

To Welcome the Stranger: A Public Justice Perspective on Budget Making

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

September 2005

CITIZENS *for* PUBLIC JUSTICE



CITIZENS FOR PUBLIC JUSTICE

“Governments must be aware of the different needs of diverse people, communities and organizations and balance and promote their public claims so that each may have the freedom to fulfill their God-given calling and responsibility.”¹

To Welcome the Stranger

A Public Justice Perspective on Budget Making

The Standing Committee on Finance Pre-Budget Consultations themes – Enhancing Productivity Growth in Canada – is reminiscent of a previous Finance Committee study, *Productivity with a Purpose*.² It is worth recalling some of the evidence the committee heard at that time. Andrew Sharpe, the director of the Centre for the Study of Living Standards, one of Canada’s leading institutes for the study of productivity trends, had this to say:

But productivity is not the be all and end all of economic life. Basically the goal is to improve the quality of life of Canadians and that’s a much, much broader concept than, say, GDP per worker or GDP per capita.³

Citizens for Public Justice works from the conviction that the overriding role of government is the responsibility of maintaining and promoting public justice. That means, as the quote at the head of this brief states, “Governments must be aware of the different needs of diverse people, communities and organizations and balance and promote their public claims so that each may have the freedom to fulfill their God-given calling and responsibility.”⁴

While it may be useful for this committee to seek a clear focus for its report to Parliament, like Mr. Sharpe, Citizens for Public Justice would caution against adopting a narrow concern for productivity in its report. First, such a focus does not do justice to the government’s overriding responsibility to promote public justice. Second, the evidence about quality of life simply does not justify a narrow focus on productivity and standard of living – defined as per capita income.

The situation of newcomers to Canada illustrates well how the pursuit of economic growth has left people behind in Canada. Reversing the declining fortunes of new immigrants to Canada requires both broad policy initiatives that will benefit all Canadians and specific initiatives that will help newcomers to settle and integrate into Canadian life. We contend that the need to pursue these initiatives rests on the federal government’s responsibility to foster public justice. Doing so, however, will also contribute to maintaining a strong Canadian economy.

Does the evidence support a narrow focus on productivity?

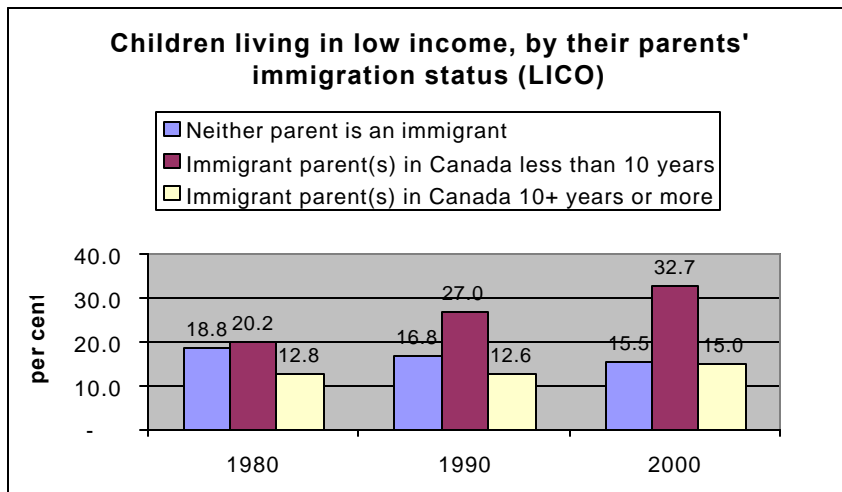
In the foreward to *Productivity with a Purpose*, the chair of the Finance Committee at the time (in 1999) wrote, “Economic growth and a high standard of living will in many respects be the solution to a variety of challenges now facing Canadians. It will lead to better opportunities for families with children. It is a solution to 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.”

Now, we have to look for evidence to support that claim. An exploration of child poverty rates and poverty among immigrants serve as examples.

