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Mr. Massimo Pacetti

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•(1155)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Order. Good morning—I think it's still the morning—to everybody. Thank you for taking time out of your day to present us with your written briefs and to make presentations in front of the committee.

We are here pursuant to Standing Order 83.1 on the pre-budget consultations for 2005.

I'll allow the groups seven to eight minutes for an opening intervention or to present a brief. I really would like it if you could respect the timeframe so that members can ask questions later.

First, from the Canadian Federation of University Women, Ms. McGovern.

Ms. Margaret McGovern (Director, Status of Women and Human Rights, As an Individual): Thank you, Mr. Chairman.

The Canadian Federation of University Women welcomes the opportunity to participate in the pre-budget consultations of the Government of Canada. CFUW is pleased to bring before you the issues it believes will strengthen the Canadian fabric.

A robust economy and a sound fiscal framework, together with a sustainable environmental strategy, are worthy goals that must be promoted. However, the practice of overestimating deficits and underestimating surpluses, and using the resulting gap and surprise surpluses to pay down debt, has had serious consequences for the viability of spending on social programs. CFUW's concern is that the result will have the same impact it did in the nineties on programs that concern Canadians in their day-to-day living.

CFUW is a non-partisan, bilingual, self-funded organization of university women graduates, with over 10,000 members and 122 clubs across Canada. CFUW is affiliated with the International Federation of University Women. We urge the Government of Canada to honour its commitment to secure Canada's social foundations and to meet Canada's global responsibilities. The federation is particularly concerned about a number of issues.

First, Canada's decision to separate health care from the original Canada health and social transfer that had lumped together health care, social programs, and post-secondary education was a significant move. CFUW applauds the government's decision to separate the funding. Health care funding seemed to dominate the sector. CFUW hopes that the separation in these funds will result in greater accountability by provinces for spending appropriately.

Demographics and technology have each played their part in keeping health care front and centre in the minds of most Canadians. The move from the earlier Canada assistance program had already caused disruption to social spending, disruptions that left women, particularly single mothers and lower-income women with little income security, behind. Welfare policies changed, as did access to legal aid, leaving women without the supports they need.

Research shows that income inequality, poverty, and the lack of education are critical determinants of health. Investment now in programs and services that will have a long-term impact on the well-being and health of Canadian families, and ultimately on health spending, must be seriously considered. The time is right for public discussion on these issues to highlight their importance.

Action recommended: restore guaranteed predictability, sustainability, and stability to income security funding, and initiate collaborative discussion with the provinces and territories to address issues of mutual concern. The Canada social transfer needs public discussion and input.

Post-secondary education has become less affordable as tuition has increased at a time when Canada requires the services of technologists and skilled workers. Investment in education is possibly the single most important consideration for any government. Students with high levels of education become well-informed citizens, able to think critically, analyse problems, seek solutions, and apply findings to creating a society where value is placed on the human condition.

Shortages in skilled trades persist, and have the potential to become a crisis, as highly skilled workers age and replacement is uncertain. Basic education and a focus on literacy must continue to be a priority if Canada is to meet goals set out in the *Education for All* document.

Action recommended: take steps to make post-secondary education and training a catalyst for the education agenda.

The moneys announced in the last budget for early learning and child care is a good beginning. However, a need for accessible, affordable, quality, regulated early learning and child care has reached a state of critical proportions. Only 8% of the funds allotted for children have gone into regulated child care. Research has shown that education initiated in the preschool years is a major investment in the future economy of a country.

Lower-income women have a need to work because of economic demands and return to work sooner, because 55% of pay through parental leave programs is insufficient to support their family responsibilities. This makes quality child care a must. Tax cuts have done nothing to ensure an adequate supply of child care for these women. Far too little has been allocated to early childhood development and care.

●(1200)

Action recommended: expand accessible, affordable, quality, regulated early learning and child care facilities. In collaboration with the provinces and territories, continue to work to establish a national child care act.

CFUW is pleased to see that the Government of Canada is back in the business of collaborating with the other levels of government to improve the housing stock in Canada. CFUW members support flexibility in the approaches used so that families who cannot afford market rent may either receive rental subsidies or have access to subsidized housing. It has been determined, however, that 25,000 units are needed per year to meet the demand.

