

RECOMMENDATIONS FOR THE 2017 FEDERAL BUDGET

**SUBMISSION TO THE STANDING COMMITTEE ON FINANCE
AUGUST 5, 2016**

EXECUTIVE SUMMARY

Momentum is a non-profit organization based in Calgary that takes a Community Economic Development (CED) approach to poverty reduction. Rooted in an understanding that social, economic, and environmental challenges are interconnected, CED is community-driven action to create economic opportunities that also reduce poverty and unemployment, enable local participation, and improve environmental sustainability. By using the economy and marketplace in innovative ways CED can improve social conditions, spur innovation, and encourage entrepreneurship. Momentum draws on CED principles to help individuals and families living on low incomes develop sustainable livelihoods. Through our business development, financial literacy, and skills training programs we help participants gain meaningful employment, launch small businesses, and manage and save money.

Momentum welcomes the opportunity to participate in the 2017 federal pre-budget consultation process. A budget that focuses on building a diversified and inclusive local economy using CED approaches can help to spur economic growth, protect the environment, meet local priorities, and ensure that the most vulnerable are not left behind. We were pleased to see the federal government introduce several impactful policies in 2016, including the Canada Child Benefit, and anticipate further positive initiatives in 2017, such as a National Poverty Reduction Strategy.

The following recommendations would help all Canadians, particularly the most vulnerable among us, to maximize their contributions to the country's economic growth:

- 1. Collaborate with provinces, territories, municipalities, and key stakeholder groups to develop a National Poverty Reduction Strategy that addresses the root causes of poverty**
- 2. Strengthen the promotion of RESPs and the Canada Learning Bond to improve take-up rates among Canadian families living on lower incomes**
- 3. Increase investments in employment and skills training for vulnerable Canadians through Labour Market Agreement transfers to the provinces and territories**

RECOMMENDATIONS

1. Collaborate with provinces, territories, municipalities, and key stakeholder groups to develop a National Poverty Reduction Strategy that addresses the root causes of poverty

4.8 million people in Canada, roughly one in seven, live in poverty.¹ The proportion of impoverished children is even higher: nearly one in five.² Individuals living in poverty struggle with poor health outcomes, a low quality of life, and social discrimination and exclusion, while also experiencing reduced opportunity and choice. Poverty also impacts our communities. It is estimated that poverty costs Albertans between \$7.1 and \$9.5 billion dollars every year – approximately 4% of provincial GDP in 2010 – in public services and lost economic opportunity.³ Nationally, this figure could be as high as \$30.5 billion annually.⁴ With the exception of Alberta and British Columbia, all Canadian provinces and territories have introduced poverty reduction strategies, or are in the process of developing one.⁵ The Federal government is well-positioned to bolster these efforts given its particular set of powers and unique leadership position.

A comprehensive strategy that addresses poverty directly and in a meaningful way, rather than by focusing on its symptoms, is necessary. This strategy should set measurable targets, contain a detailed implementation plan, and involve regular public reporting to guarantee transparency. The recent restoration of the long-form census will provide access to reliable and up-to-date information, which will greatly strengthen capacities to make informed decisions and design, implement, and assess poverty reduction efforts at all levels of government.

In addition, a federal plan for poverty reduction must be developed in collaboration with provinces, territories, municipalities, and key stakeholder groups to ensure that it meets current and emerging needs, and aligns with and supports existing policies and programs, while avoiding duplication. We were pleased to hear that the Government of Canada plans to hold consultations to inform the creation of a National Poverty Reduction Strategy, and would be happy to participate as this process moves forward.

