CALEDON INSTITUTE OF SOCIAL POLICY

Policy Agenda in Search of a Budget

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The tradition

Federal Budgets are funny things. They come with lots of pomp and ceremony. They are shrouded in secrecy and kept under lock and key until the special day when they are unveiled by the Finance Minister in the House of Commons.

In recent years selected Budget items have been leaked to the media, which takes away some of the suspense of the event. This year's pre-Budget leaks included boosting health care services in rural and remote areas, resurrecting the EcoEnergy Retrofit program and creating a tax credit for families enrolling their children in the arts. And the Finance Minister had spoken publicly of the possibility of increased help to low-income seniors. But the Budget tradition and all its trappings from the past still play their part in the Alice-in-Wonderland politics of our time.

Immediately prior to the Big Show in the House, various national organizations are invited to a Finance lock-up, which is literally that. Representatives are sequestered in a room with no access to telephones or electronic mail until the 4:00 pm freedom bell rings.

During the holding period, Finance officials distribute an advance copy of the Budget. They then mill among the locked-up crowd, answering questions and clarifying specific measures that are about to be announced. They want to get it right because they are talking to the people who subsequently will spread the word – and their assessment – to their respective organizations.

The media get their own Budget lockup, with briefings by Finance officials. Journalists thumb through the Budget documents and seek insights and opinions from experts, bank economists and even other journalists, so that they can file their stories as soon as they are sprung from the lockup.

At the 4:00 pm bell, the Finance Minister rises in the House to unveil the long-awaited document. He traditionally sports a new pair of shoes, possibly to signify a shiny new economic start (though the actual origins of this tradition are unknown). Significantly, this year he resoled a pair of his shoes, a mark of thrift. All the captives who have been soldiering away at their organizational responses dash from the building, holding hand to ear. They are reporting the latest news on their can't-do-without cell phones that they have, at long last, been permitted to retrieve.

The Annual Ritual associated with federal Budgets took place this year as usual. But this time was different. While the 2011 Budget came with all the bells and whistles associated with the formal lock-up, it was a non-event from the get-go.

For months, the Harper Government (formerly known as the Government of Canada) had made it clear its intent to tighten the reins on spending. After two years of investing in its Economic Stimulus package, the Government gave notice that it was determined to get serious about reducing the swollen deficit – pegged at $55.6 billion in 2010.

There are questions as to whether this stated intent is actually achievable under current circumstances. The Parliamentary Budget Officer has argued, for example, that several successive reductions over the years have created a built-in structural deficit – the result of major consumption and corporate tax cuts.

The Harper Government effectively has drained its own coffers. In 2007, it announced a cut to the GST by two percentage points for an overall annual revenue loss of $12 billion. It also brought in a corporate tax cut from 22 percent in 2007 to 15 percent by 2012. It has made several additional tax cuts – notable among them pension income splitting, which most benefits wealthy senior couples – that further deprive the treasury of significant revenues.

The Canadian Labour Congress noted in its Budget assessment that the Harper Government's priority before the recession was tax cuts. Federal taxes were cut from 16.2 percent of GDP in 2005-06 to 14.6 percent before the recession. In the 2011-12 fiscal year, tax cuts introduced by the Conservatives will reduce revenues by at total of $37.5 billion, of which $10.5 billion come from corporate income tax cuts, and $13.2 billion come from the two-percentage-point cut to the GST.

So the 2011 Budget, while steeped in pomp and ceremony, came with greatly dampened expectations. There were no big announcements other than those already floated as trial balloons or actually proclaimed.

Guaranteed Income Supplement

The Budget's most significant social policy news took the form of an enhancement in the Guaranteed Income Supplement (GIS), a crucial income support for poor seniors. While a step in the right direction, the increase is too little and fails to target single senior women and men who live in deep poverty.

In 2011, the maximum GIS payment for single seniors came to an estimated $8,000 for the year. That amount will increase by $600 (starting July 1, 2011) to a maximum $8,600 for 2011. The maximum GIS for elderly couples is an estimated $10,566 in 2011, and will rise by $840 for a maximum $11,406 for the year.

