

The 2013 Federal Budget:

A Higher Education Strategy Associates Commentary



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INTRODUCTION

On March 21st, the first day of Spring, 2013 - though it didn't feel like it where we are - Finance Minister Jim Flaherty delivered his eighth budget. Like many recent budgets, it contained a many small measures related to training and higher education, none of which amount to significant changes to the postsecondary landscape. The one big innovation is the creation of the Canada Job Grant, which will be both controversial with the provinces and unlikely to impress anyone as a serious solution to acute labour market shortages.

TRAINING AND APPRENTICESHIPS

The Canada Job Grant

Currently, the Government of Canada provides the provinces with two pots of money for training. Just under \$2 billion per year goes out from the Employment Insurance (EI) account in Labour Market Development Agreement funds, and another \$500 million per year which the Government of Canada uses to assist Canadians who are low-skilled, or do not qualify for EI. The Government of Canada has indicated that it wishes to re-negotiate these agreements so that most of the money (\$300 million of the \$500 million in LMAs, and an unspecified portion of the LMDAs) goes into a new program called the Canada Job Grant.

The proposed program would see the government provide employers, who are training Canadians for an existing or better job, with up to \$5000 per year, per trainee, provided those funds are matched by both the employer and the provincial government. The money would cover the costs of short-duration training at an "eligible institution" (described in fairly vague terms as, "including community colleges, career colleges, and trade union training centres"). According to the Government, this will make Canada's training system "better attuned to helping Canadians acquire the skills that will help them get hired or get better jobs". It should also make employers more eager to spend money on training (something they are currently notoriously bad at) because their expenditures will now leverage public funding on a 2:1 matching basis.

It seems likely, however, that the program will be the subject of significant disagreement with provincial governments, whose co-operation is essential to the plan. Already, Quebec is calling this a "frontal assault" on its rights; and few of the other provinces will be keen to pony up money

when most of them are in far worse financial shape than the federal government.

Another significant issue with this program is its potential effectiveness. The program is predicated upon the existence of significant skills shortages, mostly in the skilled trades. Examples of looming skills shortages, culled from employer association budget submissions, all testify to a looming crisis. However, evidence for these shortages is not clear-cut. The Certified General Accountants Association of Canada, in a recent paper on the subject entitled *Labour Shortages in Skilled Trades – The Best Guesstimate?*, actually showed that there were few, if any, looming generalized skill shortages in the trades.

But even shortages in the skilled trades were a major issue, apprenticeships in these areas – like university degrees – usually take a minimum of four years. It is hard to see how putting a great deal of money into short-term training will make any difference at all to skills shortages in these areas.

A final point concerns program integrity. The budget makes clear that private career colleges are among the “eligible institutions” at which CJC money can be spent. The last time private institutions were brought into a program of this magnitude was The Atlantic Groundfish Strategy (TAGS) in Newfoundland in 1995-96. The results were less than edifying.

Apprenticeships

Although promoted as a policy pillar equal to the CJC, action on apprenticeships in this budget was miniscule. A number of very small measures were announced with respect to apprenticeships. They are:

- \$4 million over 3 years to harmonize apprenticeship requirements across provinces in certain skilled trades, and to encourage more use of practical tests in skills assessment. This money is a “reallocation”, but it is not specified where from.
- The Government will use its purchasing power to ensure that apprentices are used on federal construction contracts.

The Government has also promised \$19 million over two years to promote education in “fields where there is high demand from employers”. The budget provides no details about what those areas might be, and

how they might engage in such promotion, but it seems likely that this is code for funding more of the same kinds of trades promotions which the Canadian Apprenticeship Forum has been engaged in for roughly the last decade.

TRANSFERS

There were no changes announced to the CHT and CST, and projections for these transfers remain unchanged from the fall fiscal update. The Canada Health Transfer (CHT) will see a large increase of \$28.6 billion in 2012-13 to \$37.7 billion in 2017-18, while The Canada Social Transfer (CST) - of which 25% is nominally allocated in respect of post-secondary education – will increase from \$11.9 billion in 2012-13 to \$13.7 billion in 2017-18. Projected payments in other transfers will decrease slightly due to slower than expected GDP growth; as a result, total payments to provinces may be down by as much as \$400 million per year over the next four years.

