CALEDON
INSTITUTE OF SOCIAL POLICY

# The 2015 Deficit-of-Ideas Budget

*by*

**Ken Battle, Sherri Torjman and Michael Mendelson**

**April 2015**

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For the first time in years, the federal Budget does not have a deficit. The Budget posts a small surplus of $1.4 billion for 2015-16.

In fact, it may be safer to refer to a *forecast* surplus and not a *fait accompli*. Lots of factors like the price of oil, Employment Insurance costs, GDP growth, higher military expenses, a big flood or hurricane could derail the projected surplus.

But unlike previous Conservative budgets, this one moves out of deficit territory – at least on paper and in a fiscal sense. From a social perspective, however, the story is much different. The Budget is in full deficit mode.

The story really starts in 2007. Economic uncertainty had begun to rattle economic foundations throughout the world. Over the next two years in 2008 and 2009, fiscal instability brought most developed nations to their knees. The world hit its deepest trough since the Great Depression of the 1930s. Some countries are still recovering from this economic knock-out punch, only slowly getting back on their feet.

The Conservatives had taken the reins of power only a year before this global financial meltdown. They were committed to fiscal discipline and prudence. They had assured Canadians that they would be stalwart protectors of the public purse.

The previous Liberal government delivered a decade of surplus Budgets from 1997-98 to the 2006-07 fiscal years. But the Canadian economy was shivering from the economic chill embracing the globe. With the world spiralling into financial meltdown, Canada's economy was at risk. This country would go down with the sinking global ship unless measures were taken to pull out the lifeboats.

The Conservatives had to grapple at that point with a serious *crise de conscience*. Do they stick to tight fiscal reins as promised? Or do they inject fiscal stimulus as recommended by economists, social policy observers and many others?

The Conservatives initially brought forward a fiscal plan that called for tightened spending in the midst of the economic crisis. But with a minority government facing defeat in the House of Commons over its economic plan, the Conservative government changed tack, going into stimulus mode, framing its fiscal interventions under the highly marketable (as it turned out to be) umbrella of Canada's Economic Action Plan. The investments were justified as exceptional stimulus for extraordinary circumstances. A deficit was permitted and permissible under these unusual conditions.

But the government often and loudly made clear its intention to return to surplus as soon as possible. Election year – and the time has finally come! Seven long years and Ottawa is back in the black – or at least it predicts it will be at the end of the 2015-16 fiscal year.

It has been a long marathon and the relief of smashing through the deficit finish line is palpable. In fact, the feeling is so euphoric that the Conservatives want all future governments to share that fiscal high.

The 2015 Budget announced that Ottawa will introduce legislation that will require all future federal governments to post balanced budgets. No government, regardless of political stripe, will be legally permitted to run a deficit. In order to meet their obligations and avoid a deficit, future federal governments will have to find funds from current revenues, raise taxes or cut back on benefits and services already in place.

This deficit no-fly-zone has some serious inherent deficits. One of the primary roles of the federal government is to act as an economic stabilizer. Only the federal government can counter global forces that seriously threaten economic stability, like we experienced in the Great Recession of 2008-09. Only Ottawa is in a position to smooth out differences among regions of the country so that programs and services are relatively equitable nation-wide.

When the economy is sizzling, Ottawa and Crown agencies like the Bank of Canada can cool down some of the heat. When the economy is drifting along, the federal government can pump some wind into its flagging sails.

Of course, it is tricky managing this fiscal heating and cooling process. But the federal government is the only actor in the mix that can alter the fiscal climate, if required. The proposed legislation removes the main policy lever in the country to offset economic ups and downs – especially the downs that have been far too frequent and deep in recent years.

But present governments cannot bind future governments in our Parliamentary system. Any government presenting a deficit budget to a future Parliament will simply include the authorization to run a deficit as part of their Budget bill, and the government will stand or fall with the Budget bill, like any other Budget bill since 1867. So, in reality, the proposed balanced budget act is just a piece of political theatre. It is intended to show that the government is steadfast. It is at the helm of the fiscal controls and all is in good hands.