The maximum increase in the GIS will go to the elderly with little or no income other than Old Age Security and the Guaranteed Income Supplement. Single recipients with an annual income (other than Old Age Security and the Guaranteed Income Supplement) of $2,000 or less, and couples with an annual income of $4,000 or less, will receive the full amount of the increase. Above these income thresholds, the amount of the GIS supplement will be gradually reduced and will disappear at an income of $4,400 for singles and $7,360 for couples.

Raising the GIS for low-income seniors was both politically correct and policy correct. It was politically correct because increased GIS rates were deemed necessary to secure an NDP post-Budget vote – to no avail, it turned out, as the NDP rejected the Budget. It was policy correct because the GIS is the most powerful instrument on hand to combat the worrisome trend of high and recently rising poverty among single elderly women.

Although Canada's national poverty statistics are stubbornly high, there has been great progress against poverty among our growing population of seniors – until now. The percentage of elderly Canadians living on low incomes fell hugely from 29 percent in 1976 down to 4.7 percent in 2007, but rose to 5.8 percent in 2008. That increase is due largely to the deteriorating position of single elderly women, whose poverty rate jumped from 14.5 percent in 2007 to 17.1 percent in 2008. Poverty among single aged men was down one percentage point, from 13.1 percent in 2007 to 12.1 percent in 2008, but remains high. By contrast, poverty among seniors in couples was only 2.6 percent in 2008.

The Guaranteed Income Supplement rise announced in the 2011 Budget builds upon the previous increase to GIS benefits to both single seniors and couples in the 2005 Budget – and the latter was the first real (above inflation) raise since 1984. The government got it half right this time. It announced a welcome improvement in GIS benefits. But it provided a sizeable increase for couples as well as singles. We would have focused this Budget's GIS enhancement (fully or at least mostly) on single women and men because they have a much higher poverty rate than elderly couples.

Moreover, the poverty gap – the difference between the maximum OAS/GIS and the poverty line – is much deeper and wider for singles than couples. In 2011 the estimated maximum OAS/GIS for single seniors ($14,338) falls $4,797 below the after-tax low income cutoff for metropolitan areas with 500,000 or more residents, $1,844 below for large cities of 100,000-499,999 and $1,642 below for urban areas of 30,000-99,999. Only in communities below 30,000 and rural areas does the poverty gap change to a surplus ($14 for places under 30,000 and $1,821 for rural areas).

For elderly couples, the poverty gap is only $47 for metro areas, while couples' maximum OAS/GIS is higher than the poverty line for all other community sizes (by $3,546 for large cities of 100,000-499,999, $3,791 for communities between 30,000 and 99,999, $5,806 for areas under 30,000 and $8,007 in rural Canada). Keep in mind that most seniors – like most Canadians in general – live in metropolitan areas and large cities.

The GIS increases announced in the Budget will reduce the poverty gap for single seniors living in metropolitan centres from $4,797 to $4,197, from $1,844 to $1,244 for those in large cities and from $1,642 to $1,042 for small cities of 30,000-99,999. Those in communities under 30,000 will rise from $14 over the poverty line to $614 over the line, and in rural Canada from $1,821 over the poverty line to $2,421 over the line. But the large majority of single seniors who receive the maximum GIS and live in metropolitan centres and large and small cities will still be below the poverty line.

Currently, senior couples who receive the maximum GIS and live in metropolian centres are just $47 below the poverty line; the increase announced in the Budget will raise them to $793 above the poverty line. The amount the GIS increase will raise them above the poverty line increases as communities get smaller – from $3,546 to $4,386 for large cities, from $3,791 to $4,631 for small cities of 30,000-99,999, from $5,806 to $6,646 for communities under 30,000 and from $8,007 to $8,847 for rural areas.

So most poor single seniors who receive the maximum GIS will remain thousands of dollars below the poverty line, while all couples with maximum GIS payments will be substantially above the poverty line.

