

On the Edge of a Revolution

Canadian Conference of the Arts
Pre-Budget Submission to the Standing Committee on Finance
September 2001

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Introduction

The Canadian Conference of the Arts is grateful for this opportunity to present its pre-Budget submission to the Standing Committee on Finance. Considerable time and effort go into the preparation of these submissions, as I know the Committee is aware, and we feel these efforts are worthwhile, even if we don't always achieve the outcomes we seek.

The cultural community in Canada has achieved significant public recognition since we made our last presentation in 1999:

- The debate in 2000 surrounding Nelson Riis' private members' motion regarding an income tax exemption for artists' copyright income was most welcome. What we found particularly interesting was that in denying support for the motion itself, a surprising number of MPs from all parties spoke in favour of income averaging as a better tool to redress some of the inequalities experienced by Canada's artists and creators. (We attach some of this debate, for your information, as Appendix I.)
- Last year, the CCA initiated the Chalmers Conferences, an opportunity for national arts service organizations to meet on an annual basis to discuss issues of common interest. The inaugural meeting, held in November 2000 at the National Gallery of Canada, discussed Taxation and the Self-Employed Artist. Following the meeting, participants joined the CCA in signing a letter to Finance Minister Paul Martin requesting a return to income averaging for all self-employed individuals in Canada.
- In March 2001, the CCA was invited to make a presentation to the Standing Committee on Human Resources Development regarding the proposed amendments to the Employment Insurance Act. Our approach wasn't to suggest a few less hours here, or a few more dollars there. We forcefully suggested that such amendments were already outdated since the EI Act addresses a workforce based on an archaic Industrial Era model and is not suited to the workforce of today, let alone that of tomorrow. We were pleased to learn subsequently that the Standing Committee on Human Resources Development had understood our concern and put forward two of our recommendations in its final report. (Our submission and these recommendations are attached as Appendix II.)
- And last, but by no means least, the cultural sector of Canada has been greatly encouraged by the funding announcement of May 2001, made by Prime Minister Jean Chrétien together with Minister for Canadian Heritage Sheila Copps. We feel that this major influx of funding, much needed and long overdue, is a reflection of the growing recognition within the federal government of the importance of culture to the nation, and we look forward to working in partnership with the government on its future directions in this area: excellence and diversity in creativity, connecting people and the arts, and sustaining the sector.

We point out, however, that these are merely stepping stones - not milestones - and much work remains to be done before Canadian artists achieve equality, acknowledgement and recognition under the tax laws of this country for the research and development nature of so much of their work. With some bold thinking on the part of this and other Standing Committees, and from the government itself, Canada could be standing on the threshold of a revolution.

How to ensure that Canada remains a major player in the New Economy

What do we mean by the New Economy? A search through the internet brought more definitions than there are people in Canada. This Standing Committee itself wrote the following description in its 1999 report: "This 'new economy' is mainly about information and communications technology, and the way in which it affects Canadian society."¹ The main points do not seem to be in contention; these include:

- it is based on new and emerging technologies
- it moves at two speeds: fast and faster

- it is largely unlimited by geographic or political boundaries
- its currency is information and people²
- it has produced a new workforce requiring different skill sets
- the standard employment pattern (8 hours a day, 5 days a week) has been shattered

In a recent address, Robert Crow of the Information Technology Association of Canada preferred the term "next economy" - in contrast to the new economy - because tomorrow's economy will almost certainly not be entirely new. Rather it will comprise the best of what we do today, enabled by IT, along with a number of things that are truly new in our advanced technology sectors."³

How can the current economic and labour theories adapt to address the New Economy? How can one develop a model when the changes are evolving as we speak? This new economy has major implications for labour as a whole. We believe the federal government should look to the cultural sector as a model, a microcosm, of the workforce of the future.

The new workforce for our new economy has a number of clear skills sets: it must be adaptable and flexible; well-educated and committed to lifelong learning; able to communicate in a variety of ways; able to problem solve; be creative and innovative - it must be entrepreneurial. The Conference Board of Canada has compiled a list of basic employability skills which it stresses are needed "to enter, stay in, and progress in the world of work - whether you work on your own or as a part of a team." Leading the fundamental skills is the ability to **communicate** in a variety of ways - something those in the cultural community excel at. Other skill sets on the list are also part of the makeup of artists, creators and cultural workers: think and solve problems, be adaptable, learn continuously, etc. Those in the cultural labour force are predominantly self-employed, frequently work in a variety of jobs, have to be adaptable to new influences on a continual basis, etc. However, even though small business and entrepreneurialism currently generate 80% of new jobs in Canada,⁴ very little real progress has been made in changing the bureaucratic mindset.

The CCA has, in the past, invited Human Resources Development Canada, the Finance Department, and Revenue Canada/Canadian Customs and Revenue Canada (CCRA) to undertake an examination of the workforce of the future by examining the cultural labour force of today, here and now, to no avail. By examining the profile of the cultural labour force and determining what regulatory measures would serve it best, the government would be taking a major leap and might find itself ahead of the game, instead of constantly and ineffectually playing catch up.