While the balanced budget legislation might be just for show, there are several other problems with the 2015 Deficit-of-Ideas Budget.

### *There are major concerns from a social perspective*

The core social initiatives announced in Budget 2015 are designed primarily as tax cuts. The most notable announcement from a social perspective is the so-called Family Tax Cut, more commonly known as income splitting. There are serious flaws with this measure.

*i. Family Tax Cut and child benefits*

The new Family Tax Cut will allow a higher-income spouse to transfer the tax liability for up to $50,000 to a lower-income spouse. The provision, delivered as a non-refundable tax credit, will provide a maximum $2,000 tax savings to eligible households.

But the tax savings from the new Family Tax Cut will go primarily to a subset of higher-income families that least need the assistance. Only an estimated 13 percent of Canadian households will benefit (with one-earner households as the biggest winners) and these households have average incomes of a high $122,774. The $1.9 billion price tag for this help-the-affluent boondoggle simply cannot be justified.

The early announcement of this new Family Tax Cut in November 2014 was accompanied by an associated measure: an expanded and enhanced Universal Child Care Benefit. The Caledon paper *Child Benefits and the 2015 Federal Budget* (available now on the Caledon Institute of Social Policy web site) presents an in-depth analysis of the impact of these twin measures.

The Universal Child Care Benefit is a flawed program. It provides only a pittance relative to the real costs of child care. It is not indexed to protect it from inflation, so it loses value automatically each year.

The Universal Child Care Benefit is a taxable benefit so families get even less than advertised (and advertised and advertised). However, single-parent families do not have to pay tax on their benefit, which is unfair to couples who are taxed on theirs. Because benefits are taxed at the hands of the provinces and territories as well as the federal government, families' actual benefits vary from one province and territory to another as well as by family type.

The Universal Child Care Benefit is poorly designed, either to reduce the burden of raising children for low-income families or for its purported purpose of helping to pay for child care. So to increase its amount and to extend it to families with older children makes no sense. Nevertheless, Ottawa is enhancing the program. Its maximum annual payment (it is delivered monthly) will rise in 2015 from $1,200 to $1,920 for children ages 5 and under. The program will also raise the age of eligibility to include children ages 6 to 17, and will pay each of them $720 a year.

But there are smoke-and-mirrors at play. The federal government has ended the non-refundable Child Tax Credit (a little known child benefit) to help pay for the enhancements to the Universal Child Care Benefit. Once we take into account the demise of the Child Tax Credit, the picture is not as pretty.

Take the case of single-parent families with one child under age 6. Their Universal Child Care Benefit currently is $1,200 per year and will go up to $1,920, for an increase of $720. But

those families will also lose their Child Tax Credit, worth an estimated $345. So they will gain $375, not $720, from the enhanced Universal Child Care Benefit.

The accompanying paper *Child Benefits and the 2015 Federal Budget* shows the same story for couples; they gain just $217 from the changes to the Universal Child Care Benefit and Child Tax Credit, not $720 as advertised. That example shows how, if their income is high enough to pay taxes on their Universal Child Care Benefit, their net gain is even less.

A recent report of the Parliamentary Budget Officer found that extending the Universal Child Care Benefit to families with children ages 6 to 17 will result in 51 percent of spending going to families with older children. Much of the money will be directed toward families whose children are old enough to be babysitters, not babysat.

The federal government argues that all families need extra money if they have children. Yes, indeed they do. As we argue in more detail in *Child Benefits and the 2015 Federal Budget*, why not use the money to increase the Canada Child Tax Benefit instead of the Universal Child Care Benefit? The superior Canada Child Tax Benefit is our biggest and best program intended precisely to help families with the extra cost of raising children.

We have been critical of the Universal Child Care Benefit for its several design flaws. However, the coming increases in Universal Child Care Benefit payments, if they were instead added to the Canada Child Tax Benefit, would reach a social policy milestone – maximum child benefits could be set at the approximate cost of raising a child in low-income families, which is an estimated $5,700 in 2015.

