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As the fiscal chill thaws: social policy ideas for the medium term

Canada's economic outlook currently remains uncertain. But as the economy begins to recover, as it eventually will, our fiscal situation will gradually improve.

So long as there is not another global economic meltdown, the federal government's debt burden, as measured by debt as a percentage of GDP, should begin to decline within the next few years. In addition, there are numerous opportunities to make our tax system fairer while raising more revenue, such as reintroducing an inheritance tax or increasing the capital gains tax.

One way or another, Canada's federal government may soon find that it has additional fiscal flexibility. If these funds are to be spent wisely, we should start considering our alternatives now and, where possible, begin to make incremental changes towards our longer-term goals. We can also, in many cases, finance these improvements through offsetting measures.

Here are some ideas from Caledon:

- Raise the Canada Child Tax Benefit from its current maximum of $3,582 to $5,300 per child. The increase would be applied to the base Child Tax Benefit that goes to more than 90 percent of Canadian households. This change could be partly financed by eliminating the Universal Child Care Benefit and non-refundable child tax benefit. The net impact would be a substantial improvement in child benefits for low- and moderate-income families with children, and smaller but still significant gains for middle-income and upper-middle income families, with losses for only high-income households. Rate increases would be phased in gradually, as was done when the National Child Benefit was introduced.

- Enhance the benefit level and extend the reach of the Working Income Tax Benefit, an important program that has two key aims: to reduce disincentives to work for welfare recipients stuck behind the welfare wall, and to enhance incentives to work among the working poor.

- Expand the Canada Pension Plan by raising the maximum retirement benefit and the Year's Maximum Pensionable Earnings by 1.5 times their current amounts. This reform would be undertaken by incremental steps to raise contributions to the CPP, as was done when the program moved from pay-as-you-go to partial funding between 1997 and 2003.

- Strengthen Employment Insurance by increasing its earnings replacement capacity from the current 55 percent of insurable earnings to 70 percent, and operating under a uniform set of rules for work requirements and duration of benefits for all working Canadians, wherever they live and work. Introduce a new geared-to-income temporary income program for unemployed workers who are not eligible for EI.

- Boost the Guaranteed Income Supplement that goes to lower-income seniors, with emphasis on single women and men who remain below the poverty line. This enhancement could be financed by eliminating pension income splitting, which goes almost entirely to wealthy pensioners and none at all to the poorest elderly.

- Introduce a federally administered income-tested disability benefit that would free persons with severe and prolonged disabilities from reliance on provincial/territorial welfare. This new measure could be implemented gradually by beginning with persons with disabilities above a certain age – say 55.

- As has been promised, introduce a First Nations Education Act that provides the resources, both financial and organizational, to improve education on reserves.

- Make refundable the caregiver credit, family caregiver credit and infirm dependant credit to deliver some financial assistance to low-income caregivers.

- Expand the Compassionate Care Leave provisions of Employment Insurance to recognize periods of caregiving for those who are not terminally ill.

- Enhance the drop-out provisions of the Canada Pension Plan to help protect the future incomes of caregivers.

- Renew the Affordable Housing Agreements due to expire in 2014.

- Invest in infrastructure funding for public transportation facilities and a wide range of recreational programs.

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