Much work needs to be done in Canada to effectively coordinate education and training on a nationwide scale. New economy workers do not emerge fully trained from the woodwork and to target education and training too narrowly for an economy which is largely borderless and changing at the speed of light is fruitless. Canada should focus its energies on educating and training its young people to be the best thinkers they can be, to be "creative and innovative in exploring possible solutions"⁵ so that they are well equipped to adapt to rapidly changing circumstances in the workplace.

British scientist Sir Harry Kroto, graphic designer and winner of the 1996 Nobel Prize for Chemistry, once said that "Whether in the studio or the laboratory, the creative process is the same. I draw on discipline, knowledge, hypothesizing, intuition and creative leaps of imagination. It's the same process." And to quote a recent article in the Globe and Mail: "One of the most compelling questions for business today is how to come up with new ideas. Who knows more about creative thinking than the people who spend their days and nights creating?... The list of Fortune 500 companies that have engaged artists, actors and poets to accelerate their innovative thinking processes includes AT&T, Boeing, Chase Manhattan Bank, Eastman Kodak, Chevron, IBM, and Motorola."⁶

So why do we serve our young people so poorly? Cutbacks to education which we have seen played out in a number of provinces frequently result in subjects such as the arts (which are seen as "frills"), being almost eliminated. Surely what is required is **more** arts integrated into the curriculum rather than less.⁷ If this new economy requires creative thinkers, why do we allow the education system to stifle creativity from the earliest ages? Ken Robinson, Chair of the National Advisory Committee (UK) on Creative and Cultural Education, speaking at the International Conference of the Future of Arts Education in November 1999 said: "These great adventures that are currently happening in new technologies are built on a fusion of arts, science and technology.... We're standing on the edge of a revolution.... Economically, we need people who can adapt to change, who can innovate, who can communicate, who can work in teams and roll with the changes.... The arts have central places in any form of education that aims to develop human resources and natural capacities for creativity."

In the new economy, people have been described as the "crown jewels"⁸. "Brain power can't be tallied on a ledger sheet, but it's the prime factor driving the New Economy.... the people who can deliver ... are becoming invaluable, and methods of employing and managing them are being transformed."⁹ Our national workforce is changing so quickly that governments appear unable to catch up (witness minor amendments to the EI Act when

the design and intent of the Act itself is already outmoded). Canada cannot keep sticking bandaid solutions onto its Industrial Era legislation. What is needed is a **Post-Industrial Revolution**, a completely new vision for the future of our workforce. And we believe the model already exists - in the cultural sector.

RECOMMENDATION 1: that the federal government provide adequate core funding to the Cultural Human Resources Council to enable it to expand its work in developing human resources development strategies for the cultural sector.

Provide Canadians with Equal Opportunity to Succeed

We have already mentioned that Employment Insurance as defined in Canada is fast becoming an outdated concept. So too is our current method of taxation. It is a major obstacle to providing Canadians with **equal** opportunity to succeed in our society - and for the cultural sector, the emphasis is strongly on the word "equal". While the CCRA and, previously, Revenue Canada, tip their hats to self-employed individuals, the taxation model in this country remains a carry-over from the Industrial Era, and there appears to be little inclination within the Department of Finance to put its energies and resources into restructuring it to better reflect the changing realities of our New Economy workforce.

The CCA believes there are two solutions to the objective stated above: income averaging which would provide all Canadians with an equal opportunity to succeed, and a tax exemption on copyright income for artists and creators which would provide a small measure of **equality** for some in the cultural sector.

Income Averaging

The CCA has proposed a return to income averaging on a number of previous occasions, most recently in its pre-Budget submission last year, a submission which unfortunately fell a victim to the election call. In recent years, we have broadened our proposal to include **all** self-employed individuals. This proposal has met with favour from the Standing Committee on Finance in past years; in its 1999 report it stated: "The Committee therefore **continues** to recommend that the government consider the introduction of income averaging for those forms of income that fluctuate substantially from year to year"¹⁰ (our emphasis).

At the inaugural Chalmers Conference held in November of last year, many agreed with the strong assertion made by Arthur Drache, QC and eminent taxation lawyer, and now - we are pleased to report - Secretary to the Board of Governors of the CCA, that the income averaging which the CCA has been espousing for all self-employed individuals should in fact be extended even further to cover all **Canadians**, regardless of employment status.

In an article for The Financial Post (November 1, 2000), in the wake of Paul Martin's mini-budget, Arthur Drache stated: "The addition of an additional tax bracket, though it is part of a scheme to lower taxes for middle and upper income taxpayers, **will exacerbate a fundamental weakness in the Income Tax Act, the lack of an averaging mechanism** [CCA emphasis]. The Carter Commission study of the Canadian tax system made the point that no progressive tax system can be considered fair if there is no system to average what has come to be known as 'lumpy' income."