The maximum Canada Child Tax Benefit ($3,761 for a first child) plus the Universal Child Tax Benefit ($1,920 for a child 5 or under) together amount to $5,681 (for children under 6 and $4,481 for children 6 to 17). For young children, Canada will reach the integrated child benefit target in 2015.

But the Universal Child Care Benefit is not the best way to reach the $5,700 target. The best way is by investing in an enhanced Canada Child Tax Benefit.

### *ii. Tax cuts for social purposes*

Over the past few years, the federal government has announced a plethora of tax credits for social purposes, including children's fitness and children's arts. These measures were introduced in 2007 and 2011, respectively, as non-refundable credits. They are sometimes called 'boutique tax credits.'

We have demonstrated over the years the problem with this design. Non-refundable tax credits mean that individuals must first owe income tax in order to gain any benefit. As a result, these credits leave out households that are too poor to pay income tax and provide a meagre

benefit to taxpayers who pay relatively little income tax. Ironically, these are precisely the people who would benefit most from this financial assistance.

The 2015 Budget acknowledged this flaw by announcing that the Children's Fitness Tax Credit will be converted to a refundable tax credit – a change that we had recommended. Low-income families with children in approved physical activities will receive their benefit in the form of a cash payment rather than a tax reduction.

The government should be applauded for this reform, but even with refundability, other design problems remain. Households must first pay for specific goods and services. Even the Children's Fitness Tax Credit, which was both doubled and made refundable in 2015, still requires you to pay in order to play. The up-front payment is a problem for low-income households. Moreover, there are often no organized recreational activities for many children, especially in some of Canada's neediest areas.

We have argued that it would be preferable to invest in recreational infrastructure nation-wide in order to benefit all Canadians rather than pad the pocketbooks of individuals. Private households cannot possibly build and maintain through their individual contributions the facilities and programs that communities require.

The $115 million annual expenditure on the Children's Fitness Tax Credit (the price tag will be much higher once the credit is made refundable) could be spent instead on national parks, walking trails, community fitness and retrofit of recreational facilities, especially in areas of greatest need. Year over year, the same money could be used to far better purpose.

Similarly, we have pointed out that complex challenges like meeting the needs of Canada's aging population, caregivers and persons with disabilities cannot be adequately met through reducing the costs of selected households. Scarce public funds are far better spent on making investments that benefit the entire population.

Fortunately, the Budget has opened the door to a necessary public debate on the purpose and performance of boutique tax credits and alternatives to them. It announced that it will "establish an expert panel to study the potential scope of as Adult Fitness Tax Credit, to support Canadians in making healthy choices." We hope that the terms of reference for the expert panel will be broad enough to allow it to look at the most effective way to spend whatever funds are available, and not restrict it only to reviewing the pros and cons of a single tax credit.

### *iii. Tax Free Savings Account limits*

A virtual doubling of the Tax Free Savings Account limits is another blockbuster announcement in Budget 2015 – or, rather, before Budget 2015. The Finance Minister (re)announced that the maximum annual contribution limits will jump from $5,500 to a maximum $10,000.

The Tax Free Savings Account program began in 2009. It is a way for individuals ages 18 and older to set money aside tax-free throughout their lifetime. Contributions to a Tax Free Savings Account are not deductible for income tax purposes. Any amount contributed as well as any income earned in the account (e.g., investment income and capital gains) is generally tax-free even when it is withdrawn. Amounts withdrawn can be replaced at a later date.

As in the case of the new Family Tax Cut, the tax savings resulting from this measure will go disproportionately toward higher-income households. They are the only ones that can afford to sock away these increased savings.

Moreover, the expenditure over time will be huge. The Parliamentary Budget Officer estimates that the cost of the Tax Free Savings Account program in 2015 will be $1.3 billion, split two-thirds/one-third between the federal and provincial/territorial governments, respectively. The cost will increase each year to about $2.8 billion by 2020. Looking way ahead to 2080, the cost to governments will grow tenfold, outpacing both economic growth and inflation.