Child Poverty and Growth in the Standard of Living

When we look at child and family poverty rates, we can see that they fluctuate over the business cycle. Thus, during the deep recession of the early 1990s, the child poverty rate rose to higher than 20% by 1996. The economy rebounded in the latter half of the 1990s, employment grew and the child poverty rate dropped below 16% by 2001 and 2002.⁵ But the productivity question is about long-term changes in per capita income. In that respect, real Gross Domestic Product rose from \$20,353 per person in 1973 to \$34,131 in 2002 – a 68% increase.⁶ In 1973, the child poverty rate in Canada stood at 16.5% and it was 15.6% in 2002. During that entire thirty year period, while per capita income followed a fairly consistent upward trend – with intermittent declines during recessions – the child poverty rate fluctuated between 15% and 20%.

The single pursuit of productivity and economic growth cannot guarantee an improvement in the economic circumstances of families with children. Indeed, there are some very disturbing long-run trends. For instance, poverty among new immigrants has risen steadily and dramatically over the past two decades.



Source: Statistics Canada⁷

This evidence suggests that a narrow focus on economic productivity to achieve a higher standard of living is not sufficient for the government to fulfill its responsibility to toward families with children or toward recent immigrants.

Health and Well-Being in Rich Nations

International evidence on health and well-being also reveals that we need a broader approach than productivity growth.

Income is one of the strongest determinants of health. Health Canada reports that there “is conclusive evidence that people at each level of the income scale are healthier and live longer than those at the level below.” One might be led to believe that more economic growth could improve the chances of low income families to see a real improvement in their absolute standard of living and health status. But it is relative standard of living that exerts a stronger influence on health status. Health Canada reports, “countries in which incomes are more evenly distributed have a healthier population in terms of life expectancy, quality of life and mortality rates.”⁸

What about self-reported states of well-being? How does a rising standard of living – understood as per capita GDP – affect people’s sense of well-being? International evidence suggests the impact is much the same as for population health. Once a country reaches a certain level of national wealth, reducing inequality has a stronger impact on well-being than further increases in the standard of living.

Moving from poverty to middle income levels, in terms of average national real GDP per capita, is matched by significant increases in national average well-being, but this effect diminishes thereafter and becomes insignificantly small at the top end of the world income distribution. When the individual- and national-level income effects are combined, there is evidence of negative externalities in the sense that increases in average national income, without an increase in one’s own income, reduce one’s reported life satisfaction in countries as rich as those in the OECD.⁹

If the pursuit of productivity in a rich nation like Canada offers no shortcut to improved quality of life, what route would serve us better?

Public Justice as the Basis for Budget Making

If we measure all budget commitments against the yardstick of productivity enhancement, will we only spend money on health, education and children if there is statistical evidence that this will lead to higher productivity?

Is our support for “children, Aboriginal Canadians, women, disabled Canadians and seniors” contingent on their contribution to enhancing Canadian productivity?

Of course not. Certainly some of the commitments we make as a nation will be based on an economic rationale of return on investment. But we also make decisions on the basis of love and a commitment to do justice, fulfill obligations toward one another and safeguard the natural environment.

That is not to say that decisions made for these reasons are contrary to a productive economy. Indeed, Canada's hallmark commitment to public medical insurance is rooted in a commitment to compassion and social justice. It turns out that our system of medical insurance is also economical, in the sense of being more efficient than a for-profit health care model. And because of that efficiency, Canada's health system confers a competitive advantage on Canadian-based businesses compared to American businesses which shoulder much higher health care costs.

For years, it was assumed that there was a trade-off between equity and efficiency. The assumption was that a certain degree of economic inequality was necessary to generate high growth in productivity and per capita income. That is a false assumption. Indeed, countries which have pursued very different strategies with regard to taxation, social spending and labour markets have achieved high rates of productivity growth. Some of the countries ranked among the most competitive in the world have prioritized social investments that foster greater equality.

To Welcome the Stranger

The falling fortunes of newcomers to Canada are symptoms of trends that have had a more widespread impact. The labour market and housing are two important examples.

Refugees and new immigrants

Canada has been a country of promise to newcomers for decades. Today that is changing. Refugees and many new immigrants (those in Canada less than ten years) are finding it harder to get a foothold.

