



**Federal Pre-Budget Consultations
(Fall 2009)
Submission by the NATIONAL COUNCIL OF WELFARE
to the House of Commons Standing Committee on Finance**

The Committee has asked:

- 1. What federal tax and program spending measures are needed to ensure prosperity and a sustainable future for Canadians from an economic, social and/or environmental perspective?*
- 2. What federal stimulus measures have been effective and how might relatively ineffective measures be changed to ensure that they have the intended effects?*

Executive Summary

The National Council of Welfare (NCW) presents this brief in light of increasingly extreme inequalities and depth of poverty in Canada, even before the recession hit. We are now facing the prospect of an agonizing and slow recovery for many Canadians—others will not recover or were disadvantaged even in the good times. We must change this pattern of wasted ability and potential to ensure future prosperity and sustainability.

Polls indicate that Canadians want to solve poverty. We keep hearing the argument, however, that we can't afford it. That argument is being significantly challenged by studies showing that poverty is already costing us too much and that wiser investments would provide better, larger and more permanent, returns.

Poverty has many dimensions but it is always about money, and in this dimension the federal government plays its most significant role. Through employment insurance, pensions and guaranteed income for seniors, and child and other tax benefits, the federal government has the capacity and mechanisms in place to directly provide individuals and families with income security and stability that can operate as poverty preventer, safety net and springboard to opportunity. It does a relatively good job for seniors but can and must do far better for children, youth and working age adults.

The government can do this by: **1)** improving Employment Insurance to safeguard the livelihoods of workers and their families; **2)** building on the CCTB/NCBS, WITB, GST credit and other potentially refundable credits that deliver the greatest benefit to those who are most disadvantaged and prevent, to the greatest extent possible, falling over the wrong side of the 'welfare wall', and; **3)** supporting other orders of government and working with them towards a coordinated pan-Canadian strategy to solve poverty.



Context

The National Council of Welfare is a federal advisory body on poverty that has been tracking the dimensions of poverty and inequality for over a quarter century, including the workings of the different social assistance regimes across the country. We have also documented the costs of poverty, highlighted the progress of other countries and identified four cornerstones that are critical to the success of strategies to solve poverty as an integral part of a country's economic and social goals. The cornerstones are 1) vision, targets and timelines 2) coordinated plans of action with corresponding budget allocations 3) accountability mechanisms; and 4) indicators to plan and measure progress. (See www.ncwcnbes.net for *Solving Poverty* and other publications).

These cornerstones essentially represent a good governance model where budgets reflect the vision and public policy planning of a government, so we will start with the vision.

Recent polls indicate, as did an earlier NCW questionnaire, that the vast majority of Canadians across the income and demographic spectrum want to solve poverty and would support political leaders who took up this challenge. This, to us, reflects a clear vision for Canada. It suggests that the country as a whole can only set itself on a strong path to the future if we reduce inequalities that are growing more extreme and solve the poverty that undermines quality of life and productivity in Canada. Finding that path is challenging and involves some rethinking of what prosperity and sustainability truly mean. For the sake of our health, education, families, communities, public sector and private sector enterprises the federal government needs to make investments that will give all Canadians positive returns that will make our vision possible.

This pre-budget submission comes at a pivotal point in Canada. We can invest in a direction that will start turning around the causes and consequences of the financial crisis and its human toll or, failing that, we will have decided to pay ever steeper costs of poverty in the future.

History and experience tell us that if we follow the current course, unemployment, underemployment and poverty are going to be very slow to turn around from this recession. Both good and bad jobs are disappearing, Employment Insurance (EI) is not as available as it used to be and social assistance benefits have eroded, in some cases to staggeringly low levels, with severe asset limits and hundreds of other rules that can sabotage any effort to rebound or get ahead. This is well documented in the NCW's *Poverty Profile* and *Welfare Incomes* series of reports. Some provinces, as well as cities, have poverty reduction strategies but they cannot do it alone. The long-term prosperity of Canada as a whole depends on coordinated efforts to solve poverty and the inequalities in our society that are growing ever more extreme. Even before the recession hit, years of unprecedented economic growth did little more than put poverty levels back where they were a couple of decades before.

