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**A recovery without PSE?**

# **2021-2022 Federal Budget Highlights & Analysis**

April 2021



Canadian Association of University Teachers  
Association canadienne des professeures et professeurs d'université

[www.caut.ca](http://www.caut.ca)



## Overview

The minority Liberal government delivered Budget 2021 on April 19, two full years since it tabled its last. Presented during the third wave of the COVID-19 pandemic, “A recovery plan for jobs, growth, and resilience” extends emergency measures for Canadians, while investing in a wide range of programs aimed at providing targeted stimulus with a focus on an equitable recovery.

The flagship investment is significant funding for childcare and a commitment to introduce legislation. Also of note is funding for long-term care and development of national standards. These are welcome commitments that demonstrate this federal government is willing to show bold leadership in addressing national problems that are within provincial jurisdiction.

Missing from Budget 2021 is a federal funding plan for universities and colleges, despite the critical role post-secondary education and research can play in ensuring an equitable recovery.

In its [Submission to Finance Canada’s Pre-Budget 2021 Consultation](#) CAUT called for critical investments to ensure the long-term health and financial stability of the PSE sector, including:

- A national PSE strategy with the provinces and territories that includes a minimum of \$3 billion in direct federal funding;
- Increased support for Francophone and bilingual post-secondary institutions through the Official Languages program;
- Accelerated basic research funding through enhanced investments in the Tri-Councils granting programs and increased graduate student scholarships; and,
- Improved student financial assistance by moving towards a 50:50 grants and loans model; and,
- Increased funding for Indigenous post-secondary education by a minimum of \$650 million annually.

With Laurentian University’s announcement of insolvency on February 1st, CAUT actively lobbied for increased federal commitments to minority language education in the weeks leading up to the Budget. Budget 2021 delivered on this with a new commitment of \$121.3 million over three years.

The largest investment in Budget 2021 related to PSE is the extension of emergency support measures for students. Whereas these measures are welcome, they do not address long-term concerns about affordability and access. Budget 2021 is a missed opportunity to address core issues facing the research and post-secondary education sector in Canada.

## Investments in Post-secondary Institutions

### Official Languages Education

CAUT is pleased to see Budget 2021 include an announcement of \$121.3 million dedicated to minority-language PSE over the next three years, which directly aligns with our pre-Budget submission to Finance Canada. As this funding flows through the provinces to institutions, it will be critical to ensure the funding is accessed and used for the purposes intended.

In addition, the Budget included a suite of targeted, expanded investments all starting in 2021-22 for official language modernization and reform. While not all these provisions directly target post-secondary education,

they will have a knock-on effect of increasing demand for, and support of, minority language education in Canada.

- \$180.4 million over three years to support students across the country in achieving greater levels of bilingualism, including, enhancing French immersion and French second-language programs at post-secondary institutions and boosting teacher recruitment and retention.
- \$81.8 million over two years to support the construction, renovation, and expansion of the educational and community spaces that serve official language minority communities.
- \$6.4 million to Canadian Heritage and \$2.3 million to the Treasury Board Secretariat, over two years, to move forward with modernizing the Official Languages Act.

### **Educational Inequities in Canada's North**

Aimed at addressing inequities in access to higher education for Northern residents, especially Indigenous peoples, the Budget proposes \$8 million over two years, starting in 2021-22, to the Government of the Northwest Territories to support the transformation of Aurora College to a polytechnic university. This builds on Budget 2019 investment of \$426 million to help Yukon College undertake its transformation into a hybrid university.

### **Science and Research**

The 2021 Budget focuses on targeted or priority-driven research, as oppose to basic research support recommended by the government's own Advisory Panel on Federal Support for Fundamental Science. The Panel's 2017 report, called for significant re-balancing from targeted research to basic research.

