



# Quality over Quantity: Investing in Human Development

▶ Brief to the House of Commons Standing Committee  
on Finance 2002 Pre-Budget Consultations

▶ September 2002

▶ by Greg deGroot-Maggetti  
Socio-economic Concerns Coordinator

▶ **Citizens for Public Justice**

#311 - 229 College St.,  
Toronto, ON M5T 1R4  
416-979-2443 ext.22  
cpj@cpj.ca

▶ [www.cpj.ca](http://www.cpj.ca)



## ► Setting out the terms

### ■ *The Finance Committee's point of reference:*

*from the letter of invitation from the Chair of the Finance Committee, May 2002*

The goal of the Committee's report is to recommend to the Minister of Finance a plan that will address the following objectives:

- How Canada can best assure greater levels of economic prosperity widely shared by all Canadians; and
- How the government can best assure the highest quality of life for all.

### ■ *CPJ's point of reference:*

**Citizens for Public Justice** welcomes the opportunity to present policy recommendations to the House of Commons Standing Committee on Finance's Pre-Budget Consultations. CPJ is a national organization that promotes justice in Canadian public affairs. For decades, CPJ staff, board and members have endeavoured to help create a Canada that more equitably shares the bounty of this land. Our focus has been on how to improve quality of life, moreso than how to increase the quantity of goods and services exchanged in the economy. This has meant that we pay careful attention to the way different paths of economic development and different public policies impact on the life chances of vulnerable people and communities, and on the natural environment.

From that vantage point, this brief challenges the Finance Committee to look beyond the immediate horizon of the next year or two, and to re-examine some core assumptions about standard of living and quality of life. We recommend several policies to improve the quality of life of all Canadians by reducing poverty and inequality and by improving life chances, particularly for those who are at greatest risk of social exclusion.

## ► Two Challenges

Budget debates in Canada invariably are structured around fiscal capacity as it exists in the present moment. They are based on fiscal estimates and economic projections over the next one or two years. Thus, in the past several years, policy options recommended by this committee have been strictly circumscribed by what the government can do with the projected budget surplus for this year and next. We are left making piecemeal changes to endemic social, economic and environmental concerns. The first challenge therefore, for this committee's deliberations, is to leave aside the fiscal and economic projections for the moment and look to the question of what kind of society we want. Then we can go back and decide what are the steps we can take today to get us there.

The second challenge is to examine the relationship between standard of living and quality of life. Let us frame this question in terms basic enough for broad consensus. Who would disagree with the aim of improving the quality of life for Canadians and, to the extent we are capable, for people around the world? The first inclination, in fact, is not whether or not we can agree on that statement. It is to disagree on how to get there.

It is worthwhile to take a step back and ask another question, though. What makes for quality of life? What are those things that make life worth living? What are those things that make life enjoyable and meaningful?

Now when you look at well-being from the perspective of a federal finance committee, it is difficult to see right away how federal budgeting can address the multiple dimensions of well-being. And it is good to recognize that the federal government cannot do everything to ensure that people enjoy a good quality of life. The pertinent question is what can the federal government do within its sphere of competence to contribute to a high quality of life?

The risk is to look for a simple formula to answer that question. Perhaps the single most influential economic planning indicator over the past century has been the system of national accounts and its prime indicator, the Gross Domestic Product (GDP). GDP provides a lens for seeing the economy. But this lens has a dramatic reducing effect. From the many varied experiences that give life its richness – relationships with friends, family, colleagues; meaningful endeavours; the time to rest, to enjoy art, nature or the bustle of city life and culture – quality of life gets reduced to one dimension: standard of living. “Standard of living” has a precise definition. It means per capita GDP. And all that GDP tells us is the monetary value of goods and services bought and sold during a given year. Who among us

would argue that such a measure does justice to the real meaning of quality of life?

Despite this, raising per capita GDP retains its pre-eminence as a public policy objective. In that the GDP gets freighted with unrealistic expectations – unrealistic because it is too blunt an instrument for measuring changes in quality of life.

*Economic growth and a high standard of living will in many respects be the solution to a variety of challenges now facing Canadians. It will lead to better opportunities for families with children. It is a solution to the increasing demands for health care that will come from an ageing population. It will allow the disposable income of families to increase. And it will lead to less unemployment and greater income security.”* (Finance Committee, 1999)

A higher standard of living does not necessarily translate into a better quality of life. Robert Putnam, the Harvard Political Scientist who has spearheaded research on social capital, has found that an overall increase in a rich societies’ income does not translate into increases in states of health or well-being. By contrast, increasing the networks and relationships among people – people’s participation in groups, even picnicking or simply having a nodding acquaintance with neighbours – has been demonstrated to translate into better states of well-being.<sup>1</sup> (Putnam 2001)

A higher standard of living does not necessarily improve population health. Indeed, a growing body of population health research is finding conclusive evidence that, in rich societies such as Canada, reducing poverty and inequality are far better prescriptions for improving population health than raising the standard of living (Townson 1999; Health Canada, 1999; Dunn 2002).

