



## OMSSA Analysis of the 2013 Federal Budget

On March 21, 2013, Federal Finance Minister, Jim Flaherty introduced the 2013-2014 budget. [Economic Action Plan 2013](#) is focused on job creation and growth and the intention to return to a balanced budget in 2015.

The federal budget, spanning 442 pages, includes many budget items that will have an overall impact on Ontario's programs, funding and capacity to respond to local economic pressures. Of interest to OMSSA members, the budget does not contain major spending cuts but does include some re-profiling of funding related to skills development and training in Labour Market Agreements.

A piece of good news for OMSSA and its members was the renewed federal commitment to fund affordable housing and homelessness programs for five additional years.

An ongoing commitment to infrastructure spending also provides good news for Ontario and OMSSA members.

Consistent with all previous budgets, early learning and child care remained unaddressed.

### Budget Priorities

Two key issues drove the budget, the economy and job growth. With lower than expected economic growth forecast at 1.6% and rising to 2.5% in 2014 and 2.6% in 2015 and an ongoing skills shortage, the government aimed to take steps they identified would both curb spending yet promote growth and ensure those who are able to work are provided the support to do so. The budget identified that the unemployment rate will continue to hover around 7% through to 2015.

The \$1.9 billion budget focused on 5 key areas:

1. **Connecting Canadians With Available Jobs** (\$795m)
2. **Helping Manufacturers and Businesses Succeed in the Global Economy** (\$802m)
3. **A New Building Canada Plan** (\$435m)
4. **Investing in World-Class Research and Innovation** (\$587m)
5. **Supporting Families and Communities** (\$999m)

Funding identified in the budget, particularly in the area of infrastructure, includes some existing committed funding and funding to be released in later years. For more information on these items see the analysis by the [Association of Municipalities of Ontario](#) and the [Federation of Canadian Municipalities](#).

### **Areas of interest for OMSSA Members:**

The following provides an overview of some areas of interest to OMSSA members.

#### *Affordable Housing*

The announcement of additional funding for both the Investment in Affordable Housing Initiative (IAH) and the Homelessness Partnering Strategy (HPS) for the next five years was welcomed.

#### Investment in Affordable Housing

The budget proposes a total of \$1.25 billion over five years, \$253m annually, to renew the IAH program.

The IAH requires matched funding from the Ontario government and can be used for such things as new construction, renovation, home ownership assistance, rent supplements, shelter allowances and accommodations for victims of family violence.

The design and delivery of the program will be negotiated with the federal government and the province and it is anticipated that the province will work with Ontario's municipalities and service managers given Ontario's unique arrangement and the significant investment and role municipalities have in the program area.

An interesting requirement within the IAH is that provinces must *ensure* that funds support the use of apprentices, a move which supports the budget and federal government commitment to training of skilled labour.

What this means is unclear at this time.

#### Homelessness Partnering Strategy

\$119m over five years for a total of approximately \$600m was proposed including that the funding use a "Housing First" approach. Down from the previous allocation of \$134m annually, the new commitment does improve the opportunity to plan in ways not previously possible. Moving from an annual renewal cycle, a five year planning window is a move in the right direction. Concerns still exist with service sustainability and stability over the long term given the program has a finite lifespan.

Moving to a Housing First approach also supports the direction Ontario has taken, on the advice of service managers and good research, through the Community Homelessness Partnership Initiative (CHPI) and its housing transformation efforts.

Outside of the funding and commitment to Housing First, other details including Ontario's allocation are not known and it is understood that implementation details will be negotiated between the federal and provincial government.

#### *What this means*

The continuation of funding and programs is good news. What remains a challenge for OMSSA members and others is the continued lack of a federal affordable housing framework and strategy to address the growing housing concerns in Ontario's communities and nationally. As examples, growing capital pressures and the end of operating agreements are persistent concerns related to access to affordable housing, the retention of both affordable units and public investments.

Stable housing is an economic contributor by supporting job retention and infrastructure investments and should be recognized as such and included as a key strategy and factor in economic development efforts.

The five year investment is good and welcome news but a long term approach and stable funding is needed.

#### The Canada Job Grant

The budget signals the federal government's clear intention to have a say in how funding for skills training is to be used.

Moving from its long held position that program design should rest with provincial and territorial governments, the federal government will be moving to re-profile existing Labour Market Agreements (LMAs) to reflect its preference in how to address skills shortages.