Despite increases in Budget 2018, there remains a funding shortfall for basic research of approximately 40 per cent needed to reach the levels recommended by the Panel. Meanwhile Budget 2021 invests significantly in priority-driven research with no increases to basic research, or additions to emergency supports put in place last year. With the pandemic creating significant research delays across disciplines, CAUT had called for an acceleration of basic research investments to make up for pandemic impacts. CAUT is disappointed to see no recognition of the pandemic impact on basic research or the need to take further action on the recommendations in the Advisory Panel report to ensure the stability and sustainability of Canada's knowledge and research ecosystem.

### **Domestic Life Sciences and Bio-manufacturing Capacity**

In the immediate aftermath of the pandemic and the exposure of Canada's weaknesses in bio-manufacturing, the Budget provides temporary supports of \$2.2 billion over seven years, starting in 2021-22. Some of these provisions include:

- \$250 million over four years, for the federal research granting councils to create a new tri-council biomedical research fund.
- \$500 million over four years, for the Canada Foundation for Innovation to support the bio-science capital and infrastructure needs of post-secondary institutions and research hospitals.
- \$59.2 million over three years, for the Vaccine and Infectious Disease Organization in Saskatoon, for vaccine development and facility expansion.
- \$45 million over three years, for the Stem Cell Network to support stem cell and regenerative medicine research.

## Canadian Institutes of Health Research (CIHR)

The Budget proposes creating a new National Institute for Women's Health Research, aimed at improving the health outcomes and eliminate the gaps in the quality-of-care women receive. The CIHR will receive \$20 million over five years, starting in 2021-22, to support the development of the Institute. No further or ongoing investments for the maintenance of the new Institute were identified in the Budget.

Other areas of targeted research investments to the CIHR include:

- \$30 million over two years, starting in 2021-22, to fund pediatric cancer research.
- \$45 million over two years, starting in 2021-22, to Health Canada, the Public Health Agency of Canada, and the Canadian Institutes of Health Research to help develop national mental health service standards, in collaboration with provinces and territories, health organizations, and key stakeholders.
- \$250 million over three years, starting in 2021-22, to increase clinical research capacity through a new Canadian Institutes of Health Research Clinical Trials Fund.

## Social Sciences and Humanities Research Council (SSHRC)

Budget 2021 dedicates \$12 million over three years, starting in 2021-22, to SSHRC to fund academic research into systemic barriers facing diverse groups that help inform actions to address social disparities related to race, gender, and other forms of diversity.

## Natural Sciences and Engineering Research Council (NSERC)

To support applied research and development projects led by Canadian businesses in collaboration with colleges, CEGEPs, and polytechnics, the Budget provides \$46.9 million over two years, starting in 2021-22, through NSERC's College and Community Innovation Program, to support additional research partnerships.

## Intellectual Property

The National Intellectual Property Strategy was first developed through Budget 2018 investments of \$85.3 million over five years (starting in 2018-19 with \$10 million per year ongoing). Budget 2021 proposes the launch of a Strategic Intellectual Property Program Review as a broad assessment—from basic research to near-commercial projects—of intellectual property provisions in Canada's innovation and science programming. No additional funding was announced as part of that Review, although Budget 2021 does include two short-term investments as part of promoting Canadian intellectual property:

- \$75 million over three years, starting in 2021-22, for the National Research Council's Industrial Research Assistance Program to provide high-growth client firms with access to expert intellectual property services.
- \$90 million, over two years, starting in 2022-23, to create ElevateIP, a program to help accelerators and incubators provide start-ups with access to expert intellectual property services.

## Accelerating Broadband

With much of our lives shifting online during the pandemic, CAUT welcomes targeted funding in the Budget to accelerate access to universal broadband. To meet the federal government's goal to provide access to 98 per cent of the country to high-speed broadband by 2026, and 100 per cent by 2030, the Budget makes an investment of \$1 billion over six years, starting in 2021-22, to the Universal Broadband Fund to support a

more rapid rollout of broadband projects. This is additional funding to the \$6.2 billion the federal government and federal agencies have made available for universal broadband since 2015.