*There is conclusive evidence that people at each level of the income scale are healthier and live longer than those at the level below. Moreover, countries in which incomes are more evenly*

---

<sup>1</sup> “Using a combination of ... replies to four questions asking individuals for a self-assessment of their own happiness, I have discovered that happiness increases with both their own and their state’s measure of social capital. By contrast, an individual’s measure of happiness rises if his or her income is higher but falls if the average state income is higher. Thus, although people value their own income more when their neighbours earn less money, people feel better off when either they or their neighbours have higher levels of social capital (Putnam 2001, p.50).”

*distributed have a healthier population in terms of life expectancy, quality of life and mortality rates.* (Health Canada, 1999, p.8)

A higher standard of living does not necessarily lead to greater economic security. Over the past twenty years, despite steady increases in per capita GDP, the economic security of families with children has, in fact, deteriorated. This is evident in terms of the rate and depth of poverty among families with children (National Council of Welfare, 2002). It is evident in the decline in the net wealth of families. It is also evident in the longer hours of paid work needed for families to earn a middle class income (Vanier Institute, 2000).<sup>2</sup>

*Young couples with children experienced a 30% decline in their median wealth [between 1984 and 1999]. This led to a substantial decrease in their net equity on principal residence. Furthermore, a growing proportion had zero or negative wealth and therefore could not rely on savings to provide liquidity in periods of economic stress.* (Morissette et al., 2002, p.21)

## ► **Economic Development and Quality of Life**

To better understand the relationship between standard of living and quality of life, we need to examine more closely different types of economic development. Consider an example where the choice to focus on quality of life and environmentally sustainable development results in lower GDP growth than a more traditional approach to development. The Headwaters Project is an attempt in a new subdivision in Surrey, British Columbia, to put environmental sustainability and quality of life issues at the centre of the planning process (see Appendix B, *Design Principles for a Sustainable Community*). The irony is that the very success of the project in meeting those goals – reducing the need for cars, lowering housing costs, cutting pollution – will register a lower growth in GDP than would a more conventional development.<sup>3</sup>

---

2 The challenge of economic security and the high number of jobs currently available is examined in Appendix A, *Skilled Labour Shortages: Challenge or Opportunity?*

3 Brain Milani (2000) offers many examples across other dimensions of economic life where the choice of sustainable design principles permits a high quality of life with less damaging impact on the environment.

The shortcomings of GDP as an indicator of well-being has led to numerous efforts to develop different measures. (See Appendix C, *A Higher Standard of Living: At What Cost?*) From the perspective of policy making, we need more than a new indicator, we need a new framework in which to create public policies. And this has required taking a new look at what makes for human well-being.

Nobel economist Amartya Sen has contributed substantially to the development of an alternative to what he terms the welfare approach to well-being (Sen, 1999). The welfare approach locates human well-being within the level of income one possesses, thus taking consumption as the ultimate source of human well-being. Yet, Sen rightly observes that income is but a means for developing and exercising human capabilities. It is the development of those capabilities, he argues, that is the true aim of economic development. So, Sen proposes a capabilities framework, where well-being can be found in the development of human capabilities. The capability that income affords to consume economic goods and services is one part of well-being. The capability to enjoy health and a long life, to learn, to exercise one's livelihood, to participate in the life of one's community are examples of other capabilities.

The expansion of capabilities depends on people's access to developmental assets – the familial, social, economic and cultural conditions that foster human development. The presence of development deficits, on the other hand, limits people's chances to expand their capabilities.

The lesson that emerges is the need for comprehensive investments in conditions that enable all people to develop their capabilities through the course of their lives. We can see this through the perspective of a life-cycle approach to eliminating child poverty. The “mission of a life cycle approach,” writes Marvyn Novick, “is to assure vulnerable children that the assets essential for their healthy development will be available from gestation into the early years, during childhood and through the transition to adulthood. Poor children cannot enjoy prospects for healthy development in societies and civic communities which do not value the well-being of all children and families....Children live in poverty because there are weak public frameworks to support family requirements, to endow the social environments of all children with developmental assets, and to respond to the vulnerabilities which are inherent in family life (Novick 1999, p.10).”

While many European countries have invested significant public funds in supporting families with children throughout the life cycle, Canada, the U.S. and other English-speaking countries have tended to view child development as the

private affair of families. Apart from funding for primary and secondary education and public health insurance, Canada's systems of support for families are weak, particularly in the early years. The privatized approach possesses serious disadvantages. "Families of privilege can draw upon private advantages to endow their children with social environments rich in developmental assets. Most families are hard pressed to provide their children with equivalent exposures to rich developmental assets if they must rely upon limited private resources. A society with weak public commitments to support families inevitably privatizes access to developmental assets, and thereby *polarises prospects* for most children (Novick 1999, p.10)."

## ► Policy Directions

If a substantial understanding of quality of life depends on developing human capabilities and strengthening the networks of human relationships, we must ask different questions than how to raise the standard of living:

- We must ask how different patterns of socio-economic development affect things like inequality in the distribution of income and wealth.
- We must ask how different patterns of economic development influence the way in which social institutions and the design of communities foster or inhibit social interaction and individual chances to participate in voluntary and other group activity.

It follows that we must choose policies that invest in the common conditions for developing human capabilities. We must do this rather than relying on residual social spending – in the form of social assistance payments, higher costs for mental and physical health care, corrections, etc. – aimed at containing or ameliorating the conditions of deprivation. Ultimately, the latter is more costly (National Council of Welfare, 2001-2002).