2. Strengthen the promotion of RESPs and the Canada Learning Bond to improve take-up rates among Canadian families living on lower incomes

Access to education, including post-secondary, is critical for all Canadians, particularly those living on lower incomes. An important poverty reduction tool, education can open the door to higher-paying jobs, increased socio-economic mobility, and a better possibility of leading a

¹ Canada. Statistics Canada. 2011. *Populations living in Private Households, Low Income Measure (After-Tax), 2011 National Household Survey*. Catalogue number 99-014-X2011043 in Statistics Canada Catalogue. Ottawa, Ont., 2001. Available from: <http://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/dt-td/Rp-eng.cfm?TABID=2&LANG=E&A=R&APATH=3&DETAIL=0&DIM=0&FL=A&FREE=0&GC=01&GL=-1&GID=1153210&GK=1&GRP=1&O=D&PID=106715&PRID=0&PTYPE=105277&S=0&SHOWALL=0&SUB=0&Temportal=2013&THEME=98&VID=0&VNAMEE=&VNAMEF=&D1=0&D2=0&D3=0&D4=0&D5=0&D6=0>

² Campaign 2000, *2015 Report Card on Child and Family Poverty in Canada: Let's End Child Poverty for Good*, 2015: 1, <http://www.campaign2000.ca/reportCards/2015RepCards/NationalReportCardEn2015.pdf>

³ Carol-Anne Hudson, *Poverty Costs 2.5: Investing in Albertans*, (Calgary: Vibrant Communities Calgary and Action to End Poverty in Alberta, 2014), 5.

⁴ Nathan Laurie, "The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario," Ontario Association of Food Banks (OAFB), 2008: 19, <http://www.oafb.ca/assets/pdfs/CostofPoverty.pdf>

⁵ Canada Without Poverty <http://www.cwp-csp.ca/poverty/poverty-progress-profiles/>

healthier, happier life. However, many Canadians continue to experience financial barriers that place post-secondary education (PSE) out of reach. In 2008, 36% of Canadian students who completed high school did not pursue post-secondary studies because of a financial barrier.⁶

Grant-based funding for PSE available to children at an early age, such as the Canada Learning Bond, plays an important role in eliminating such obstacles to higher education. Research indicates that children's education savings accounts such as RESPs, into which CLB funds are invested, not only make it easier to save for post-secondary, but also impact high school completion, academic performance, and post-secondary enrolment and completion. In fact, among children who plan to graduate from post-secondary, those who have an education savings account such as an RESP in their name are six times more likely to actually attend.⁷

Despite the benefits of RESPs, participation among low-income families remains low at 30%.⁸ CLB uptake is no better at 29%,⁹ even though the money available to families – up to \$2,000 per child – requires no personal contribution. Unclaimed Canada Learning Bond funds represent roughly \$3 billion that over 1.5 million eligible children could be using to further their education. While these numbers do represent improvements, and though recent data indicates that the introduction of the CLB has impacted the increased RESP take-up rate,¹⁰ more must be done to improve these outcomes

By committing to improve the uptake of RESPs and the CLB among low-income families, the Government of Canada can contribute to making post-secondary education more accessible for all Canadians. This goal could be achieved by strengthening the promotion of RESPs and the Canada Learning Bond. Potential starting points include:

- The Education Savings Community Outreach (ESCO) program was sunset under the previous federal government despite strong outcomes related to increased CLB uptake. Reinstating this program would be a first-step in improving access among low-income Canadians
- Ensuring that Service Canada, the federal entity responsible for distributing Social Insurance Numbers to new parents, includes Canada Learning Bond and RESP information in these packages

3. Increase investments in employment and skills training for vulnerable Canadians through Labour Market Agreement transfers to the provinces and territories

A skilled, inclusive workforce is a key indicator of a diversified and resilient economy. Thus, any economic strategy must include elements that target more vulnerable Canadians, including those living in poverty and those at higher risk of poverty. Employment and skills training programs provide opportunities for individuals who are under-represented in the workforce, or who experience barriers to employment, to move beyond social assistance or low-wage employment

⁶ Canada. Statistics Canada. *Access and Support to Education and Training Survey*. 2008, cited in Global Growth Assets Inc. "Registered Education Savings Plan (RESP)," <http://globalgrowth.ca/marketing/new/RESP%20Fact%20Sheet.pdf>

⁷ William Elliott and Sondra G. Beverly, "The role of savings and wealth in reducing 'wilt' between expectations and college attendance," *Journal of Children and Poverty* 17:2 (2011): 165-185.