Between 1991 and 2000, Canada received 2.2 million immigrants. According to the 2001 census, 18.1% of the Canadian population was foreign born. In 2001 alone, Canada received 163,400 new immigrants. Of that number, 9,800 entered Canada as refugees, 44,100 as family class immigrants and 109,500 as economic immigrants and their dependents.¹⁰

Nearly 20,000 refugees in Canada are currently in limbo, waiting to become permanent residents (landed). They are waiting (sometimes for many years) to be landed. Refugees in limbo may be separated from their families for years, as they cannot sponsor family members for immigration until they, themselves, are landed immigrants. It is also more difficult for them to obtain work, particularly in professions and trades that require specific insurance, which include education and health care. They must apply for and regularly renew and pay for a work permit. Moreover, most employers are unwilling to hire anyone without permanent residency status. (See attachment, *Refugees in Limbo, Lives on Hold.*)

Lower earnings

Between the 1980 and the 2000 census, employment and earnings outcomes for new immigrants deteriorated in a number of ways. The labour force participation rate of new immigrants fell from 75.7% in 1981 to 65.8% in 2001. The unemployment rate rose from 6.0% in 1981 to 12.1 % in 2001. Earnings of new immigrants have dropped steadily relative to Canadian born workers.¹¹ As would be expected, the employment situation for refugees is more difficult than for either economic class or family class immigrants. The 2001 Longitudinal Study of Immigrants found that 59% of economic class immigrants had found work six months after arriving in Canada, compared to 39% of family class immigrants and only 21% of refugees.¹²

The labour market has changed over the past few decades. It has become harder to find a full-time permanent job with benefits. For example, in 1989, 11% of recently hired workers held temporary jobs, but 15 years later that number had almost doubled to 21%. Now 37 per cent of all jobs are “non-standard”. They are part-time, temporary, contract jobs or self-employed work. Perhaps it is no surprise that new immigrants, with little Canadian work experience, find themselves forced into these jobs. Young workers and women also make up a disproportionate part of the workers with precarious jobs. These jobs have little security and limited access to rights and protections. Many low income families are juggling 2 or 3 part-time jobs. While wages in general stagnated through the 1980s and 1990s, average wages for part-time and temporary work declined.

The poor labour market experience faced by recent immigrants belies the fact that immigrants today have a higher level of education than either immigrants in previous decades or of the Canadian-born population today.

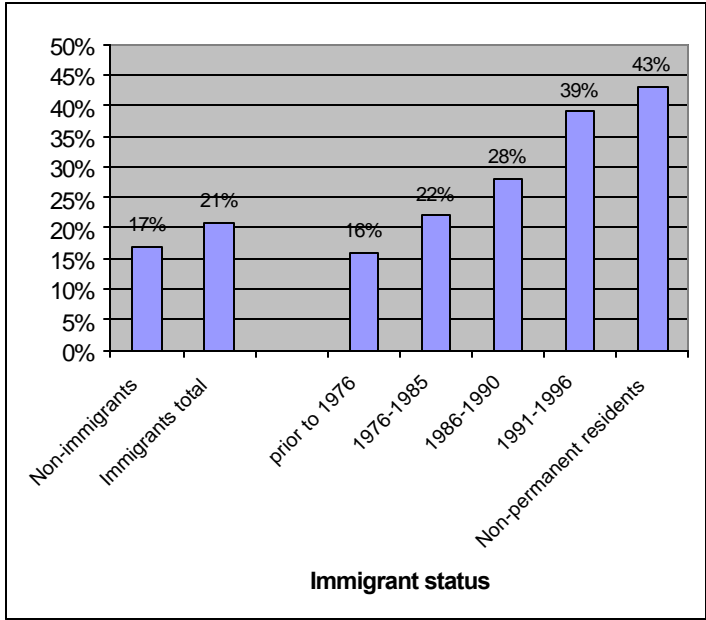
Although many recent immigrants found jobs in high-skill occupations, especially in the field of information technology, many others, regardless of education, were employed in low-skill occupations. There was an overrepresentation of university-educated immigrants in lower-skill jobs including taxi and limousine drivers, truck drivers, security guards, janitors and building superintendents. In both high- and low-skill occupations, recent immigrants earned less than their Canadian-born counterparts.¹³

Families in Core Housing Need

Data on housing conditions among immigrants shows that immigrant households are more likely to live in core housing need.¹⁴ Overall, 22 percent of immigrant households compared to 17 percent of non-immigrant households were paying more than 30 percent of their income on shelter that either needed major repair and/or was overcrowded. Rates of core housing need corresponded closely with the date of immigration. Those who had immigrated before 1976 had a lower incidence of core housing need than non-immigrants. Thirty-nine percent of immigrants who had been in Canada for five years or less lived in core housing need. Forty-three percent of non-permanent residents, including

refugee claimants, immigrant workers and international students were living in core housing need.