## *Reducing Poverty and Inequality*

One clear policy direction that comes from population health research is to reduce poverty rates and inequality. Since 1999, Citizens for Public Justice has proposed – with other Campaign 2000 partners – a set of policy benchmarks for reducing child poverty in Canada.

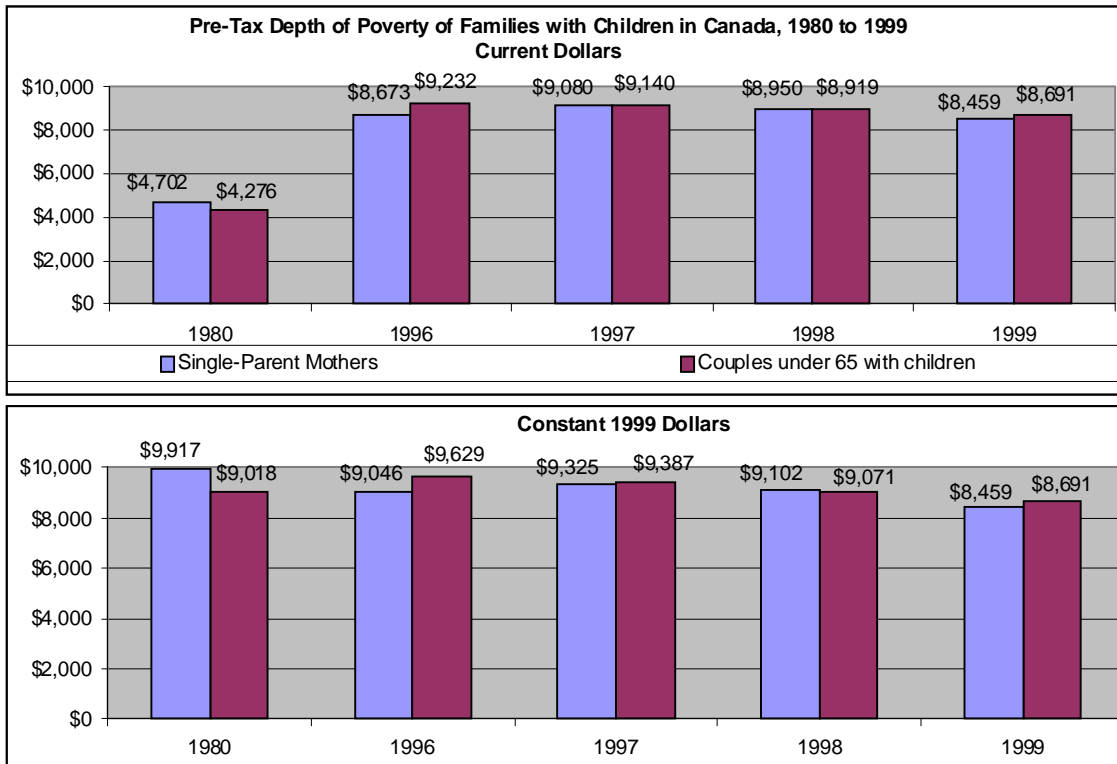
One of the key policy benchmarks is to reduce both the rate and depth of child poverty by 50% over five years. Neither the federal government nor the provinces and territories have taken up that challenge. However, they have explicitly recognized that reducing child poverty is an important national policy goal. Initiatives such as the National Children's Agenda, the National Child Benefit and the Early Childhood Development Initiative reflect a commitment to work for the well-being of children.

So how far have we come in reducing the rate and depth of child poverty in Canada since the National Children's Agenda was launched in 1997?

The National Council of Welfare reports the rate of child poverty was 20.6% in 1997 – that is 1,459,000 children. The rate dropped to 18.7% – or 1,313,000 children – by 1999. That represents a 10% reduction in the rate of child poverty over two years.

Consider next, the depth of poverty (see chart following). The average depth of poverty (in Constant 1999 Dollars) for two-parent families with children was \$9,387 in 1997 and \$8,691 in 1999 – a 7% reduction (or improvement). For single-mother households, the depth of poverty dropped 9%, from \$9,325 to \$8,459.

As the National Council of Welfare (2002) has observed, the improvements in both the rate and depth of poverty are actually weaker than one would have expected considering the strong economic and employment growth of recent years. When we consider that programs like the National Child Benefit bypassed many poor families with children (because of provincial government clawbacks), it becomes clear that a stronger government commitment to reducing child poverty would reap greater results.



Unpublished Data Compiled by National Council of Welfare at the specific request of Citizens for Public Justice. Source: Survey of Labour and Income Dynamics, Statistics Canada, 1999

Consider, for example, what increasing the maximum Canada Child Tax Benefit from \$2,500 to \$4,200 per child would accomplish. Raising the maximum child benefit to that level would substantially reduce the depth of poverty. For example, a family with two children who was eligible for the maximum benefit would see their income increase by more than \$3,000 per year. Given the average depth of poverty for families with children in 1999, such an increase could reduce the depth of child poverty by more than 35% for many families.

If nothing else, a substantial federal investment in child tax benefits would make a big difference in the lives of low income families. A further plan for making sustained investments in child care, affordable housing and reduced post-secondary tuition would move even further in assuring that all Canadian children have a real chance at healthy and full development.