## Student Supports and Affordability

The Budget introduced a mix of expanded and temporary new provisions to support students, with more permanent reforms including a commitment to evolve the Canada Student Loans Program into a new Canada Student Financial Assistance Program. Provinces and territories that do not currently participate in the Canada Student Loans Program—Québec, the Northwest Territories, and Nunavut—will continue to receive equivalent compensation from the federal government for their own student financial assistance programs to maintain comparability to the federal program suite.

While CAUT welcomes the extended measures as young people are struggling to find and keep stable employment and families are struggling with education costs during the pandemic, the federal government needs to work with the provinces to contain and lower costs of education, and to tackle issues of affordability and access.

### Temporary Increases to Canada Student Grants

Starting in 2021-2022 and ending in July 2023, the Budget extends prior commitments to double the Canada Student Grants. The cost of this measure is estimated at \$3.1 billion. As with the interest waiver, provinces and territories that do not currently participate in the Canada Student Loans Program will continue to receive equivalent compensation from the Government of Canada to ensure benefit comparability. CAUT would like to see this grant expansion made permanent and will continue to push for a more equitable disbursement that removes the barrier of direct costs for low-income Canadians to access higher education.

### Temporary Student Debt Relief

Legislation will be introduced to waive interest on the federal portion (60 per cent) of the Canada Student Loans and Canada Apprentice Loans until March 31, 2023. The estimated cost of \$392.7 million for fiscal 2022-23 aims to provide savings for approximately 1.5 million Canadians. This measure expands on previous federal commitments on waiving interest starting in 2021-22 for \$329.4 million.

This measure is expected to be partially funded through the expected savings from fewer claims of the student loan interest tax credit for tax years 2020 through 2023.

### Permanent Changes to the Repayment Assistance Program

Other measures to alleviate student debt include increasing the threshold for repayment assistance to above the Official Poverty Line, moving from \$25,000 to \$40,000 for borrowers living alone starting in 2022-23. It is estimated this will support 121,000 additional Canadians. For students from larger households the threshold will be modified to match the Canada Student Grants cut-off. Additionally, the cap on monthly student loan payments will be reduced from 20 per cent of household income to 10 per cent. To ensure that the eligibility for repayment assistance keeps pace with the cost of living, the new income cut-offs will be indexed to inflation. These changes will cost \$203.5 million over four years, and \$64.2 million per year ongoing.

These measures are expected to be partially funded through the expected savings from fewer claims for the student loan interest tax credit from tax years 2020 to 2023.

## Permanent Improvement for Students Living with Disabilities

The Budget extends disability supports under the Canada Student Loans Program to an estimated 40,000 recipients whose disabilities are persistent or prolonged, but not necessarily permanent. Students will be able to access up to \$22,000 in grants, in-study supports, and specialized repayment assistance on their loans beginning in 2022-23. The estimated cost of this measure will be \$428.9 million over four years, and \$118.6 million per year ongoing. While details on this measure are vague concerning definitions and eligibility criteria for non-permanent disabilities, the reduction of barriers to access higher education is a positive step toward greater equity and educational attainment for students with disabilities.

## Supports for Indigenous Students

Post-secondary education attainment rates of Indigenous people are approximately 18 per cent lower than those of their non-Indigenous counterparts, and COVID-19 interruptions risk accelerating these inequalities. Budget 2021 includes \$150.6 million over two years, starting in 2021-22, to support Indigenous students through the Post-Secondary Student Support Program and the Inuit and Métis Nation-led Post-Secondary Education Strategies to help offset lost income that many Indigenous students rely on to pay for tuition, books, housing, and other living expenses.

This is new funding that expands on Budget 2019 commitments of \$815 million (with \$61.8 million for ongoing annual program costs) towards Indigenous post-secondary education. CAUT is pleased to see considerations for Indigenous education in the Budget, but the investments fall short of the recommended \$650 million annually needed to eliminate the gap in post-secondary attainment between Indigenous students and non-Indigenous students.

The Budget recognizes the impact of the pandemic on Indigenous post-secondary institutions, providing an additional \$26.4 million in 2021-22, through the Post-Secondary Partnerships Program and the Inuit and Métis Nation-led Post-Secondary Education Strategies.

