

Promoting the Common Good

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

August, 2012

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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Executive Summary

Economic recovery is important, but it needs to include *all* Canadians. Three years after the 2008-09 recession, Canada's recovery has been uneven. The individuals and families who bore the brunt of the recession face continuing uncertainty, including high levels of unemployment and precarious employment, low wages, inadequate Employment Insurance or social assistance benefits, and rising costs of living. Many youth, new immigrants, Aboriginal people, single-parent families, individuals living alone, and disabled people are being left behind.

Amidst deficits and economic uncertainty, Canada faces tough choices about how to balance needs and resources, and allocate burdens and sacrifices. These choices are economic and political, but also moral.

As a faith-based organization, Citizens for Public Justice (CPJ) believes the moral measure of the debate is how the most poor and vulnerable, as well as God's creation, fare. We believe everyone, including government, has a crucial role to play in promoting the well-being and dignity of our fellow citizens and protecting our natural resources.

We fundamentally oppose the uncritical equation of economic growth and productivity with well-being. The good news, however, is that we can reduce poverty, safeguard the environment, pursue the common good, and help the economy at the same time. CPJ believes the federal government has the opportunity to help build a more vibrant, caring society through adopting the following highlighted measures:

To ensure sufficient federal revenue:

Recommendation 1.1 – Put a moratorium on any further corporate tax cuts.

Recommendation 1.3 – Phase-out the over \$1 billion annually in subsidies and special tax breaks to companies producing oil, gas, and coal.

To create jobs:

Recommendation 2.2 – Increase investments in cleaner energy alternatives like wind and solar power.

Recommendation 2.3 – Increase investments in affordable housing.

To meet skills shortages:

Recommendation 3.2 – Increase provincial quotas to fast-track citizenship for Canada's Temporary Foreign Workers (TFWs).

Recommendation 3.3 – Improve the foreign qualification recognition (FQR) process.

To increase productivity:

Recommendation 4.1 – CPJ recommends the federal government fully support the Standing Committee on Finance's (FINA) upcoming study on income inequality in Canada.

To help those facing particular challenges:

Recommendation 5.1 – Develop a comprehensive, multilateral poverty reduction strategy.

1. Economic Recovery & Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Amidst deficits and economic uncertainty, Canada faces tough choices about how to balance needs and resources, and allocate burdens and sacrifices. These choices are economic and political, but also moral.

As a faith-based organization, Citizens for Public Justice (CPJ) believes the moral measure of the debate is how the most poor and vulnerable, as well as God's creation, fare. We believe everyone, including government, has a crucial role to play in promoting the well-being and dignity of our fellow citizens and protecting our natural resources. As a result, every budget proposal must be looked at from the bottom-up: what implications will it have on "the least of these" and the created order? Does it benefit the common good?

The recent trend of continued tax cuts for individuals and corporations has disproportionately benefited a select few, at a high cost to our nation's economic and social well-being.

Tax cuts have contributed to and exacerbated our budgetary deficit. It is estimated that federal tax expenditures implemented since 2006 will result in foregone federal revenues of \$220 billion between 2007 and 2013, including \$60 billion in tax savings to Canadian corporations. This amounts to billions of dollars less each year for investments in jobs, education, and social programs. The cost is high and the economic return is little: the government's own Department of Finance calculated in 2010 that \$1 billion in corporate tax cuts raises Canada's GDP by only \$300 million.

Recommendation 1.1 – CPJ proposes the Canadian government put a moratorium on any further corporate tax cuts.

Recommendation 1.2 – CPJ recommends the federal government consider repealing some recent cuts including those to the GST and corporate tax rates.

Recommendation 1.3 – The federal government should follow-through on its repeated promise to phase-out the over \$1 billion annually in subsidies and special tax breaks to companies producing oil, gas, and coal.

The resulting increases in federal revenue from these initiatives should be used to make investments in people (i.e. job creation, education, and removing barriers to workplace entry), an initiative that will lead to economic recovery and growth, *and* enhance the common good.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Promoting the creation of stable, high-quality jobs is a key way to help lift people out of poverty into a life of dignity. Recent gains in employment, however, have been offset by the rise in self-employment and other forms of precarious employment (i.e. part-time and contract work). The erosion of job quality in the labour market has a huge impact on the economic security and well-being of Canadian families.

The government's current job creation strategy is centered on corporate tax cuts. Yet, in addition to diminishing federal revenue, these tax cuts have failed to create quality jobs.

While the corporate tax rate has been consistently and dramatically cut over the last decade, Canadian companies have piled up more than \$525-billion in cash reserves. Rather than being invested in jobs, this money is sitting in corporate bank accounts.

According to one study that tracked 198 of the 245 companies on the S&P/TSX composite index that had year-end data from 2000 to 2009, those 198 companies are making 50% more profit and paying 20% less tax than they did a decade ago. Yet the number of jobs created by these corporations was actually *lower* than the country's average employment growth.

We believe the following federal actions should be taken to promote job creation in Canada:

Recommendation 2.1 – CPJ recommends the federal government consider taxing excessive corporate cash reserves, including those held in offshore tax havens. The federal government can encourage the private sector to invest earnings back into the economy and create jobs by creating a disincentive to hoard.

