

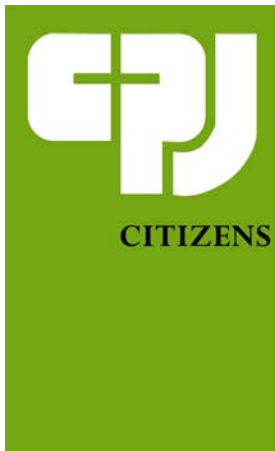
Economic and Social Deficits: Building a Responsible and Caring Economy

*Submission to the Standing Committee on Finance
Pre-Budget Consultations*

August, 2010

CITIZENS *for* PUBLIC JUSTICE





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Our Vision

- CPJ is committed to seek human flourishing and the integrity of creation as our faithful response to God’s call for love, justice and stewardship.
- We envision a world in which individuals, communities, societal institutions and governments all contribute to and benefit from the common good.

Our Mission

- CPJ’s mission is to promote *public justice* in Canada by shaping key public policy debates through research and analysis, publishing and public dialogue. CPJ encourages citizens, leaders in society, and governments to support policies and practices which reflect God’s call for love, justice and stewardship.

Public Justice

- CPJ Public Justice is the *political* dimension of loving one’s neighbour, caring for creation and achieving the common good, and is particularly the responsibility of government and citizens.

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Economic and Social Deficits: Building a Responsible and Caring Economy

Executive Summary

Budget decisions are moral decisions: they reveal our values, affect how resources are allocated, and shape our common future as Canadians. CPJ believes that the values of justice, love for neighbour, care for the earth, and dignity for all should be reflected in our collective decisions and in our public policies and practices. From a public justice perspective, then, our economy should be that of care and responsibility, especially in addressing the needs of Canadians during uncertain economic times.

Canada is still recovering from the latest economic recession. Recovery from recessions is no easy task for governments, as more and more people are in need due to rising unemployment, job losses and spending freezes. A deficit of \$53.8 billion emerged out of the recession, which governments may now attempt to very quickly pay down.

A responsible and caring economy means putting the needs of all Canadians, especially those most in need, at the top of the political agenda. This includes addressing issues like the economic deficit, in order that future generations of Canadians are not over-burdened with debt. However, in order to promote full recovery that is sustainable and lasting, Canada's social deficit must be addressed as well.

Currently more than 1 in 10 Canadians lives in poverty, while social programs and support in Canada continue to diminish. Caring for Canadians includes investing in sustainable programs and working to eliminate poverty. A federal poverty elimination strategy would allow all Canadians to live in dignity.

The recession did not create the problem of poverty, but exacerbated it, illuminating more clearly Canada's broken and insufficient social programs. Programs like Employment Insurance and social assistance are not sufficient to lift Canadians out of poverty. Too many are excluded and isolated from society. A Guaranteed Livable Income could ensure adequate support for all citizens.

Responsible and caring government action includes investment in people and services. Much of the investment in services comes from tax revenues. However, with the continued cuts to corporate taxes and the GST, government revenues were reduced significantly. The rollback of corporate tax cuts would allow for more investment in essential services.

Finally, responsible spending must allow for the participation of citizens and the promotion of civic engagement. This includes continued funding and support for non-profit organizations. These organizations can provide constructive recommendations to the government in order to allow Canadians to bring about positive change.

Recommendation #1: Budget 2011 should announce a comprehensive, federal plan for poverty elimination.

Recommendation #2: Budget 2011 should take steps towards introducing a universal, Guaranteed Livable Income for all Canadians.

Recommendation #3: Budget 2011 should rollback the recent corporate tax cuts and GST cuts, and invest the revenue in social infrastructure programs like childcare and EI as well as through non-profit organizations. Funding criteria for non-profits should be made transparent, so as to stem the recent tide of cutbacks.

Introduction

Citizens for Public Justice is pleased to participate in the Finance Committee's pre-budget consultations. CPJ is a national, faith based organization with more than 1,500 members and supporters.