The estimated cost of the increases to the Guaranteed Income Supplement will come to some $300 million. That is a not inconsiderable sum, but it is far less than the cost of another recently created benefit – pension income splitting – that cost the federal treasury an estimated $920 million in 2010 in lost tax revenue.

In a major measure introduced in the 2006 Budget, couples that previously paid tax on each spouse's individual income, like other taxpayer couples, can now split their income from private pensions and RRSPs so that each pays tax on half of private pension income. Couples in which one spouse (typically the man) has all the private pension income – the traditional one-income couple – are the biggest winners since the higher-income spouse now pays tax at a lower rate.

Pension income splitting does absolutely nothing to help single seniors or the poorest elderly couples that pay no tax. Many senior couples are enjoying a tax reduction, but the measure is regressive – the higher their income, the bigger the tax break. Federal tax savings in 2007 from income splitting for couples in which one spouse has all the private pension income ranged from just $310 for couples with $20,000 from private pensions and RRSPs to $7,280 for the privileged elite with $100,000. And the tax break is costly – an estimated $920 million in 2010, according to the Department of Finance's latest tax expenditure report.

Ending pension income splitting would free up money that can better be used to improve the income guarantee for Canada's 976,000 single GIS recipients, who make up 60 percent of the total GIS caseload. The GIS for single seniors should be increased by $1,000, which would cost an estimated $976 million – close to the $920 million cost of pension income splitting. Moving $900 million-plus in tax breaks from the wealthiest seniors to the poorest is a tough political choice – but the kind of tough decision we should expect from a government with limited fiscal room.

Boosting the GIS for single seniors by $1,000 is not enough to slash their poverty rate and fully close the poverty gap. Further improvements to the Guaranteed Income Supplement are required in future.

Retirement income system

Budget 2011 failed to deal substantially with the significant weaknesses in Canada's retirement income system. The system comprises three main tiers, which together seek to achieve two core objectives.

The anti-poverty objective is intended to ensure that no senior lives in poverty. This objective is pursued primarily by the federal Old Age Security and Guaranteed Income Supplement programs, which provide the foundation of our retirement income system.

The earnings replacement objective seeks to maintain in retirement the standard of living to which Canadians have become accustomed throughout their working years. This second core objective is supposed to be served by a mix of public and private arrangements – a second tier of the Canada Pension Plan and parallel Quebec Pension Plan, and a third tier of employer-sponsored pension plans and individual retirement savings vehicles.

While the structure of our retirement income system makes sense in theory and has been commended internationally, in reality it suffers from some serious shortcomings.

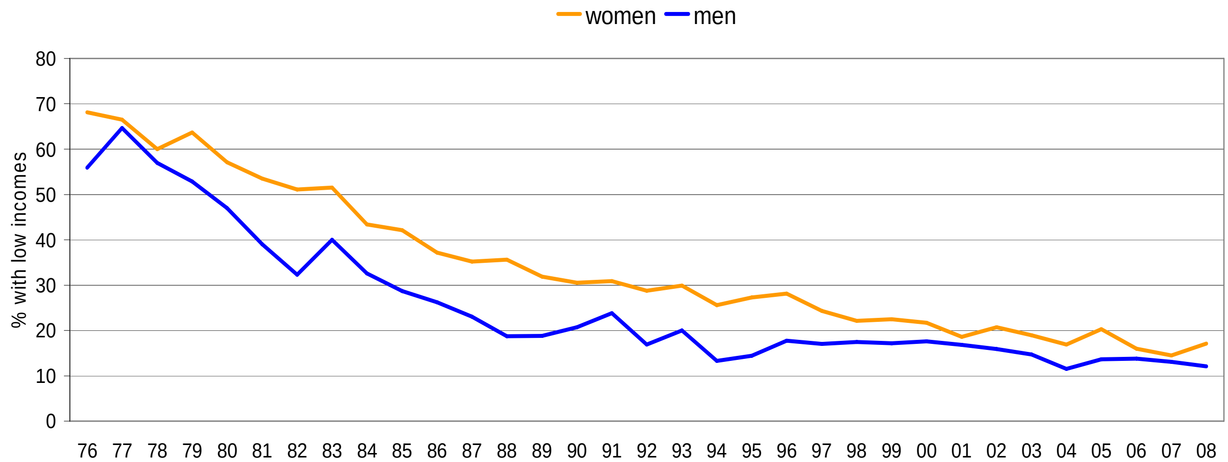
First, while the Old Age Security and the Guaranteed Income Supplement programs have played an acclaimed role in helping reduce poverty among elderly Canadians over the years, we have not yet managed to reduce the poverty rate to zero. As explained earlier, the incidence of poverty is low for senior couples (2.6 percent in 2008) but much higher for unattached elderly women (17.1 percent) and men (12.1 percent). Moreover, even with the enhanced GIS benefits announced in the Budget, the large majority of single seniors who receive the maximum amount will remain thousands of dollars below the poverty line, while all elderly couples with maximum benefits will be thousands of dollars above the poverty line. Figure 1 shows the trend in the low income rate for unattached elderly women and men.