A conference held by UNESCO in Paris, June 1997, reported that "... Income averaging for artists over several years is practised in several countries (Germany, Denmark, the Netherlands, Greece, France, the United Kingdom, and Luxemburg)..."¹¹ So this is not a particularly new or radical concept and we firmly believe that now is the right time for Canada to reintroduce such a system of taxation.

In 1997, Price Waterhouse produced a report on income averaging for the Department of Canadian Heritage. The intention of the report was "to review possible new income averaging mechanisms to make the income tax system more equitable for individuals with fluctuating income"¹². The target group on which the report was based was those who are self-employed, typically in the lowest tax bracket, and realizing a significant increase in income in one year. This description fits over half of those working in the cultural sector to a T. It also describes a growing number of self-employed individuals working in other sectors of the Canadian economy, including the high tech sector. The report outlines how "in addition to income volatility, the self-employed do not have the same access to the social safety net, such as Employment Insurance. This additional economic vulnerability further supports some measure to improve the fairness of the tax system for the self-employed."

Self-employment, as a percentage of the total labour force, increased steadily throughout the 1970s and 1980s, and by leaps and bounds during the 1990s. Yet Canada's taxation system, by and large, has not only ignored

this fact but has actually removed one of the only measures (income averaging) by which self-employed individuals could receive some small measure of fair treatment. The Canadian Tax News from Price Waterhouse Coopers stated in its final issue¹³: "In any progressive system of income taxation, fairness would seem to dictate that there should be some form of income averaging.... **There are many other sources of income that may be received sporadically (authors or artists come to mind)** [CCA emphasis] and it seems unfair that a large income in one year (that may have been many years in the making) should fall prey to high marginal rates without some relief. Various forms of income averaging have been tried over the years and then discarded, presumably because of administrative difficulties. But the answer is not to say that income-averaging is too hard to administer. Rather, the challenge is to develop a system that is administratively feasible." Surely our federal government, operating in this new economy, with sophisticated information technology capabilities, should be able to cope with the design and administration of such a system? We call on the government to take up this challenge.

Unfortunately, arguments in support of income averaging have fallen on deaf ears with the Minister of Finance. In letters written to Marilyn Simonds of The Writers' Union of Canada on June 2, 1998 and July 20, 1999 (the text was identical in both letters), Paul Martin wrote "... income-averaging provisions were eliminated from the tax system as part of tax reform, which reduced the top marginal tax rate from 34 per cent to 29 per cent, and the number of tax brackets from ten to three. The reform also reduced the difference between the lowest and highest marginal tax rates from 28 per cent to 12 per cent. These changes have diminished the adverse tax consequences resulting from income fluctuations, and hence the need for averaging provisions, which are very complex both to comply with and to administer." In his response last month to the CCA's post-Chalmers Conference letter (sent January 2001), requesting consideration be given to income averaging for all self-employed individuals in Canada, Paul Martin replied "... it is important that the tax system treat all tax payers equitably. To provide relief for particular groups, such as artists and creators, would only result in pressure for more general averaging mechanisms from other individuals and groups with fluctuating incomes, such as farmers and athletes." We agree with the Minister. Roll out general averaging mechanisms for all self-employed groups and individuals with fluctuating incomes - farmers, athletes, software designers, and all.

RECOMMENDATION 2: that the government of Canada institute, without delay, a system of income back averaging over a 5 year period, as a method of providing fair and equitable tax treatment for all self-employed Canadians.

Tax Exemption on Copyright Income

Statistics Canada data, based on the 1996 census, indicates that Canada's artists, musicians, writers, dancers, etc. are among the highest educated but lowest paid individuals in the country. The Applebaum-Hébert Report of 1982 stated that "... the largest subsidy to the cultural life of Canada comes not from governments, corporations or other patrons, but from the artists themselves, through their unpaid or underpaid labour". (The CCA would add that the artists' partners and spouses also contribute to this subsidy.)

Focus on Culture, a Statistics Canada quarterly bulletin, stated in a recent issue that "Of all the occupational categories used by the Census, selected culture occupations ... are all in the bottom half. In fact, artisans and craftspersons were found among the 25 lowest paying occupations in Canada in 1995 No culture occupations ... were found in the country's 25 highest paying occupations (which make on average \$80,200)." ¹⁴ To put it more bluntly: painters, sculptors and other visual artists rank below taxi and limousine drivers, hotel front desk clerks, and hairstylists and barbers in the full year-full time scale, while artisans and craftspersons came even lower, after general farm workers, cashiers, and ironing, pressing and finishing occupations.

It might surprise people to know that the cultural labour force has been the fastest growing sector in the country for the past few years. Most Canadians are aware of the cultural industries which have built up over the past years: music and sound recording, book and periodical publishing, broadcasting, films and videos. But surprisingly few remember that all these mega industries, with their multi-million dollar budgets, depend on individual creators: the writers, composers, painters, sculptors, and choreographers. The ability of our cultural industries "to create an enduring place in our lives is dependent on the creativity and talent of Canada's artists, creators and producers ..." ¹⁵ Our cultural institutions - the theatres, galleries, museums, and concert halls of which we are so proud - would be empty without the creative input of our artists, our television and movie screens would be blank, our radios largely silenced.