*And we should not overlook the federal government's role in the social safety net – from the Child Tax Benefit to the Guaranteed Income Supplement – which has been absolutely critical in*

*preventing the grinding poverty that has gripped so many U.S. inner cities. In fact, it is not too far-fetched to consider the federal and provincial governments' income support programs as being part of a housing strategy. These income supports do narrow the gap between the market-based incomes of low-income individuals and families and the cost of housing. (TD Bank 2002 p.26)*

## *Social Investment in Lifelong Learning*

One key finding in the social capital literature has been the correlation between higher levels of educational attainment and levels of social capital. This suggests that investments in education would be good public policy. Such investments are consistent with the government's own skills agenda.

### **Early Childhood Education and Child Care**

The government recognizes that the "path of lifelong learning begins in early childhood." It is not just that participation in high quality early childhood education and child care prepares young children for school, it is good for their social, emotional and behavioural development.

*In the 15 European Union countries, between 60 and 99 per cent of children 3-6 years old are in publicly funded preschool, childcare or school. By comparison, Canada's early childhood learning and support services are uneven in quality and availability. (Knowledge Matters p.15)*

Beyond the early years there is the need for school-age children to have access to adequately funded schools and to be able to participate in sports and arts programs. Education being a provincial responsibility, there is less that the federal government can do directly to ensure adequate investments in elementary and secondary education. But low family income is one barrier to school-age children participating in sports and arts programs. The government can work to both assure that basic income security for families is stronger and to support investment in sports and arts programs. The first objective can be achieved in part through a stronger, more inclusive child tax benefit. The second could be a component in social infrastructure development through the government's urban policy agenda.

## Post-Secondary Education

*While overall post-secondary education participation rates have risen steadily until recently, a significant gap in participation in university education is evident between lower, middle and higher income Canadians.* (Knowledge Matters, p.27)

The gap in post-secondary participation rates is no doubt attributable to the steep and steady rise in post-secondary tuition rates. The federal government has attempted to counter this by offering more generous tax incentives for individual education savings. Unfortunately, this program is bound to magnify the program of social exclusion. Low income families have seen little improvement in their incomes. Between 1984 and 1999, the net wealth of the poorest 40% of households has declined and the number of households with zero or negative net worth has increased (Morissette et al, 2002). Simply put, low income families do not have the means to invest in their own education. That is precisely why strong systems of social supports – in education, health care, social insurance and income security – were created. However, provincial welfare programs exacerbate the problem when they strip welfare recipients of assets, count student loans as income or deduct the National Child Benefit Supplement from social assistance payments.

*But the evidence shows that many households, particularly those with lower incomes, cannot borrow freely against future income and therefore are often significantly constrained by their current level of disposable income.* (David Dodge, Governor of the Bank of Canada, 2002)

If Canada hopes to reverse the trend toward exclusion from participation in post-secondary education, the federal government will have to invest, with the provinces and territories, in post-secondary education to freeze and reduce tuition costs. The federal government should also invest in needs-based post-secondary education grants.

New immigrants to Canada are one of the groups most at risk of experiencing poverty and social exclusion (Morissette and Zhang, 2001). In addition to the barriers to post-secondary education experienced by other low income households, recognized refugees face another barrier – the inability to get student loans. This is a situation the government can – and should – easily rectify.<sup>4</sup>

---

4 CPI's concerns are focused on people who are recognized as refugees or Protected Persons under the Immigration and Refugee Protection Act but who are in legal limbo because of delays in

## ► Policy Recommendations

In summary, CPJ urges the Finance Committee to recommend a multi-year strategy of public investments in income supports and services to enable people to develop their human capabilities throughout the stages of life. Experience has shown that the failure to make such public provisions, relying instead on private provisioning, leads to the polarization of life prospects and costly social spending on programs of containment, such as welfare.

We recommend several policies to improve the quality of life of all Canadians by reducing poverty and inequality and by improving life chances, particularly for those who are at greatest risk of social exclusion.

Canada already possess public systems of support such as public health care, public primary and secondary education, the post-secondary education system and seniors benefits. All of these programs have experienced strains in recent years, due primarily to weakened social investments. Nonetheless they remain important national assets both for the well-being of Canadians and for continued economic vitality.

The major gap exists at the beginning of the life cycle. The income supports and services are either inadequate (child benefits), very fragmented (child care and early childhood learning), or in states of chronic neglect (affordable housing). Some programs (like maternity leave and the National Child Benefit) systematically exclude many families who need them (See Appendix D, *Maternity Benefits for All?*). The recent polarization in access to post-secondary education combined with the growing debt loads of graduates just as they enter into worklife and family formation likewise requires attention.

---

acquiring permanent resident status in Canada, or “landing.” With respect to the current budget deliberations, we draw the Standing Committee’s attention specifically to the situation of refugee youth who are in limbo, the barrier they face in accessing post-secondary education, and the simple and inexpensive solution to this problem.

