



Government should change course in Budget 2013

By Peggy Nash

In the last year, we have seen mounting opposition to the budgetary policies of the Conservative government across the country. In Budget 2012, rather than move to deal with the serious economic challenges facing so many Canadians, the government chose to attack many of the institutions Canadians hold most dear — slashing health-care funding, eliminating vital environmental protections and weakening Old Age Security. All of this has occurred within the context of the government trying to mask its poor performance by stifling oversight and attacking the Parliamentary Budget Officer (PBO).

But with a new year and a new budget comes a chance for the government to change its course. Will Budget 2013 serve the interests of all Canadians, or plough ahead with an agenda that serves only a well-connected few? New Democrats sincerely hope for the former. We believe that the budgeting process should reflect the values of balance, prosperity and sustainability within a framework of sound public administration.

Since Budget 2012, Canada's economy has continued to underperform. GDP growth has failed to meet the government's own projections. Productivity growth continues to lag behind our southern neighbours. Household debt is skyrocketing and now threatens the financial stability of our banking sector. And Canadians are still waiting for the Conservative government to move forward with a meaningful strategy to create good jobs.

Over 1.3 million Canadians are out of work and hundreds of thousands of others are underemployed or employed in precarious work. Young people, aboriginal peoples and recent immigrants face unemployment rates significantly above the national average and many provinces have double-digit unemployment rates. Meanwhile, services to help the unemployed have been rolled back causing great hardship for those most vulnerable. And it is not surprising that income inequality is on the rise in Canada. However, what is surprising is that the Conservative government is refusing to act on it or to even acknowledge it.

Budget 2013 should include measures to improve our economy across a range of areas: macroeconomic performance and productivity; jobs and skills; economic sustainability; and support for Canadian families. This work should all be done in an open and transparent manner such that its performance may be evaluated by the PBO and the public at large.

Budget 2013 must include measures to improve our macro-economic performance and protect our economy against global economic volatility. A combination of irresponsible tax cuts and job-killing fiscal austerity have increased the federal debt by over

\$100 billion under Stephen Harper — resulting in the government failing to meet its own projections. This fiscal strategy has also resulted in GDP growth repeatedly failing to meet projections.

While it is essential to balance the budget over the business cycle, it is poor economic policy to enact fiscal austerity in a context of weak economic growth.

Conservative policies, such as reckless corporate tax giveaways have failed to generate the incentives necessary to spur private investment and Canadian businesses are sitting on over a half a trillion dollars in “dead money,” because they see no place to invest. In the short-term, the best macro-economic strategy for the government to pursue is to have shovel-ready projects in case the euro zone situation escalates or economic conditions in the United States further deteriorate, coupled with targeted incentives, such as job creation tax credits, that will spur on immediate investment and job growth.

We must act to improve our economic performance over the long run. The government needs to tackle nearly three decades of poor productivity growth head-on. According to the OECD, Canada has had the lowest multi-factor productivity growth amongst all OECD nations, lowering GDP by tens of billions of dollars. The most direct, evidence-based methods to improve productivity are to provide long-term, predictable funding to close Canada's infrastructure gap and reverse cuts to research funding and the scientific community at large, to further boost our productivity growth.

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New Democrats also have broader concerns about the Conservative government's approach to fiscal federalism. From cuts to the Canada Health Transfer and OAS-GIS, to restricting access to Employment Insurance (EI), the government has repeatedly taken actions that have downloaded billions of dollars in costs onto provincial and municipal governments.

This is particularly worrying given the PBO's findings regarding the unsustainable debt level of provincial governments. New Democrats believe that federal budgets must take into account the impact of federal policy changes on provinces and municipalities. It is essential that the government not take a unilateral approach when budgeting,

as it is inappropriate for the federal government to balance its books on the backs of the provinces.

In high unemployment regions, the impact of the country's weak economic performance has been amplified by the government's radical changes to EI, such as eliminating the Extra Five Weeks pilot program, changes to the Working While on Claim pilot project, and changes to the definitions of "reasonable search" and "suitable employment," which have decreased both access and benefits.

These changes are wreaking havoc in the lives of many Canadians. A case in point is the single mother who lost her EI eligibility because she would not search for work in a city 40 minutes away, even though she does not have a car or access to public transportation. Given that access to EI is already at an all-time low, and that EI is a form of worker- and employer-financed insurance, Budget 2013 should reverse these devastating cuts.

The Conservatives' struggles with EI might not have arisen had they previously moved forward with measures to promote job creation and skills training. Canada is currently faced with widely divergent unemployment rates across the nation, with labour surpluses in some areas and skilled labour shortages in others.

Budget 2013 should launch a long-term skills training strategy — created in partnership with provinces and territories, employers, labour and educational organizations — to fill these skilled job shortages. This should also be coupled with financial incentives to encourage voluntary labour mobility to meet both short- and long-term employment needs.

This jobs and skills strategy should place a particular focus on two groups of Canadians: youth and Aboriginal Canadians. Youth unemployment has skyrocketed under the Conservative government with unemployment for young Canadians increasing by 280,000 during the recession, of which only 30,000 jobs have been recovered. These youth are at risk of becoming a lost generation.

TD Bank indicates that unemployment will cost these young Canadians a total of \$23 billion in lost wages within the next 18 years. This is a direct result of the Conservative government's fiscal austerity agenda and, as such, the government has an obligation to ensure that youth have access to a national skills program in order to minimize the permanence of the wage scarring.

Along with youth, the government should take immediate action to improve the social and economic outcomes of First Nations, Inuit and Métis Canadians in Budget 2013.

This urgent need for action is best exemplified by a simple statistic: Canada is rated 6th on the UN Human Development Index, however, when First Nations-specific figures are used, the ranking is 63rd.

Two major actions should be taken in Budget 2013 to begin tackling this gap. First, the government should provide equitable, stable funding for all First Nations schools based on the Shannon's Dream

motion passed in the House of Commons. Second, the job and skills plan mentioned previously should provide stable funding to help Aboriginal Canadians fill skilled job shortages.

The Idle No More movement has made it abundantly clear that Canadians want their vast resource wealth to be sustainably and responsibly managed. Unfortunately, the approach advocated by the Conservatives is neither sustainable nor in the best interests of future generations.

In Budget 2013, the government should change course and put forward natural resource development policies that are environmentally, socially and economically sustainable to ensure that future generations are left with the benefit of our natural resources — and not just clean-up costs.

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Budget 2013 should eliminate the \$1.3 billion in fossil fuel subsidies on the books and incentivise industry to capture the benefits of renewable energy and other clean technologies. In addition, it should undo the devastating cuts to fisheries habitat protection, navigable waters protection and environmental assessments, as the long-term implications of poorly planned projects and the destruction of fish habitats could have serious environmental and economic consequences for all Canadians.

Finally, there are important process concerns to be addressed in Budget 2013. A strong, independent PBO is essential to ensuring transparency and fiscal prudence in the budgeting process. To ensure that the PBO can continue to function in the face of Conservative attacks, Budget 2013 should move to make the PBO a fully independent officer of Parliament. The government must also ensure that this essential position is never left vacant.

After seven years of Conservative rule, it is clear that our nation faces major economic and social challenges. In a few short years, Stephen Harper has managed to undermine the social contract that Canadians live by — from a fair approach to fiscal federalism, to employment insurance and environmental assessments. New Democrats will fight to restore this social contract and build a balanced, sustainable, and prosperous Canada. Just as importantly, New Democrats will fight to ensure that Budget 2013 be enacted in an open, transparent and accountable manner.

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