

Prisons or poverty? The choice is clear*

The Harper Government (formerly known as the Government of Canada) has made clear its intent to tighten spending in the 2011-12 federal budget. Its goal is to vanquish the deficit, pegged at \$55.6 billion in 2010.

But is this objective achievable? The Parliamentary Budget Officer, Kevin Page, has argued that several successive tax cuts have created a structural deficit – one which won't be eliminated by slashing spending.

How has this happened? Since 2006, the Harper Government has drained its own coffers. After taking office, it cut the GST by two percentage points, creating an annual revenue loss of \$12 billion. It trimmed corporate taxes, from 18 to 16.5 percent, effective 2011. It made other smaller tax cuts, including allowing pension income splitting for wealthy seniors, which taken together deprive it of a significant amount of revenue.

Yet the government somehow manages to find money for its favourite expenditures: war and crime. Significant amendments to the Criminal Code will cost Canadians an estimated \$1 billion annually over five years. This, despite evidence that building massive prisons has already proven ineffective and breathtakingly expensive in the United States, because every dollar spent on prison is a dollar not spent on the factors that contribute to criminal behaviour.

Instead of focusing on the consequences of crime, the Harper government should tackle the causes. These include the problems of persistent poverty and growing inequality. At last count in 2008, one in ten Canadian children (610,000) and their families lived in poverty. The picture is worse for First Nations communities, where the number is one in four. Meanwhile, over the past quarter-century, average incomes of wealthy Canadians increased by 16 percent,

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while those of the poor dropped by 21 percent.

Ottawa can play a vital role in reducing poverty and inequality. First, it should raise the Canada Child Tax Benefit from its current maximum \$3,436 to \$5,000 per child. The CCTB is a geared-to-income benefit that delivers the same amount to all families with the same income, regardless of the sources of that income, location or family type. Such an increase would raise the cost of the program from \$13 billion to \$17 billion a year. To make up this difference, we recommend abolishing the flawed Universal Child Care Benefit and non-refundable child tax credit.

Second, Ottawa should enhance the Working Income Tax Benefit for low- and modest-income earners. The maximum annual payment in 2011 is \$944 for a single worker and \$1,714 for a family. In recent years, the Caledon Institute called for increased benefits and expanded eligibility, and Ottawa improved the program. But many working poor still do not qualify under the current design, so further improvements are needed.

Third, the government must modernize Canada's social security system to meet the demands of a changing economy and society – starting with support for the unemployed. Currently, half of unemployed workers are not receiving Employment Insurance (EI). Maximum weekly benefits should rise to the pre-recession level of \$570, representing 70 percent of insurable earnings, up from the current 55 percent. Uniform work requirements would help restore the insurance base of the program. Ottawa should also create a new program that pays temporary benefits to jobless workers with low incomes who

cannot qualify for EI, including the self-employed.

Fourth, the government should ensure that being disabled does not equal being poor. Our current disability income system leaves more than a half-million Canadians with severe disabilities on welfare – and in deep poverty. A Basic Income Plan should replace welfare for most working-age persons with severe disabilities, while provincial/territorial savings should be reinvested in disability supports.

Caregivers to the disabled need support too: an estimated five million Canadians provide care for family members suffering from physical, cognitive or mental health conditions. To ease the financial burden on caregivers, the government should reform disability income, enhance work-related leave and provide additional compensation for disability supports.

Finally, the government needs to overhaul Canada's retirement income system. A two-fold reform is needed: Increasing the Guaranteed Income Supplement for poor seniors and strengthening the Canada Pension Plan, by raising the CPP earnings replacement rate by 1.5 times, from 25 percent of maximum pensionable earnings to 37.5 percent. The earnings base used in that calculation should also increase, by 50 percent. This CPP reform would mean a real difference of around \$4,500 a year to the average Canadian senior.

Poor literacy proficiency and low educational attainment are other pressing problems. Ottawa should make good on its pledge to work with First Nations leaders to improve education on reserve and bolster high-school completion rates.

The Harper Government should use the 2011-12 budget to tackle Canada's real challenges related to poverty and inequality, literacy and educational attainment. Any new federal spending should invest in people, not prisons.

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