



Stimulus Package Remains a Lost Opportunity

CPJ's Response to the Budget

Budget 2009 finally offers a minority government budget. It dramatically shifts away from the partisan tone of November's Economic and Fiscal Statement towards more conciliatory measures that focus on addressing the current economic crisis. CPJ agrees with the government's intention to run a short-term deficit and stimulate the economy through spending. Investments in infrastructure, housing and skills development will help ensure that more Canadians can keep their jobs and that our economy is better able to weather the current storm.

However, while it provides a modest economic stimulus plan, the budget also represents a lost opportunity to make broader changes that would promote public justice and dignity for all Canadians. The budget failed to include a poverty reduction strategy or provide measures to adequately protect those living in poverty. It also missed an opportunity to invest in social infrastructure and to make our economy greener and more sustainable. Such initiatives would have assisted those who will be most impacted by the recession, created greater economic stimulus, and promoted a sustainable economy.

No Poverty Reduction Strategy

A ten per cent poverty rate is a significant public justice challenge for Canada. Poverty prevents people from fully living in dignity, realizing their human rights, and experiencing well-being as part of a community. We have a responsibility to fight anything that harms the dignity of human beings created in the image of God. The Bible repeatedly reiterates God's call to justice, compassion and generosity towards those who are poor. Eliminating poverty should thus be a priority for citizens and governments concerned about public justice.

In this time of economic crisis, helping the poor is even more important. More Canadians will slide into poverty as a result of this recession. The poor are the most vulnerable to economic slowdown: they are among the first to lose their jobs, find it harder to get new work, and social assistance and employment insurance (EI) are inadequate to prevent people from living in poverty.

The budget does not even mention poverty. It offers no commitment to a poverty

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reduction strategy. Initiatives targeting low income Canadians are a very tiny proportion of the budget. The budget does make an attempt to prevent job loss, but it offers nothing to those who have already lost their jobs as the result of this recession.

Before the budget, CPJ was joined by many other organizations in calling for the government to reform EI. Only 40% of unemployed Canadians can access EI, and benefits rates are low. The budget announces nearly insignificant reforms: a freeze on premiums for the next two years and a 5 week extension of available benefits. 60% of Canadians will still not have access to EI, and those struggling to find new work during the recession will only have 5 extra weeks to look for a new job.

The budget does allocate \$1.5 billion for re-training that will include unemployed Canadians who cannot access EI. This is a positive step, as training programs were previously restricted to those on EI. However, only one-third of the money is directed at those outside of EI, while two-thirds of the money will be delivered through EI programs. The government should open EI training programs to all unemployed Canadians.

CPJ is pleased to see several measures we recommended to help poor Canadians in the budget, including:

- nearly doubling the Working Income Tax Benefit, which provides a tax credit to low income earners. The previous benefit rate was very low, so this measure does help vulnerable Canadians. However, the government did not raise the access cut-off so that someone working full-time, year-round at minimum wage would qualify.
- an increase in the amount of money low-income earners can make before the Canada Child Tax Benefit and the National Child Benefit Supplement are phased out. Unfortunately, this doesn't provide a desperately needed benefit increase to those making less than \$20,000 per year.
- investments in Aboriginal skills and training, as well as on-reserve social housing and infrastructure. However, \$1.4 billion falls far short of demonstrating a sincere commitment to Canada's First Nations communities. These investments also fail to address the needs of Aboriginal people living off-reserve.

Social Housing Funding Applauded

Perhaps the most significant initiative the budget offered to help poor Canadians is the investment in social housing, which CPJ applauds. It commits \$1 billion in funding for renovating existing social housing in Canada, as well as \$600 million to build on-reserve aboriginal housing, \$400 million for seniors' housing, and \$75 million for housing for people with disabilities.

While this funding announcement is a positive step, it also represents a lost opportunity to help the one in four Canadians are in need of adequate, affordable housing. The government has committed funds for renovating existing social housing but it has not announced new affordable housing units. Building new social housing would address the high demand and serve as stimulus.

