

All together now:

How inclusion and sustainability promote Canadian well-being

Budget 2019 Submission to the Standing Committee on Finance

August 2018

CITIZENS FOR
PUBLIC JUSTICE



Citizens for Public Justice seeks human flourishing and the integrity of creation as our faithful response to God's call for love and justice.

We envision a world in which individuals, communities, societal institutions, and governments all contribute to and benefit from the common good.

Our mission is to promote public justice in Canada by shaping key public policy debates through research and analysis, publishing, and public dialogue. CPJ encourages citizens, leaders in society, and governments to support policies and practices which reflect God's call for love, justice, and the flourishing of Creation.

Executive Summary

Ground-breaking research by Richard Wilkinson and Kate Pickett, conducted over 30 years and published in the 2009 book, *The Spirit Level*, unpacks some widely-held beliefs to reveal the tremendous socio-economic benefits of addressing inequality and promoting sustainability. One of their central findings is that everyone – rich, poor, and middle class – benefits from greater levels of equality.

Greater equality and the correspondingly higher levels of social inclusion have the potential to increase economic participation and competitiveness.

Citizens for Public Justice (CPJ) is a faith-based policy organization that believes federal policy can and must serve the public good. Our research, policy analysis, education, and advocacy work are grounded in an understanding of the sacredness of creation and the dignity of all people. From this perspective, the central role of government is to promote the well-being of citizens and residents, and the flourishing of the Earth.

While competition is widely understood as a contributor to economic growth, society faces multiple crises – poverty, climate change, and a global refugee crisis – that urgently require cooperative efforts to be effectively addressed. Mechanisms like the Sustainable Development Goals (SDGs), the Paris Agreement, and efforts towards a global compact on refugees are vital and must be supported.

Credible research suggests that investing in measures that promote social inclusion and environmental well-being have the added benefit of encouraging competitiveness internationally.

Drawing on CPJ's ongoing engagement on poverty reduction, climate change, and refugee rights, we have developed three recommendations for Budget 2019. They focus on instruments that contribute to social, economic, and environmental health.

1. **Allocate \$5.56 billion annually** in new spending as a down payment on the **Canadian Poverty Reduction Strategy**, beginning in 2019.
2. **Eliminate all subsidies to the fossil fuel sector** for an **annual savings of \$1.6 billion** and **allocate \$2.05 billion** for a **National Decarbonization Strategy** and **Just Transition Transfer**.
3. **Invest \$13 million annually** in refugee resettlement and **wholly phase out travel loan repayment**.

Poverty in Canada

CPJ wants to ensure that all people in Canada are able to participate fully in society through recognition of their human dignity. This is the real key to flourishing communities. However, the fact that 4.8 million people in Canada live in poverty¹ has broad social and economic impacts. Given that poverty is estimated to cost Canada between \$72 and \$86 billion annually, there is also a strong economic case for investing in poverty eradication.

¹ For a complete list of references, see <https://cpj.ca/all-together-now-budget-2019>

We recommend the federal government prioritize addressing poverty in Canada through a strong [Canadian Poverty Reduction Strategy](#) (CPRS). For the CPRS to be effective it must include several elements:²

- Integrated policy in a minimum of six areas: income security, housing and homelessness, healthcare, food security, employment, and early childhood education and care.
- Follow-through on commitments to invest in the fully indexed Canada Child Benefit, the National Housing Strategy, income security measures for seniors (Guaranteed Income Supplement) and low-income workers (the new [Canada Workers Benefit](#)), as well as investments in services and infrastructure for Indigenous communities.
- Measures to address the most urgent needs immediately, particularly for those who are highly marginalized, including Indigenous and racialized communities, single-parent families, children, and people living with disabilities. Investments in further income security for working-age adults, expansion of affordable childcare, and a disability tax credit would assist some of these vulnerable populations.
- Federal anti-poverty legislation with accountability mechanisms for review and evaluation, based in human rights. This would involve setting strong targets and timelines for poverty eradication; reinstating the National Council of Welfare to provide strong, data-driven research and policy recommendations; and, establishing a National Commissioner to oversee a review process and public reporting.
- Adequate ongoing funding commitments to support a robust and responsive strategy. This includes a plan for [tax reform](#) to support income equity, along with increased and targeted funding through the Canada Social Transfer to support provincial/territorial poverty reduction strategies.

Some of the initial budget commitments we want to see for the CPRS include:

- Development of a [focused income benefit for working-age adults](#) (\$2 billion/year);
- Expansion of affordable childcare toward building a national program (\$1 billion/year);
- Development of a refundable Disability Tax Credit (\$360 million/year);³
- Creation through legislation of a National Council and National Commissioner (\$200 million/year);
- Targeted expansion of the Canada Social Transfer (\$2 billion/year in new funding).

Recommendation 1: Allocate \$5.56 billion annually in new spending as a down payment on the Canadian Poverty Reduction Strategy, beginning in 2019.

² A model national anti-poverty plan was developed by the Dignity for All campaign in 2015 and includes the recommendations cited; https://dignityforall.ca/wp-content/uploads/2017/02/DignityForAll_Report.pdf

³ As recommended in the Canadian Centre for Policy Alternatives, *Getting There: Alternative Federal Budget 2018*; <https://www.policyalternatives.ca/afb2018>

Climate Change

Record-breaking heat waves, wild fires, and rapidly thawing permafrost are just some of the ways climate change is having an impact in Canada.