The second major weakness in the retirement income system involves the decline in *earnings replacement capacity* that is supposed to be provided by its second and third tiers. There are two problems – the overly modest design of the second tier's Canada Pension Plan, and low and declining coverage of the third tier's employer-sponsored pension plans and RRSPs.

When the Canada and Quebec Pension Plans were created in the mid-1960s, they were deliberately designed to pay relatively modest benefits. The maximum retirement amount is only one-quarter of average earnings, for a maximum payment of just $11,520 in 2011. Private pension and savings were intended to provide most of retirement income for middle- and upper-income pensioners.

Fewer than one in four private sector employees have a pension plan compared to nearly nine in ten within the public sector. Eighty-two percent of employees working for very large employers (500 or more workers) are in private pension plans compared to only 26 percent of those working for employers with 100 to 499 workers and a mere 2 percent in small workplaces

Figure 1
Low income rate, unattached women and men 65 and older, 1976-2008



with fewer than 50 employees. Coverage of RRSPs is also weak – at last count (2008) only 25.2 percent of tax filers contributed to an RRSP.

In response to these problems related to adequacy, coverage and security, the federal Finance Minister has been meeting with his provincial/territorial counterparts to craft a retirement income strategy. They have debated a wide range of proposals including improvements to the Canada Pension Plan or introducing a supplementary plan.

The Budget did take an important step to respond to the adequacy problem by improving the Guaranteed Income Supplement for low-income seniors, though we think the increase should have been focused on single seniors rather than divided among single and couples. And the increase announced in the Budget is too small: We recommend a $1,000 boost to the GIS for single seniors. But we do not support the government's proposed action on the earnings replacement component.

At their last meeting in December 2010, the federal and provincial/territorial Finance Ministers agreed to a voluntary plan. Called Pooled Registered Pension Plans (PRPPs), these vehicles are touted in the Budget as a way "to provide Canadians with a new, low-cost, accessible vehicle to meet their retirement objectives." Federal, provincial and territorial officials are hard at work designing the new scheme.

