

Building an Economy of Care

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

August, 2009

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

- 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.

CPJ addresses a range of public justice issues, from eliminating poverty to creating a climate of welcome for newcomers to fostering hopeful citizenship. CPJ’s professional staff actively engage in a number of activities to realize CPJ’s mission and keep public justice front and centre in policy debates.

Our members, who come from a wide variety of faith communities, are committed to public justice and its contributions to public dialogue. They participate in CPJ’s work through campaigns, dialogue and financial support. CPJ’s 13-member board of directors includes representation from across Canada and meets regularly three times per year.

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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 an economy of care, centered on human life and well-being.

Canada is facing multiple crises, economic and environmental, that are linked to the reality that our economy has not been an economy of care for creation and for people. Our response to these crises has been to try to restore the status quo, rather than focusing on the problems which our approach-to-date has caused. But this moment of crisis still offers a moment to reflect on our destructive paths and to change direction.

An economy of care, centered on people, would restore people to the heart of our economic planning. Social and environmental concerns should determine our economic goals and our methods of achieving them, rather than being an after-thought in economic planning. Well-being should not be measured solely on the basis of economic measures such as GDP. Instead, we need to expand our understanding of prosperity to include social and environmental well-being.

There are a number of principles which an economy of care should be based on. These principles would help us to seek true prosperity. They include dignity for all, social security for all, fairness and equality, and genuine economic opportunity. While all sectors of society, including businesses and labour unions, have an obligation to pursue these principles, governments have a leadership role to play.

All Canadians should be able to live in dignity. Currently, 1 in 10 Canadians live in poverty. Not all Canadians have social security, especially when they are not able to secure all they need through paid work. A federal poverty elimination strategy would allow all Canadians to live with dignity.

Fairness is a fundamental Canadian value. Extreme income inequality means that some have all the wealth and opportunity, while others are barely subsisting. A Guaranteed Livable Income for all Canadians would ensure that all Canadians had enough income security to meet their basic needs, while offering the opportunity for a better life.

Through the creation of and support for public programs and services, the government contributes to social security for all Canadians. Through the allocation of resources, the government can reduce poverty and inequality, promote equal opportunity, and support the health, well-being and education of all Canadians. This requires that there be sufficient federal revenue to invest in social security. Recent tax cuts have jeopardized the government's ability to pay for social security, while providing little economic stimulus.

Recommendation #1: Budget 2010 should announce a comprehensive, federal plan for poverty elimination.

Recommendation #2: Budget 2010 should take steps towards introducing a universal, Guaranteed Livable Income for all Canadians.

Recommendation #3: Budget 2010 should rollback the recent corporate tax cuts and GST cuts and invest the revenue in social infrastructure programs like childcare and EI.

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 an economy centered on human life and well-being. Fundamentally, we believe that our economy should be an *economy of care*.

The Present Crises

The world is facing multiple crises. Economies and financial systems have been crippled, the poor are hit hardest, and the environment suffers. Canada, despite our abundant material wealth and natural resources, is no exception to these crises. In fact, these crises are linked to the reality that our economy has not been an economy of care for creation and for people.

The present economic crisis may not have originated exclusively in Canada, but many of its key triggers and fundamental patterns are also found here. Greed that demanded there should be no limits on the possibility to accumulate wealth, combined with an emphasis on the paper economy at the expense of our real economy have led to devastating results for people.

Over 454,000 Canadians have lost their jobs since the economic downturn began.¹ Thousands of Canadians have had to accept a reduction in hours, compensation or benefits in order to keep their jobs, or have gone from full-time employment to part-time or self-employment. Thousands of Canadians have lost their life savings. Even many with private pension plans are facing uncertain retirements. Some Canadians have lost their homes, while many more struggle with significant debt-loads.

And in this economic crisis, those who were already struggling to meet their daily needs without income security are falling even farther behind. The poor are the first to lose their jobs and find it harder to get new work. Social assistance and Employment Insurance (EI) are inadequate to prevent people from living in poverty. As the Canadian economy continues to slump, the poor are falling ever further behind. And more Canadians will slide into poverty.