These amounts are simply unaffordable and mean that within a decade Canada will have an entrenched structural deficit, unless other taxes are raised dramatically. If this happens, as it must if the Tax Free Savings Account is to continue accumulating among wealthy families year after year, the result will be that a tax, such as the GST/HST or income tax, will have to be increased substantially to pay for these tax breaks for the wealthy.

And make no mistake about it: Wealthy families will immediately begin depositing the maximum amount each year in the Tax Free Savings Accounts of all their family members. If one of their children is 18 years old today, at a modest real rate of return of 3 percent, he or she would have an untaxed nest egg of more than $300,000 in constant dollars (i.e., as money is valued today) at the ripe old age of 40. At age 60, he or she will have untaxable savings of more than $800,000 to draw down at pleasure. If those savings earn 5 percent a year, his or her *untaxed* income will be $40,000 a year, without even touching the nest egg.

At the same time, few ordinary Canadian families will be able to contribute the maximum amount to their own Tax Free Savings Accounts, let alone to their children's, especially just when those children become young adults at the age of 18 with all the consequent needs for education and other support. Most Canadians will struggle to add small amounts and only as they approach their 50s will they be able to add larger amounts, although likely not the maximum. Consequently, ordinary middle-class Canadians will build only small tax-free nest eggs before they retire and the tax free income they earn will be much, much less. Lower-income families will be even worse off: They will likely be unable to get more than a tiny benefit from the Tax Free Savings Accounts.

These Accounts are radical instruments of redistribution: *to* the wealthy and, when taxes go up to compensate, *from* those with middle and lower incomes.

Of course, tax breaks make great politics. Damn the fiscal and distributional consequences, full speed ahead. Tax cuts do not require tough negotiations with pesky provinces and territories. These measures are fairly easy to administer. And tax cuts make it easier for politicians to answer the question – both directly and through expensive television ads – what have I done for you lately?

Just like the Family Tax Cut that came with an associated measure (increasing the Universal Child Care Benefit) to please the masses, so too do the expanded Tax Free Savings Account contribution limits. Budget 2015 announced that the rules for withdrawing funds from Registered Retirement Income Funds would be relaxed, thereby allowing Canadians over age 71 to withdraw funds as they require rather than according to a designated percentage.

The new measure will be well received by many seniors who worry that the current rules oblige them to draw down their retirement funds too quickly. With increased longevity, a fixed pool of retirement funds must be spread out over a longer period of time. Of course, most of the elderly poor, mainly single elderly women, do not have much or any Registered Retirement Income Funds to worry about in the first place.

*iv. First Nations education*

Ottawa's 2014 Budget reflected a moment of rare optimism in the relationship between Canada's First Peoples and the federal government. The week before the 2014 Budget, the federal government and the Assembly of First Nations agreed to a new framework for federal support of First Nations education.

Following upon the agreement, the 2014 Budget provided more than $200 million additional funding in each of 2014-15 and 2015-16, with indexing of education funds at 4.5 percent each year beginning in 2016. When it was eventually rewritten and reintroduced, the proposed Act provided statutory guarantees of financing for schools on reserve comparable to similarly situated schools off reserve.

One year later, how things have changed.

We are back to square one with the collapse of the proposed federal *Education Act* and the resignation of Shawn Atleo, former National Chief of the Assembly of First Nations. The 2015 Budget provides $200 million over the next five years to support two application-driven programs for reserve schools; the First Nation Student Success Program and the Education Partnerships Program. These measures were first developed in 2008.

These programs have made a positive contribution to schools on reserve, so they are certainly better than nothing. But the money does not add to the core funding of on-reserve schools. Further, all the work in the schools supported by these programs is time limited.