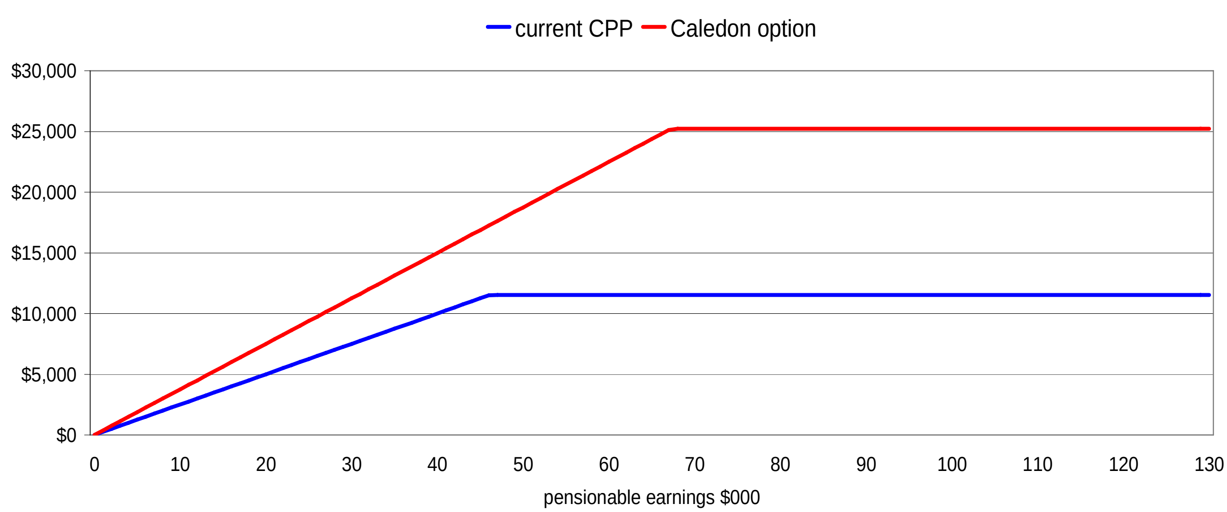
The problem is that Canada already has in place a voluntary supplementary system of pensions. They are called Registered Retirement Savings Plans (RRSPs). These vehicles are used mainly by taxpayers in upper-income levels who have the money at hand and enjoy a hefty tax break in return for their contribution. The challenges facing modest- and middle-income Canadians will remain unresolved.

In our forthcoming paper *Pension Tension*, Caledon proposes that the retirement income system be secured through major improvements to the Canada Pension Plan [Battle, Torjman, Mendelson and Baldwin 2011]. The CPP is one of the nation's most important social programs and stands as an exemplary model in the world of a fair, solid and secure earnings-financed retirement income plan.

We propose that the earnings replacement rate rise by 1.5 times from its current 25 percent to 37.5 percent of Yearly Maximum Pensionable Earnings. We also would raise the Year's Maximum Pensionable Earnings by 1.5 times, from its current $48,300 to $72,450. This change would be of particular assistance to middle-income earners, especially those who work in the private sector and therefore are unlikely to enjoy coverage of employer-provided pension plans. Right now, the value of their CPP benefits is effectively capped at one-quarter the average wage, which means that the earnings of these workers are not being adequately replaced.

As a result of these two changes, the maximum CPP retirement benefit in 2011 would more than double from $11,520 to $25,920. Figure 2 compares Caledon's proposal to the current CPP. This proposal is doubtless much more robust than options for the "modest enhancement to the CPP" being discussed by federal, provincial and territorial officials.

Figure 2
Current Canada Pension Plan and Caledon option, 2010



Children's Arts Tax Credit

Budget 2011 introduced a Children's Arts Tax Credit, which will be provided on up to $500 of eligible fees per child in respect of qualifying children's programs.

The intent of this measure is good. It recognizes the value of arts and culture in contributing to the well-being of children, to their self-esteem and positive development, and to the expression of their identity. Arts and culture are being understood increasingly as a vital means of engaging citizens from diverse cultures and of bridging difference in a multicultural society.

While the end is good, the means are not. There is limited value in trying to achieve a social policy purpose through tax-related measures. The current tax system *does* act as a highly effective vehicle for the *distribution of income benefits*, such as the Canada Child Tax Benefit. It allows the delivery of these benefits on an equitable basis and at low cost. There is no intrusive administration. Canadians qualify if their net incomes fall below a certain level on the designated line on the income tax form.

However, the tax system is *not* an effective mechanism for *achieving broader social purposes*. The problem arises from the fact that the current construction of tax credits provides assistance only to households with incomes above the taxpaying threshold. Lower- and modest-income households that pay little or no income tax derive no benefit from the current set of non-refundable tax credits – including the new one just announced in Budget 2011.

Yet these are the households that would benefit most from arts programs because their children typically do not have access to various personal enrichment activities. These families simply cannot afford what might be considered a 'frill' when they struggle daily with the choice of paying the rent or feeding the kids.

Unless the Children's Arts Tax Credit is refundable, it is of little or no value to households that most require the assistance to take advantage of the benefits of various arts-related programs. If the government is serious about addressing the significant social need that it has identified, then it should choose an instrument or design a measure that is more appropriate to the households that truly could benefit from this type of initiative.

