

2013 FEDERAL BUDGET

GENERAL OVERVIEW

On March 21, 2013, the Conservative majority government tabled the 2013 federal budget. While Budget 2013 claims to foster economic stability and job growth, it actually provides little to no action on the stalling job market, stagnating wages, record high levels of household and student debt, inadequate employment insurance coverage, or the lack of retirement security. Instead, the budget focuses on deficit reduction, corporate handouts, and tinkering with existing programs.

Canada's future economic stability depends on its ability to replace its aging workforce and to support youth and new immigrant transition into full economic participation. While the Canadian public education system consistently ranks relatively high internationally with regard to quality, its rankings on business sophistication and on the extent of on-the-job skills training for employees falls far behind peer countries. It would be more efficient for the government to have focused on establishing a national skills development strategy, responding to the growing skills gap, transitioning an aging workforce, and increasing educational opportunities for Aboriginal people, recent immigrants, and youth.

However, nearly all spending in Budget 2013 was a reallocation of money from programs that already address specific issues of labour market integration, such as support for unemployed and underemployed workers to receive training or pursue post-secondary education. The budget commits funding to subsidise private industry to conduct employee training programs that companies already have a responsibility to provide.

The budget included minor investments in research and innovation to the granting councils. However, the funding fails to replace what was cut in Budget 2012.

STUDENT DEBT

While the government recognised the problem of increasing levels of household debt and the impact that this has on economic recovery and stability, there was no mention of student debt in the budget. If implemented, one of the Federation's principal recommendations would have seen the Canada Student Loans Program replaced entirely by the Canada Student Grants Program by shifting funds used on inefficient education-related tax credits and savings schemes into up-front, need-based grants. This proposal, being cost-neutral, would have fit within the parameters set out by the government to have a balanced budget by 2015.

FINANCIAL ASSISTANCE & TRAINING

The federal budget does not include any major investments in the area of student financial assistance, ignoring Canada's record high student debt levels and the increasing lack of access to affordable post-secondary education. The budget does include additional funding for paid internships and the creation of a Canada Job Grant, which would provide up to \$15,000 per grant to employees that require additional training for their jobs.

Canada Job Grant

The Canada Job Grant takes \$300 million per year from the current \$500 million Labour Market Agreements with the provinces (primarily used for Employment Insurance program payments), and allocates it to a grant

for job-related training. Under this program employers will apply for grants to provide up to \$15,000 per employee for training. One third of funding will come from the employer, one third from the province, and one third from the federal government. It is not clear whether the new Canada Job Grant will provide employees with certified training for jobs in highly skilled occupations that are adaptive to many employers or specific to a single employer.

This money can be used at existing training institutions (including private-for-profit colleges). Details of the grant will have to be negotiated with the provinces over the next year.

Paid Internships

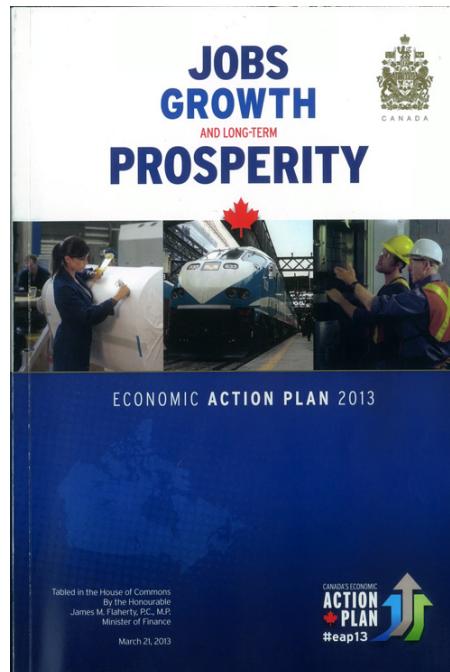
The budget includes \$70 million over three years to provide recent post-secondary graduates with internship opportunities, with only \$10 million allocated in 2013-14. The funding will provide an additional 5,000 paid internships, on top of the 3,000 paid internships announced in Budget 2012. Since experience is currently one of the key skills shortages faced by youth who are underemployed or unemployed, the concept is a good one. However, with youth unemployment at over 14 percent, the 8,000 spaces provide far too few opportunities. The funding model for these internships is also flawed as it leaves those pursuing the internships choosing to either live on \$14,000 per year or find additional employment to make ends meet, making it difficult, if not impossible, for those graduates to repay student loans, and cover the costs of living.

