

February 12, 2014

## **No Nonsense Budget Focuses on Eliminating Deficit and Low Taxes**

On February 11, 2014, Federal Finance Minister, Jim Flaherty introduced the 2014 budget. [The Road to Balance: Creating Jobs and Opportunities](#) is the 10<sup>th</sup> budget delivered by Minister Flaherty.

This year's federal budget continues in the direction of balancing the budget by 2015, finding efficiencies in current spending, and spending additional dollars only when necessary.

OMSSA members will see little in their areas of interest other than the government's commitment to ensuring that low-income and vulnerable Canadian's have access to affordable housing. The government commits to "working with provincial and territorial governments, municipalities, the Federation of Canadian Municipalities, and other stakeholders at the community level to ensure the accessibility and sustainability of housing, including social housing, for those most in need". A proposed strategy, priorities or funding commitments were not provided.

In addition, the budget further suggests that Ontario's funding for employment training and skills development is at risk. The federal government's intention, as first indicated in its 2013 budget, to move ahead on the Canada Job Grant and signalling future changes in remaining labour market agreements remains worrisome.

### **Budget Overview:**

The 2014 federal budget focuses on reiteration of commitments and investments with spending indicated as \$5.8 billion over six years. Key priorities for spending include job creation and skills training, and infrastructure.

Overall, the budget signals clear directions: lowering taxes and spending-but maintaining that Canadians will continue to get the services they depend on. Focusing on current and historical actions and spending in program areas the "Road to Balance" sets the stage for the 2015 budget which will be delivered in an election year.

### *Fiscal Forecast:*

The fiscal forecast sets the stage for the government's budgetary direction and commitments. The fiscal forecast has shifted somewhat from the fall economic update with the Finance Minister indicating that "risks to the economic outlook remain tilted to the downside" Or in other words the economy is not yet on steady ground and forecasts are vulnerable to this.

The fiscal forecast offered in the budget is as follows:

- The government indicates it will post a surplus of \$6.4 billion in 2015-16 compared to November's estimated surplus of \$3.7 billion.
- The deficit for 2014-15, meanwhile, is now forecasted at \$2.9 billion, compared to \$5.5 billion estimated three months ago.

Major revenue announced stems from adjusting the taxation on tobacco products by aligning the rate of duty to inflation. It is estimated that this measure will increase federal tax revenues by approximately \$3.3 billion over six years.

Cost savings has taken the form of cuts to government contributions for federal pensioners and retirees. The government will move to a 50/50 cost-sharing model for new retirees using the Public Service Health Care Plan and increasing from two to six, the number of years of service required to be eligible to participate. It is projected that these measures will save \$7.4 billion over the next six years. They will also move forward with the two year freeze on departmental operating budgets across government, as announced in the Fall Economic Update. It is estimated the freeze will save \$550 million in 2014-2015, and \$1.1 billion in 2015-2016.

Overall, budget items that will have a direct impact for OMSSA and its members all focus in the area of employment and skills training.

The budget reiterates housing commitments from previous year's budget with no new spending this year. Consistent with previous budgets, early learning and child care remains unaddressed.

### Employment and skills training

**The Canada Job Grant** - This budget builds on the previous year's budget promise of re-designing existing Labour Market Agreements (LMAs) to reflect the federal government's preference in how to address skills shortages.

The federal government's intention on implementing the Canada Job Grant met significant and unanimous resistance from provinces and territories. And while, the federal government offered a concession to its provincial and territorial partners in that they were not required to contribute to the program, this budget signals discussions are over.

The Canada Job Grant will be launched April 1, 2014 with a plan to train unemployed and underemployed Canadians, who are not eligible for employment insurance.

The Canada Job Grant aims to provide \$15,000 per eligible worker, divided among Ottawa, the provinces and employers, which includes up to \$10,000 in federal contributions in the event a provincial or territorial agreement is not reached.

**Labour Market Agreements for Persons with Disabilities (LMAPD)** - As announced in the 2013 federal budget, the Government will provide \$222 million annually, matched by the provinces and territories, over the next four years, through a new generation of Labour Market Agreements for Persons with Disabilities. This commitment is restated in the 2014 budget.

While specifics on the new generation of LMAPD were not provided, OMSSA anticipates this is a signal that like the LMA, this agreement will be redesigned.

***What this means***

As much of this was outlined in the 2013 federal budget, these realignments are not surprising and keep with the change in the federal government's approach to transferred program funding by removing what was previously provincial and territorial decision making and increasing federal involvement in the program design and delivery of LMAs.

With the federal government indication it will deliver the Canada Job Grant without the provinces or territories if needed, there is concern that the LMA, LMDAs, LMAPDs, could be the target of further federal restructuring and therefore may have further implications for CMSMs, DSSABs and Ontario's unemployed.

The Canada Job Grant is designed as a tripartite funding approach that relies on agreement between the federal and provincial government and employers to match funding. While the original agreement was that each party provide \$5,000 per eligible worker in the program for a total of \$15,000, split between both levels of government and the employer, the federal government has indicated where it does not reach an agreement with its provincial and territorial counterparts it will bring its own contribution up to \$10,000.

However, as a part of this realignment of the LMA, the federal contribution of the grant, totalling \$300 million annually, would be drawn from the \$500 million existing Labour Market Agreement transfer from Ottawa to the provinces out of the Canada Job Grant. This results in a decrease of funding of \$200 million. The \$200 million was removed from the LMA program intended to fund employment training for groups such as youth, and immigrants.

Ontario has indicated its funding loss will be \$116 million.

For provinces and territories who do not reach an agreement with the federal government, there is a likely implication that fewer grants will be available, as the federal government has not promised extra funds, and are now shouldering the \$5,000 cost per eligible worker previously provided by the provinces.