While Budget 2009 did make commitments to stimulating the economy in hopes of mitigating the effect of the recession, most of the emphasis to date has been on struggling corporations – the banks and the auto companies – rather than on the individual Canadians who have lost their jobs or their pensions. Our

¹ Statistics Canada, Labour Force Survey, June 2009, <http://www.statcan.gc.ca/daily-quotidien/090710/dq090710a-eng.htm>. Some of the losses have been offset by the creation of new, part-time jobs.

response has been to try to prop the system back up, rather than to focus on the problems our approach-to-date has caused.

But this moment of crisis is also a moment to reflect on our destructive paths and to change direction.

Towards an Economy of Care

An economy of care, centered on people, would restore people to the heart of our economic planning. This requires more than just thinking of social and environmental concerns while creating economic policy. These concerns are not an add-on – they should determine both our economic goals and our methods of achieving them. People don't exist to satisfy the demands of the economy or to further our goals of economic growth; the economy exists to meet our needs as people. We must be careful not to let the economy become an idol that dictates our manner of caring for one another and for the earth. Instead, we must make this care paramount in how we understand our economy and how we select our economic goals.

This also means that we must stop thinking about and measuring well-being solely on the basis of economic measures. Gross Domestic Product is a good measure of economic output, but it is not a sufficient indicator of social and environmental well-being. Studies of well-being have shown that social and environmental indicators are not well-correlated with GDP.² In fact, an increase in GDP can lead to a decrease in well-being, particularly if there is a change in income distribution that increases inequality.³

Instead of focusing solely on economic growth, assuming that social and environmental well-being will follow, we need to redefine prosperity to include social and environmental well-being. This more comprehensive vision of prosperity must be sustainable and shared. Prosperity should not rob future generations for the comfort of the present. Nor should it place an undue burden on the resources of our earth or the population of the rest of the world. And disparities in income, wealth, education and opportunity should be seen as detrimental to true prosperity.

There are a number of principles which an economy of care should be based on. These principles would help us to seek true prosperity. They include dignity for all, social security for all, fairness and equality, and genuine economic opportunity. While all sectors of society, including businesses and labour unions, have an obligation to pursue these principles, governments have a leadership role to play.

Dignity and Social Security

All Canadians should be able to live in **dignity**. Currently, 1 in 10 Canadians live in poverty, unable to meet all of their basic needs or to provide for their families. Poverty robs people of their dignity. It forces unconscionable decisions between buying groceries and paying rent. It manifests itself in shame, doubt and fear. It causes people to feel excluded from their community. Public justice and an economy of care require that we create public practices and policies to ensure that all Canadians have the means to exercise a sustainable livelihood that provides a livable income. This includes **social security** for all Canadians, even when we cannot secure all we need through paid work. This is why CPJ helped to create the Dignity for All campaign.

Recommendation #1: Budget 2010 should announce a comprehensive, federal plan for poverty elimination.

² Andrew Sharpe. "A Survey of Indicators of Economic and Social Well-Being," Centre for the Study of Living Standards, 1999, www.csls.ca/iwb.asp.

³ John Helliwell, *Globalization and Well-Being*. Vancouver: UBC Press, 2002.

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.⁴

The plan should 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.*⁵

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.

Fairness, equality and economic opportunity

Fairness is a fundamental Canadian value. Although it can be hard to define, most of us intuitively tie it to well-being. We don't believe that inequality is fair. We don't believe it is fair when some people have all the wealth and opportunity, while others are barely scraping by. While everyone doesn't have to be the same or have the same things, we nonetheless believe that it is only fair if people have **equal opportunities**. Poverty and economic insecurity both erode equality and opportunity. Far too often, the programs that are designed to help those living in poverty perpetuate this lack of choice and opportunity. Many other Canadians struggle paycheque to paycheque, unable to refuse exploitative work, worried about providing adequate care for their families, incapable of pursuing new opportunities, unable to fully participate in their communities.

Recommendation #2: Budget 2010 should take steps towards introducing a universal, Guaranteed Livable Income for all Canadians.