## Mature Students

In recognition that adult students face significant financial pressures related to housing costs, care for dependents, saving for their retirement and children's education, and paying down preexisting debts, the government is making changes to Canada Students Grants to make post-secondary more affordable. In 2018, the federal government launched Skills Boost, a three-year pilot program to help working adults cover the cost of returning to school full-time. This program directly targets low and middle-income adults who have been out of high school for at least ten years and choose to return to post-secondary education on a full-time basis.

Budget 2021 makes a fixed, long-term investment of \$365.8 million over the next five years, starting in 2021-2022, with \$26.7 million per year ongoing for two proposed measures:

- Extending the \$1,600 adult learner top-up to the full-time Canada Student Grant until July 2023.
- Make permanent the flexibility to use current year income instead of the previous year to determine eligibility for Canada Student Grants. This means adult learners with financial need will not have their previous workforce participation and income count against them in applying for funding.

## Post-doctoral Students

For income tax purposes, postdoctoral fellows are generally not considered to be students and therefore their fellowship income does not qualify for the scholarship exemption from income tax. Budget 2021 proposes to include postdoctoral fellowship income in “earned income” for the purpose of determining an individual’s contribution limit for a Registered Retirement Savings Plan (RRSP). This will provide postdoctoral fellows with additional RRSP room to make deductible RRSP contributions. This measure would apply in respect of postdoctoral fellowship income received in the 2021 and subsequent taxation years.

This measure is retroactive to postdoctoral fellowship income received in the 2011 to 2020 taxation years, where the taxpayer submits a request in writing to the Canada Revenue Agency for an adjustment to their RRSP room for the relevant years.

## Skills and Training

The Budget includes several targeted new funding measures for skills and trades training, with funding allocated to Employment and Social Development Canada beginning in 2021-22. The government is pledging to create 275,000 new opportunities for core working age Canadians over a five-year period. These new funding measures are in addition to the \$3 billion the federal government transfers to the provinces and territories to support workers through the labour market agreements.

Budget 2021 dedicates \$960 million over three years for a new Sectoral Workforce Solutions Program, to help sector associations and employers design and deliver training (and in some cases accreditation) to 90,000 Canadians where employers are looking for skilled worker in areas like health, clean energy, and construction.

It also commits \$470 million over three years to establish a new Apprenticeship Service, to help 55,000 first-year apprentices in construction and manufacturing Red Seal trades connect with opportunities at small and medium-sized employers.

- Employers would be eligible to receive up to \$5,000 for all first-year apprenticeship opportunities to pay for upfront costs such as salaries and training.
- To boost diversity in the construction and manufacturing Red Seal trades, this incentive will be doubled to \$10,000 for employers who hire those underrepresented, including women, racialized Canadians, and persons with disabilities.

\$298 million over three years is allocated for a new Skills for Success program, to help Canadians at all skills levels improve their foundational skills such as literacy and numeracy, and transferable and soft skills such as communication and teamwork. This program is expected to help 90,000 Canadians.

There is also \$55 million over three years for a Community Workforce Development Program, to support communities develop local plans to identify high potential growth organizations and connect employers and training providers to develop and deliver training and work placements to upskill and reskill jobseekers to fill jobs in demand. This program is expected to benefit approximately 25,000 workers, 250 businesses, and 25 communities. Funding is provided under two calls for proposal streams:

- A national stream focused on priority areas, like de-carbonization and supporting a just transition for workers in transforming sectors like energy, which would dedicate 75 per cent of funding to projects that support underrepresented groups.

- A regional stream delivered by Service Canada regional offices, in partnership with regional development agencies, and focused on regional priorities.

Lastly, the Budget provides funding to Innovation, Science and Economic Development Canada of \$250 million over three years, starting in 2021-22, for an initiative to scale-up proven industry-led, third-party delivered approaches to upskill and reemploy workers to meet the needs of growing industries.

