

# Building a Sustainable Recovery for All Canadians

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

August, 2011

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.

The CJL Foundation  
operating as CPJ.

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## Executive Summary

While Canada has enjoyed a strong recovery of some economic indicators, there are many Canadians who are still waiting to experience recovery who risk being permanently left behind. Unemployment remains high, Employment Insurance benefits are running out, and social assistance caseloads are still high and increasing in some provinces. These Canadians are unable to participate in the economy on an equal footing.

Enabling all Canadians to participate in the economy is both a matter of justice and of good economic policy. Low and middle class Canadians spend their income locally, generating real economic activity which meets the needs of Canadian communities and inspires economic growth. Therefore, CPJ believes the best way of achieving a sustained economic recovery is to ensure that all Canadians are able to participate in the economy. This can be achieved without significantly increasing the government's budget through a reallocation of priorities. Our recommendations for Budget 2012 could create as many as 128,500 new jobs while boosting economic growth and creating greater income security for low income Canadians.

One of the most pressing needs faced by low income Canadians is the need for affordable housing. Cancelling the corporate income tax cut scheduled to take place January 1, 2012 and investing the \$3 billion in revenue that would be lost to a tax cut in affordable housing instead could increase GDP by \$4.5 billion, create more than 47,000 new jobs and create 155,550 new affordable housing units and 200,000 repaired existing homes over the next ten years.

Increasing incarceration is costing the government \$1.5 billion a year and affects primarily low income Canadians and Aboriginal Canadians. Incarceration turns people into an economic drain, instead of allowing them to contribute to Canada's economy. Repealing the "Tough on Crime" agenda and investing the savings in Aboriginal programs and an increase to the National Child Benefit Supplement instead could help to reduce crime by addressing risk factors for criminal behaviour, while creating more than 14,000 jobs and a \$1.275 billion boost to GDP.

In order for Canada's economic recovery to be sustainable, our economy itself must be sustainable. Presently Canada subsidizes the oil and gas industry by more than \$1.4 billion annually, despite the fact that it contributes significantly to our greenhouse gas emissions. Investing in green technologies would create more jobs than subsidizing the oil and gas sector while helping to reduce GHG emissions. Similarly, an eco-retrofit program for low income households would help to create 52,500 new jobs while saving low income families money on home heating bills.

**Recommendation 1: Budget 2012 should cancel the corporate income tax cut scheduled to take place January 1, 2012 and instead invest the \$3 billion in new and repaired affordable housing.**

**Recommendation 2: Budget 2012 should repeal the "Tough on Crime" agenda and invest the \$1.5 billion in savings in Aboriginal programs and an increase to the National Child Benefit Supplement.**

**Recommendation 3: Budget 2012 should cancel the oil and gas subsidies and invest the \$1.4 billion in savings in green technologies and an eco-retrofit program for low income households.**

## Introduction

Citizens for Public Justice is a national, faith-based organization with members across the country. As a Christian organization, CPJ's work is rooted in God's call to do justice and to love our neighbours.

CPJ is encouraged to see that the Finance Committee has identified sustained economic recovery as one of its four priorities for this year's pre-budget consultations. While Canada has enjoyed a strong recovery of some economic indicators, there are many Canadians who are still waiting to experience recovery and who risk being permanently left behind. The best way of achieving a sustained economic recovery is to ensure that all Canadians are able to participate in the economy.

And in this time of fiscal restraint, as budget deficits are trimmed over the next four years, this can be accomplished without significantly increasing the government's budget through a reallocation of priorities. CPJ's recommendations for Budget 2012 could create as many as 128,500 new jobs while boosting economic growth and creating greater income security for low income Canadians.