The Government deliberately oversells the value of such non-refundable tax credits as the new Children's Arts Tax Credit and the Children's Fitness Tax Credit on which it is modelled. On the tax form, these non-refundable tax credits are identified as an 'amount.' The new Children's Arts Tax Credit will be paid on an amount of fees up to $500. In reality, though, it will be worth a maximum of only $75 in federal income tax savings (the amount multiplied by the lowest tax rate, 15 percent). Seventy-five dollars will not go very far when expenses for arts and culture programs can run in the hundreds and even thousands of dollars.

As noted, the Children's Arts Tax Credit is not the first time that the Harper Government has introduced a boutique tax credit to meet social and other needs. The Children's Fitness Tax

Credit, for example, took effect in 2007. The approach raises a fundamental policy question. Is it preferable to fund individual households to help them offset their costs or is it better to invest directly in the programs in which households can participate?

This need not be an either/or proposition – but effectively has become a trade-off because of limited resources. If there is a choice to be made, our preference is to invest in supply so as to enhance the availability of programs for all households in a community. If, however, there is a political preference for supporting the decisions of individual households, then at least governments should ensure that public assistance is directed toward all Canadians families – not just those who already can afford to pay for the particular provision.

These same arguments are equally relevant to the second significant tax credit announced in Budget 2011: the Family Caregiver Tax Credit.

Family Caregiver Tax Credit

Budget 2011 introduced several new measures in support of caregivers. The most significant is the Family Caregiver Tax Credit that will deliver an annual tax reduction of $300 (15 percent of $2,000) for caregivers of all types of infirm dependent relatives including – for the first time – spouses, common-law partners and minor children.

This new credit is basically an enhancement of several existing measures. It effectively will provide a top-up to taxpayers who already claim some form of dependency-related credit. These include the Spousal or Common-Law Partner Credit, the Child Tax Credit, the Eligible Dependant Credit, the Caregiver Credit or the Infirm Dependant Credit. The 'dependant' must have some form of infirmity in order for the caregiver to qualify for the new credit – though infirmity is *not* a requirement to qualify for the first three credits.

The new measures draw attention to this important issue and represent explicit recognition of the crucial role that caregivers play in supporting family members and friends in need of assistance.

Caregivers have long assumed this role. But in recent years, the pressures for many households have increased.

Families on the whole are smaller than they were in the past and, as a result, there are fewer caregivers available in any given household. Families are also more dispersed than before which makes it more difficult to provide care to individuals who live in a different town, city, province/territory or even country. Another important factor is that the majority of Canadian women now participate in the paid labour market. Because women are still the primary caregivers in society, they often face a dual burden of juggling work and household responsibilities.

For all these reasons, the Government of Canada is to be commended for its focus on caregivers. We take issue not with the end but with the means.

The new Family Caregiver Tax Credit provides additional help over and above the existing set of measures. It effectively enhances current tax assistance for those now eligible for various measures. Herein lies the problem.

The new credit builds on a system that is already inequitable. The announcement in Budget 2011 will end up providing more to those who already receive (albeit modest) assistance. Households with incomes at or below the taxpaying threshold do not benefit from the current measures – and so will not derive any help from the new supplement.

The rich get more tax savings while low- and modest-income households get more of the same: nothing.

Budget 2011 will also provide additional relief to caregivers who pay high expenses on behalf of an aging parent, sibling or other financially dependent relative. These caregivers are able to claim these expenses under the current Medical Expense Tax Credit. Budget 2011 enhances the amount that may be claimed by removing the $10,000 limit on eligible expenses.

Good intent, bad execution. It is crucial to help caregivers offset the extra health-related costs that they may incur in respect of their caregiving roles. But again, the wealthy will get more. Those who really need the assistance get nothing.

Another very small but significant measure was the announcement of $3 million to support the development of new community integrated models of end-of-life and palliative care. Canada's aging society means that we cannot move fast enough to develop, test and exchange information about appropriate, respectful and compassionate approaches to this need. The new funds represent a very tiny step – but in the right direction.