Even in the midst of the gradual decline in poverty rates in the late 1990s and early 2000s, those who remained in poverty—whether employed or not—became increasingly sidelined, with rising demands on homeless shelters and food banks. Two quick snapshots provide good examples. The NCW's *Welfare Incomes*, using the federal Market Basket Measure, shows that with very few exceptions, social assistance incomes across the country are only a fraction, in some cases less than a third, of what is actually needed to buy necessities. A recent Salvation Army survey found that a quarter of homeless men across Canada, and over 40% in the prairies, were employed. When people are consumed with the

worry and work of finding the next meal or a place to sleep, their other abilities become unusable and they can't share in prosperity.

Children growing up in that Canada face a high risk of perpetuating the cycle of deprivation and hopelessness. With the exception of the plight of Aboriginal Canadians, Canada has so far avoided the sizeable and severe intergenerational and interracial poverty problems that plague more unequal countries like the US or UK but we are heading into trouble if we are not careful. We seem willing to treat families with children in the home somewhat less harshly than others. But the homeless or jobless 'single' men and women that are so often reviled are part of families too—sons and daughters, sisters and brothers, uncles, aunts or divorced parents—and children are affected by their poverty too. This is a tragedy and a waste of individual and national potential.

At the other end of the scale, as wealth and income are becoming increasingly concentrated in the hands of the privileged few, we often see a different kind of waste with an almost addictive consumption of luxury goods and the gated community phenomenon that isolates them from the majority of the population too.

For the majority of Canadians, keeping afloat before the recession hit depended mainly on having two earners in a household and on adults spending more hours at work, leaving little time or energy for family and community. When unemployment and income pressures build, older children start missing school to help bring in income or to care for younger siblings. This is not sustainable, economically, socially or environmentally, nor is it most people's idea of what a prosperous country is about.

The Cost of Poverty and Insecurity

From the NCW's vantage point, Canadians have stated clearly that they want a Canada without poverty. We also see a great deal of agreement on what is needed to solve poverty, including child care, affordable housing, education and health care, decent jobs, fair wages and effective income security. We already have programs that address these areas and more, but they do not come close to meeting the need and there has been no lasting reduction in poverty rates in 40 years, despite economic growth and the billions spent. The exception is seniors, whose poverty rates have come down dramatically, and this experience should encourage us to improve the lives of Canadians at earlier stages in the life cycle.

We keep hearing the argument, however, that despite what we want we can't afford to tackle poverty or that all sorts of dire things might happen if we try. This has eroded public hope and confidence and the NCW hopes that you, as elected representatives of the public interest, will overcome that malaise. The can't-afford-it arguments are being significantly challenged by studies showing that poverty is already costing us too much and that wiser investments would provide better, larger and more permanent, returns.

What these cost of poverty studies are actually demonstrating is the value of investment when a wider range of both costs and benefits that affect people's lives are taken into account. The NCW thinks it can make great sense to most taxpayers when the full costs of programs are revealed compared to other options. A recent study on mental illness and homelessness in Ontario, for example, highlights the kind of comprehensive, societal costing that is necessary. It found that programs that might otherwise have been labelled 'too expensive' at the level of one

agency or program could actually be quite cost-effective when other costing components are considered.

We see a parallel with regard to EI, which has been described as too expensive. In a questionnaire we ran in 2006, respondents told us that EI was highly valued and worked well but could be improved. They told us that social assistance/welfare systems were almost broken beyond repair. Several provinces are trying to improve that situation, but as the Ontario premier commented, 'welfare just stomps people into the ground'. The claimants who paid into EI but cannot get benefits, now must resort to that welfare system, run by provincial/territorial governments on a tax base that has a much more limited revenue capacity than the federal government.