CPJ recognizes the important work this committee and its members do in advising the federal government on fiscal priorities for the next budget. Budget decisions are significant: they are unquestionably moral decisions. They reveal our values, affect how resources are allocated, and shape our common future as Canadians.

For this reason, it is important to reflect on core values when thinking about how to shape the federal budget. As a Christian organization, CPJ's work is rooted in the call to do justice and to love our neighbours. We believe that a faithful response to God's call requires respect for the dignity of all human life and for the well being of the earth. These values should be reflected in our collective decisions and in our public policies and practices. In fact, this is the essence of public justice: the political dimension of loving one's neighbour, caring for creation and achieving the common good.

From a public justice perspective, then, our economy should be a responsible and caring economy, centered on human life, well being and dignity for all.

The recession, recovery and stimulus

Recovery after an economic recession is no easy task. Governments have to make tough decisions to meet the needs of people in difficult times. This includes ensuring the economy meets the needs of Canadians and sufficiently investing in social support systems, promoting the well being of all Canadians, allowing everyone to live in dignity.

Following the global economic downturn in the fall of 2008, the Canadian economy entered into one of the worst recessions in decades. Unemployment rates shot up across the country as over 400,000 jobs were lost, and at the height of the recession only 51% of the unemployed across Canada were receiving Employment Insurance (EI).¹ As a result, social assistance caseloads increased as many Canadians were struggling to make ends meet. In the meantime, food bank usage increased by 18% between March 2008 and March 2009 (the biggest year-to-year increase on record).²

The federal government responded in 2009 with an economic stimulus plan designed to stretch over two years to help boost the economy. This included an emphasis on job creation, increasing economic growth, and making Canadian goods and services more attractive to foreign markets.³ Canada's Gross Domestic Product (GDP) has been increasing since the third quarter of 2009, and recent forecasts point to continued growth. Canada's GDP growth has exceeded that of other countries in the G7.

Increasing GDP growth officially brought an end to the recession. However, GDP only looks at part of the reality, not the individual stories of people continuing to struggle with unemployment, lack of sufficient resources and insufficient assistance. Economic recovery has not reached all Canadians, many of whom are still in need of more adequate and continued responses to the recession's effects.

1 Chandra Pasma. "Bearing the Brunt: How the 2008-2009 Recession Created Poverty for Canadian Families," Citizens for Public Justice, 2010, http://www.cpj.ca/files/docs/Bearing_the_Brunt.pdf: 12-14.

2 Food Banks Canada, 2009. "Hungercount 2009: A comprehensive report on hunger and food bank use in Canada, and recommendations for change:" 1-3.

3 Budget 2009, Chapter 3: "Canada's Economic Action Plan", <http://www.budget.gc.ca/2009/pdf/budget-planbugetaire-eng.pdf>; Budget 2010, Chapter 3: "New Investments in Jobs and Economic Growth", <http://www.budget.gc.ca/2010/pdf/budget-planbudgetaire-eng.pdf>.

The current stimulus helps, but it does not meet the needs for investments in social infrastructure to build sustainable change. Looking at new research from CPJ on the impact of this latest recession and past recession trends shows that recovery does not come easily. It can take years for unemployment and poverty rates to fall to pre-recession levels.⁴

The recession did not create the problems of poverty, but exacerbated them. The poor in Canada are victims of the economic cycle, with the poverty rate slowly diminishing during good economic times and rising during economic downturns. The recession illuminated more clearly Canada's social deficit of broken and insufficient social security programs, like EI and social assistance. Such programs were designed to help support people, but as the 2009 Senate Report *In From the Margins* has stated, they are often insufficient to allow Canadians to emerge from destitution and often trap people in poverty.⁵

Responsible Investment: Deficit spending and sustainable change

A deficit emerged out of the recession and stimulus. Cutting down the economic deficit over time is a responsible and necessary action in order to not build up excess debt for future generations. In the past, deficit reduction was often seen as the pinnacle goal of the budget. However, in order to promote recovery that is sustainable and lasting, Canada's *social deficit* must also be addressed. The costs of not addressing the social deficit include the loss of well-being, growing inequality and costs that extend to future generations, like increased health care, criminal justice or policing, EI and social assistance costs. When social programs are insufficient, resources will continue to flow without any real progress towards lasting change.