While it would be wonderful to think that all artists should be eligible for income tax exemption on any and all income earned, we recognise this is not realistic. Obviously, a global exemption on all salary earnings solely for artists would not gain acceptance with the general public. However, the CCA does believe there are sound reasons for an exemption of a certain amount of income tax based on copyright income. This is not a totally revolutionary idea: the Province of Quebec introduced a successful system of tax exemption for copyright income in 1995.

What does copyright refer to? Copyright is "the legal recognition of the inherent right of creators to material they have created"¹⁶, it is "*automatic* - it does not need to be registered.... You can only claim copyright in something you have produced if it is *original*"¹⁷. Therefore, creators are the first copyright holders of their work, and have an inalienable moral and economic right to any benefits accruing from their work. Some artists are *interpreters* of other people's creations; they are producing in effect a secondary work based on someone else's original creation. This applies to many performers: musicians, dancers, actors, etc. Performers and other interpreters are usually paid for their work as and when they do it.

Neighbouring rights protect the rights of such performers, and those of record producers and broadcasters. These rights are similar to, but distinct from, copyright and are granted to those who use copyrighted works. An example given in Lesley Ellen Harris' book *Canadian Copyright Law*, states that "copyright protects the composer of a song whereas neighbouring rights would protect the performer of the song."

Creators have no assurance that there will be any remuneration upon completion of their work. They carry out the essential research and development in the pursuit of their craft, for which there is no payment at the time. If and when remuneration is forthcoming, it might be for fairly small amounts, extending over a long period of time. Most artists earn meagre (and frequently fluctuating) wages from their craft, but it is the **creators** who take the most risks.

In the arts, creation includes a research and development component. Canada has a long history of supporting research and development in scientific, industrial, medical and technological fields. We believe it is now time to recognize and celebrate the importance of Canada's cultural innovators in a similar fashion. This was clearly outlined in *A Sense of Place, A Sense of Being*, the 1999 report of the Standing Committee on Canadian Heritage, which stated "From the Committee's standpoint, investing in the arts is no less important than investing in the social sciences, humanities, the pure sciences or medicine. The Committee is also aware of the long-term commitments made to researchers and scholars by other federal government agencies and looks for a similar level of commitment to Canadian artists ... **The Committee feels that support to individual creators should be increased**" (our emphasis). To this end, we acknowledge increases made to the operating budget of the Canada Council for the Arts over the past years by the current government.

However, by way of comparison, the Canadian Foundation for Innovation was established in 1997 with an initial \$800 million; a further \$200 million was added in the 1999 Budget. In 2000, the Budget provided a further \$900 million to the Foundation. Contrast these amounts with the annual allocation to the Canada Council for the Arts of around \$135 million. And while the Canada Council supports the creative process in this country, only 20% of its actual grants budget goes to individual artists; the other 80% is allocated "to arts organizations for arts production and dissemination"¹⁸. The Canada Council website also indicates that of the estimated 114,000 professional artists in Canada, only 1,900 (or 1.6%) receive its grants, with a 27% success rate in 1998-99 (not all artists apply for such grants). The CCA believes regulatory changes need to be introduced to benefit a wider spectrum of Canadian artists in a more equitable and widespread way.

Research and development is highly praised and frequently lucratively rewarded when linked to technology or new media; then it is usually called "entrepreneurship". Permit us to quote from the Chair of the Standing Committee on Finance himself, Maurizio Bevilacqua: "The federal government must break free of the bureaucratic mindset that rewards those who find reasons to say no to risk-takers and entrepreneurs.... History does not record those who play it safe..."¹⁹. Unfortunately, government frequently (and conveniently) forgets this sort of reasoning when it comes to creative R&D and artistic entrepreneurs.

Alternative Solutions

Are a tax exemption as outlined above, or some form of income averaging, the only solutions available for Canada's beleaguered artists and creators? The CCA does not believe so. In Quebec, the amendment to the Income Tax Act introduced in 1995, entitled artists and creators to an annual income tax exemption on copyright income of up to \$30,000. This year the \$30,000 figure was increased to a ceiling of \$60,000.

Ireland is frequently held up as a model for emulation also. The Irish government has introduced a tax exemption that applies to all income earned through the sale of "original and creative works generally recognised as having cultural or artistic merit. Accordingly, earnings derived from such works are exempt from income tax from the year in which the claim is made"²⁰. Although the legislation does not actually specify "copyright income", that is what it is. The artistic works in question fall into the categories of a book or other writing, a play, a musical composition, a painting or other like picture, or a sculpture.

The total cost of the artists' exemption in Ireland is about £8 million (Irish) - roughly \$14 million Canadian. Contrary to the Quebec model which has an upper limit of \$60,000, the Irish exemption has no upper limit. (It should be remembered that in Ireland, this tax exemption for artists is part of a global government initiative that, according to Madelaine Drohan, formerly of *The Globe and Mail*, encompasses investment in education,

cooperation between business, labour and government leaders, encouragement of foreign investment, and corporate tax cuts.)