But before getting welfare, these people will have to use up their savings and assets, many will have to move, uproot their children, join the years-long waiting lists for subsidized housing and the line-ups at food banks struggling to meet demand. They will be tied up in mazes of rules, less and less able to get to job interviews with shrinking chances of success. Families break up because of the stress. Individuals are more likely to get ill. Health costs rise. Crime goes up as poverty grows and policing costs go up too. Some people become homeless. The cost of homeless shelters and related services has been estimated at triple the cost of providing adequate housing.

The costs of trying to pick up the pieces are almost always larger than prevention. And the costs of administering and navigating our vast array of uncoordinated programs, with varying criteria and hundreds of rules, add to the problem. Some help, some actually harm, too few focus on prevention and together they have not succeeded in making any lasting difference in poverty.

Can we as taxpayers and human beings really afford this? At the end of the day, it does not matter whether money is spent by the federal, provincial, territorial, municipal government or delivered through non-government agencies, we are the same people paying for it, one way or another. Poverty costs us all.

The Value of Investment

Rather than talking about program-by-program 'spending', therefore, it is crucial to focus on what we value for our country and on '**investing**' to make it happen. If we want prosperity and sustainability, a more comprehensive societal cost-benefit analysis like the one above would show that a program like EI is exactly the kind of investment that will be effective, especially in an economic downturn, as it keeps people more resilient and able to take advantage of opportunities that arise or even create new ones.

The Federal Role

For the NCW, solving poverty is not limited to reducing the numbers of people currently living in poverty, making the daily lives of the worst-off a bit better or treating the symptoms of poverty. Poverty has many dimensions and it is about more than money. The services and supports that provinces, territories, municipalities and non-governmental organizations deliver matter very much and are usually best designed and delivered as close to people as possible to meet particular needs in particular local or regional contexts.

But poverty is always about money, and in this dimension the federal government plays its most significant role. It has the revenue capacity and, through employment insurance, pensions and guaranteed income for seniors, and child and other tax benefits, the federal government also has mechanisms already in place to directly provide Canadian individuals and families with income security and stability that can operate as poverty preventer, safety net and springboard to opportunity. It does a relatively good job for seniors because there is a set income floor that protects most seniors from poverty, especially deep poverty, even during recessions. Child benefits are making a difference to low-income families (depending on number of children, for some families on welfare, which is provincial, about half their income can actually come directly from the federal government through child tax benefits). More recently, the Working Income Tax Benefit is a start at addressing the fact that some jobs just don't pay enough to survive. But poverty persists and rates will no doubt be higher still before we climb out of this recession, which does not bode well for the future. The federal government can and must do far better for children, youth and working age adults.

It is both feasible and economically wise to invest in solving poverty. We trust that you will be mindful that you are indeed investing our money and the benefits derived from the labour of all Canadians, both paid and unpaid. We recommend the following as highly effective stimulus measures and part of a long-term, comprehensive plan to ensure prosperity, sustainability and quality of life in Canada. We respectfully submit that federal departments have greater modelling capacity than small organizations outside government and should undertake comprehensive cost-benefit analysis available to the public to foster informed conversations about potential options.

Recommendations

1. Restore and improve Employment Insurance to safeguard the livelihoods of workers and their families during the recession and beyond.
2. Build on the Canada Child Tax Benefit and National Child Benefit Supplement, Working Income Tax Benefit, Goods and Services Tax credit and other refundable or potentially refundable credits that deliver the greatest benefit to those who are most economically disadvantaged, in order to provide more adequate and stable income, cushion periods of financial difficulty and prevent, to the greatest extent possible, falling over the wrong side of the 'welfare wall'. All tax and spending/investment measures proposed to this Committee should meet this test of reducing and not exacerbating inequalities, providing proportionally more benefit to low-income Canadians than to those who have more money, privilege, ability to pay tax and options.
3. Support provincial, territorial, municipal and Aboriginal governments in their efforts to solve poverty and work with them, in consultation with Canadians, towards a pan-Canadian strategy to solve poverty.

The National Council of Welfare would be pleased to discuss these matters further or provide additional information that could be useful to the Finance Committee.