*Therefore, CPJ urges the Finance Committee to make the following recommendations:*

1. That the federal government commit to reduce the rate and depth of child poverty by 50% over five years. The first step would be to increase the maximum Canada Child Tax Benefit from \$2,500 to \$4,200 per child. When fully implemented, this recommendation will require an additional investment of about \$10 billion annually.<sup>5</sup>
2. That the federal government commit to a new investment in quality Early Childhood Education and Child Care services that are universal, inclusive and accessible in all communities. When fully implemented, this initiative would require a \$3 billion annual investment.
3. That the federal government create a national affordable housing investment strategy leading to the creation of 20,000 new affordable housing units each year over the next 10 years and rehabilitating a further 10,000 units per year. This will require an investment of \$1 to \$1.5 billion annually for ten years.
4. That the federal government commit to national investments through the provinces and territories to freeze and lower tuition fees for post-secondary education. The federal government should also introduce a national system of needs based grants. The federal government should change the rules to allow refugees to access student loans. This would require additional investments of about \$500 million a year.
5. That the federal government:
  - (a) amend section 2(1)(a) of the Canada Student Financial Assistance Act qualifying “protected persons” for student financial assistance on an equal basis with permanent residents and Canadian citizens; and
  - (b) allocate funds to the Canada Student Loans Program sufficient to cover the additional eligible students (estimated at a maximum of 1000 students and \$4.5 million in loans).

---

<sup>5</sup> For the estimated levels of investment required to fund each of these recommendations, please refer to Citizens for Public Justice, *Investing in Our Top Growth Stock: Canada’s Children*, Submission to the House of Commons Standing Committee on Finance 2001 Pre-Budget Consultations.

## ► **Fiscal fairness and how we pay for social investments**

Let us return to the question of fiscal capacity. It should be clear that different paths of economic development and different sets of public policy require different levels of public spending. If we choose to neglect investing in basic systems of income security, housing and life-long learning (from pre-school through post-secondary education and beyond) we incur multiple costs. One type of cost appears on the balance sheets of governments as mounting demands on the health care, social services and corrections systems. Instead of building human capacities, we can choose to contain the consequences of human deprivations. But we pay for it. The second kind of cost is the lost potential in contributions to social and economic well-being that results from not enabling people to develop their capabilities. So in the medium to long term, failing to make good social investments now is a decision to increase social costs of another sort for years to come.

*It is no accident that countries such as the United States and Canada with high levels of child poverty also have the largest and most expensive child welfare systems in the industrialized world. (Novick 1999, p.10)*

In the short term, making social investments will require new funding. At the same time, a comprehensive system of life cycle investments cannot be built in one or two budgets. The direction can be clearly given. And initial investments should be made. For example, the completion of the child tax benefit system could be done in stages over several years. Likewise, a national system of early childhood education and child care cannot be built overnight. The framework and regulations for such a system can be put in place along with the first installments of funding. This would require both more funding than was provided under the Early Childhood Development Initiative and a stronger framework for assuring that the monies actually are invested in early childhood education and care. Benchmarks should be set for assessing the number of children using licensed, regulated child care and/or enrolled in high quality early childhood education programs.

In a similar way, increased investments in affordable housing must be combined with stronger commitments (and enforcement mechanisms) to ensure that affordable housing is actually built and not that private builders of market rent housing simply receive public subsidies.

*Fiscal Fairness: the right of all persons, communities and institutions to fair fiscal treatment and the responsibility of all to contribute fairly for the well-being of all.* (Citizens for Public Justice, Guidelines for Public Justice)

How could we pay for these investments? The tendency has been to look to the current and projected surpluses and allocate spending accordingly. Such an approach must pass the test of fiscal fairness. In this light, we cannot ignore the fact that recent federal surpluses are accounted for by the annual surpluses in the Employment Insurance (EI) account (Canadian Labour Congress, 2002). Likewise, while personal income tax, capital gains tax and corporate taxes have all dropped, property taxes have increased by 58% in recent years (Federation of Canadian Municipalities, 2002). Employment taxes and property taxes by their nature fall more heavily on people with low, modest and middle incomes than on those with higher incomes. Employment Insurance premiums, for example, are only levied on the first \$39,000 of income, which means that those who earn more are effectively taxed at a lower rate. The clawback rate of income supports such as child tax benefits or Old Age Security, mean that low and modest income households actually face the highest marginal rates of taxation as well (Shillington, 1999).

So it is not enough to expect that we can pay for social investments out of surpluses generated under our current system of taxes.

Though it may not be a popular idea within influential circles, we need to examine how much we spend in tax expenditures for things like Registered Retirement Savings Plans and Registered Education Savings Plans.<sup>6</sup> We should re-examine the issue of a wealth tax and the fairness of capital gains and personal income tax cuts. If property taxes, employment taxes and benefit clawbacks impose higher rates on low, modest and middle income households, experience shows that tax shelters like RRSPs and RESPs as well as capital gains tax cuts benefit higher income households. How can we square this with the demands of fiscal fairness and with the government's desire to create a more inclusive Canada?

*Private pension assets were concentrated in a relatively small percentage of family units. The 25% of family units with \$100,000 or more in private pension savings held 84% of these assets. About*

---

<sup>6</sup> The net tax expenditure for RRSPs is projected to reach nearly \$10 billion annually by 2003. RESP tax expenditures will have grown from \$35 million a year in 1996 to a projected \$160 million a year in 2003 (Finance Canada, 2001).



*half of these (13%) had at least \$200,000 in pension assets – this group alone held close to two thirds (64%) of the total. However, almost 29% of all family units did not have any private pension assets in 1999. (Maser and Dufour, 2002)*

We also need to ask how those who benefit from public investments in skills development – namely corporations – contribute to the funding of those initiatives.

