



**THE WRITERS'
UNION OF CANADA**
200-90 Richmond Street East, Toronto,
Ontario M5C 1P1
Tel: 416-593-8888 Fax: 416-591-8888

The Writers' Union of Canada
2012 Pre-Budget Submission
to the Standing Committee on Finance

August 11, 2011

Submitted to:

Guyanne L. Desforges
Clerk of the Standing Committee on Finance
FINA@parl.gc.ca

Submitted by:

Kelly Duffin
Executive Director of The Writers' Union of Canada
kduffin@writersunion.ca / 416-703-8982 x 24

Executive Summary

The Writers' Union of Canada, founded by writers for writers in 1973, is the national voice for Canadian book authors. Its mandate is to support the interests of its members and to defend the freedom of all Canadians to read, write, and publish.

Writers are part of the cultural fabric of this country. We tell Canada's stories, reflect its identity as a nation, and inform and entertain its citizens. We are also entrepreneurs, the primary producers for an entire industry that begins with the product of our imaginations and skills.

With our fellow cultural workers, we are part of the sector that in 2003 directly employed 616,000 people (indirectly closer to 1.1 million) or about 3.9% of all employed Canadians. We are part of a sector whose economic footprint in 2007 was an estimated \$85 billion, or 7.4% of our total real GDP.¹

By many measures, investments in cultural industries deliver positive returns. Given the scale of our cultural industries, those returns mean that the sector can play a leading role in Canada's economic recovery.

We recognize that the Government faces difficult decisions in terms of what to cut, what to maintain, and what to give increased support. We suggest that those decisions should be made taking into account two primary factors: the return on investment and the quality of employment.

We believe that strategic investments in the arts should be not only continued but, at the earliest opportunity, expanded. We also believe that no-cost legislative measures can play a role in sustained economic recovery. Writers and other cultural workers - who are among the most highly skilled and educated in our workforce - normally have a lifelong attachment to the labour market, most often as entrepreneurs and employees in small and medium enterprises, which are the backbone of the Canadian economy. In addition, we believe that tax reduction measures for these workers will provide stimulus to the arts and consequently to the Canadian economy overall.

Recommendation: Maintain and, at the earliest opportunity, increase investments in the cultural sector through agencies such as the Canada Council for the Arts and Canadian Heritage.

¹ "Valuing Culture: Measuring and Understanding Canada's Creative Economy", the Conference Board of Canada, 2008

Recommendation: Ensure a robust legislative framework for arts and culture that includes strong protections in copyright law to assure continuing income streams for creators.

Recommendation: Introduce tax measures that enable writers and other creators to make a better living from their work to further stimulate the economy.

Background

The Writers' Union of Canada, founded by writers for writers in 1973, is the national voice for Canadian book authors. Its mandate is to support the interests of its members and to defend the freedom of all Canadians to read, write, and publish. The Writers' Union of Canada provides professional development and career resources for writers, administers reading programs, and provides updated industry information for its members. We also advocate for writers' rights, as well as for their economic well-being.

Writers are part of the cultural fabric of this country; part of a community that tells Canada's stories, reflects our identity as a nation, and informs and entertains.

We are also entrepreneurs, the primary producers for an entire industry that begins with the product of our imagination and skill.

With our fellow cultural workers, we are part of the sector that in 2003 directly employed 616,000 people (indirectly closer to 1.1 million) or about 3.9% of all employed Canadians. We are part of a sector whose economic footprint in 2007 was an estimated \$85 billion, or 7.4% of our total real GDP.²

"The arts and culture sector of Canada's economy is three times the size of Canada's insurance industry. It's twice the size of Canada's forest industry. It is a massive portion of the Canadian economy."

Hon. James Moore, Minister of Canadian Heritage and Official Languages

We recognize that the current economic environment - exacerbated by uncertainty in the US and Europe - calls for rigour and prudence. With this in mind, we address the four issues the Finance Committee has identified and conclude with three recommendations.

1. How to achieve a sustained economic recovery in Canada

The Writers' Union of Canada is aware that in the current economic circumstances the Government must weigh carefully its financial decisions. Rather than cuts alone, we propose a two-pronged approach:

- I. Make Strategic Investments that will generate significant revenue increases

² "Valuing Culture: Measuring and Understanding Canada's Creative Economy", the Conference Board of Canada, 2008

II. Assure that Non-financial Measures are in place to support the health of the cultural sector

Action on both fronts will not only improve the economy for the fiscal year ahead but also lay the foundation for a sustained economic recovery.