Unlike the home renovation tax credits, government investments in social housing do not rely on individual Canadians having the economic security to invest in construction. Investing in social housing is one example of how the federal government can stimulate the economy through spending on projects and programs that create jobs, increase demand for goods and services within Canada, and support the low-income and marginalized.

Tax Cuts are not Good Stimulus

The \$2 billion a year in tax cuts announced in the budget would have been much more efficiently spent by investments in projects such as social housing. Economic modeling has shown that government spending has a much greater stimulus effect than tax cuts. A study released in December 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.

In fact, the tax cuts included in Budget 2009 do not meet the criteria of good stimulus at all. The average tax reduction individual Canadians will receive is \$300 – less than a dollar a day to add to their personal spending, if they spend it at all. The debt load of the average Canadian household is \$90,700. With 1 in 4 Canadians concerned about losing their jobs, Canadians are more likely to save their tax break money or use it to pay down debt. If they do spend this money, there will be a significant leakage out of the Canadian economy as a good proportion will be spent on imported goods.

The tax cuts are also permanent, when a good stimulus policy should be temporary. The permanent loss in government revenues will make it more difficult for Canada to get out of deficit, and will constrain the fiscal capacity of future governments to deal with major challenges confronting Canada.

Lost Opportunity for Investment in Social Infrastructure

The government's commitment of \$12 billion for infrastructure development over the next two years is a positive investment that will boost job growth in local economies across Canada.

However, while building bridges and roads is an important part of promoting economic growth, investments in social infrastructure – such as health care, education and child care – are equally important. Investments in these areas not only help to create a strong labour force, they also improve quality of life for Canadians by promoting skills development, health and well-being. And unlike physical infrastructure investments that promote job growth in male-dominated professions such as construction, funding for social development creates jobs in many female-dominated professions such as teaching, health services and care-giving.

As well, the federal government missed an ideal opportunity to invest in affordable, quality child care for Canadian families. This would have provided stimulus for local economies by enabling parents with small children to enter the workforce and creating jobs in childcare professions. These initiatives would have had a positive impact on the economic well-being of women and children in particular, who already suffer disproportionately from poverty in our society.

Budget Stays Tory Blue

While earmarking \$1 billion for 'green' infrastructure, the government missed the opportunity to move Canada to a modern, greener future.

Budget 2009 included measures for funding carbon capture and storage projects. These projects fail to create incentives for investing in new, green technology, and do not encourage dirty, extractive industries to move away from their harmful practices.

CPJ called for the government to "direct investment towards climate change related infrastructure." The government did announce more funding for renovations and retrofitting to encourage Canadians to make their homes more energy efficient. However, these programs will

only be available to those who can afford them. The social housing initiatives announced did not incorporate green construction and development, and the budget left out green infrastructure funding for the automotive and manufacturing industries, as well as public transit initiatives.

The government reviewed many suggestions and had the opportunity to create an innovative green budget. But the budget announcements significantly lacked care and stewardship for the environment. This missed opportunity will become more evident as the government fails to meet their international and domestic commitments to addressing climate change. Including commitments to clean energy, green infrastructure and innovative technology would have moved Canada towards a modern, sustainable economy.

Lost Opportunity for Canada

While CPJ applauds Budget 2009 for its effort to address the economic crisis through economic stimulus, it is also a lost opportunity to make greater investments that would promote the dignity and well-being of the poor and marginalized. It also lacks adequate investments in social infrastructure or sustainable development.

The budget reflects the government's unwillingness to promote public justice through measures to protect those who will suffer the most from the economic crisis. CPJ will strengthen the call for the federal government to invest in a poverty reduction strategy and protect the most vulnerable in our society.

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***Citizens for Public Justice (CPJ)** is an Ottawa-based non-partisan organization. Our mission is to promote public justice in Canada by shaping key policy debates through research and analysis, publishing and public dialogue. CPJ encourages citizens, leaders in society and governments to support policies and practices that reflect God's call for love, justice and stewardship.*