## ► **Closing**

Canada faces important questions about our sense of public purpose and choice of social, economic and fiscal policies. They challenge us to think seriously about the Canada we want. They challenge us to examine core assumptions about what makes for a good life. They challenge us to look honestly at whether and how we live up to our stated values of fairness and inclusiveness.

Citizens for Public Justice urges the Finance Committee to recommend policies that will reduce poverty and inequality. This means: policies to invest in shared programs and services to foster human development for all people. To choose quality of life for Canadians rather than simple expansion of the economy. To take the long view so that we spend our public resources on programs that build human capabilities. And to pay for these programs in a manner that does justice through fiscal fairness.



► *Appendix A*

## **Skilled labour shortages: challenge or opportunity?**

**Analysis by Greg deGroot-Maggetti**  
*for the Public Justice Resource Centre*

*Canada is already facing structural skill shortages in a range of occupations, such as nursing, engineering and management. The Canadian Federation of Independent Business reported in late 2000 that up to 300,000 jobs were vacant because of a lack of suitable skilled workers.*

Knowledge Matters

*Already, shortages are occurring in many skilled trades, including the plumbing and construction trades. The Conference Board of Canada forecasts a shortfall of nearly one million workers within 20 years.*

Knowledge Matters

### **The potential**

Canada's skilled labour shortage can be a good news story – if we make it so. For the better part of the 1980s and 1990s, we faced just the opposite problem – a good work shortage. As a consequence, a whole generation of young workers entered a labour force that offered them lower wages, less job security and greater risk of unemployment. As a result, market income inequality rose, pressures on unemployment insurance and welfare systems grew, and child and family poverty took a quantum leap.

The skilled labour shortage promises to reverse all of those trends. It is up to us to make that happen. One key is to assure that every Canadian child has the foundation of income and service supports that will enable them to develop to their full potential.

### **The risk**

There is a very real risk that we will miss this opportunity. Succeeding requires the vision and determination to make the long-term investments to realize the potential. Ultimately it means making social investments in people's well-being, upfront rather than relying on the social safety net (tattered as it is) to catch people who fall through the cracks in our economy.

### **Realizing the potential**

*A significant minority of Canadian children...are not developing the skills and ability to learn that will help them live and work to their full potential....Children who perform below their potential come from all kinds of backgrounds, but low family income is a major risk factor.*

Knowledge Matters

The first key to success in realizing the potential of Canada's skilled shortage is eradicating child poverty in Canada. This will require several proven social investments: building a fully effective child tax benefit, creating a national system of high quality, early childhood education and child care, and building decent, affordable housing.

If we lay the foundation for the future through these wise investments we can secure the benefits of a full-employment, high-wage economy that reduces the demands on Canada's health, social and justice systems, provides business the people-power they need to succeed and assures that all Canadians enjoy an improvement in the quality of life of our country and our communities.

*Clearly, efforts by policymakers to enhance the development of Canadian children living in poverty will not be successful unless such efforts reduce the rate and depth of poverty among Canadian families.*

Rhonda Kornberger et al,

"Welfare or Work:

Which is Better for Canadian Children?"

*Canadian Public Policy*, December 2001

## ► *Appendix B*

# Design Principles for a Sustainable Community

### Principles taken from *Canada Mortgage and Housing, 2001*

The Headwaters Project lays out a plan for the East Clayton Neighbourhood, a new subdivision in Surrey, B.C. It seeks ecological and social sustainability using these design principles:

- 1. Increase density and conserve energy by designing compact walkable neighbourhoods.*
- 2. Provide different dwelling types (a mix of housing types including a broad range of densities from single-family homes to apartment buildings) in the same neighbourhood and even on the same street.*
- 3. Communities are designed for people; therefore, all dwellings should present a friendly face to the street in order to promote social interaction.*
- 4. Ensure that car storage and services are located at the rear of dwellings.*
- 5. Provide an interconnected street network, in a grid or modified grid pattern, to ensure a variety of itineraries and to disperse traffic congestion; and provide public transit to connect East Clayton with the surrounding region.*
- 6. Provide narrow streets shaded by rows of trees in order to save costs and to provide a greener, friendlier environment.*
- 7. Preserve the natural environment and promote natural drainage systems (in which stormwater is held on the surface and permitted to seep naturally into the ground.)*

When compared to the conventional approach to suburban development, the Headwaters Project achieves remarkable results both in social and environmental terms. These include reducing the need for vehicle ownership by 30%, a 35-45% reduction in greenhouse gas emissions per household and 20-40% lower per unit land, building and infrastructure costs than a conventional subdivision.