Core housing need, by immigration status, 1996



Source: Canada Mortgage and Housing Corporation¹⁵

Policy Proposals

Automatic Landing for Protected Persons

Canada’s commitment to welcome refugees is not one based on an economic calculus. It is rooted in international human rights commitments Canada has made. Yet, there are aspects of Canada’s immigration program that impose unnecessary burdens for settlement and thus greater hardships for people. What is more, they are costly to the nation as a whole.

One way to alleviate the economic and social hardships of inland refugee claimants would be to grant automatic landing to those whose claim for protected person status is accepted. Currently, under Canada’s two-stage process for landing, inland refugee claimants must pass one set of security and health checks in order to receive protected person status and then a second set of, nearly identical, security and health checks to become a permanent resident. Often the waiting time between receiving protected person status and becoming a permanent resident can stretch into years. The integrity of Canada’s refugee determination system will be maintained, and there are direct economic costs to protracted process. One estimate places the public costs at more than \$330 million a year. Meanwhile, people are stuck in legal limbo. (See attachment, *Ending Limbo for Refugees*, for more on implementing automatic landing for protected persons.)

Creating an economy that pays living wages

A low wage economy does not provide the basis for long-term productivity or international competitiveness. And poverty rates are higher in countries with a high proportion of low wage jobs. Unfortunately, among OECD countries, Canada has the second highest proportion of low wage jobs – jobs pay less than two-thirds of median wages. That situation contributes directly to Canada’s stubbornly high child poverty rates. Raising the number of workers who earn more than two-thirds of the median wage would directly improve living standards of low-wage workers, many of whom are recent immigrants.

The federal government should lead the way in turning Canada into a high wage economy. Raising the federal minimum wage to two-thirds of the median wage would help reduce the supply of low wage workers and provide a real incentive for all employers to invest in their workers and raise productivity. Raising the federal minimum wage – and minimum wages in the provinces and territories – is an important complement to public investments in education from the early years through post-secondary and graduate studies, as part of an overall strategy to create a high wage economy.

There are also specific measures Canada needs to implement to assure that immigrants can exercise the livelihoods for which they have trained and been accepted to Canada. Elizabeth McIsaac, of the Maytree Foundation, identifies some policy changes:

- We have to improve accreditation systems to reflect current source country qualifications of new immigrants
- We need to develop targeted learning initiatives to bridge gaps that may exist between Canadian standards of training and those of source countries
- We need to provide better information about labour market integration to overseas applicants
- We need to develop solutions to labour market barriers for new immigrants that correspond to local conditions – solutions that emerge at the municipal level and are supported by the federal and provincial governments .

Child Benefits

Raising the minimum wage to a living wage would help assure that individual workers can earn enough to rise above the poverty line. The Canada Child Tax Benefit plays a crucial role in helping families climb out of poverty. Recent increases to the CCTB have helped reduce the depth of poverty for low-income families. The maximum child benefit needs to reach \$4,900 to enable a single parent, working full-time at \$10 an hour, with one child to rise above poverty.¹⁶ The Canada Child Tax Benefit is an example of a universal program that also plays a key role in enabling new immigrant families in Canada to gain a firmer foothold in their new country.

Affordable Housing

A home is a valuable asset. This is certainly true for home owners. But to have a place to call home is the basis for health and well-being. Home is more than a roof overhead. A cot in a church basement can provide shelter from the cold winter. But it is not a home.

The lack of affordable housing is one of the greatest impediments to sustainable livelihoods for many Canadians. Housing insecurity is a major cause of stress – and a contributor to ill-health. It undermines people’s capacity to develop enduring social connections, what has come to be known as social capital. Frequent moves in search of housing jeopardize the healthy social and educational development for children. For all these reasons and more, it is crucial that the federal government establish a long-term plan for a national affordable housing program. The housing framework agreements signed with the provinces and territories in recent years are a start. But Canada needs a permanent affordable housing program that will let provinces, territories, municipalities and local communities rebuild the capacity to develop sustainable affordable housing programs.