We need real investment in the well-being of Canadians to address structural challenges. People are suffering as a result of job losses, precarious work, the inability to find a job, and trying to get by with the help of income support systems that do not cover the costs of living. Instead of focusing only on economic growth, public justice calls the government to invest in sufficient and sustainable support systems, to lift people out of poverty, to promote the well-being of all Canadians and to develop the integration of social, environmental and economic policy.

Responsible spending includes deficit reduction and investment in sustainable programs. This means repairing broken or insufficient programs like EI, investing in sustainable poverty elimination, creating good jobs, and developing additional social infrastructure such as childcare. These investments are crucial now, and also for the future so the next generations do not inherit heavy debts, a crippled environment and failing social safety nets.

In line with responsible spending, Canada also must allow for active participation and civic engagement. In past years, funding for dozens of civil society organizations has been cut, limiting the ability of people to participate in debate and public accountability activities within Canada and around the world. Responsible spending includes opening doors for the public voice in the decisions of government.

The Social Deficit

Poverty Elimination and Dignity for All

Canada is one of the wealthiest nations in the world. There is no reason why every Canadian should not be able to live with dignity, free from poverty. Currently more than 1 in 10 Canadians lives in poverty, and are unable to provide the basic needs for themselves or their families. In trying to balance their personal finances, people have to decide between paying the rent and buying groceries. Public justice calls for a responsible and caring budget. We should pay down the deficit, but also care for Canadians in need through adequate social support and the creation of a more just and equal society.

⁴ Pasma. "Bearing the Brunt:" 12.

⁵ Senate Subcommittee on Cities. "In from the Margins: A Call to Action on Poverty, Housing and Homelessness," Senate of Canada: Section 2: Poverty.

Caring for Canadians and developing an economy of care includes investing in sustainable programs and long-term solutions to economic insecurity – programs that lift people out of poverty are also good for the economy because they help cut down on future costs since reducing inequality reduces social tension. Recent research shows that if money is continued to be directed to short term programs that do not help people out of poverty, the costs will continue without real progress.⁶ Instead, sustainable and lasting change is the better solution for human well-being, the environment and the economy.

Recommendation #1: Budget 2011 should announce a comprehensive, federal plan for poverty elimination.

On November 24, 2009, Canadians marked 20 years since the unanimous motion to end to child poverty by the year 2000 – a goal that has yet to be achieved. The same day Parliament unanimously passed a resolution to develop a national strategy to eliminate poverty in Canada. The Senate Subcommittee on Cities released a report last year calling for the federal government to take strong action on poverty, and a report detailing the federal government’s role in eliminating poverty is expected in the next few months from the House of Commons Committee on Human Resources, Skills Development and Persons with Disabilities (HUMA) following a two year study on the federal role in addressing poverty in Canada.

CPJ agrees with Parliament that the federal government should adopt a federal poverty elimination strategy to provide a pan-Canadian blueprint for reducing and eventually eliminating poverty. This strategy must be linked to and support current and future provincial and territorial poverty action plans.⁷ The plan should also be built on the four cornerstones of an effective poverty reduction strategy, as outlined by the National Council of Welfare:

- A long-term **vision and measurable targets and timelines.**
- A **plan of action and budget** that coordinates initiatives within and across governments and other partners.
- **Accountability structures** for ensuring results and for consulting Canadians.
- A set of agreed-upon **poverty indicators** that will be used to plan, monitor change and assess progress.⁸

The plan should address the many different aspects of poverty, including income security, food security, housing and homelessness, childcare and early childhood development, education and training, labour standards, EI, health and disability supports. The plan should also address the particular needs of vulnerable populations, including Aboriginal Canadians and newcomers. It should be developed after public consultation, in conjunction with people who have a lived experience of poverty, and legislation for an Act of Parliament should be developed as a result.