Action recommended: CFUW supports the Prime Minister's promise to allocate an additional \$1.5 billion this coming budget year to housing, and encourages the government to continue in this approach to eliminate homelessness.

While Canada's economy has grown faster than any of the advanced industrialized nations for every year but one in the past eight years, child poverty remains a serious concern. Sadly, Canada's commitment in 1989 by an all-party resolution to end child poverty by the year 2000 has not been met. Significantly, during that time, the rate of child poverty in Canada has remained the same, the highest of any wealthy industrialized country, at 15%. By comparison, Denmark's is 2.4%. One child in six in Canada is living in poverty—a statistic that no Canadian can be proud to quote.

The national child benefit supplement, introduced by the Government of Canada to assist low-income families, has benefited the families of the working poor. This action is to be commended. However, in several provinces—representing the majority of our population—families who are receiving social assistance have not benefited. Provincial governments are reducing their social assistance payments.

As well, 70% of minimum wage earners are women. Women still make only 73¢ for every dollar earned by their male counterparts. Poverty for female lone-parent families is over 50%. Aboriginal and immigrant women and young women suffer higher rates of poverty, which impedes their advancement. When women are poor their children are poor.

Action recommended: to move without further delay to eliminate child poverty and to collaborate with the offending provinces to

remove punitive actions and policies around the national child benefit supplement.

The Canadian Charter of Rights and Freedoms guarantees women's equality. As well, Canada is a signatory to two significant documents that enshrine women's rights. CFUW members are disappointed that Canada was cited by the United Nations, in its review of progress on CEDAW, for the disproportionately high rate of poverty amongst Canadian women. As well as mothers of poor children, the UN identified aboriginal women, immigrant women, older women, women of colour, and women with disabilities as being in need of social services. It would seem that Canada discriminates against these women.

●(1205)

The Chair: Ms. McGovern, perhaps you could just wrap it up. I see you still have a ways to go, but you're not going to make it in the time allotted.

Ms. Margaret McGovern: Then I'd just like to make one more point.

The Chair: Go ahead.

Ms. Margaret McGovern: We would like to see the gun registry continued, because it is indeed doing what it's supposed to do—reducing deaths. As well, a lot of people are supportive of it.

I do thank you for the opportunity to speak to you.

The Chair: Thank you, I appreciate that.

From the Citizens for Public Justice, Mr. deGroot-Maggetti...or Maggetti?

Mr. Greg deGroot-Maggetti (Analyst, Socio-Economic Policy, Citizens for Public Justice): Maggetti—a good Italian name.

Hon. Maria Minna (Beaches—East York, Lib.): Mr. Chairman, you should be able to pronounce *that*. Come on, with a name like Pacetti...?

Voices: Oh, oh!

The Chair: That's right, and it just goes to show how many days I've gone through.

Go ahead—and I apologize.

Mr. Greg deGroot-Maggetti: Thank you, Mr. Chair. I won't make you try to pronounce the name of my colleague, Chris Pullenayegem. We're both happy to be here to participate in these pre-budget hearings.

First, a couple of words about Citizens for Public Justice. Citizens for Public Justice is a national non-partisan organization that promotes justice in Canadian public affairs. With members across Canada, CPJ responds to God's call for love, justice, and stewardship through research, education, and advocacy. We are a Christian, faith-based public policy organization.

In recent years our work has focused on child poverty in Canada and on refugee policies. Much of what we say will actually, I am happy to say, echo the words of Ms. McGovern, who spoke for the Canadian Federation of University Women. I will make our presentation and then Mr. Pullenayegem and I will be happy to answer any questions you may have.

Let me start with a few specific budget recommendations that were included in our brief, which you have received. First, we would recommend implementing automatic landing for protected persons, which we will talk a little bit more about; taking steps to create an economy that pays livable wages; increasing child benefits to \$4,900 per child per year and ending the clawback of the national child benefit supplement; establishing a permanent affordable housing program; and continuing to build a national early learning and child care program.