The revised agreements will aim to connect skills training with employers to support unemployed or employed individuals for an existing or better job. The Grant will be for short-duration training.

The current funding for LMAs is \$500m and will continue to be available. Of the current \$500m transferred to provinces and territories, \$300m will be committed to the Canada Job Grant and the remaining \$200m will be available nationally to support employment services.

The Canada Job Grant is a tripartite funding approach that relies on agreement between the federal and provincial government and employers to match funding of up to \$5,000.00.

The federal government will negotiate a "transformation" of the LMAs with their provincial and territorial counterparts. Employers and employer groups will be consulted during these negotiations.

Of important note, the federal government intends to renegotiate the Labour Market Development Agreements (LMDAs) along the same lines.

### Labour Market Agreements for Persons with Disabilities

The budget indicates that existing Labour Market Agreements for Persons with Disabilities (LMAPD) will be extended for one year until March 2014. After this time, the investment of \$222m per year will be redesigned.

Details of the transformed agreement were not provided but it is expected that like the LMDAs, this program will be redesigned within the same objectives and delivery approach.

#### *What this means*

The proposed transformation of all labour market agreements, with the LMA and LMAPD first in line and the LMDA to follow, signals a marked change in the federal government's approach to transferred program funding by eliminating a significant portion of provincial discretion and autonomy in program design and delivery. In essence, the program has shifted from being in the hands of the province to the hands of employers.

As indicated above, no new funding has been provided for labour market agreements rather existing funds have been re-profiled with \$300m taken out of existing \$500m agreements for the Canada Job Grant and \$200m available, it is assumed, for current programs.

Currently, Ontario receives just over \$194m annually through the LMA.

Under the existing agreement, Ontario is provided the flexibility to commit funding to assist unemployed individuals who are not Employment Insurance (EI) eligible as well as employed individuals who are low skilled. Similar programs as proposed in the budget exist in the current Canada-Ontario LMA, such as providing programs to enhance the labour market participation of individuals by assisting them to prepare for entry to, or return to, employment or to otherwise obtain or keep employment or maintain skills for employment. A few marked differences however, included in the re-profiled program, are that support for individuals will not be available unless they are attached to a job and unless employers commit to cost-sharing.

The LMAPD currently sees \$76.4m transferred to Ontario for the expressed purpose of providing employment related programming for persons with disabilities.

Previously, funding under the LMAs has been allocated based on Ontario's population weighted against the total population of all provinces and territories. A number of things in this new arrangement are unclear:

- Whether Ontario will still have the same amount of funding available under the new cost-sharing approach;
- Whether funding will be reallocated if funding is underspent;
- Does the new approach reflect the needs and interest of Ontario's employers-will there be employer take up;
- What happens to existing programs and services and those who traditionally relied upon them

OMSSA is concerned that individuals who are unemployed, without a job offer, and without the opportunity to update their skills, will become further removed from the labour market. While some money remains for employment services, the amount available will be drastically reduced under the new arrangement.

OMSSA is also concerned that this shift will have a direct impact on Ontario Works caseloads if more people are unable to find work for longer periods.

This shift also raises an interesting question regarding integrating and streamlining employment programs as has been suggested in both the Drummond Report and the final report of the Commission on the Reform of Social Assistance. The budget proposal of the Canada Job Grant moves away from direct service delivery funding and destabilizes the current system, in effect requiring rethinking about Ontario's future employment program system.

#### *Other Areas of Interest for OMSSA Members*

A number of other budget measures were introduced that will be of interest to OMSSA members:

- The government reaffirmed its commitment to be a partner in building provincial and municipal infrastructure. This is done through the expansion of Canada's Gas Tax Fund and a 10-year Building Canada Fund.
- New measures in immigration including ensuring employers only hire temporary foreign workers when there are no Canadian workers available, to charge user fees for employers using the program, and an expansion of the temporary resident program for international students and the citizenship. The budget also indicates it will move to an "Expression of Interest" approach that will allow provinces and territories and employers to choose skilled immigrants from a pool of applicants. What the criteria are and how choice will be staged is unclear.
- Continued support for Pathways to Education.
- Support for social finance by building on the work of the federal government in this area and developing and implementing proposals.
- Commitment to aboriginals and First Nations in a number the areas of job funds and land claims resolution. One particular item includes the requirement to implement mandatory employment training to be eligible for Income Assistance funding.

OMSSA will be seeking additional information on the areas of interest and concern for its members over the coming weeks including monitoring the Budget Bill.