In a 1993 report to the Saskatchewan Minister of Municipal Government (with responsibility for culture), an advisory committee on status of the artist made the following recommendation: "In recognition of the artist's needs for preparation time, during which no income is earned, prior to earning income, revision of regulations to allow deductions for forgone income. An alternative solution to this problem might be reached through introduction of a standard tax credit for professional artists." The report included a quote from Saskatoon poet and fabric artist, Susan Andrews Grace, that "Since the culture industry is so crucial to the Canadian economy, couldn't there be research tax credits for artists as there are in industry, science and technology? Artists spend an incredible percentage of our income in R&D. Subsidies to other industries are so often hidden while artists are seen to be waiting for hand-outs".

RECOMMENDATION 3: that the federal government, through the Department of Finance and the Canada Customs and Revenue Agency, give consideration to supporting Canada's professional artists and creators, the foundation of Canada's cultural industries and institutions, by exempting up to \$60,000 of copyright income on an annual basis.

A Quality Socio-Economic Environment

Post election, our newspapers noted that polls conducted during the campaign had **not** indicated public support for tax cuts, despite politicians' insistence of speaking about them. Maclean's magazine recently reported on a group of high-powered young Canadians, Canada's next generation of leaders, movers and shakers - if only we can keep them in this country, who met to discuss how Canada could become the "Northern Magnet". "The standard response to the brain drain issue - cut taxes - received short shrift. It made a cameo in the final report, but almost every time it was raised it was drowned out by those who championed quality of life and a broad-based social safety net: Canada as a lifestyle haven, but unafraid of competition."²¹

Arts and culture are generally accepted as being one of the standards by which a country's quality of life is measured. In addition to their more familiar public faces (theatre, ballet, concerts, etc), they are used as a healing balm for the physically sick or mentally disturbed; as a communications bridge for those with Alzheimer's, for troubled youth or those with language limitations; as an innovative way to deliver curriculum to students; and as expressions of joy, sadness, and all other emotions - indeed, as an essential and necessary part of our daily lives.

Canada is a country with 30 million people of diverse origins. It has been placed at the top of the United Nations' list of best countries in which to live for several years, ousted this year by Norway. When a community advertises its unique "quality of life", it is generally referring to all the elements which add up to it being a wonderful place in which to live, and a vibrant cultural community is one of these intrinsic factors. Every aspect of our lives is touched by the arts and culture - they are the threads which stitch the diverse patchwork of Canadian communities together.

In announcing the additional funding to the cultural sector this past May, Prime Minister Jean Chrétien said

"... arts and culture are about more than economic growth. About more than the Gross Domestic Product. Our artists, writers and performers enrich the quality of our lives. They can inspire and challenge us. They can help us understand our past. They can help us know who we are. They can help us to imagine new possibilities, new choices for the future. Arts and culture are not for the few. Cultural participation develops our creativity, enriches our citizenship, feeds the spirit. Arts and culture must be integrated into our lives and our communities."

So how do we provide a socio-economic environment that will adequately nurture the arts and culture so that Canadians can enjoy the best quality of life? How can Canada's arts organizations build towards greater sustainability, which in turn will ensure they can better serve the artists and creators, and ultimately the Canadian public? One element to which we would draw your attention is the legislation governing Canada's charities, where fundamental changes are centuries overdue.

In this section we draw heavily on the work of IMPACS (the Institute for Media, Policy, and Civil Society, based in Vancouver) which is seeking to strengthen communications between not-for-profit organizations, government and the media, both in Canada and internationally²². Also, two documents which have informed our thinking on this issue are the report of the Panel on Accountability and Governance in the Voluntary Sector, chaired by Ed Broadbent²³, and the report of the Joint Tables²⁴. Thanks to financial support from the government of Canada, work on these issues continues through the Voluntary Sector Initiative (VSI).

Charitable status is extremely important to not-for-profit arts organizations. It provides them with greater latitude when applying for funding (access to foundations), bestows respectability in the eyes of the public, is a useful tool for fund-raising, etc. However, inconsistencies abound in the criteria of what a charity can and cannot do: there is considerable splitting of hairs when differentiating between "education" and "advocacy"; contributions to political parties trigger greater tax benefits than those to other charitable groups; businesses are encouraged to lobby but charitable organizations are penalized for doing so; and so on. In fact, the severe restrictions on how much advocacy can be undertaken and, indeed, what actually constitutes advocacy, are particularly thorny issues in the cultural sector. To help our constituency understand the process and issues better, the CCA is chairing the Advocacy Working Group of the VSI, and the issue of charitable status in general, and advocacy in particular, is one of the topics of the 2001 Chalmers Conference.²⁵

There is much Canada could learn from other countries and again we would draw the Committee's attention to the research done by IMPACS. Alternative models exist in the United States, Great Britain, Australia, and a host of other countries.