Recommendation 2.2 – Increase investments in cleaner energy alternatives like wind and solar power. If, as recommended above, Canada were to phase-out the over \$1 billion in annual fossil fuel subsidies, we could re-direct this money to a “green” job strategy that would create thousands of new jobs and promote environmental responsibility.

Recommendation 2.3 – Increase investments in affordable housing. A national housing strategy and long-term, stable funding commitments from the federal government would help create thousands of jobs while alleviating a national housing crisis that is having a direct impact on productivity and competitiveness.

3. Demographic Changes

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

CPJ is deeply concerned about the federal government's recent decision to increase the age of eligibility for OAS/GIS, an important program that has proved effective at keeping Canadian seniors out of poverty. These changes will negatively impact those who can afford it least.

The government claims these changes are necessary for our nation's fiscal health. Yet when taken as a percentage of total GDP, OAS/GIS program costs are forecast to rise from 2.36% in 2011 to a modest peak of 3.14% in 2030. An increase to be sure, but one that CPJ believes Canada can well afford.

Recommendation 3.1 – The federal government should reverse the decision to increase the eligibility age for OAS/GIS to help keep vulnerable seniors out of poverty.

In order to address the skills shortage resulting from Canada's aging population, we believe the federal government should adopt the following measures:

Recommendation 3.2 – Increase provincial quotas to fast-track citizenship for Canada's Temporary Foreign Workers (TFWs). Canada is becoming increasingly reliant on TFWs to meet skills shortages, yet they are often paid less than industry average wages, can be mistreated by employers, and have precarious status in Canada with few opportunities for permanent residency, making them highly vulnerable. Where foreign workers are needed, they should be afforded more opportunities for permanent residency and citizenship in order to add stability to their lives and the needs of the labour market.

Recommendation 3.3 – Improve the foreign qualification recognition (FQR) process. As the House's Human Resources Committee recently reported, a more efficient FQR process is key to meeting skills shortages in Canada. We particularly encourage the federal government to (i) provide sufficient funding to bridging programs that help qualified immigrants get the necessary training and experience to be able to work in Canada, and (ii) expand the Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications.

Recommendation 3.4 – Increased Assistance for Post-Secondary Education & Apprenticeships. The federal government should work with the provincial governments to identify ways to ease student debt loads, as debt can discourage individuals from moving ahead in their education and training programs and meeting Canada's skills shortages.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

CPJ believes we are truly progressing when we live out God's command to love our neighbour and care for creation. A narrow focus on economic growth and productivity leaves much to be desired if our neighbours suffer from hunger or homelessness, if we are ravaging God's creation, or if we have increasingly less time to enjoy with our family and friends.

We fundamentally oppose the uncritical equation of economic growth and productivity with well-being. We therefore believe that any increases in productivity must be measured against their impact on human dignity and well-being and the integrity of creation.

The relentless drive to produce more and more and generate ever-increasing returns poses a serious threat to our society and environment, and is not sustainable. One unhealthy consequence is growing income inequality, something that has negative consequences for society as a whole. Inequality takes a heavy toll on those lowest on the socio-economic scale, but it also correlates strongly to reduced productivity as people are excluded from employment and the marketplace. While we believe growing inequality is a social problem that merits consideration in its own right, addressing income inequality would enhance Canada's productivity.

Recommendation 4.1 – CPJ recommends the federal government fully support the Standing Committee on Finance's (FINA) upcoming study on income inequality in Canada. We urge the members of the FINA committee and all political parties to commit the necessary resources and efforts to make this important study a success.

Although income inequality is different than poverty, the two are closely related. The FINA Committee's study represents an important step forward. We believe we can work together to reduce income inequality and significantly better the lives of all Canadians, particularly those living in poverty, while also improving our nation's economic well-being.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Canada's economic recovery has been uneven. The individuals and families who bore the brunt of the 2008-09 recession face continuing economic uncertainty, high levels of unemployment, and rising costs of living. These trends put people at risk of low income and poverty.

The groups in Canada facing the most challenges at this time are those who are especially vulnerable to poverty, including lone-parent families, individuals living alone, new immigrant and visible minority families, people with disabilities, and Aboriginal children and families.

Poverty means much more than just a low income. It is lack of access to a sustainable livelihood. It includes being forced to make hard choices between basic necessities like food, shelter, clothing, heat and other utilities. It is lack of opportunity and social exclusion. Poverty is also about well-being, including access to healthcare, pharmacare, dental care, education, safe and rewarding work, and the opportunity to engage in community life and activities. Poverty is not only felt materially – it impacts every part of a person's life.

As highlighted above, CPJ believes that human well-being and dignity must be a federal priority. We cannot relentlessly pursue economic growth at all costs. The good news, however, is that we can reduce poverty, pursue the common good, and help the economy at the same time through a comprehensive poverty reduction strategy.

Recommendation 5.1 – CPJ, along with our partners on *Dignity for All: the campaign for a poverty-free Canada*, recommends that the federal government, in consultation with Aboriginal, provincial, territorial, and municipal governments, **develop a comprehensive, multilateral poverty reduction strategy**. A strategy that addresses key areas such as housing, food insecurity, early childhood development, education, income inequality, and social exclusion would go a long way in improving the well-being, health outcomes, and productivity of people living in poverty and help to build a more vibrant, healthy, and caring society.