## Youth Employment

Budget 2021 builds on the successive expansion by the Liberal government of work-integrated learning and the Canada Summer Jobs program to address youth unemployment. Budget 2021 makes investments of \$720 million over two years for youth skills and training, to create 215,000 training and work experience opportunities for young workers. These investments stem from savings from funds previously provisioned and funds sourced from existing departmental resources.

- \$239.8 million for 2021-22 for the Student Work Placement Program to support work-integrated learning opportunities for post-secondary students. This funding will increase the wage subsidy available for employers to 75 per cent, up to \$7,500 per student, while also increasing employers' ability to access the program. This is expected to result in an increase in placements from 20,000 to 50,000.
- \$109.3 million in 2022-23 for the Youth Employment and Skills Strategy to better meet the needs of vulnerable youth facing multiple barriers to employment, while also supporting over 7,000 additional job placements for youth. This builds on the \$575.3 million announced in the 2020 Fall Economic Statement. This measure is expected to result in over 30,600 new placements in 2021-22.
- \$371.8 million in new funding for Canada Summer Jobs in 2022-23 to support approximately 75,000 new job placements in the summer of 2022. This builds on the \$447.5 million announced in the 2020 Fall Economic Statement funding for job placements in 2021-22. In total, the Canada Summer Jobs program will support around 220,000 summer jobs over the next two years for Canadians aged 15-30.

In addition, the Budget provides \$708 million over five years, starting in 2021-22, to Mitacs to create at least 85,000 work-integrated learning placements and internships. Mitacs is a non-profit organization focusing on supporting research-based innovation industry, particularly in the science, technology, engineering, and mathematics (STEM) subjects, whose internship program helps connect young workers with businesses for research and training opportunities.

## Income & Employment Support Measures

### Employment Insurance Reforms

The Budget makes some long-called for changes by organized labour to the EI program and commits to consultations for broad review of the program.

The Budget allocates \$3.9 billion to support EI reform over the coming year to make the program more accessible and simpler through the following measures:

- Maintain uniform access to EI benefits across all regions, including through a 420-hour entrance requirement for regular and special benefits, with a 14-week minimum entitlement for regular benefits;

- Support those with multiple jobs and those who switch jobs to improve their situation as the recovery firms up, by ensuring that all insurable hours and employment count towards a claimant's eligibility, if the last job separation is found to be valid;
- Allow claimants to start receiving EI benefits sooner by simplifying rules around the treatment of severance, vacation pay, and other monies paid on separation.

The Budget also provides \$5 million over two years, starting 2021-22, to Employment and Social Development Canada to conduct targeted consultations with Canadians, employers, and other stakeholders from across the country on future, long-term reforms to EI.

### Sickness Benefits

Sickness benefits available under EI will be enhanced, increasing the number of weeks from 15 to 26 weeks, starting in summer 2022, and proposes increased benefit availability under the Canada Workers Benefit.

Details include:

- \$3.0 billion over five years, starting in 2021-22, and \$966.9 million per year ongoing for this enhancement. Set to take effect in summer 2022, it would provide approximately 169,000 Canadians every year with additional time and flexibility to recover and return to work.
- Introduce legislative amendments to the Employment Insurance Act, as well as corresponding changes to the Canada Labour Code to ensure that workers in federally regulated industries have job protection while receiving EI sickness benefits.
- Launch consultations regarding improvements to the EI Premium Reduction Program. Under the Premium Reduction Program, employers who provide short-term disability plans to their employees can obtain a reduction in EI premiums.

Missing from Budget 2021's plans for EI reform are increased flexibility and supports for those on EI to access education and training.

### Increased Minimum Wage for Federal Workers

The Budget proposes to introduce legislation for a \$15 an hour federal minimum wage set to rise with inflation, with provisions to ensure that where provincial or territorial minimum wages are higher, their respective minimum wages will prevail. The government anticipates that this legislation will directly benefit over 26,000 workers in the federally regulated private sector.

### Temporary Income Support Measures

With lockdowns occurring around the country, the Budget further extends the number of weeks available under the Recovery Benefits, which replaced the Canada Emergency Response Benefit (CERB). Individuals can now claim up to 50 weeks on the Canada Recovery Benefit and up to 42 weeks under the Canada Recovery Caregiving Benefit. This measure will cost \$2.5 billion over two years.