⁸ Canada. Employment and Social Development Canada. Strategic Policy and Research Branch. *Canada Education Savings Program (CESP): Summative Evaluation Report*. 2015. http://www.esdc.gc.ca/en/reports/evaluations/2015/canada_education_savings_program.page#h2.6-h3.1

⁹ Ibid

¹⁰ Ibid

and establish sustained ties to the labour market. Such programs support individuals to achieve financial independence, and to become taxpayers and long-term contributors to the economy. During times of economic downturn and increased unemployment, these programs can also ensure that individuals are better prepared to enter the workforce once the economy recovers.

Momentum has an immediate understanding of the benefits of such programs. Our own Trades Training program for immigrant and Aboriginal persons has helped over 1000 graduates launch careers as carpenters, heavy-duty mechanics, electricians, plumbers, and pipefitters. The program has a strong track record of enabling participants to secure meaningful work, become apprenticed, and stay out of poverty. The program has strong employment and indenture outcomes, due in part to its successful partnerships with local industry employers. The program also delivers an economic return to society. A Return on Investment study indicated that the Alberta government's portion of the investment in Momentum's Trades Training program was returned to the Provincial Treasury in just three years through higher taxes paid by graduates.

Accordingly, we were pleased to see the Federal government invest an additional \$50 million in the Canada Job Fund Agreements (CJFAs) in its 2016 budget. We also commend the government for its efforts to consult with provinces, territories, and stakeholders in order to improve labour market agreements and ultimately strengthen labour market programming. However, much more can be done to ensure that the funding transferred through these agreements supports training opportunities for vulnerable Canadians and individuals under-represented in the workforce, including immigrants, indigenous persons, and women.

In reality, the introduction of the CJFAs, of which the Canada Job Grant (CJG) is the cornerstone, has resulted in a shift in focus away from training opportunities for vulnerable Canadians in favour of those already employed. A key finding presented in the Forum of Labour Market Ministers Year 2 Review of the CJG was that most of the Grant money has supported participants who were already employed.¹¹ In Alberta between October 2014 and August 2015, only one per cent of the participants were unemployed prior to the training received.¹² This is because employers have a tendency to look within their own ranks or to those already closely tied to the job market when accessing the Grant.

Many provinces and territories also noted that funding previously dedicated to programming for populations now under-served by the CJG had been diverted to the Grant upon its introduction.¹³ Prior to the introduction of the CJFAs, investments through the Labour Market Agreements (LMAs) accounted for a significant portion of provincial employment and training budgets. However, with the CJG now financed from funds previously allocated to such budgets, programs geared toward vulnerable Albertans are experiencing significant cuts. Under the LMA, Alberta received approximately \$57 million to support employment programs and services. As funds transition away from these programs for reinvestment in the CJG at a rate of roughly \$8.5 million per year, a total of \$34 million in funding will be re-profiled by 2018.

To ensure that vulnerable Canadians receive fair access to important skills training opportunities, we recommend that the Government of Canada increase its investment in such training for

¹¹ Goss Gilroy Inc, "Canada Job Grant Year 2 Review: Pan-Canadian Report – Final Draft," prepared for the Forum of Labour Market Ministers, 2016: iv. <http://www.flmm-fmmt.ca/CMFiles/CJG%20Year%20Two%20Review%20Final%20Report%20EN.pdf>

¹² Ibid, 46.

¹³ Ibid, iv.

vulnerable Canadians through Labour Market Agreement transfers to the provinces and territories. We also recommend that the government work with the provinces and territories to amend the Canada Job Fund Agreements. Such amendments should include the following:

- Increased flexibility so that provinces and territories can use funding to tailor programs to their unique needs and context
- A removal of funding targets (i.e. the mandated percentage of transfer dollars to be allocated to the CJK program each year), so that provinces and territories are able to allocate transfer dollars to a wider range of programs
- A shift in language and intention from employer-driven to employer-involved training

**For more information, please contact
Momentum's Public Policy Manager:**

Courtney Hare
courtneyh@momentum.org
tel. 403 204 6180
16, 2936 Radcliffe Drive SE
Calgary, Alberta T2A 6M8
www.momentum.org