RECOMMENDATION 4: that Canada's Parliament build on the work of the Broadbent Panel and the Joint Tables to change and modernize Canadian charity law by providing among other reforms:

- a clear legal definition of permissible advocacy;
- clear quantifiable spending rules for advocacy activities to replace the 10 percent rule;
- flexible regulatory options for the enforcement of the new rules;
- greater transparency on the part of the federal regulators of this field; and
- increased financial disclosure requirements for charities.²⁶

In Canada, arts organizations have access to a special designation under the Income Tax Act: the Department of Canadian Heritage can recommend to the CCRA that certain organizations be designated "National Arts Service Organizations" (NASOs). However, the criteria are extremely restrictive and the number of organizations which have been granted NASO status is very small. Greater leeway in interpretation of key words, such as "national" and "community", would certainly provide more arts organizations with the charitable designation they seek.

RECOMMENDATION 5: that consideration be given to changing the definition of "National Arts Service Organization" in the Income Tax Act, so that more cultural organizations can achieve charitable status.

Conclusion

In closing, we reiterate that key to our arguments is the point that this country's artists and creators deserve to be nurtured. A country without culture is a poor country, an impoverished country, a country with no soul. We believe the recommendations outlined in this submission will go a long way to improving the economic status of Canada's artists. Without the individual artists and creators, there would be very little quality of life for Canada to boast about.

We thank the Standing Committee on Finance for the opportunity to present this pre-Budget submission on behalf of the cultural community of Canada.

Endnotes

1. *Budget 2000: New Era ... New Plan*, Report of the Standing Committee on Finance, December 1999, page 135
2. *A New Policy Framework for Canada*, Canadian Cable Television Association, April 2003
3. *Skills for the new economy: what skills, who pays, who delivers*, a presentation made by Robert Crow, VP Policy, ITAC, at the Fifth Annual "How Ottawa Governs" seminar - Public Policy Forum, April 5, 2001, Ottawa, Ontario
4. *The Economy of the Future: Painting the Picture*, Career Paths Online (www.duch.schdist57.bc.ca)
5. *Employability Skills 2000+*, Conference Board of Canada
6. *Hire an artist, it's good for business* by Lola Rasminsky, Director of the Avenue Road Arts School and Beyond the Box, a training programme for executives (The Globe and Mail, July 14, 2001)
7. The CCA is working in partnership with The J W McConnell Family Foundation on a \$6 million six year initiative, *ArtsSmarts*, to encourage arts integration in all aspects of the curriculum.
8. *10 Principles of the New Economy*, Business 2.0 magazine: www.comsvc.on.ca
9. Ibid
10. *Facing the Future: Challenges and Choices for a New Era*, Report of the Standing Committee on Finance, December 1998, page 85
11. CCA translation
12. *Promoting Fairness for the Self-Employed Through Income Averaging*, Scott A Wilson, FCA, Partner, Price Waterhouse (December 1997)

13. Canadian Tax News Vol.XXVIII (2000), Number 4
14. *Focus on Culture*, Catalogue no. 87-004-XPB, Vol.12, No.1
15. *Canadian Culture in a Global world: New Strategies for Culture and Trade*, The Cultural Industries Sectoral Advisory Group on International Trade (SAGIT), February 1999
16. The Writers' Union of Canada
17. Copyright Licensing Agency, United Kingdom
18. Canada Council for the Arts website: www.canadacouncil.ca
19. Comments prepared for a fundraising speech in his riding by Maurizio Bevilacqua, as reported in the *Ottawa Citizen* on June 22, 2000
20. Irish Revenue Department web site: www.revenue.ie/artinfo.htm
21. *The Magnetic North* by Robert Sheppard, *Maclean's*, July 1, 2001
22. *The Law of Advocacy by Charitable Organizations: The Case for Change* by Richard Bridges BA LLB, for IMPACS (www.impacs.org)
23. *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, February 1999
24. *Working Together: A Government of Canada/Voluntary Sector Joint Initiative*, August 1999
25. The Chalmers Conferences were initiated by the Canadian Conference of the Arts in 2000 as an annual forum for the major arts service organizations to meet and collaborate on issues of common interest.
26. *The Law of Advocacy by Charitable Organizations: The Case for Change* by Richard Bridges BA LLB, for IMPACS (www.impacs.org)

Appendix I

PARLIAMENTARY DISCUSSION ON PRIVATE MEMBERS' MOTION M259

Karen Redman (Kitchener Centre, Liberal) paid lip service to artists and creators when she said that the current government "is committed to ensuring that Canadians have Canadian choices This means focussing on the creation of Canadian content and supporting creators, artists and innovators." Unfortunately, the government programmes she then listed were almost exclusively aimed at the cultural industries rather than the individual creators. She went on to say: "It is interesting that this motion has come forward for consideration by the government, yet creators have come to the finance committee and asked us to look at initiatives such as income averaging or indeed some of the aspects of the Irish model." Indeed we have; regrettably, to date, the government has seen fit to reject all such advances out of hand.