Investing in Learning from the Early Years On

A recent UNICEF study on Child Poverty in Rich Nations underscores the fact that reducing child poverty requires spending money on programs that help families with children. Child benefits are part of that mix – as are well-paying jobs. Public spending on early learning and child care both directly contributes to the economic and social well-being of children and their families, and is an investment that pays dividends. One of the surest ways to foster well-being and to lay the foundation for a productive economy is to make public investments in learning. Governments know that. That explains why the federal government has made a significant down payment on a national early learning and child care program. The cost of a mature, national early learning and child care program has been estimated at approximately \$12 billion annually.¹⁷ This budget provides a good occasion to lay out multi-year commitments to build on early learning and child care funding.

Conclusion

This short brief does not provide a comprehensive framework for the next federal budget. What it has tried to do is reveal the limitations of basing budget decisions on a narrow pursuit of productivity. Governments have a broader purpose – to defend and promote public justice. The situation of refugees and other newcomers to Canada demonstrates how previous policies and practices aimed at getting the fiscal fundamentals right and creating flexible labour markets have failed to meet the test of public justice in Canada.

That is not to suggest that public justice and productivity are at odds. But international experience shows there are different routes to economic productivity. Citizens for Public Justice contends that Canada should pursue the high road – the road that does justice, that welcomes the stranger and assures that all people can achieve a sustainable livelihood.

¹ *Guidelines for Christian Political Service*, Citizens for Public Justice.

² At the time of that study, debate was raging in Canada over a supposed brain drain of Canada's best and brightest to the U.S. The contention, which was ultimately accepted in the committee report, was that Canada's relatively high personal income tax rates were the source of this brain drain, which was undermining Canada's productive capacity. The report relied largely on anecdotal evidence of a brain drain to justify its recommendations for cutting personal income tax rates. "Whether or not Canada is experiencing a brain drain is a subject of much debate. Statistics Canada believes that we are, on balance, a net recipient of skilled labour. A recent study, by the Bank of Montreal, which puts migration trends within a longer-term context, also concludes that there is no great exodus at present.. Nevertheless, there is strong anecdotal evidence that highly skilled Canadians are leaving in ever-increasing numbers (p. 32, *Productivity with a Purpose*)." Also during this period, an influential report by Dr. Fraser Mustard and Margaret McCain, *Reversing the Real Brain Drain*, presented substantial evidence that Canada's relative lack of resources invested in early childhood development was, arguably, a more costly problem for Canada.

³ *Productivity with a Purpose*, page 8.

⁴ *Guidelines for Christian Political Service*, Citizens for Public Justice.

⁵ *One Million Too Many: Implementing Solution to Child Poverty in Canada. 2004 Report Card on Child Poverty in Canada*, Campaign 2000.

⁶ Canadian Economic Observer, Statistics Canada – Cat. No. 11-210, 2004/05, page 24.

⁷ Statistics Canada (2003a) *2001 Census: Analysis Series. Income of Canadian Families*. Cat. 96F0030XIE2001014.

⁸ *Healthy Development of Children and Youth: The Role of the Determinants of Health*, Health Canada, 1999., page 8.

⁹ John F. Helliwell, *Globalization and Well-Being*, p. 50

¹⁰ Statistics Canada (2003b) Longitudinal Survey of Immigrants to Canada: Process, progress and prospects. Catalogue no. 89-611-XIE

¹¹ Elizabeth McIsaac, "Immigrants to Canadian Cities: Census 2001 – What do the Data Tell Us?" *Policy Options*, May 2003.

¹² Statistics Canada (2003b) Longitudinal Survey of Immigrants to Canada: Process, progress and prospects. Catalogue no. 89-611-XIE

¹³ Elizabeth McIsaac, op cit.

¹⁴ Canada Mortgage and Housing Corporation (2000) "Special studies on 1996 Census Data: Housing Conditions of Immigrants," *Research Highlights, Socio-Economic Series* Issue 55-3.

¹⁵ Ibid.

¹⁶ This is in 2005 dollars. See Campaign 2000's report *Pathways to Progress: Structural Solutions to Address Child Poverty* (May 2004) for details on how the level of benefits for families of different size.

¹⁷ *Pathways to Progress*, Appendix B.