I. Strategic Investments

Cultural investments deliver positive returns. Given the scale of our cultural industries, those returns mean that the sector can play a leading role in Canada's economic recovery. Consider the following:

- In 2005, Canadian consumers spent \$25.1 billion on goods and services from the cultural sector, more than three times the \$7.7 billion spent by all levels of Government in 2003/4.³
- The multiplier effect of all spending attributed to the arts is estimated to be twice the original expenditure.⁴
- "Cultural activities generate substantial consumer spending on culture goods and services. In addition, they generate significant indirect spending effects that are realized through related spending on, for example, restaurants, hotels, and transportation services. Indirect benefits are also derived from culture employees spending their earnings, business owners spending (or investing) the profits they generate, and government spending the additional tax revenues generated by those wages and profits. In turn, these purchases lead to further increases in employment, wages, income, and tax revenues that can be felt across a wide range of industries."⁵

These data indicate that strategic investment in the arts is a key lever in economic recovery.

Targeted investment can "create jobs and wealth, attract and retain talent, build stronger neighbourhoods...[C]ultural investments must take centre stage as the key driver of our competitiveness, prosperity and liveability."

"Creative Capital Gains: An Action Plan for Toronto" co-Chaired by Robert J. Foster, Karen Kain, and Jim Prentice, 2011

³ "Valuing Culture: Measuring and Understanding Canada's Creative Economy", the Conference Board of Canada, 2008

⁴ McKinsey report for Business for the Arts, 2008

⁵ "Valuing Culture: Measuring and Understanding Canada's Creative Economy", the Conference Board of Canada, 2008

We acknowledge the recent stability in federal funding for the arts and the wisdom of the Government in continuing its investment given the returns already described. We also note that Canada's contribution to culture lags behind many of our international competitors, both in terms of per capita spending and spending as a percentage of GDP. In 2010, federal spending on culture was .25% of GDP - half of France's .5% of GDP and UK's .54% of GDP.⁶

Because economic recovery is a global imperative, "the competition for talent, tourism, and investment is great; the stakes are high. We cannot afford to lose ground."⁷ To build competitive advantage, Canada must not lag in its commitment to culture and must not put the brakes on investment.

We recommend that strategic investments in the arts - through agencies such as the Canada Council and the department of Canadian Heritage - be continued and, as soon as possible, enhanced.

II. Non-financial Measures

We also propose measures that do not require direct financial investment. The infrastructure that supports a healthy cultural sector has important non-monetary components that nonetheless have a powerful effect on creation and investment in innovation. Conversely, their absence can weaken both.

"We need to make sure that the regime of policies that the government has, not just funding, but copyright legislation, investments, support, drawing in the private sector to make sure there's a steady base of support for culture that doesn't just come from taxpayers. All of these things have to be working together in concert to make sure that Canada leads the world."

*Hon. James Moore, Minister of Canadian Heritage and Official Languages,
on CBC's Q, July 12, 2011*

The following measures must be in place:

- Copyright legislation ensuring that creators and investors in innovation are compensated for their work. Bill C-32, which died on the order paper in March, had so many new exceptions that dozens of artists' revenue streams were threatened. We encourage the Government - in light of the need to achieve a sustained economic recovery - not to pass legislation that would undermine the economic engine of the creative economy.

⁶ <http://www40.statcan.gc.ca/101/cst01/econ04-eng.htm>

⁷ "Creative Capital Gains: An Action Plan for Toronto" co-Chaired by Robert J. Foster, Karen Kain, and Jim Prentice, 2011

- A National Digital Economy Strategy that includes the arts.

2. How to create quality sustainable jobs

Canada's labour market continues to move away from manufacturing toward knowledge and service industries and cultural work epitomizes quality sustainable jobs in this new economy. We ask you to consider the following:

- The cultural sector in Canada helps attract and retain talent from around the world.⁸
- Cultural workers are disproportionately highly educated; they self-select into the industry and tend to make it a lifelong commitment.
- The creative labour force has been characterized as "a... flexible, multi-skilled and mobile labour force, which is increasingly self-employed."⁹
- "In the city of Toronto... creative industries are growing faster than financial services, the medical and biotechnology industries, and the food and beverage industry; creative occupations are growing more than twice as quickly as the overall labour force."¹⁰

In 2001, 26% of Canada's cultural sector was self-employed, compared with 16% across all industries. Self-employed creators are the foundation of Canada's vibrant cultural industry. Writers earn on average 10% of the cover price of a book or ebook. The other 90% supports a network of small and medium enterprises (SMEs) that see to publishing, advertising, printing, digitizing, design, distribution, and retailing.