**Details include:**

- Benefit up to maximum of 50 weeks (up from current 38 weeks)
- The first four of these additional 12 weeks will be paid at \$500 per week.
- As the economy reopens over the coming months, the government intends that the remaining 8 weeks of this extension will be paid at a lower amount of \$300 per week claimed. All new Canada Recovery Benefit claimants after July 17, 2021 would also receive the \$300 per week benefit, available up until September 25, 2021.

The government is also proposing to extend the Canada Recovery Caregiving Benefit by an additional 4 weeks, to a maximum of 42 weeks, at \$500 per week.

For employers, Budget 2021 extends the temporary enhancements to the Work-Sharing program such as the possibility to establish longer work-sharing agreements and a streamlined application process, which will continue to help employers and workers avoid layoffs. The Work Sharing and the Canada Emergency Rent Subsidy and Lockdown Support are to be extended until September 25, 2021 (previously set to expire in June and July, respectively). The Budget proposes to gradually decrease the subsidy rates, beginning July 4, 2021, to ensure an orderly phase-out as vaccinations are completed and the economy reopens.

The Budget also proposes a new Canada Recovery Hiring Program, which will run from June to November that would offset a portion of the extra costs employers take on as they reopen, either by increasing wages or hours worked, or hiring more staff.

Universities and colleges have been deemed ineligible for the Canada Recovery Hiring Program and the Canada Emergency Wage Subsidy, despite COVID impacts felt by post-secondary institutions across the country

## Childcare and Additional Equity Measures

The most significant policy investment in Budget 2021 is the establishment of a Canada-Wide Early Learning and Child Care System. CAUT has long supported calls for federal leadership and investment in early childhood education (ECE). The CAUT survey of the impact of the pandemic on members reveals the disproportionate burden that women and racialized members carry in childcare, which negatively impacts equity in the academy.

The Budget proposes the transfer of funding to provinces and territories in support of new ECE bilateral agreements, including a special agreement with Québec. The federal government will also work with Indigenous partners to develop the system, as well as consider the needs of early childhood educators. The system is expected to cost \$3 billion in 2021-22, growing to \$7.7 billion by 2025-26, and aims to reduce fees for parents with children in regulated childcare by 50 per cent on average, by 2022, with a goal of reaching \$10 per day care on average by 2026, everywhere outside of Quebec.

While this measure benefits all parents with young children, particular consideration is given to barriers to women's full participation in the labour market.

Other intersectional and equity-driven Budget investments include:

- \$172 million over five years, starting in 2021-22, with \$36.3 million ongoing, to Statistics Canada to implement a Disaggregated Data Action Plan that will fill data and knowledge gaps to support more representative data collection and enhance statistics on diverse populations.
- A proposed amendment to the Public Service Employment Act to affirm the importance of a diverse and inclusive workforce and avoid biases and barriers in hiring.
- Launching consultations to reform the eligibility process for the federal disability programs and benefits for the design of a new disability benefit, and, starting in 2021-22, improving the eligibility criteria for mental functions and life-sustaining therapy.

- \$15 million over three years, starting in 2021-22, to the federal department of Women and Gender Equality Canada to establish a new LGBTQ2 Projects Fund dedicated to supporting community-informed initiatives to overcome key issues facing LGBTQ2 communities.

## Conclusion

Budget 2021 makes historic investments in childcare, extends emergency supports for students and provides a welcome boost to minority language post-secondary education. It is, however, a missed opportunity to enhance the vital role of post-secondary education in supporting Canada's recovery.

The federal government must work with the provinces and stakeholders to restore public funding and improve affordability, access and quality to higher education. The last top-up to the federal social transfer to provinces to support the core operating costs of post-secondary education was in 2008 under Prime Minister Harper. It is time to agree to a long-term solid plan to strengthen the foundation of Canada's knowledge and research ecosystem. With an election on the horizon, it is a critical moment to put PSE higher on the federal agenda.