The observation by the National Panel on First Nation Elementary and Secondary Education for Students on Reserve about the First Nation Student Success Program and the Education Partnerships Program remains as valid today as it did a few years ago:

> These programs have supported change, but change is slow, not comprehensive and is plagued by uncertainty given the requirement for proposal-driven funding. They have become part of the patchwork approach to the provision of education in First Nation schools; and this patchwork is completely incapable of supporting a school environment that enables First Nation students to achieve at a level equal to or better than their peers in Canada [*Report of the National Panel on First Nation Elementary and Secondary Education for Students on Reserve* 2013:14].

In addition, the 2015 Budget provides $12 million over three years for Indspire, which provides financial support for indigenous post-secondary students. And the Budget also allows for the continuation of multi-year infrastructure financing for school buildings.

This is all well and good but it leaves the terrible state of First Nations education unresolved. In the face of one, albeit rather spectacular, failure, are we going to give up? Canada cannot afford to let the stand-off continue: Both First Nations and Ottawa need to look for a way to pick up the pieces and restart the process of reform.

The 2015 Budget restates the government's commitment to "working with willing First Nations partners and provinces to improve First Nations educational outcomes." Ottawa could start by offering to amend its previous *First Nations Control of First Nations Education Act* to allow any First Nation or group of First Nations that wished to do so to opt in, without forcing the Act on all First Nations. For their part, the new leadership at the Assembly of First Nations, having rejected the previous Act, needs to develop a practical counter-proposal to put before the government and the Canadian people.

We note that the National Chief of the Assembly of First Nations has requested that the government restart negotiations on federal support for education on reserve. We would urge the federal government to respond positively to this request.

### *v. Employment Insurance financing*

While the federal government maintains a nominal Employment Insurance Operating Account, it is not actually a separate account but just a bookkeeping entry. The Account is really part of the government's Consolidated Revenue Fund. Any surplus or deficit in the Employment Insurance Operating Account therefore adds to the government's surplus or deficit.

The nominal Employment Insurance Operating Account reached a cumulative deficit in 2011 of a little more than $9 billion, having 'written off' a huge surplus of almost $60 billion accumulated before the 2008 economic crisis. Since 2012, the Operating Account has had a growing surplus each year; $1 billion in 2012, $2.3 billion in 2013 and $3.6 billion in 2014

[data from 2014 *Actuarial Report on the Employment Insurance Premium Rate* and the 2015 Budget]. With a projected surplus of $3.4 billion in 2015 and $3.8 billion in 2016, the Employment Insurance Operating Account will have fully 'repaid' the post-2008 deficit and will be in surplus by the time of the next federal Budget.

Despite the accumulated surplus, the 2015 Budget proposes leaving premiums at their current level for one more year and implementing a dramatic cut in premium rates in the 2017 Budget. What is the reason for the delay? And what are the implications of the accounting treatment of Employment Insurance Operating surpluses?

1. The entire fiscal surplus in the 2015 Budget is attributable to the surplus in the Employment Insurance Operating Account. Were that Account not part of the Consolidated Revenue Fund, the 2015 Budget would forecast a deficit of about $2 billion.

2. The projected surplus forecast for the promised 2016 Budget is also attributable in its entirety to the Employment Insurance Operating Account surplus. Without the Operating Account surplus, Ottawa's 2016 deficit projection would be about $2.1 billion.

3. The projected one-year delay to 2017 in reducing Employment Insurance premium rates could be explained by the government's need to show a projected surplus for the 2016-17 fiscal year.

4. With this year's anemic growth, it would make sense for the Employment Insurance scheme to be taking less money out of the economy on a net basis. The 2015 Budget's failure to either decrease premium rates or increase benefits modestly means that the Employment Insurance program is not being run as a counter-cyclical fiscal instrument.

5. The forecast large premium cut in 2017 will take place at a time of slightly better economic growth. The premium cut will result in the beginning of another accumulated deficit in the Employment Insurance Operating Account, which will continue for a number of years. Once again, rather than being used counter-cyclically, the Employment Insurance program will be pro-cyclical, providing more stimulus than is likely needed. Moreover, when the inevitable next downturn then comes, the Operating Account will be starting once again from a deficit position, making it hard to cut premiums further to offset the downturn. When eventually we begin a cyclical recovery once more, like today, the Account will be used to reduce the deficit in the Consolidated Fund rather than speed up the recovery.

