An ambition constrained budget [1]

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EXCERPTS

Am I happy with the 2018 federal budget? Well, many of the items in it can be found in this year's and past Alternative Federal Budgets (AFB), which of course is a good thing. But in general I'd say this is an ambition constrained budget. The government had the fiscal space and public support to do much more and didn't.

The gender analysis is strong, as it was last year, and my colleague Kate McInturff has analyzed that in more detail here. But to put no new money toward a national child care plan? That's a pretty big oversight.

What we did get, as telegraphed before the budget, is a new employment insurance-linked "use it or lose it" paternity leave providing an additional five weeks of leave for the second parent (generally the father). Unfortunately, the replacement rate (the amount you get while on leave) remains at a relatively low 55% of wages.

In Quebec, that replacement rate is commonly 70% (although it varies depending on several options). Based on the numbers of Quebec fathers who take the leave, we can estimate that had the full Quebec model been implemented across Canada, 174,000 fathers and 58,000 mothers would have used the EI parental leave program. We can guess far fewer will use it at only 55%.

The only substantive poverty reduction measure in today's budget is the small improvement in the Working Income Tax Benefit (WITB), renamed the Canada Working Benefit. The increase is worth about $200 a person at the maximum. It was initially meant to only offset the increase in Canada Pension Plan contributions, but in this budget it was further improved. Given the small amount of the increase, this measure will have a limited impact on poverty rates: the budget estimates it will lift about 70,000 out of poverty, which would reduce the poverty rate by 0.2% points. That's a pretty small change, but at least it's a change in the right direction.

Canada's research granting councils (SSHRC, NSERC and CIHR) will get an average $650 million boost in funding per year over the next five years, which will be especially important to the National Research Council (NRC). Unfortunately, the Industrial Research Assistance Program (funding for private research instead of public university research) is receiving more than the NRC.

Funding on Indigenous programs also receives roughly an additional billion dollars a year. The focus was mostly on health care for remote communities, local control of health spending and higher quality care. As part of that billion dollars, the federal government finally commits the roughly $200 million a year mandated by the Human Rights Tribunal relating to dramatic underfunding of child and family services on reserves. Notably missing, however, is more detail for on-reserve housing and the building of governance capacity.

For people like me, who track these issues in detail, there are several new lines of funding at Statistics Canada to look at better data disaggregation by gender, race and Indigenous identity, which will bear fruit in the coming years.

International development funding is seeing a 10% increase by 2022, which will go toward the feminist international assistance program previously announced. This is the first time in a long time that we're seeing the overseas development window actually grow, although we're nowhere near the 0.7% of gross national income (GNI) that Lester B. Pearson envisioned, and this increase in dollars is insufficient to offset the steady decrease in Canada's spending-to-GNI ratio as the economy grows much faster than scheduled.

While there are some technical additions on the taxation of private corporations, there are no further steps in the budget to close Canada's costliest and most unfair tax expenditures. There is no targeting of the stock option deduction, the capital gains inclusion rate or the list of other legal loopholes built for Canada's rich to avoid their fair share of taxes. It may be that Morneau's fall fight on private corporations and income splitting has dampened the Liberal government's interest in this important source of revenue and equity, but that would be a real shame.

By March 31, the provinces will have to say whether they intend to put in their own carbon tax or whether the feds will do it for them on January 1, 2019. The current schedule for ramping up the carbon tax should be accelerated from its present path, as recommended in the AFB, but it is good to see these programs kicking into place.

Generally, the economy is on the same track as it was last year: a one-way path to slow growth. Total federal government program spending is also on the same path it's been on of late–to levels the size they were in the 1940s. The federal deficit continues to decline, as does the federal debt-to-GDP ratio, while the debts of households and the corporate sector continue to climb. Again, the federal government has the fiscal capacity to grow with Canada's population and its evolving needs.

If this budget suffers from anything, it's being too far from the next election. We get a pharmacare promise, which is good, and we can hope child care is just being put off to next year's election budget. But these needs are real for Canadians today.

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