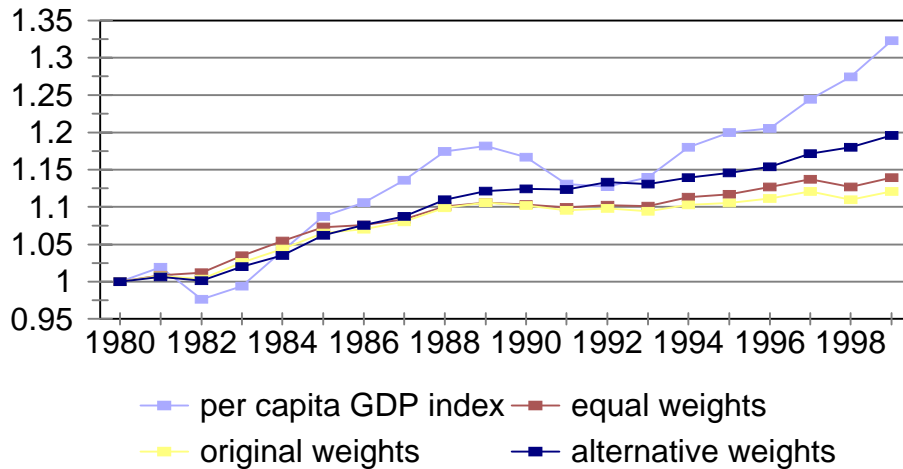
► *Appendix C*

## Higher standards of living: at what cost?

**Analysis by Greg deGroot-Maggetti**  
*for the Public Justice Resource Centre*

There have been numerous efforts to arrive at better measurements of social well-being than the Gross Domestic Product provides. These attempts date back to the early 1970s, when economists William Nordhaus and James Tobin attempted to adjust the U.S. national accounts to more accurately reflect economic well-being (Nordhaus and Tobin 1972). More recently efforts have included the development of Genuine Progress Indicators by a number of groups (see for example the Pembina Institute and GPI Atlantic). The Canadian Council on Social Development produces a personal security index and the Federation of Canadian Municipalities has created a Quality of Life Index. This is just a small sampling of some efforts to better measure trends in human well-being and quality of life.

### Index of Economic Well-being and per capita GDP 1980-1999



*Source: Centre for the Study of Living Standards*

Another example is the Centre for the Study of Living Standards' Index of Economic Well-Being. This indicator is narrower in scope than other indexes, focussing more closely on how economists have traditionally looked at well-being – as purchasing power. If any index should have a close correlation to patterns of economic growth, it should be this.

There are four components (subindexes) to the Index of Economic Well-Being: consumption, wealth, inequality, economic security. The subindexes are combined to arrive at the overall index of well-being. It is possible to choose three different weightings to achieve the overall index. The first assigns an *equal weight* to each of the four components. The second (*original weights*) assigns one-quarter of the weight each to inequality and security, 40% to consumption and only 10% to wealth. The third weighting (*alternative weights*) could be called the “You are what you consume” weighting. It gives pride of place to consumption (70%) while each of the other three components get a meagre 10% each.

What the index of economic well-being reveals is that raising the level of economic well-being – even in a relatively narrowly defined sense – has required higher rates of growth throughout the 1980s and 1990s. But high rates of economic growth are associated with higher levels of pollution and more rapid depletion of non-renewable resources. Per capita energy use reached an all-time high by 1996, as the energy efficiency efforts begun in the 1980s were overwhelmed by shear growth in the Canadian economy (Statistics Canada, 2000, p.167; *Canada vs. the OECD*, 2001, pp.16-17). Given our energy-intensive patterns of economic development and heavy reliance on fossil fuels as an energy source, more growth means more pollution. And there is hard evidence that growth is killing us. Air pollution has been associated with premature deaths in the tens of thousands and imposing millions of dollars in higher medical costs. (Ontario Medical Association, 2000 ).

These results beg the question whether achieving a higher standard of living is really worth it. This is especially relevant since, on the one hand it undermines our quality of life in many respects, and on the other hand, there are other ways to achieve a higher quality of life – namely reducing poverty and inequality and building social capital.



► *Appendix D:*  
**Maternity Benefits for All?**

**Analysis by Richard Shillington**

*Ottawa-based social policy researcher*

Ottawa recently floated an interesting trial balloon by suggesting that employment insurance (EI) maternity benefits be extended from one to two years. Is this evidence of a social policy renaissance in Ottawa?

At first glance, it's a great step forward. Parenting is difficult enough, even for families with adequate incomes. For low and modest income families, replacing a new mother's foregone earnings is essential for parenting. Careful design of government maternity benefits is critical because the majority of parents are now in two-earner couples and research indicates that a mother's return to paid work is associated with the end of maternity benefits.

A simplistic view would see mothers in two groups; those who work and get EI maternity benefits and 'stay at home' mothers who don't. The real world is more complex and reveals that the income support available for new mothers varies markedly, depending on their work history.

In fact, our analysis of Statistics Canada surveys demonstrates that, far from helping the most vulnerable, government and employer income supports primarily benefit new mothers with higher incomes working full-time, often in the unionized public sector.

The first harsh reality involves how difficult it is to receive employment insurance. Only about 58% of new mothers, representing about 200,000 annual births, qualify for EI benefits. About 26% of new mothers were not in the labour force in the year immediately before giving birth and so are not entitled to EI maternity benefits (90,000 annual births). The remaining 16% (60,000 annual births) were in the labour force but did not qualify for EI benefits because they were self-employed, contract workers or worked seasonally, temporarily or part-time. Thus they could not meet the new stringent minimum hours for EI maternity benefits set by Human Resources Development Canada. For those who worked in the year prior to childbirth, about 25% do not qualify under this hours-based system.

For those working in the year prior to childbirth, the proportion of new moms receiving EI was 75% overall. Here again, better-off moms benefited most, with 93% of those with incomes of \$70,000-\$80,000 receiving benefits, versus only 49% for those in families with incomes under \$20,000. Because they often work part-time, seasonally or temporarily, only 62% for those earning less than \$7.50 per hour receive EI maternity benefits – far less than the 91% of those earning \$15-\$25 per hour.