In sum, the Employment Insurance program and its Operating Account is being used as a piggy bank – not just by the present government but by previous governments as well. Rates and benefits fall and rise according to political needs of the government of the day, and not to the

needs of unemployed workers or the Canadian economy. The rate-setting mechanism for the Employment Insurance program is a mess.

Since the 1990s, there have been several attempts to establish a long-term policy for setting Employment Insurance premium rates. The present policy is to balance the Operating Account over seven years. But as we have seen, if this is actually implemented it will lead to pro-cyclical rate setting. It will mean that the Employment Insurance program will not play an effective role as an economic stabilizer. At the same time, the lack of a formal rate-setting mechanism leads to *ad hoc* policies, such as the 2014 Budget's Small Business Job Credit, giving a selective premium reduction to businesses with less than $15,000 in premiums.

The rate-setting problem is compounded by the failure of the Employment Insurance program to provide reliable benefits, particularly in Ontario and Western Canada. In many western cities and Toronto, few of the unemployed seem able to collect Employment Insurance benefits at all.

The time is overdue for a comprehensive and independent review of all aspects of the Employment Insurance program: both its financing and its benefit structure. If left as it is, the program is becoming more of a vehicle for a federal payroll tax with a sideline of providing a few benefits, rather than an unemployment insurance.

The next government, of whatever stripe, should early in its mandate establish a well-resourced review of the Employment Insurance plan with sufficient time to implement its recommendations within the life of the next Parliament (assuming it is a normal four years). The resources for the review can come out of the Employment Insurance Operating Account surplus.

### *vi. Infrastructure*

This year's Budget featured many new initiatives – for next year's Budget. Next year, we will have a new Parliament and possibly a new government or perhaps not, but certainly a new Budget. Whether today's undertakings for tomorrow's Budgets should be treated as fiscal projections or merely as pre-election promises, they are at best only possibilities and not certainties. Even if some of these promises find their way into legislation under this Parliament, it will be easy enough for a future Budget to avoid those undertakings just by adding a few short 'notwithstanding' phrases to their Budget bill.

Prominent among the promises for a future Parliament's Budget was the establishment of a new Public Transit Fund, to be initiated with $250 million: $250 million *not* in 2015 (i.e., now) nor even in 2016 (i.e., next Budget) but in 2017 – two Budgets from now. This will, if the universe unfolds as predicted by the Minister of Finance in April 2015, be followed in the subsequent year by $500 million in the 2018 Budget and finally, a steady $1 billion a year in the 2019 Budget, just in time for the next election.

The Federation of Canadian Municipalities has celebrated the new Public Transit Fund. Indeed, there is something to celebrate in that this is the first time a federal government has specifically earmarked funding for public transit. However, it might be a little premature to put on the party hats: The commitment would have been more credible had there actually been something on the table in this Budget.

This Budget makes no commitment at all to Public Transit. In fact, this 2015 Budget makes almost no financial commitment to any new investment in infrastructure, only the continuation of existing infrastructure programs. It did announce that it would set up a new Canada 150 fund for infrastructure projects (the cost of which is to be shared with municipalities) to celebrate Canada's 150th anniversary, but the 2015 Budget provided only an additional $24 million for Canada 150. That seems to be the sum total of tangible new infrastructure commitments in 2015.

While we share the Federation of Canadian Municipalities' compliments to the federal government for finally recognizing that it shares some financial responsibility for public transit across Canada, we are concerned not only about the delayed funding, but also about the many strings that Ottawa proposes to attach to its funding. Should Ottawa be the government to determine whether a private-public partnership is the best way to build, say, dedicated bus routes in Winnipeg? And should this kind of condition be imposed on every project no matter how appropriate?