Canada should implement a universal income security program that ensures every citizen has access to the basic necessities of life without stigma, while respecting dignity and enabling participation and inclusion in community. A GLI would ensure that all Canadians have income security, regardless of their situation in life or their employment status. This would allow every Canadian to participate in the economy, which in turn would serve as an economic stimulus. Additional income could be pursued through paid employment, and indeed, some people who are now prohibited by poverty or by income security program rules could be freed by a GLI to pursue employment.

Because a GLI is a big program and a big commitment, the federal government should take steps to consult Canadians and create a strong model. However, the federal government should also move towards the creation of a GLI in Budget 2010 by extending income security to the demographic that

⁴ For more information, please visit the Dignity for All campaign at www.dignityforall.ca.

⁵ National Council of Welfare, "Solving Poverty: Four Cornerstones of a Workable National Strategy for Canada," National Council of Welfare Reports, Winter 2007.

currently has none: working age adults. Canada already has two GLI-like programs: Old Age Security and Canada Child Tax Benefits. These are programs of universal entitlement based on citizenship that recognize that a certain income level is necessary for a basic but adequate standard of living for our nation's seniors and children. Working age adults, however, depend on a patchwork of programs – some of them two-tiered – that lets many slip through the cracks to live in poverty.

Government leadership

While all sectors of society, including businesses and labour unions, have a role to play in creating an economy of care, governments have a **leadership** role to play. Through the creation of and support for public programs and services, the federal government contributes to social security for all Canadians. Through the allocation of resources, the government can reduce poverty and inequality, promote equal opportunity, and support the health, well-being and education of all Canadians. This requires that there be sufficient federal revenue to invest in social security.

Recommendation #3: Budget 2010 should rollback the recent corporate tax cuts and GST cuts, and invest the revenue in social infrastructure programs like childcare and EI.

Budget 2009 projected a loss of government revenue in fiscal year 2009-2010 of \$33.9 billion due to tax cuts enacted since 2006.⁶ Budget 2009 also projected a deficit for the same fiscal year of \$33.7 billion.⁷ While we have no objection to a deficit for the sake of stimulating the economy – and indeed, we believe that a deficit is necessary for the sake of stimulating the economy – this statistic calls into question the value of these tax cuts.

Economists have nearly unanimously criticized the value of tax cuts as stimulus. Economic modeling has shown that government spending has a much greater stimulus effect than tax cuts. A study released in December 2008 by Informetrica projected that \$1 billion in tax cuts creates 5,600 jobs. \$1 billion invested in infrastructure nearly triples the number of jobs at 15,800. Invested in health care, \$1 billion would create 18,100 jobs.⁸

Rather than creating a deficit through tax cuts that permanently cost the federal government revenue, this money would have provided greater stimulus while also building a foundation for Canada's future if it were invested in social infrastructure. Canada's EI system has proven to be inadequate to respond to the nature of the recession. Extending EI would ensure that unemployed Canadians would still be able to participate in the economy, and because it would be spent on basic needs, it would be a very good form of stimulus. Meanwhile, many Canadian families struggle to find good childcare because there aren't enough childcare spaces. Investing in childcare spaces would provide a solution for these families, while creating environmentally sustainable employment.

CPJ will be taking an in-depth look at tax expenditures in advance of next year's budget as a way of addressing the obvious need to come to grips with the cost of the very real and very much needed federal stimulus program's contribution to the federal debt and deficit.

By promoting dignity for all Canadians, strengthening social security, and supporting fairness and equal opportunity, Budget 2010 can help Canada to take steps towards an economy of care for all Canadians.

⁶ Budget 2009, Annex 2: A Strong Record of Tax Relief, <http://www.budget.gc.ca/2009/plan/bpa2-eng.asp>.

⁷ Budget 2009, Chapter 4: Fiscal Outlook, <http://www.budget.gc.ca/2009/plan/bpc4-eng.asp>.

⁸ Carol Goar, "Tax cuts: the third best alternative," The Toronto Star, January 14, 2009, <http://www.thestar.com/comment/article/570485>.