OMSSA and its members are concerned with the impact of the significant annual reduction in funding with the introduction of the Canada Job Grant. The potential loss of funding as a part of

the restricting of the LMA under the Canada Job Grant will directly impact training for groups that do not qualify for employment insurance, including the disabled, immigrants, aboriginal people, youth and older workers.

OMSSA is also aware that the substantial loss of money and employment training has the potential to directly impact on Ontario Works caseloads, and increase costs and pressure on municipal support services.

Furthermore, as a response to the Canada Job Grant, Ontario is warning it will soon have to cut training programs aimed at vulnerable Canadians including youth and the disabled. As a result of the Canada Job Grant program, some of the most vulnerable Canadians will face even more impediments to entering the job market and are also ineligible for EI, and thus face even more barriers to employment and in some cases leaving poverty.

As the Canada Job Grant appears to be designed primarily for those individuals with a higher level of readiness to enter the labour market, there is a risk that individuals who are not yet job-ready, or who require a broader range of employment supports, will be further removed from the labour market as a result of the direct loss of dollars aimed at reaching vulnerable people for the Canadian work-force. 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.

These trends are particularly concerning in light of the Province of Ontario's recent announcement that it will see a loss of \$640 million from federal transfers in the coming year through the elimination of equalization payments intended to support provinces and territories in challenging economic periods as a temporary measure. This year Ontario would have been the only province or territory eligible for the temporary measure.

#### Housing and Homelessness Prevention

Within this budget, the federal government committed no new long-term funding for social and affordable housing in Canada. The Government stated its intentions to continue to "work with provincial governments, municipalities, and other stakeholders at the community level to ensure the accessibility and sustainability of housing, including social housing, for those most in need." To highlight the government's commitment to housing, past examples of funding were given from the previous budget including:

- The past commitment of \$1.25 billion over five years to renew the Investment in Affordable Housing (IAH) program beginning in April 2014.
- The announcement of nearly \$600 million over five years starting in April 2014 to renew and refocus the Homelessness Partnering Strategy using a Housing First approach announced within the 2013 Economic Action Plan.

### ***What this means***

OMSSA appreciates the funding the federal government has committed to affordable housing in the past, and feels the federal government should continue with the progress made in the 2013 budget with new funding commitments in 2014. What continues to remain a challenge for OMSSA members is the lack of a federal affordable housing framework and strategy to address the growing affordable housing concerns in Ontario's communities and nationally.

For the first time since the devolution of housing onto the municipal level, CMSMs and DSSABs have latitude within the provincial *Housing Services Act* to develop locally responsive solutions for affordable housing. However, in order to be truly effective and move beyond the issues that CMSMs and DSSABs are currently facing, such as: rising income inequality, housing affordability expiring federal operating agreements, maintaining service level standards, high capital repair costs due to aging stock, a long term and stable funding approach is needed from the federal government.

### **Other areas of interest to OMSSA members**

With a focus on employment and economic growth the budget includes some measures to connect workers with unfilled jobs, particularly as unemployment stays around 7 per cent, Ongoing demand for skilled workers, particularly in Alberta and Saskatchewan, will see an expansion of the Canada Student Loans Program with the creation of the Canada Apprentice Loan. Under the program, apprentices enrolled in a Red Seal trade apprenticeship can apply for up to \$4,000 in interest-free loans "per period" of training.

Other jobs training measures include:

- \$75 million over three years to expand the Targeted Initiative for Older Workers program, to help unemployed older Canadians in smaller communities find jobs.
- \$40 million for the Canada Accelerator and Incubator Program for entrepreneurs creating new businesses.
- \$40 million over two years for up to 3,000 internship positions in "high-demand fields."
- \$15 million over three years to connect persons with developmental disabilities with jobs.
- \$11.4 million over four years to expand vocational training programs for Canadians with Autism Spectrum Disorders.

The budget also confirms \$1.9 billion in new investments to support legislation to reform the on-reserve education system. This includes:

- Core funding of \$1.25 billion from 2016–17 to 2018–19 in support of the *First Nations Control of First Nations Education Act*.
- An Enhanced Education Fund, with \$160 million over four years starting in 2015–16, to develop partnerships and institutional structures required to implement the proposed legislation, including support for new First Nations education authorities.
- An Education Infrastructure Fund, with \$500 million over seven years beginning in 2015–16, to build and renovate on-reserve schools.

**Additional Areas of Interest:**

There are a number of commitments that, while not having a direct impact on the day-to-day business of OMSSA members, may contribute to improvements in the quality of life for the people that we serve. These items include:

- \$305 million over five years to expand and upgrade broadband Internet coverage in rural areas for approximately 280,000 households and businesses as part of the government’s digital economy strategy.
- Measures to address the price gap between identical goods that sell for more in Canada than in the United States through legislation.
- Introducing legislation that eliminating the practice of pay-to-pay billing. Companies and service providers will no longer be able to charge for paper copies of bills.
- A commitment to continue to consult with the Federation of Canadian Municipalities and other stakeholders to finalize the parameters of the new Building Canada Fund and is committed to launching the new Fund by March 31, 2014.
- A commitment to provide increased support to help municipalities pursue long-term planning, including asset management plans, through the Gas Tax Fund.
- The government commits to working with provinces, territories and municipalities to build safer and more resilient communities. Economic Action Plan 2014 proposes to provide \$200 million over five years, starting in 2015–16, to better protect Canadians and their homes through a National Disaster Mitigation Program.

**Next Steps**

OMSSA will continue to follow and highlight the impact of the roll out Canada Job Grant on local employment and training programs. As legislation supporting the implementation of the Federal Budget is tabled, OMSSA will continue its analysis and update members.