A smattering of comments from other MPs during the two debates on M259 follows:

Hansard, May 1, 2000

Inky Mark (Dauphin-Swan River, Canadian Alliance)

"I also agree that professional artists are among the lowest paid workers in Canada. That same message came out loud and clear during the public hearings conducted by the Standing Committee on Canadian Heritage during the winter of 1998.... Another recommendation that came out of these meetings was that income averaging be looked at. Another issue addressed by the writer's union was that income averaging for artists be implemented so as to alleviate the unfair tax burdens. I agree that artists should be able to use income averaging to level the ups and downs from year to year.... All members of this House should lobby the finance minister to implement this worthwhile option for artists. I would challenge all members of the House to do so by writing the Minister of Finance." (Note: Mr Mark did himself write to Paul Martin that same day, stating that "I wish to lend my support in aid of Canada's Artistic community by inquiring into the possibility of income averaging for artists.... Is there a reason why income averaging for artists cannot be implemented by your department?.... We need to assist them because we know their work is important.")

Gilles-A Perron (Rivière-des-Mille-Îles, BQ)

"The objective of this motion by the hon. Member for Kamloops, Thompson and Highland Valley is certainly most praiseworthy. We in the Bloc Québécois made the same comment, moreover, in the dissenting Canadian heritage committee report.... The Bloc Québécois would be prepared to support this motion if it were amended to include ... harmonization by the federal government of its tax system with that of the Government of Quebec, which provides that royalty income of less than \$15,000 is not taxable; action by the government on the recommendation by the Standing Committee on Finance that income averaging be permitted for cultural workers, a measure that existed in the 1970s I invite my colleague from Kamloops, Thompson and Highland Valley to amend his motion ... and the Bloc Québécois will be proud to support it."

Scott Brison (Kings-Hants, PC)

"the hon. Member points out the financial roller coaster artists are on. An artist may go on for several years without payment and then receive a lump sum payment recognizing contributions made over a period of time.... The best way to address that would be through income averaging."

Hansard, June 9, 2000

Ken Epp (Elk Island, Canadian Alliance)

"Perhaps we should re-design our income tax system so there can be some long term averaging of both income and expenses.... Obviously we need to deal with this issue not only for artists but for all Canadians.... I agree in principle with what the hon. Member is trying to do..."

Jean Dubé (Madawaska-Restigouche, PC)

"An artist may go on for several years without payment and then receive a lump sum payment recognizing contributions made over a period of time.... This would also address other people who are similarly predisposed through the nature of their business to receive lump sum payments in recognition of work completed over a period of several years. Income averaging would be the best way to address it."

(The CCA respectfully points out that comments from NDP MPs are not recorded here as, not surprisingly, they spoke in favour of the motion as it was tabled.)

Appendix II

PRESENTATION TO THE STANDING COMMITTEE ON HUMAN RESOURCES DEVELOPMENT

At the end of January, the CCA sent a letter to Minister Jane Stewart, expressing surprise that seasonal workers in the cultural workforce had not been considered when the amendments to the Employment Insurance Act (Bill C-2) were drafted. (The situation of teachers, as possible seasonal workers, was apparently considered.) Our request in that letter was that the Department of Human Resources Development carefully examine the peculiar employment patterns of the cultural sector before bringing any further amendments to the Employment Insurance Act before Parliament. The CCA is pleased to add its voice, and the voices of the 250,000 artists and cultural workers who it represents, to the presentations of other cultural organizations, particularly our sister organization the Cultural Human Resources Council which appeared before this committee yesterday.

Much of what I am going to put forward in this short presentation comes from a brief which the CCA made to the Senate Standing Committee on Social Affairs, Science and Technology in June 1996, when Bill C -12 (the Act which changed unemployment insurance into employment insurance) was under examination. The picture has changed little in the intervening years.

In January 1995, at the time of the establishment of the Cultural Human Resources Council, HRDC stated that "... the cultural sector represents the work force of the future: highly skilled, entrepreneurial and largely self-employed." Despite this statement, the government remains a long way from any understanding of how the cultural sector works and presumably, therefore, how the "work force of the future" will work.

Characteristics of the Cultural Workforce

To give this Standing Committee an outline of the special qualities portrayed by the cultural labour force, here are some of the main characteristics:

- a highly educated, multi-skilled, and extremely adaptable and mobile workforce
- a significant proportion of multiple job holders
- a large number of self-employed individuals

Coupled with these characteristics, artists and cultural workers earn among the lowest salaries in the country. Statistics Canada data, based on the 1996 census, indicates that Canada's artists, musicians, dancers, etc. are among the highest educated but lowest paid individuals in the country. Its quarterly bulletin, Focus on Culture, stated in a recent issue that "of all the occupational categories used by the Census, selected culture occupations ... are all in the bottom half. In fact, artisans and craftspersons were found among the 25 lowest paying occupations in Canada in 1995 No culture occupations ... were found in the country's 25 highest paying occupations (which make on average \$80,200)." In other words, painters, sculptors and other visual artists rank

below taxi and limousine drivers, hotel front desk clerks, and hairstylists and barbers when it comes to professional income earned, while artisans and craftspersons come even lower, after general farm workers, cashiers, and ironing, pressing and finishing occupations. While most Canadians are more aware of the cultural industries which have built up over the past years, surprisingly few remember that all these mega industries depend on individual creators: performers, writers, composers, painters, and choreographers.