ACCESS

There were few measures to increase access to post-secondary education included in this budget. There were no changes to tax credits or to the Canada Student Loans Program. However, the government did make an announcement with respect to its participation in the Pathways to Education project. In 2010, the government pledged \$20 million to the program. Budget 2013 pledges the government to “renew its commitment to the organization, but does not put a dollar or duration figure on that pledge.

YOUTH EMPLOYMENT

Budget 2013 calls for an investment of \$70 million over three years to support the creation of 5,000 more paid internships for recent post-secondary graduates through Service Canada’s Career Focus program. This program provides funding to employers and organizations to create career-relevant work experiences for un- and underemployed PSE graduates between the ages of 15 and 30. Last year’s budget provided

funding for an additional 3,000 paid internships in this program, while 2010's budget included a one-time, \$30 million investment in this program.

Lastly, \$18 million is allocated over two years to the Canadian Youth Business Foundation (CYBF), a national non-profit that supports young business entrepreneurs. The government has been regularly allocating money to this organization for the past four years. This year's allocation, at \$9 million per year, is less than the \$10 million per year that the foundation has received since 2009.

ABORIGINAL EDUCATION

In the wake of Idle No More, advocates of Aboriginal education might have hoped for a substantial overhaul of the Aboriginal education system. Budget 2013 does contain some measures for Aboriginal youth but it is likely a long way from what Aboriginal leaders would have liked.

The most important financial commitment was a \$241 million investment over five years to improve the on-reserve Income Assistance Program for First Nations. Of this, \$109 million will go towards a First Nations Job Fund, aimed to provide personalized job training for qualified recipients. The remaining \$132 million will go towards establishing infrastructure necessary to deliver such programs. To be eligible for funds, communities must implement mandatory participation in training for young IA recipients. This has already drawn the ire of Aboriginal leaders and political critics, alike, who claim that the government is imposing measures on Aboriginal communities, rather than working with them to find a policy consensus. It remains to be seen whether or not Aboriginal leaders balk at the measure. They may perceive it as an ultimatum from government - implement certain kinds of programs, or risk losing funds for their communities.

In addition to this, the budget provides \$10 million over two years, to *Indspire* (formerly the National Aboriginal Achievement Foundation), which provides support for First Nation and Inuit students pursuing postsecondary studies. These funds are in addition to \$20 million previously provided to the foundation (on two occasions: 2003 and 2007) as an endowment to assist with the program's support initiatives.

One particularly interesting initiative is the proposed \$5 million allocation over 5 years to Cape Breton University's Purdy Crawford Chair in Aboriginal Business studies. The CBU program, which is far and away the national leader in providing aboriginal business education, recently launched a very successful Business Network for Aboriginal Youth and this funding seems likely to take it to a national level.

Beyond this, government confirmed its continued commitment to consultations with First Nations across the country, in hopes of developing a *First Nations Education Act* sometime in 2014.

RESEARCH-RELATED NEWS

Granting Councils and Other Research Agencies

The three granting councils received a modest \$37 million in new funding across all three councils, precisely matching the amount announced in 2012. This coincides with a planned cut of \$37 million, which amounts to no changes in net funding.

TABLE 1: PLANNED SAVINGS AND INVESTMENTS RELATIVE TO BASELINE, GRANTING COUNCILS, 2012 AND 2013 (IN MILLIONS OF DOLLARS)

	2012-2013			2013-2014		
	Cuts	New Investments	Net	Cuts	New Investments	Net
NSERC	15	15	0	15	15	0
SSHRC	7	7	0	7	7	0
CIHR	15	15	0	15	15	0

Amounts presented are cumulative, relative to the 2011-12 baseline.

