

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

The Writers' Union of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The Writers' Union of Canada is aware that in the current economic circumstances the Government must weigh carefully its financial decisions. It is therefore important to note that cultural investments deliver positive returns. 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. ☐ In 2007, the economic contribution of the Canadian cultural sector was \$ 84.6 B or 7, 4% of GDP (in direct, indirect and induced contributions). ☐ The direct economic impact of cultural industries (including information) has grown from \$ 39 B in 2002 to \$45, 9 B in 2011, a 2.1% yearly growth. ☐ In Alberta, the art sector provides 3 % of GDP and in Ontario, 4% . These data indicate that strategic investment in the arts is a key lever in economic recovery. 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. However, with Royal Assent for Bill C-11 and its passage into law, economic circumstances for writers and publishers will be significantly worsened. Revenues will decline, especially those formerly received from the education sector because the new provision for "fair dealing for education" in Bill C-11 will see many institutions decline to pay for written material that was formerly purchased. Costly lawsuits will ensue, the outcomes of which are uncertain. Even if writers and publishers win at court, the length of the litigation will mean that operations will be trimmed or shuttered before the rulings come down. As a result, sustained and reliable federal funding for writers and for Canadian-owned publishing companies (who are a primary market for writers' work) is more important than ever and will be essential to their survival. Recommendation: Continue and as soon as possible increase strategic investments in the arts and cultural industries through agencies such as the Canada Council and the Department of Canadian Heritage.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Cultural work epitomizes quality, sustainable jobs. We ask you to consider the following: ☐ The cultural sector in Canada helps attract and retain talent from around the world. ☐ 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." ☐ "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." ☐ Creating a job in the arts and culture sector is less costly than in any other sector of the economy: the average cost varies between \$ 20K and \$ 30K compared to \$100K to \$300K for jobs in medium and heavy industry sectors. 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, for instance, 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) – the backbone of the Canadian economy – 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.” Assuring the health of the sector – through both investments and taxation measures – will ensure support for the quality sustainable jobs that arts industries provide. Recommendation: Institute tax measures (described in the response to #4 below) to make work in culture more viable.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Canada's population is aging at the same time as the nation is developing rapidly. These two facts make it ever more urgent that investments be made in memory institutions that preserve our recent as well as our more distant history. Library and Archives Canada (LAC) is the first among those institutions. LAC's current funding means its acquisition budget is virtually nonexistent, its staffing levels have been slashed, and it is unable to fulfill its mandate: ☐ To preserve the documentary heritage of Canada for the benefit of present and future generations; ☐ To be a source of enduring knowledge accessible to all, contributing to the cultural, social and economic advancement of Canada; ☐ To facilitate in Canada cooperation among communities involved in the acquisition, preservation and diffusion of knowledge; and ☐ To serve as the continuing memory of the government of Canada and its institutions. This is a particular concern for Canada's writers. It is writers who need access to our documentary heritage for research purposes. It is writers who have archival materials to contribute to Canada's history. And it is writers who document and preserve our country's stories. As we approach Canada's sesquicentennial in 2017, and reflecting this Government's stated interest in history, investments in LAC are more essential than ever. Recommendation: Reinvest in Library and Archives Canada – both on a permanent basis and with additional funding from the budget for the 150th celebrations – for the preservation, access and digitization of our heritage.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Typically productivity is measured by revenue per hour worked. Two tax measures would increase writers' productivity by enabling them to make a better living from their work. I. Copyright-Income Deduction In 1995, Quebec instituted a copyright-income deduction. In the 2011 tax year it entitled artists to a deduction if they earned less than \$60,000 in copyright 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 smoothes these fluctuations. The copyright-income deduction has proven easy to administer. It requires almost no calculation and fits easily within the existing framework of the Income Tax form which already includes many precedents, such as 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. 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 copyright would ensure that only those writers and artists with low incomes 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 and given that the maximum value of a grant 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. Similar grants to athletes are not taxed. Taxing grants to writers and artists undermines the principle of economic survival that inspired their creation. Recommendation: Establish a copyright-income deduction provision for taxes. Recommendation: Exempt subsistence grants from tax.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Artists are facing particular challenges at this time. Given the passage of new copyright legislation, which eliminates writers' ability to continue to monetize some of the work that was formerly sold into educational settings, writers will now face even greater hurdles. It is imperative that federal support for cultural industries provide some offset to those losses. Support for cultural industries in trade agreements is one way support can be provided. Funding for Canadian studies abroad is another way. In the past, this type of funding has delivered excellent returns on investment for taxpayers and generated income through expanding markets for Canadian writers and other artists. The "Understanding Canada" program, which cost only \$5 million annually, launched Canadian studies programs in 55 countries which provided "platforms from which two generations of Canadian authors have been publicized, translated and sold in foreign book stores. Other benefits have been quantified: The sale of books, films, equipment and the costs of study visits to Canada are estimated at close to \$20-million." Recommendation: Maintain cultural exceptions in trade agreements. Recommendation: Reinstate funding for cultural studies programs The charitable sector is also being particularly hard hit, with declines in revenues from all sources. In addition to providing critical direct support, government can encourage support from the private sector. It is well documented that charitable organizations play a key role in Canadian communities, through the services they deliver, the contribution they make to our quality of life and to our economic prosperity. It is therefore important to increase incentives for giving. Recommendation: Encourage private donations through fiscal measures such as Imagine Canada's recommended Stretch Tax Credit for Charitable Giving that would increase the federal charitable tax credit for individuals by 10% (from 29% to 39%) on all new giving that exceeds previous donations.