ABORIGINAL FUNDING

The federal budget continues the two percent per year funding increase cap introduced in 1996 for the Post-Secondary Student Support Program, the primary funding mechanism for

Aboriginal students. Thousands of students are denied funding through the program each year as the number of Aboriginal students hoping to attend post-secondary education continues to increase, while the cap on funding remains the same. Budget 2013 does include the creation of three boutique programs that aim to provide additional training for Aboriginal youth:

- \$10 million over 2 years to Indspire, an indigenous training charity, for scholarships and bursaries;
- \$5 million over 5 years to Cape Breton University–Crawford Chair in Aboriginal Business Studies to promote business studies among Aboriginal students; and
- funding for mandatory participation in training for young on-reserve Income Assistance recipients, an equivalent to workfare (requiring recipients to work for social assistance).



RESEARCH FUNDING

Commercialisation continues to be a prominent theme in this federal budget with increases to existing, and the creation of new, targeted funding initiatives. These initiatives include new programmes promoting commercialisation of college research and a further reallocation of granting council funds into

applied commercialised research. An additional investment of \$165 million was made to Genome Canada for 2014-15.

Granting Councils

Budget 2013 reverses half of Budget 2012's reduction to the granting councils. It allocates \$37 million in 2013-14 and another \$37 million in 2014-15 to fund research partnerships between post-secondary institutions and private industry, with allocations to the three major granting councils as follows:

- \$15 million to the Natural Sciences and Engineering Research Council, with \$12 million going to the College and Community

Innovation Program to support collaboration between colleges and private industry on research and development projects focusing on company needs;

- \$15 million to the Canadian Institutes of Health Research for patient-oriented research;
- \$7 million to the Social Sciences and Humanities Research Council, with partial funding to support research related to labour market participation for persons with disabilities.

While these increases to the granting agencies are distributed in a more equitable way than in previous budgets, the distribution still undervalues the work of researchers in the arts, humanities, and social sciences who conduct roughly half of the research undertaken at Canadian universities.

National Research Council

Budget 2013 provides for \$60 million in 2013-14 and \$61 million in 2014-15 to continue the transformation of the National Research Council to serve as a concierge to private businesses in Canada.

The National Research Council will also receive \$20 million over three years for small- and medium-sized companies to access research and business development services at public universities, colleges, and other not-for-profit institutions, paving the way towards the further commercialisation of federally funded research at the expense of curiosity driven research.

Graduate Students

Apart from the minor funding increases to the granting councils, of which a portion may go to funding graduate students, the budget makes no mention of Canada Graduate Scholarships or other funding for graduate research.

INTERNATIONAL STUDENT RECRUITMENT

The government has committed \$10 million over two years for recruitment of international students to Canadian post-secondary education institutions. Budget 2013 introduces new money to expand the Temporary Resident Program and the Citizenship Program, as well as an additional \$45 million to increase the processing capacity of visa applications, a measure recommended by the Federation during consultations with Citizenship and Immigration Canada.

CONCLUSION

Instead of taking advantage of its strong fiscal position by trying to get more Canadians working, the 2013 federal budget focuses predominantly on shuffling around existing investments in an attempt to continue to pay down the deficit without taking any meaningful steps to address a significant skills shortage and high unemployment rates for youth. The budget transfers money formerly allocated to support unemployed workers to employers, in order to subsidize training that the employer should already be paying for. The budget fails to address rising student debt levels and wastefully allocates precious funds to short-term programs that will be out of reach for most Canadians.

*The full budget can be downloaded at:
www.budget.gc.ca*