



Economic Policy Needs a Broader Conversation*

The first English televised leaders' debate in the federal election was split into four segments, each of which considered an important policy topic. Economic policy made the list of worthy subjects. Social policy did not.

The irony is that good social policy is good economic policy. These streams are two sides of the same coin. Unfortunately, they tend to be treated by politicians, business leaders, the media and others as separate domains that run on parallel tracks with no link to each other. Nothing could be further from the truth.

Take for example, the unemployment rate – typically considered to be one of the most significant barometers of a country's economic health. Policy red flags begin flying (or at least they should) when unemployment starts rising and remains high. Joblessness creates economic and social instability – for both individual households and for the nation as a whole.

The reality is that market economies go through cycles with periods of stability followed by periods of slump and uncertainty. Canada has weathered these economic cycles, and even major recessions, largely because of our social policy initiatives. Income security programs, in particular, are vital economic measures. The problem is that most of these have withered and shrunk in recent years and are in need of major repair.

Why is social policy so important to the economy?

First, income security programs act as *shock absorbers* when times are tough for individual households. Programs such as Employment Insurance, child benefits, public pensions and welfare are intended to ensure that all Canadians, no matter their circumstances, have at least some money to pay for necessities such as food, clothing and shelter.

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Born out of the Great Depression, Employment Insurance acts (at least in theory) as the primary shock absorber. Its purpose is to help smooth out the ups and downs of economic cycles. Workers who become unemployed through no fault of their own due to plant closures, economic downturns or seasonal employment may be eligible for this replacement income.

The problem is that the eligibility criteria have become so tight that only four in ten unemployed Canadians now qualify for the program. Coverage is even lower in Alberta, Ontario, Manitoba and BC.

There is something very wrong when the majority of workers cannot qualify for the risk protection they have purchased. This social program is an integral component of economic policy and should have been part of the leaders' debate.

Second, income security programs act as *fiscal stimulus* when the economic wheels start slowing. Income benefits put money directly into the hands of large numbers of Canadians whose collective spending can jumpstart the economic engine and help keep it running.

The Canada Child Tax Benefit is the major transfer to families with children. Because the benefit pays thousands of dollars a year to lower- and modest-income families, it creates significant fiscal stimulus. Payments help circulate money in the economy because lower-income households typically spend their money on goods and services in Canada rather than offshore. Ottawa also delivers a small flat-rate Universal Child Care Benefit paid to all families with children.

There is a very clear difference in federal party proposals on child benefits – basically paying a small amount to everyone versus paying larger amounts to families that need it most. The crucial fiscal stimulus role of this program – not to mention its substantial contribution to child and family well-being – should have been part of the economic policy discussion during the federal leaders' debate.

Finally, certain income security programs act as *economic stabilizers* by bolstering low wages. These earning supplementation programs are controversial, with many arguing that decent living wages should be the responsibility of employers. In the meantime, millions of Canadians struggle on low and unstable incomes.

In 2006, Ottawa introduced a Working Income Tax Benefit targeted to the working poor who comprise about half of Canada's low-income population. But its maximum annual payment in 2014 of just \$998 for single workers and \$1,813 for families is too modest to adequately compensate low wages. Moreover, its restrictive design has meant that minimum-wage workers in some jurisdictions, such as Ontario, are not even covered. The economic policy segment of the federal leaders' debate should have touched on this important, but largely unknown, social policy measure.

Shock absorber, fiscal stimulus and economic stabilizer. These are all crucial roles of social policy and of income security programs, more specifically. They blow wind into the sails of the economy and help ensure a smooth economic ride – or at least a smoother one than in their absence.

While their vital roles are central to the economic health of the country, they are always relegated to the sidelines in most discussions and debates. An economic policy discussion without its intrinsic social policy component is definitely incomplete.

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