First Nations

There are a few small, but not unwelcome, new allocations for First Nations in the 2011 Budget, including an additional $10 million for on-reserve infrastructure and $15 million more for First Nations policing. However, the most significant initiative in the 2011 Budget for First Nations does not yet have any budgetary funding allocated to it. The key word here is *yet*.

In December 2010, the Minister of Indian and Northern Affairs Canada announced that an expert panel would be appointed to review First Nations education. Four days before the 2011 Budget, the Minister of Indian and Northern Affairs finally named the appointees to the expert panel. This was good news. The appointments are well chosen individuals with substantial experience and credibility. But the appointment of the expert panel is important not only because of what it may recommend. It also signals the government's willingness to undertake and finance comprehensive reform of First Nations education.

Ottawa noted in the 2011 Budget the appointment of the expert panel and the expectation that the panel would bring forward "options for concrete and positive changes in First Nations education." Because there is no funding associated with this initiative for 2011-12, there was really no need to mention it in the Budget. The endorsement of this process within a budgetary context implies that the government understands and is willing to provide the funding which, undoubtedly, will be necessary for First Nations educational reform to work.

Money alone will not be enough to improve First Nations schools. But without more money no matter what goodwill and effort there are, substantial improvements will be impossible. Given a shortfall of $2,000 to $4,000 per on-reserve student compared to students in public schools off reserve, and with roughly 70,000 students on reserve, the cost of achieving parity funding at the school level would eventually be about $140 million to $280 million annually. On top of this are costs for needed educational support structures, such as school boards and physical plant.

The incremental cost of improving First Nations education will undoubtedly be phased-in over several years. But given this year's announcement, we anticipate the initial installments will appear in Ottawa's next Budget in 2012. We applaud the government's determination to initiate comprehensive First Nations education reform and will be closely watching the process as it unfolds over the coming year.

Employment Insurance

Budget 2011 brought in several noteworthy measures around Employment Insurance. These include the extension of the Work-Sharing program that had been introduced to help stabilize Canada's job market over the past two years. Its purpose is to protect jobs and avoid layoffs by offering EI benefits to employees willing to work a reduced work week while their company recovers.

The Temporary Income for Older Workers is a federal-provincial-territorial program that provides a range of employment opportunities for unemployed older workers in vulnerable communities with fewer than 250,000 people. Budget 2011 allocates $50 million over two years to extend the program until 2013-14.

In October 2010, the Government had announced the continuation of three Employment Insurance projects. The extra five weeks pilot project was renewed until 2012. The other two pilots are scheduled to expire this year. Budget 2011 provides $420 million to renew these two pilots for one year.

Again, these small measures are important. Unfortunately, they do not get at the fundamental problems endemic to Employment Insurance: its drastically reduced coverage and numerous complex rules that create inconsistencies and inequities throughout the country.

Caledon has called for a serious and substantive reexamination of several social policy areas, including Canada's income security system for adults. Our proposed reforms would help create a new revamped architecture of programs, including Employment Insurance, which would respond more effectively to the income and training needs of the unemployed [Battle, Mendelson and Torjman 2006].

Registered Disability Savings Plans (RDSPs)

Registered Disability Savings Plans (RDSPs) were introduced in 2006 and took effect 2007. They are a form of tax-assisted savings to enable families to save for their children with severe disabilities. To be eligible, the intended beneficiary must qualify for the federal disability tax credit.

Registered Disability Savings Plans allow for $200,000 in lifetime contributions, although there is no limit on the amount that can be held in the trust from growth. The federal government offers matched contributions of 100 percent, 200 percent or 300 percent, depending on income, up to $3,500 annually. It also makes available an annual Disability Savings Bond of $1,000 for low-income families.

Budget 2011 announced a three-year review of the program to ensure that it is meeting the needs of Canadians with severe disabilities and their families. It also made a small technical adjustment by increasing the flexibility to access RDSPs for beneficiaries with shortened life expectancies.