Nearly all of the new funding was targeted to specific programs rather than put into general funds for curiosity-driven research. NSERC received \$15 million, 80% of which was specifically targeted to the

College and Community Innovation Program. CIHR's \$15 million is to support the Patient-Oriented Research Strategy, while SSHRC's \$7 million is "in part" targeted to research designed to improve labour market participation of persons with disabilities. The precisely matches allocations in the 2011 and 2012 budgets, when identical amounts were allocated to each council.

Research Infrastructure

Budget 2013 contains an announcement that CFI will receive another \$225 million to be put towards state-of-the art research infrastructure, and its own long-term operations. However, the language in the budget suggests that, in fact, this is not new money at all, but a direction to spend interest which CFI has accrued on its own account.

In addition to CFI money, one more piece of infrastructure funding was announced. The Government has pledged capital support for Yukon College's Centre for Northern Mining Innovation, conditional on matching funding from the Yukon government, and the private sector, to allow for expansion of educational facilities in Whitehorse and increased delivery of mining-related programming. No dollar figure was given for this project.

Other Research and Commercialization Expenditures

- \$165 million across three years in support for genomics research through Genome Canada (GC), including new, large-scale research competitions and participation by Canadian researchers in national and international partnership initiatives. \$53 and \$58 million was distributed by GC for similar competitions in 2011 and 2012; assuming this new funding is distributed evenly across the planned 3-year implementation, this represents funding levels very similar to previous years. An additional \$280 million in matching funds will be contributed by Genome Canada's research partners.
- Increased emphasis on entrepreneurship and incubators/accelerators as a mechanism to support economic growth. \$60 million over the next five years is designated for "outstanding and high-potential incubator and accelerator organizations". The details of how this funding will be distributed, and to which organizations, remains to be announced – but it's a safe bet that a proportion will find its way into the many such organizations found at Canadian universities.

- An additional \$100 million has been allocated via the Business Development Bank of Canada to invest in firms graduating from business accelerators.

INTERNATIONALIZATION

The 2013 budget includes \$23 million over two years to support an International Education Strategy. This strategy contains two parts – a \$10 million commitment to over two years for marketing initiatives, and \$13 million over two years for the MITACS Globallink program, which supports both Canadian graduate students getting research internship experiences abroad and foreign graduate students receiving them here in Canada.

VARIA

One odd and amusing clarification in this year's budget, found deep in the section on tax changes, is that paid parking provided by public sector bodies (including public colleges and universities) **is** subject to GST/HST. CRA explains that, while there is a special provision to not apply GST/HST when a service is provided for free, much or all of the time this provision was not meant to exempt paid parking provided on a regular basis by such institutions. According to the budget, "[T]his measure will be effective the date the GST legislation was enacted," which may suggest some retroactivity to the measure, though it is unclear how far back. The budget does not estimate the fiscal benefits of collecting GST/HST on parking,

Also, the CRA has been given additional tools to review claims to the Scientific Research and Experimental Development (SR&ED) program. In addition to \$15 million in funding to support related operation, the SRA now has the ability to levy a \$1000 penalty for incomplete, false, or inaccurate SR&ED applications.

CONCLUSION

There's a surprising staleness to much of this budget. The higher education sector has seen a lot of this before: targeted funding to granting councils, transfers to external organizations such as CYBF, Pathways and Indspire, etc. If you liked that stuff before, you'll like it again in this budget.

The budget contains two big measures on training – the Income Assistance Program for First Nations and the Canada Job Grant – which seem to put the government on a collision course with its delivery partners. As a result, it's hard to see for the moment whether these programs will, in fact, be implemented the way they are outlined in the budget. But the Job Grant in particular looks unfit for purpose: why put so much effort into short-term training when every analysis of skilled jobs shortages suggests that the skills most in demand require long-term training?

But honour where it's due: there are a few genuine gems in here: the MITACS funding seems on the money, the Genome Canada money is a big deal, and the investment in the Crawford Chair in Aboriginal Business seems a definite winner.

All in all, a mixed bag.