Despite Canada's ratification of the Paris Agreement and the establishment of the *Pan-Canadian Framework on Clean Growth and Climate Change*, greenhouse gas emissions are growing. We must bend the curve and set Canada on a course for decarbonization by 2050.

Well-designed measures to address inequality and marginalization can be important pieces of a just transition to renewable energy, while also increasing Canada's global competitiveness as the world moves away from its dependence on fossil fuels.

As a key starting point, we recommend the federal government eliminate all subsidies to the fossil fuel sector. This should be followed by strategic investments in a just transition to a decarbonized economy.

Putting an end to fossil fuel subsidies and related tax breaks would result in a budget savings of \$1.6 billion annually. It would also improve alignment of Canada's fiscal, energy, and environmental policy, and signal a genuine commitment to achieving the Paris temperature goals and respecting the UN Declaration on the Rights of Indigenous Peoples.

In a post-Paris world, there is a growing risk of stranded assets in the oil and gas sector. In this context, pipelines – generally considered a 30-40 year project – make poor economic sense. (They are also intimately connected to fossil fuel extraction, Canada's primary source of emissions).

A shift to clean technology development, on the other hand, promises tremendous economic and health benefits to Canadians. Research by the Conference Board of Canada highlights Canada's "competitive edge" in wind and solar power, energy-efficient turbines, and waste management. And the UN Environment Program predicts that "green trade" internationally will grow to at least \$2-trillion (U.S.) by 2020.

CPJ supports the establishment of a National Decarbonization Strategy (\$50 million/year).³ Developed in consultation with the provinces and territories, First Nations, and others, this strategy would emphasize quality jobs and GHG emissions reductions. It should also be complemented by a Just Transition Transfer (\$2 billion/year) for provinces and territories to support workers and communities most directly impacted by the shifting economy.

The work of the federal government's Just Transition Task Force for coal power workers and communities offers a good reference point for a just transition plan for all of Canada.

In a just transition, the weight of change is not borne disproportionately by one group of people. It includes significant investment in low-carbon energy development, as well as funding for skills development and retraining for workers. It also incorporates a robust Employment Insurance program to assist those who find themselves temporarily out of work. A just transition gives protection to the most vulnerable and leads to increased social justice for all.

³ As recommended in the Canadian Centre for Policy Alternatives, *Getting There: Alternative Federal Budget 2018*; <https://www.policyalternatives.ca/afb2018>

Together, investments in energy efficiency, renewable energy, and public transportation would create large numbers of diverse, well-paying jobs, reduce GHG emissions and appreciably, and enhance Canada's competitiveness in international clean energy markets.

Recommendation 2: Eliminate all subsidies to the fossil fuel sector for an annual savings of \$1.6 billion and allocate \$2.05 billion for a National Decarbonization Strategy and Just Transition Transfer.

Refugee Rights

Canada's multiculturalism is built on a long history of immigration, an openness to diversity, and a tradition of welcoming newcomers – especially refugees.

In recent years, however, as the number of displaced people has continued to grow, Canadian immigration policy has evolved in such a way that newcomers face significant barriers to resettlement. These challenges include processing delays, a lack of social networks, and the repayment of travel loans.

Refugees make up 98% of Immigration Loans Program (ILP) users, and the average refugee family begins their life in Canada owing \$10,000 in loans. The Government of Canada's 2015 evaluation of this program found that requiring refugees to repay travel loans negatively affects their ability to settle by making it difficult to pay for basic necessities, adding substantial stress, and inhibiting their ability to take full advantage of services, particularly language training.

It also indicated that the average sum of loans issued from 2002 to 2014 stood at only \$13 million/year. This means that the government could fully absorb these costs for less than 40 cents per Canadian annually.

Canada generously resettled 25,000 Syrian refugees between November 4, 2015 and February 29, 2016. In the process, the government exempted these refugees from having to repay the costs of their travel to Canada. Then, in February 2018, they changed the ILP to halt further accumulation of interest on outstanding travel loans and to provide interest-free loans moving forward.

These were significant policy changes that have better allowed refugees to settle into their new lives in Canada. With each of these actions, the government recognized that travel loans negatively impact refugees and that lessening these loans improves resettlement outcomes

But despite these important steps, a problem persists: most resettled refugees must repay travel loans. The debt that results from these loans is often said to be the biggest barrier to financial stability. For a population already susceptible to poverty, that's a problem.

(CPJ's 2017 Poverty Trends report showed that new immigrants and refugees experience poverty at a rate of 31.4 per cent, compared to 13.9 per cent in Canada overall).

If refugee poverty and successful refugee resettlement is to be taken seriously, travel loan repayment must be phased out altogether.

Allowing refugees to begin their lives in Canada without being indebted to the government makes economic sense. Research shows that newcomers to Canada are far more likely to own businesses than their Canadian-born counterparts. This entrepreneurial vigour, which tends to develop over four to seven years, could be accelerated if refugees were not burdened by loan repayments, which often force them into precarious, low-paying jobs.

Doing away with the loan program would allow newcomers to get on their feet more quickly, rely less on government resources, and start contributing to the Canadian economy sooner (through consumer spending, tax contributions, and job creation).

By better positioning refugees to adjust to their new lives without undue financial hardships, they can sooner add their unique contribution to the Canadian economy and their diverse skills and backgrounds can offer so much to Canadian society.

Recommendation 3: Invest \$13 million annually in refugee resettlement and wholly phase out travel loan repayment.

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