Strengthened social security and a caring society

Canada has a long tradition of social programs designed to help people in times of crisis or need. Many of these programs were developed after the Great Depression, in response to that devastating economic period. However, over the past two decades, programs like social assistance and EI have deteriorated and current payments are insufficient compared to the cost of living.

As a result many Canadians are forced to endure poverty and do not have the same opportunities, choices and freedom as others. And these same people end up excluded from community activities as well as responsibilities. Public justice calls for a system in which all Canadians have the opportunity to participate in civil society and government.

⁶ Senate, “In from the Margins,” 30-32.

⁷ For more information, please visit the Dignity for All campaign at www.dignityforall.ca

⁸ National Council of Welfare, “Solving Poverty: Four Cornerstones of a Workable National Strategy for Canada,” National Council of Welfare Reports, Winter 2007.

Recommendation #2: Budget 2011 should take steps towards introducing a universal, Guaranteed Livable Income for all Canadians.

A Guaranteed Livable Income (GLI) would enable all Canadians to participate in their communities, and provide care despite employment status or physical capabilities. A GLI would also ensure that more money would be invested in the local economy, as beneficiaries spend it within their communities.

Canada already has two GLI-like programs, Old Age Security and the Canada Child Tax Benefit. However, working aged adults are excluded from guaranteed support. There are other social assistance programs, such as welfare or EI, but none of these are guaranteed nor are they sufficient compared to the costs of living – so many adults and families fall through the cracks. The government needs to consult with Canadians about the possibilities and options for a GLI.⁹

Responsible investment that benefits all

One of the principles of public justice is strong government leadership in the promotion of the well-being and participation of citizens. This requires investment in programs and activities to help ensure inclusion, equal opportunities and social as well as economic deficit reduction. Public justice calls for inclusion and dignity for all, especially the disadvantaged and those struggling to survive.

Recommendation #3: Budget 2011 should rollback the recent corporate tax cuts and GST cuts, and invest the revenue in social infrastructure programs like childcare and EI as well as through non-profit organizations. Funding criteria for non-profits should be made transparent, so as to stem the recent tide of cutbacks.

Budget 2010 continued with the corporate tax cuts that were announced in 2007 despite a deficit of approximately \$53.8 billion. However, tax cuts are not an effective stimulus because they take money out of overall government revenue – money that could be spent on social programs and services for all Canadians. In 2009-2010 alone, the corporate tax and GST cuts resulted in a reduction of just over \$20 billion in government revenues, over 40 percent of the current deficit.¹⁰ The repeal of these tax cuts would not only help lower the deficit, but would allow the government to invest in social security.

Government investment in “The Third Sector” which is comprised of Canada’s more than 161,000 non-profit groups, is a totally legitimate activity. Although CPJ receives no government funding, we recognize the crucial role of non-profits, which often offer services government will not or cannot provide. Being close to the public need often allows these groups to recommend more fitting government responses. Contributing to civic debate is a hallmark of responsible and democratic societies. It is unfortunate that recent government cuts have been administered when criteria for funding are less than transparent.¹¹

Responsible and caring government action includes investment in people and services, along with paying down the deficit. Investments from tax revenue in green infrastructure, health care, early child care and education would greatly increase the effectiveness of these services while creating thousands of new jobs, and stimulating the economy. Sufficient investment in EI, social assistance and childcare would also stimulate the economy as beneficiaries would be spending their revenues locally, meeting basic needs. This would also promote inclusion in a future that all Canadians desire: participation in building a responsible and caring economy while overcoming our economic and social deficits.

⁹ Citizens for Public Justice. “Towards a Guaranteed Livable Income: A CPJ Position Paper on GLI,” June, 2010: <http://www.cpj.ca/files/docs/Guaranteed-Livable-Income-position-paper3.pdf>.

¹⁰ Budget 2010, Chapter 4 “Plan to Return to Budget Balance and Fiscal Outlook.”

¹¹ See: <http://www.cpj.ca/en/cpj-board-requests-reconsideration-cuts-kairos>