## Still Waiting for Recovery

It is nearly two years since the decline of Canada's Gross Domestic Product ended and GDP began to grow again, technically putting an end to Canada's recession. But too many Canadians are still waiting for that economic recovery to reach them. 1,387,600 Canadians are still unemployed, as the unemployment rate remains stuck at 7.4%, much higher than the pre-recession unemployment rate of 6.3%. The number of unemployed not receiving EI benefits has increased even though the number of unemployed is declining, as EI proves itself once again inadequate to the task of supporting Canada's unemployed. In May, the rate of EI coverage was only 42%. Those who received EI benefits are now running out of benefits without necessarily being able to find work.<sup>1</sup>

Partly as a result of EI's shortfalls, many Canadians have had to turn to social assistance. Social assistance caseloads have continued to increase in 2010 and 2011, with 7 out of 9 provinces with available data seeing their monthly caseloads reach greater heights in 2011 than in any other month since the recession began in October 2008.<sup>2</sup> Bankruptcies and food bank use also remain very high, while household debt reached record levels in 2010.

Canadians who struggle with poverty, unemployment, inadequate EI and social assistance benefits, and high debt loads are unable to participate in the economy on an equal footing. Their exclusion is an injustice that forces people into scenarios that compromise their dignity: making unimaginable choices between paying the rent and feeding the kids, begging the person behind the Plexiglas panel for their income, applying for precarious work because anything is better than nothing, feeling marginalized in their community.

Persistent poverty is not God's vision for society. The Jubilee laws of the Old Testament called for a periodic redistribution of the means of production, ensuring that no one was permanently left behind and no one became wealthy at the expense of the poor. In today's terms, Jubilee means that we need to ensure all people have the means to exercise a sustainable livelihood that provides a livable income. We must also make sure that everyone has access to an adequate income and the resources necessary for well-being, even when we are not able to secure all we need through paid work.

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<sup>1</sup> Chandra Pasma, "Still Waiting for Recovery: A Look at the Recession's Impact on Employment Insurance," <http://www.cpj.ca/en/blog/chandra/still-waiting-recovery-look-recessions-impact-employment-insurance>.

<sup>2</sup> Chandra Pasma, "Still Waiting for Recovery: A Look at the Recession's Impact on Social Assistance," <http://www.cpj.ca/en/blog/chandra/still-waiting-recovery-look-recessions-impact-social-assistance>.

In addition to being a matter of justice and fairness, enabling all Canadians to participate in the economy is a matter of good economic policy. Low and middle class Canadians spend their money locally, paying the rent or the mortgage, buying food and clothing and cars, repairing and maintaining their homes, or paying for their child's college or university tuition. This local consumption provides the stage for real economic activity: production of goods and services that meet the needs of Canadian communities. In turn, this generates economic growth.

In fact, calculations by the Department of Finance suggest that \$1 billion in assistance to low income Canadians will increase GDP by \$1.7 billion as low income Canadians invest their money in the local economy, creating new jobs and generating new economic opportunities. This is much higher than the rate of return on corporate tax cuts, which the Department of Finance estimates will raise GDP by only \$300 million.<sup>3</sup>

## Investing in Canadians

One of the most pressing needs faced by low income Canadians is the need for affordable housing. The UN Special Rapporteur on Adequate Housing has identified an affordable housing emergency in Canada, as 1.5 million Canadian households are in core housing need (with housing that does not meet standards of adequacy, affordability and suitability). Nearly 25% of Canadians are required to pay more than they can afford for housing or to depend on subsidized housing. As the Conference Board of Canada states, "This negatively affects Canadians' health, which, in turn, reduces their productivity, limits our national competitiveness, and indirectly drives up the cost of our health-care and welfare systems."<sup>4</sup>

In the 1980s, 20,000 units of social housing were constructed annually. In the past decade, only 42,344 units have been created.<sup>5</sup> The Wellesley Institute suggests that over the coming decade, Canada will need to create 600,000 new affordable housing units and repair 200,000 existing homes in order to overcome Canada's significant affordable housing gap.<sup>6</sup> Both the Senate Standing Committee on Social Affairs, Science and Technology and the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities included recommendations in their recent reports on poverty that the federal government should increase its funding for the Affordable Housing Initiative and the Residential Rehabilitation Assistance Program.

Meanwhile, the plan to cut the corporate income tax rate from 16.5% to 15% beginning January 1, 2012 is estimated to cost \$3 billion in lost revenues annually. The goal of this corporate tax cut is to stimulate new business investment. However, recent studies by *The Globe and Mail* and the Canadian Centre for Policy Alternatives suggest that over the past few decades, repeated corporate tax cuts have not led to increased business investment.<sup>7</sup> As noted above, the Department of Finance calculates that \$1 billion in corporate income tax reductions will boost Canada's GDP by only \$300 million.

