible accounting of what is actually happening in real time might be the best way to ensure that rapid progress is being made not just in education but also in child welfare (if anything an even more difficult area) and other components of social policy. There should be a forum through which progress can be tracked, governments and others held accountable, and policies changed if and when required.

Indigenous language and culture was not the only area in which substantial new commitments were made in the 2017 Budget. As we discussed earlier in our section on skills and training, increased funding is being made available for Indigenous postsecondary education.

In health care, the non-insured health services program (providing the equivalent of what most good employer-based plans insure, such as prescription drugs) is being adequately funded for the first time in many years. Other health measures include a major drug harm reduction initiative and allowing expectant mothers who must be evacuated from their communities to be accompanied in their travel. Additional budgetary measures include initiatives in policing and restorative justice and an Indigenous guardians pilot project for the environmental stewardship of Indigenous lands.

ix. Home care

There has been considerable media coverage in recent months about the fractious health care debates between the federal and provincial/territorial governments. It is not surprising that most provinces and territories are worried about the spectre of rising health costs which, for many jurisdictions, comprise more than 40 percent of their total budget. True to form, the federal-provincial/territorial negotiations on health care financing held this past December were acrimonious.

The tension centred largely on the following issue. The former Martin government had put in place an arrangement under which federal health care transfers to the provinces and territories grew at a rate of 6 percent per year. But the Harper government announced that it intended to cut that amount. It introduced a measure, effective 2017-18, that would increase these transfers only by the rate of economic growth or 3 percent a year – whichever is higher.

When the Liberals came to power in 2015, they decided to maintain the lower rate of increase for health care transfers. They proposed growing the Canada Health Transfer by a fixed 3.5 percent annually, even though GDP growth is expected to average around 4 percent a year for the next five years. But they did sweeten the pot by promising additional funds for home care and mental health. The current offer amounts to an extra $6 billion over ten years for home care – an investment that Caledon has proposed for a long time – and $5 billion over ten years for mental health services.

Most of the provinces (other than New Brunswick, Nova Scotia and Newfoundland and Labrador) initially rejected the proposal as insufficient to meet growing health care needs. They noted that the offer would see the federal share of health spending decline over time from the current 23 percent to about 20 percent. However, money talks: Now only one province – Manitoba – remains outside the fold, but likely will join in soon.

For its part, the federal government wanted to send a clear message to the country by attaching strings to those dollars: Provinces need to introduce fundamental changes to their respective health care systems and especially pay more attention to home care.

To their credit, all provinces and territories have in place some form of home care or aging-at-home initiative. But there continues to be far more substantial investment in physician and hospital care relative to community-based care. For years, Caledon has made the case for greater investment in home care, which will become increasingly important in light of the needs of Canada's aging population.

The new funds announced for home care in Budget 2017 can be used for various purposes, including training additional frontline home care workers, thereby increasing employment opportunities for women. In addition, the funds may be used to support unpaid family and friend caregivers through respite care that would help reduce the stress they typically experience.

On another positive note, the Budget introduced a Caregiver Recognition Benefit for modern-day veterans. Informal caregivers play a vital role in supporting ill and injured veterans after they leave service. Budget 2017 announced $187.3 million over six years, starting in 2016-17, and $9.5 million per year ongoing, to create the new benefit. It will replace the existing Family Caregiver Relief Benefit and provide a more generous non-taxable $1,000 monthly benefit payable directly to caregivers to better recognize their vital role.

Gender-based analysis

Support for caregivers is one of the key planks of a gender-based analysis – as women primarily fill caregiving roles in families (though men increasingly are assuming this responsibility). But there are other significant initiatives announced in the Budget that are of special interest to women – notably, high-quality affordable child care and the right to request flexible work arrangements for federally regulated employees. These include flexible start and finish times, the ability to work from home and new unpaid leaves to help manage family responsibilities. A complete list of relevant initiatives is outlined in Chapter 5 of the Budget.

While the role of government is to pay attention to the needs of all citizens, a gender-based analysis focused on the needs of women, in particular, is noteworthy for several reasons. It makes explicit the fact that women face distinct challenges both with respect to labour market participation and in society, more generally. A gender-based analysis is rooted in the problems with which women often struggle, including pay inequity and domestic violence.

Highlighting in this way the unique challenges facing women helps draw attention to their concerns. But it also provides a foundation for tracking over time whether the government is making sufficient progress on these diverse fronts and whether it needs to accelerate, modify or add to its various efforts.

Conclusion

After 25 years of work on our part, Caledon is pleased that the social policy agenda in Canada has seen some major achievements and is moving in the right direction. Solid components of the foundation are being put in place.

We trust that the Caledon Institute has made an important contribution through our wide-ranging numerous and linked proposals, which have helped modify and construct the core building blocks of the social policy architecture in Canada. Continued investments to shore up, reconfigure and add to the social safety net are crucial, especially in light of an increasingly precarious labour market.

Budget 2017 may have concentrated on economic growth. But the associated social well-being components of that objective are equally vital. In any country's balance sheet, social well-being is always the most important bottom line.

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