We are also concerned that Ottawa's attaching all sorts of conditions to the Public Transit Fund will require a level of bureaucratic oversight for which the federal government has no expertise. The process may end up as a lengthy and costly red-tape exercise, with too much room for political gamesmanship.

In the broader picture, the big problem is the 2015 Budget's failure to include an immediate substantial new commitment to infrastructure investment. Renewed sewers, roads, trains, schools and multiple other infrastructure projects will eventually have to be tackled. The debt we are handing down to the future is the depreciation of our real capital assets. We are leaving giant holes in the infrastructure fabric of our country. One day, these holes will have to be filled. This is as real – some might say more real – a debt for future generations as any financial debt.

Today, the federal government has a very low debt-to-GDP ratio, the common measure of debt burden. It can borrow money for the long term at phenomenally low rates, with these extremely low rates locked in for 20 or even 30 years. With the shock of low oil prices spreading across the country, now would seem to be the ideal time to finance the infrastructure development we will, in any case, need at some time.

Yes, this investment would increase government financial debt. But on the other side of the ledger, it would be more than outweighed by a decrease in future liabilities due to crumbling

infrastructure. This would not only reduce the burden for future generations, it would provide a needed economic boost for today.

***There were a few positive measures***

*i. Training and labour market development*

Aside from a smattering of small ticket new items and the continuation of existing programs, the 2015 Budget included two notable initiatives in labour market training and development.

First, in the heated debate around last year's Canada Job Grant, everyone from banks to unions noted the abysmal state of information about the actual condition of Canada's labour market. This point was forcefully emphasized by the embarrassing discovery that Ottawa was using extremely dubious data from a private company's website to make its case about 'unfilled jobs' gathering dust. What followed was a series of important steps towards developing better, timely and reliable labour market information, including a Framework for Labour Market Information for Canada agreed to by Ottawa, the provinces and the territories.

In this Budget, Ottawa is providing $4 million over two years (reallocated from somewhere unstated) to launch a one-stop national labour market information portal. The portal would be developed with experts from "governments, employer associations and other key partners." It is our hope that 'other key partners' include labour unions and academics.

We have also in the past suggested that government consider making it mandatory for businesses to report job openings. This reporting requirement could be very simple and efficient with a paperless on-line register. We do not make this suggestion lightly. We acknowledge that any added mandatory reporting requirement is a burden and should not be imposed unless there are considerable benefits.

In this case, the benefits could include extremely accurate and inexpensive up-to-date information on labour market demand (which would make expensive surveys unnecessary), the capacity of workers seeking employment to look for jobs anywhere in Canada and to know where to look, the capacity of employers to recruit from the widest net possible at no cost to them, linkages with other systems such as Employment Insurance and the Canada Pension Plan, and many other advantages. This would be a true 'one-stop' portal for job information.

Second, in a little noted but completely new initiative, the 2015 Budget provides a surprisingly sizable fund of $65 million over four years for business and industry associations to "work with willing post-secondary institutions to better align curricula with the needs of employers." These business organizations have not been demonstrably impoverished and one wonders why they need government money to do something which should be in their own interests. How and who will get this money, how small business will participate and what indicators there will be of success will, we imagine, be spelled out at the appropriate time.

Many other questions remain unanswered. Will a contribution be expected by businesses of their own money – as opposed to 100 percent government money – a requirement imposed in this Budget on provincial and municipal infrastructure funding?

Given the scarcity of new funds for programs in the 2015 Budget, this vaguely defined expenditure of $68 million stands out. In contrast to the much more limited funding for clearly needed labour market information, this money is not reallocated from somewhere else. This program warrants further explanation over the next few months.

*ii. Caregivers*

There was some modestly good news on the caregiver front. Budget 2015 extended the duration of the Compassionate Care Leave provisions, effective January 2016, from six weeks to six months. Ottawa will invest up to $37 million a year for this provision.

Caledon has been recommending this change for years. Right now, the Compassionate Care Leave provisions within Canada's Employment Insurance program allow up to six weeks' paid leave to care for a gravely ill relative who is likely to die within 26 weeks.