So what if we were to invest that \$3 billion a year in affordable housing instead of in corporate profits? The Wellesley Institute estimates that the per unit cost of new affordable homes is \$180,000 and the per unit cost of repairs to existing homes is \$10,000.<sup>8</sup> If we were to invest \$200 million annually in the

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<sup>3</sup> Department of Finance, *Canada's Economic Action Plan: A Sixth Report to Canadians*, September 2010, p. 142.

<sup>4</sup> Conference Board of Canada, *Building from the Ground Up: Enhancing Affordable Housing in Canada*, March 2010, p. i.

<sup>5</sup> *Ibid.*, p. 32-33.

<sup>6</sup> Wellesley Institute, *Precarious Housing in Canada*, Summer 2010, p. 78.

<sup>7</sup> Karen Howlett, "Corporate tax cuts don't spur growth, analysis reveals as election pledges fly," *The Globe and Mail*, April 6, 2011 and Jim Stanford, *Having Their Cake and Eating it Too*, Canadian Centre for Policy Alternatives, April 2011.

<sup>8</sup> Wellesley Institute, *Precarious Housing*, p. 78-79.

repair of existing homes and \$2.8 billion annually in the construction of new affordable homes, at the end of 10 years we would have 155,550 new affordable housing units and 200,000 repaired existing homes, making a very significant dent in Canada's housing affordability gap.

The Department of Finance's calculations also suggest that we would see a \$4.5 billion increase in GDP as a result of the \$3 billion annual investment and more than 47,000 new jobs.<sup>9</sup> In addition to the economic benefits generated by new housing construction, low income Canadians would have more disposable income to spend on other urgent priorities, creating new spin-off economic opportunities.

**Recommendation 1: Budget 2012 should cancel the corporate income tax cut scheduled to take place January 1, 2012 and instead invest the \$3 billion in new and repaired affordable housing.**

One area where government funding has increased in the past decade is federal penitentiaries. Between 2006 and 2011, federal spending on corrections has increased 87%, rising from \$1.6 billion a year to \$2.98 billion a year. Spending is scheduled to increase even further to \$3.147 billion a year by 2013-14. The amount spent on prisons is increasing both because of the "Tough on Crime" agenda, which is resulting in the incarceration of more people for longer amounts of time, and because the average cost per prisoner per year has increased more than \$20,000 since 2006 as health care costs and security costs have risen, in part due to overcrowding. This money is being spent on increased incarceration despite the fact that the crime rate has been declining, and in fact, 2010 saw the lowest crime rate since 1973.

Low income Canadians and Aboriginal Canadians are the ones most affected by this increase in incarceration, because they are the most likely to be imprisoned in Canada. The vast majority of Canadian prisoners are poor, and many have suffered from chronic unemployment. 21% of offenders have never held a steady job.<sup>10</sup> Many inmates have also struggled with low literacy and low educational attainment. Meanwhile, Aboriginal Canadians have an incarceration rate nine times higher than the rate of non-Aboriginal Canadians. Despite the fact that they are only 3% of the population, they make up more than one-quarter of all Canadian prisoners. Shawn Atleo, the National Chief of the Assembly of First Nations, has recently observed that a First Nations youth in Canada has a greater chance of going to jail than finishing high school. Despite this sad reality, the amount the federal government spends on Aboriginal programs is equivalent to only 2% of the prison budget.<sup>11</sup>

Incarcerating people turns them into an economic drain. Not only do we pay for the costs of incarceration and for the increased likelihood of poverty among prisoners' families, we continue to pay once a person is released since former prisoners find it more difficult to get a job, are likely to be paid less when they do get a job, and are more likely than those who received alternative sentences to re-offend. Incarceration also contributes to a generational cycle of poverty that makes children of offenders more likely to grow up in poverty and more likely to be incarcerated themselves one day. In addition to these financial costs, there are also significant human costs to offenders, families and communities associated with incarceration.