New moms who are lone parents are especially hard hit by tough EI rules. Only 38 percent of them qualify for EI maternity benefits. Mothers often prefer part-time employment because of its flexibility. Yet HRDC changed the EI eligibility criteria from weeks to hours, which hurts those who work part-time. For example only 58% of new moms with preschoolers who had worked part-time received maternity benefits.

The courts in the Lesiuk case – involving a Manitoba nurse and mother who was denied maternity benefits when her second child was born – have concluded that the change discriminated against women. HRDC is appealing this decision.

Then there's the problem of low EI benefits overall, for all recipients, which replace 55% of earnings to a maximum of only \$413 per week. Some employers 'top-up' these EI maternity benefits. For example, federal employees get 93% replacement of their income for one year (there is no upper limit to this 'top-up'). Again, the new mothers most likely to receive 'top-ups' from their employers are higher income, full-time employees, in the public sector or other strongly unionized areas. More than half of higher income new moms get top-ups, while less than 10% of low-income women do so.

The facts are clear: low-income women are least likely to qualify for EI maternity benefits. The 1996 changes to EI made a difficult situation worse by further discriminating against part-time employment.

You can debate the pros and cons of extending EI maternity benefits from one to two years. But a far bigger immediate priority is to correct the design flaws in the eligibility criteria so that those mothers who most need income assistance have equal access.

Ottawa, are you listening?

*This article appeared in CPJ's newsletter, The Catalyst, October/November 2002.*

## ► References

- Canadian Labour Congress (2002), *Unemployment Insurance Bulletin*, Vol.4, No.1.
- Canada Mortgage and Housing Corporation (2001) “The Headwaters Project – East Clayton Neighbourhood Concept Plan” *Socio-Economic Series Issue 78*, February.
- Canada vs. the OECD: An Environmental Comparison* (2001) Eco-Research Chair of Environmental Law and Policy, University of Victoria.
- Citizens for Public Justice, *Guidelines for Public Justice*, [www.cpj.ca](http://www.cpj.ca).
- Dodge, David (2002), Governor of the Bank of Canada, A The Interaction Between Monetary and Fiscal Policy, *Canadian Public Policy – Analyse de Politiques*, Vol. XXVIII, No. 2 (pp 195-6).
- Dunn, James R. (2002) “Are Widening Income Inequalities Making Canada Less Healthy” The Health Determinants Partnership Making Connections Project [www.making-connections.com](http://www.making-connections.com) .
- Federation of Canadian Municipalities (2002) Presentation to Standing Committee on Finance, May 23.
- Finance Canada (2001) *Tax Expenditures and Evaluations: 2001*, [www.fin.gc.ca](http://www.fin.gc.ca).
- Health Canada (1999) *Healthy Development of Children and Youth: The Role of the determinants of health*.
- Knowledge Matters: Skills and Learning for Canadians, Canada’ Innovation Strategy*, Government of Canada (2002).
- Maser, Karen and Thomas Dufour (2002) “Private pension savings, 1999,” *Perspectives on Labour and Income*, Statistics Canada, Vol. 14, No. 1 Spring, Catalogue no. 75-001-XPE.
- Milani, Brian (2000) *Designing the Green Economy: The Post-Industrial Alternative to Corporate Globalization*, Rowman and Littlefield Publishers, Inc., Lanham, Md.

Morisette, Rene and Xuelin Zhang (2001), “Experiencing low income for several years,” *Perspectives on Labour and Income*, Statistics Canada, Vol. 13, No. 2 Summer, Catalogue no. 75-001-XPE.

Morisette, Rene, Xuelin Zhang and Marie Drolet (2002), “Wealth Inequality,” *Perspectives on Labour and Income*, Statistics Canada, Vol. 14, No. 1 Spring, Catalogue no.75-001-XPE.

National Council of Welfare (2002) *Poverty Profile 1999*, Summer.

Novick, Marvyn (1999) “Foundations of a Life Cycle Approach to Prevent and Reduce Child Poverty,” Campaign 2000.

Ontario Medical Association (2000) *The Illness Costs of Air Pollution*, prepared by DSS Management Consultants Inc., July 26.

Putnam, Robert (2001) “Social Capital: Measurement and Consequences” in John Helliwell, editor, *ISUMA: Canadian Journal of Policy Research*, Volume 2, No 1, Spring.

Sen, Amartya (1999) *Development as Freedom*, Alfred A. Knopf, New York.

Shillington, Richard (1999) *The Dark Side of Targeting: Retirement Saving for Low-Income Canadians* C.D. Howe Institute, September.

Statistics Canada (2000) *Human Activity and the Environment 2000*, June, Catalogue no.11-509-XPE

Standing Committee on Finance (1999), *Productivity with a Purpose: Improving the Standard of Living of Canadians*, Chairman, Mauricio Bevilacqua, M.P., June, pp. ix-x.

Townson, Monica (1999) *Health and Wealth: How Social and Economic Factors Affect Our Well-Being*, Canadian Centre for Policy Alternatives.

Vanier Institute of the Family (2000) *Profiling Canada’s Families II*.