Seasonal Work

Many of those in the cultural sector, both employees and self-employed, work on a seasonal basis (for example: those employed by companies whose seasons run from October through to May, or only in the summer). During the periods without income from their professional activities, most artists must continue to practise their craft: musicians must still play their instruments for several hours each day, dancers must exercise for long periods daily, actors must ensure that their "instruments" - their body and voice - are in performance condition at all times. Artists, therefore, can be seen to have unique circumstances that frequently make it very difficult for them to take up alternative work during these downtimes, yet they may not accumulate sufficient "hours" during "employed" periods to qualify for EI. (There used to be recognition by Revenue Canada of this "dual status". Its publication entitled "Tax Information for Professional Artists", now unfortunately no longer in circulation, stated that professional artists "show characteristics of an employee and a self-employed artist at the same time in a taxation year because of the different jobs [they] have". While this "dual status" has traditionally been unique to the cultural sector, it is increasingly evident in other sectors as well.)

Dual Status

Given the extremely low salaries earned by most in the cultural sector through their cultural work alone - the average income in the cultural sector hovers around the \$13,000 per annum mark - many turn to other sources of income: symphony musicians might teach, actors work as bartenders, etc. There continues to be ambiguity over the ability of self-employed artists and cultural workers to access social benefits, such as Employment Insurance, even when obliged to pay premiums through deductions from work carried out in an employment situation. In addition, there is no compensatory system for reimbursement to self-employed individuals for any EI premiums paid.

The CCA continues to urge the Government of Canada to recognize the unique status of Canadian artists, creators and cultural workers. This means that professional artists should be able to retain their self-employed status for taxation purposes, while enjoying access to social programmes such as EI, for purposes of that same income.

Equitable Treatment for all Self-Employed Individuals

In 1995, then Minister of Canadian Heritage, Michel Dupuy, asked "How many people know that employment in our cultural industries is more than six times greater than employment in fisheries?" The fishing industry in Canada is regarded as a special case when discussing employment insurance. The CCA has no desire to make direct comparisons between one sector of the Canadian economy and another, nor to argue their respective merits. However, the CCA feels that equitable treatment should be accorded to all self-employed individuals who might be earning low incomes and excluded from traditional access to EI.

For nearly a decade, the CCA and others (witness the quote from HRDC at the beginning of this presentation) have been pointing to the cultural labour force as the model for the workforce of Canada's future. As we have indicated, those who work in the cultural sector have unique work traits which other sectors are increasingly starting to emulate. This pattern of work, termed "non-standard" employment by HRDC, has grown at a faster pace than standard employment in the intervening years.

Given this fact, it is surprising that government policies have not at least attempted to keep up with the rate of change. The 1997 report from the Advisory Committee on the Changing Workplace stated that "... in the information society, mobility, flexibility, initiative and ongoing dialogue will be the keywords, and the changing nature of the employment relationship calls for innovative approaches and initiatives." I would like to stress those words: innovative approaches and initiatives. The cultural sector is indeed a model for this workforce of the future: entrepreneurial, creative, flexible, motivated, and largely self-employed. To quote from the Cultural Human Resources Council, "the 'new economy' looks more and more like the ages-old economy of culture."

The CCA recommends that the Government of Canada examine improved ways and means to meet the increasingly diverse employment insurance needs of Canadians, as we start a new century, recognizing the rapidly changing nature of the Canadian workforce as a whole. We believe that the Employment Insurance plan as it currently exists simply doesn't address enough people and circumstances to be relevant any more. Constant tinkering with it - an amendment here, an amendment there - won't make much difference. We strongly believe that HRDC must look to a completely new and innovative system, one which addresses more adequately the workforce of today and tomorrow, rather than the workforce of yesterday. The CCA supports the suggestion made by CHRC in its presentation yesterday that a pilot project be undertaken to research ways for EI to meet the needs of the new economy with its initial focus being on the cultural sector. And we offer to assist HRDC in any way we can to achieve this goal.

**RECOMMENDATIONS FROM THE STANDING COMMITTEE ON HUMAN RESOURCES DEVELOPMENT
REPORT ON BILL C-2, AN ACT TO AMEND THE EMPLOYMENT INSURANCE ACT (June 2001)**

Recommendation 8:

In view of the growing incidence of self-employment in the Canadian labour market, the Committee recommends that the government consider developing a framework for extending EI coverage, both in terms of regular and special benefits, to self-employed workers.

Recommendation 9:

The Committee recommends that the government consider extending better EI coverage to workers employed in both paid and self-employment. In the event that the government does not extend coverage to self-employed workers, a premium refund should be provided to those who work in insurable employment but are unable to establish a claim because they are also self-employed.