Rather than invest ever increasing amounts in locking people up, we would be better off investing in low income and single parent families and in Aboriginal communities, reducing the risk factors for criminal behaviour. If the "Tough on Crime" agenda was repealed and the prison budget restored to its 2006

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<sup>9</sup> Jim Stanford, "How Corporate Tax Cuts Can Actually Destroy Jobs," Relentlessly Progressive Economics blog, January 27, 2011.

<sup>10</sup> Hugh Segal, "Tough on Poverty, Tough on Crime," *The Toronto Star*, February 20, 2011.

<sup>11</sup> Emile Therien, "The national shame of aboriginal incarceration," *The Globe and Mail*, July 20, 2011.

level, we could invest \$750 million in programs for Aboriginal Canadians and \$750 million in increasing the National Child Benefit Supplement to low income parents (while not allowing the provinces to clawback the increase from social assistance benefits). The increase to the NCBS alone would likely generate a \$1.275 billion increase in GDP, while creating more than 14,000 jobs.<sup>12</sup> And 1.5 million low income families would find it easier to make it to the end of the month, while purchasing the food, clothing and supplies their children badly need.

**Recommendation 2: Budget 2012 should repeal the “Tough on Crime” agenda and invest the \$1.5 billion in savings in Aboriginal programs and an increase to the National Child Benefit Supplement.**

In order for Canada’s economic recovery to be sustainable, our economy itself must be sustainable. At present, the Canadian economy is heavily dependent on oil and gas that contributes significantly to our greenhouse gas emissions. Canada has made international commitments to lower its GHG emissions by 6% below 1990 levels, yet so far it is not on track to reach that target. Despite the urgent need to shift to more environmentally friendly fuels and technologies, the federal government provides subsidies worth more than \$1.4 billion to the oil and gas industry.<sup>13</sup>

In contrast, investing in green technologies would create far more jobs while providing environmental benefits. For instance, a study of Ontario’s Green Energy Act found that every \$1 million invested in a variety of green technologies creates, on average, 8 direct jobs and 7.1 indirect jobs. The Pembina Institute and David Suzuki Foundation estimate that policies to reduce climate change could produce as many as 1,906,000 additional jobs over the next ten years. According to the Pembina Institute, “investing public dollars in virtually any other sector of Canada’s economy would yield more jobs per dollar than oil and gas extraction.”<sup>14</sup>

Of course, rising energy prices resulting from an end to subsidies would affect poor Canadians the most. But in the United States, the Weatherization Assistance Program, which helps low income households to retrofit their homes to be more energy efficient, has saved low income families an average of \$437 on their energy bills, while the program also creates 75 direct and indirect jobs for every \$1 million invested.<sup>15</sup>

By redirecting the more than \$1.4 billion currently spent on subsidies to the oil and gas industry into green technologies to create clean energy and an eco-retrofit program for low income households, the government could potentially create 67,500 new jobs, reduce GHG emissions, and allow low income households to spend more of their disposable income on priorities other than home heating bills.

**Recommendation 3: Budget 2012 should cancel the oil and gas subsidies and invest the \$1.4 billion in savings in green technologies and an eco-retrofit program for low income households.**

By investing in affordable housing for all Canadians, Aboriginal programs, an increase in the National Child Benefit Supplement to low income families, and green energy technologies and retrofits, Budget 2012 can help to ensure that all Canadians are able to participate in a vibrant and sustainable economy that meets the needs of all Canadians.

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<sup>12</sup> Jim Stanford, “How Corporate Tax Cuts Can Actually Destroy Jobs,” Relentlessly Progressive Economics blog, January 27, 2011.

<sup>13</sup> Climate Action Network Canada, “Fossil Fuel Subsidies and Tax Breaks in Canada,” Fact Sheet, [www.climateactionnetwork.ca](http://www.climateactionnetwork.ca).

<sup>14</sup> Clare Demerse, *Reducing Pollution, Creating Jobs*, Pembina Institute, March 2011, pp. 21, 25 and 32.

<sup>15</sup> Weatherization Assistance Program Technical Assistance Centre, [www.waptac.org](http://www.waptac.org).