We had pointed out that these eligibility criteria were too strict to provide meaningful help to most caregivers. We had recommended that the time duration be extended. We had also argued, however, that the reason-for-leave provision be expanded to permit leave for other caregiving circumstances, not just terminal illness and palliative care. Unfortunately, the Budget did not alter this second component of the measure.

The Budget also announced that family members taking care of veterans with serious disabilities will have their contribution recognized through a tax-free Family Caregiver Relief Benefit. The new measure will provide financial support of $7,238 a year to eligible veterans so that they can purchase services to provide respite for their informal caregiver.

*iii. Persons with disabilities*

A new Home Accessibility Tax Credit will be available to persons with disabilities and seniors to help offset the costs related to accessibility and security in their homes. The 15 percent non-refundable income tax credit would apply on up to $10,000 of eligible home renovation expenditures per year, providing up to $1,500 in tax relief.

While assistance for home accessibility is an important measure, its design is not. Because it will be delivered as a non-refundable tax credit, it will be of no value to low- and modest-income households that pay little or no income tax, even though they may have to incur these costs. Especially for Canadians with disabilities, who on average have substantially lower incomes than other Canadians, it is time to stop piling on non-refundable tax credits that help

only a small portion of that population. Instead we should make any tax credit for those with disabilities refundable.

*iv. Other measures*

Various and sundry announcements were small in the grand scheme, but worth noting.

The Budget provides $150 million over four years for non-profit and cooperative housing providers to pay down existing long-term, non-renewable mortgages held with the Canada Mortgage and Housing Corporation (CMHC) without an early payment penalty. Beginning in 2016-2017, providers can refinance at lower interest rates and reinvest the savings into building renewal.

Over the next four years, the CMHC will invest $1.7 billion a year to support 570,000 households that depend on social housing support, both off and on reserve. While the announcement is modest, it was seen by housing advocates as an important signal in halting federal dis-investment in social housing.

On a different front, Canada Student Grants will be made available, beginning in 2016-17, to qualifying low- and middle-income students enrolled in educational programs with a minimum duration of 34 weeks. Currently, students must be enrolled in an educational program with a minimum duration of 60 weeks to qualify. The new measure will help more students pursue short-duration post-secondary programs that focus on practical skills and provide a quick transition from education to employment.

Finally, the Budget mused about one of the federal government's key social policy achievement: the Working Income Tax Benefit introduced in 2007. The program provides modest earnings supplements to help people get off welfare, and join and stay in the workforce. About 1.5 million Canadians currently receive payments from the Working Income Tax Benefit, including 900,000 single workers with average benefits of $700, and 600,000 single parents and couples with an average $1,000.

Budget 2015 notes that "some eligible workers may not be receiving benefits due to a lack of awareness of the credit or difficulty in making a claim. The Government of Canada will examine initiatives to further increase awareness and take-up of the WITB."

This assessment is a welcome announcement. There are far too few low-wage workers accessing this benefit. The problem actually goes beyond lack of awareness to include its problematic design and insufficient funding of the program. The cut-off point for single workers, in particular, is so low that it effectively disqualifies single, minimum-wage workers in Ontario and other provinces. Eligibility for the Working Income Tax Benefit for a single person ends at $17,986, which is $2,182 below the low income cut-off ($20,168 for one person in a metro-

politan area).  The average minimum wage in 2014 was $21,453 – $3,467 above the end point for the Working Income Tax Benefit.

***It all adds up to…***

Some positive announcements in Budget 2015 will be good for Canada.  Not so for the primary social policy measures announced in the Deficit-of-Ideas Budget.  They will be a waste of money.  Together, they represent a substantial bleeding of scarce funds that could be spent on the real challenges facing Canada, especially poverty and inequality.

The fiscal deficit may be gone for now, although only time will tell for sure.  But the deficit-of-ideas straightjacket remains alive and well.  The 2015 Budget seals the deal and leaves us trapped in a time warp.  Its impact could haunt us for years to come.