The introduction of RDSPs was a welcome announcement at the time because so many persons with disabilities end up desperately poor and trapped on welfare – the default program of last resort. At last count in 2007, 538,396 Canadians with severe disabilities received provincial or territorial welfare for their income.

Welfare was designed as a last-resort safety net. It never was intended as a lifetime guarantee. Even in the few jurisdictions where benefits are better, the archaic apparatus of welfare remains with its limitations on assets, frequent reviews of income, personal investigations and eternal stigma.

While RDSPs are an important supplement to welfare, they are not intended as a replacement for that program. There is a need for fundamental reform of the disability income system in Canada – currently a patchwork of inadequate, disparate programs that operate on separate parallel tracks. Caledon has proposed a Basic Income Plan for Canadians with severe disabilities that would revolutionize their income support and services [Mendelson, Battle, Torjman and Lightman 2010].

Social innovation

Budget 2011 made reference to the work of the Canadian Task Force on Social Finance, convened by Social Innovation Generation (SiG) to mobilize private capital for public good. The report released by the Task Force offers an integrated national strategy for building Canada's social finance marketplace through harnessing new sources of capital, creating an enabling tax and regulatory environment, and building a group of investment-ready social enterprises.

The Budget also noted the federal government's interest in complementing community efforts by encouraging the development of government/community partnerships. These collaborative bodies have proven effective in helping communities tackle local challenges and test new approaches to solving complex problems.

Crime prevention

Budget 2011 was surprisingly quiet on the crime front given the Harper Government's disposition toward a tough-on-crime agenda. There was no reference to potentially significant costs that might result from significant amendments to the *Criminal Code* affecting Canada's correctional system. These changes carry a potentially hefty – but as yet unknown – price tag. The Opposition has accused the government of hiding the real extent of this cost burden.

But the sheer magnitude of the crime price tag – whatever the precise numbers – represent only one part of the problem. Equally significant is the fact that this big spending is misguided. There are strong arguments derived from wide-ranging research evidence and practice that preventive interventions are far more effective, both in the short and long term, in reducing crime.

As recently as March 1, 2011, a senior judge implored politicians and the public to do more to address the causes of crime, rather than focus on what sentences convicted offenders should receive. NWT Supreme Court Justice John Vertes stated there is little evidence to show that harsher sentences actually reduce violent crime.

Despite the fact that the Northwest Territories has the highest incarceration rate in Canada, violent crime in the territory has gone up by more than 40 percent in the past decade, while it has dropped by 17 percent elsewhere. Judge Vertes argued that more services are needed in communities to deal with the underlying social issues that often lead to crime, such as poverty, homelessness and substance abuse.

Budget 2011 did commit $20 million over two years to crime prevention programs. These will promote the provision of community-based educational, cultural, sporting and vocational opportunities for youth “to allow them to make smart choices and resist gang involvement.”

There is considerable work to be carried out by all orders of government and social agencies to solve the social problems that are understood as the roots of crime. The crime agenda would be better addressed in the long term if the focus were on its causes rather than its consequences.

Canada faces a number of deep and serious problems in desperate need of immediate attention. These include:

- persistent poverty and growing inequality
- income security architecture in need of reconstruction
- severely impaired disability income system
- lean retirement income system
- failing grade on Aboriginal education
- unpaid workforce of informal caregivers in need of support
- ailing health care system.

The 2011 Budget touched several of these areas including the retirement income system, supports for caregivers and Aboriginal education. While it introduced some modest measures in all three areas, the responses barely scratched the surface of the interventions that are required to make a serious dent in these problems.

Conclusion

As Canada emerges from the recession, we should be thinking ahead to develop a clear and robust social policy agenda to help tackle Canada’s most pressing social challenges. This policy agenda calls for building – not deconstruction. This policy agenda calls for strong federal leadership to put into place the essential components of a solid social foundation. This policy agenda calls for investment in areas and measures that we know from research evidence will contribute significantly to the health and well-being of Canadians.

This is a policy agenda in search of a budget.

Ken Battle, Sherri Torjman and Michael Mendelson

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