Despite high levels of education and high levels of commitment to their work, cultural workers "face tremendous uncertainty about employment, hours, earnings, and benefits."¹¹

Assuring the health of the sector - through both Strategic Investments and Non-financial Measures, such as copyright legislation that enables creators to monetize their work - will ensure support for the quality sustainable jobs that arts industries provide.

3. How to ensure relatively low rates of taxation

Two tax reduction measures would enable writers to make a better living from their work, to further stimulate the economy.

I. Copyright-Income Deduction

⁸ "Creative Capital Gains: An Action Plan for Toronto" co-Chaired by Robert J. Foster, Karen Kain, and Jim Prentice, 2011

⁹ Canadian Conference for the Arts study, 2008

¹⁰ "Creative Capital Gains: An Action Plan for Toronto" co-Chaired by Robert J. Foster, Karen Kain, and Jim Prentice, 2011

¹¹ "Cultural HR Study 2010: Labour Market Information Report for Canada's Cultural Sector," Cultural Human Resources Council, December 2010

In recent years, Parliament has considered Private Members Bills calling for Copyright-Income Deduction for writers and other artists.

For several years, such a deduction has been used in Quebec, where it not only corrects the tax penalty implicit in the Income Tax Act but also encourages, rather than penalizes, those who try to make a living from their creations. In Quebec, the provision applies to writers, artists, filmmakers, and composers: any artist who produces copyright material that generates income. As creators cobble together a living from a variety of sources, royalties earned on copyright material create wild income fluctuations. The Copyright-Income Deduction effectively removes these fluctuations.

The deduction has proven easy to administer. It requires almost no calculation and fits easily within the existing framework of the Income Tax form. The form already includes many precedents, including the "Deduction for employment income earned outside Canada" and the "Deduction for employees of certain international organizations like the United Nations." Canada has a long history of giving special consideration to enterprise that furthers the national interest, for instance, scientific research and experimental development. By the same token, the contribution made by Members of Parliament is appropriately recognized through a tax-exempt allowance. The Copyright-Income Deduction would function in the same way, providing an incentive to those who create the nation's cultural products.

The cost to the Government would be minuscule, and the return to the economy would be dramatic. Setting a reasonable upper limit of income from artistic endeavour would ensure that only those writers and artists with low incomes would benefit from the deduction.

II. Tax Exemption for Subsistence Grants

Subsistence Grants are grants administered by the Canada Council for the Arts. They provide minimal stipends for artists to live for several months while they do their cultural work. We believe these grants should be tax-exempt.

People otherwise employed on a full-time basis are ineligible to apply for these grants. Only self-employed creators may apply. Given that the maximum value of these grants is only \$25,000 for up to a year's work, the overall tax revenue they produce is minimal, but the impact of taxation on the recipient can be severe.

Taxing grants such as these undermines the principle of economic survival that inspired their creation.

4. How to achieve a balanced budget

A balanced budget should be achieved by a combination of expense reductions and revenue increases generated from returns on strategic investments.

We recognize that the Government faces difficult decisions in terms of what to cut, what to maintain, and what to give increased support. We suggest that those decisions should be made taking into account two primary factors: the return on investment and the quality of employment. This is consistent with the upcoming Strategic and Operating Review objective of "improving the efficiency and effectiveness of government operations and programs to ensure value for taxpayer money."

Because of the ROI evident in cultural investments, cuts to the arts would be a false economy and would run counter to objective of sustainable economic recovery.

Strategic investments in the arts and a robust but no-cost legislative infrastructure will enable the cultural sector to contribute to the achievement of a balanced budget.

Recommendations

Recommendation: Maintain and, at the earliest opportunity, increase investments in the cultural sector through agencies such as the Canada Council for the Arts and Canadian Heritage.

Recommendation: Ensure a robust legislative framework for arts and culture that includes strong protections in copyright law to assure continuing income streams for creators.

Recommendation: Introduce tax measures that enable writers and other creators to make a better living from their work to further stimulate the economy.

Summary

Because the cultural sector has long demonstrated a significant return on investment, strategic investments should be not only continued but, at the earliest opportunity, expanded. No-cost legislative measures - such as a copyright bill that assures creators their rightful revenue streams and a National Digital Economy Strategy that includes the arts - can play an important role in a sustained economic recovery. Writers and other cultural workers - who are among the most highly skilled and educated in our workforce - normally have a lifelong attachment to the labour market, most often as entrepreneurs and employees in small and medium enterprises, which are the backbone of the Canadian economy. Tax reduction measures for these Canadians will provide stimulus to the arts and consequently to the Canadian economy overall.