Now, the framework that we were given to prepare for these hearings focused on questions around productivity. I just want to recall for us some testimony that was given at a previous time when the finance committee studied the question of productivity, in a report entitled "Productivity with a Purpose". This testimony is from Andrew Sharpe, director of the Centre for the Study of Living Standards, one of the pre-eminent institutes for the study of productivity in Canada. Mr. Sharpe had this to say:

But productivity is not the be all and end all of economic life. Basically the goal is to improve the quality of life of Canadians and that's a much, much broader concept than, say, GDP per worker or GDP per capita.

Citizens for Public Justice would suggest that the government's role really goes beyond just a question of productivity. However important that question is, governments must be aware of the different needs of diverse people, communities, and organizations, and balance and promote their public claims so that each may have the freedom to fulfill their God-given calling and responsibility. That's a principle upon which Citizens for Public Justice does its work and engages in public policy discussions.

Let me give a couple of examples of why the focus on productivity is too narrow a focus. Can I ask, what has economic growth—growth in GDP per capita—done for child poverty in Canada? Well, between 1980 and 2002, per capita income increased from \$23,654 per person to \$34,131 per person. That's a 44% increase in our standard of living. And between 1980 and 2002, Canada's child poverty rate fell from 15.7% to 15.6%, a slight drop of 1%. Basically it stayed the same. And because of population growth, more children Canadian children have actually been living in poverty.

Productivity is about long-term growth. If we look at the business cycle, as unemployment goes up and down, child poverty rates go up and down. But they've hovered between 15% and 20% for the past 30 years.

There are some deeper, more disturbing trends over that long period of time, and it can be seen particularly in the fortunes of new immigrants in Canada. In 1980 the child poverty rate among new immigrants—that is, immigrants to Canada who've been in Canada for 10 years or less—was 20.2%. By 1990 that rate had grown to 27%, and by 2000 the child poverty rate for children in new immigrant families was 32.7%. That's one in three children in new immigrant families. Clearly all this economic growth hasn't benefited everybody equally.

So the emphasis on productivity, I think, is based on the belief that growth will benefit everyone. The evidence demonstrates that we cannot base policy on the assumption that a rising tide will lift all boats. Budget decisions in government policy should aim to improve people's quality of life directly.

● (1210)

If we measure all budget commitments against the yardstick of productivity enhancement, will we only spend money on health, education, and children if there's statistical evidence that this will lead to higher productivity? Is our support for children, aboriginal Canadians, women, disabled Canadians, and seniors contingent on their contribution to enhancing Canadian productivity? Of course not. Certainly some of the commitments we make as a nation will be based on the economic rationale of return on investments, but we also make decisions on the basis of love and a commitment to do justice, to fulfill obligations towards one another, and to safeguard the natural environment.

It's within this framework that Citizens for Public Justice proposes several policy recommendations that do justice and serve the common good, including the economic well-being of Canada.

We have policy recommendations to reduce barriers to settlement for refugees. We recommend, first of all, that we implement automatic landing for protected persons and end the two-step process of security and health checks for inland refugee claimants. This will lead to quicker integration for refugees and it will also reduce public costs created by the long waits associated with the second round of checks in the current system.

We propose policies to create a high-wage economy, to raise the federal minimum wage to two-thirds of median hourly wage, to improve accreditation to reflect source country qualification of new immigrants, to develop targeted learning initiatives to bridge gaps in standards of training, and to develop solutions to labour market barriers that correspond to local conditions and solutions emerging at the municipal level with support from federal and provincial governments.

Again, we'd be happy to speak more to these issues during the question period.

We recommend investments to reduce child poverty in Canada, to increase the Canada child tax benefit to a maximum of \$4,900 per child and eliminate the clawback of the benefit from families receiving social assistance. To create a permanent affordable housing program, I take note of the recommendations made by a previous group, the National Housing and Homelessness Network, about using profits from Canada Mortgage and Housing Corporation to fund that program.

We call on the government to continue to build a national early learning and child care program.

We can also expand our perspective. The situation of new immigrants provides just one perspective on how economic growth is not enough to improve the quality of life for all people. We can also focus on other groups whose situation falls far below the average—for example, aboriginal people, families with disabilities, and single-parent families.

I just want to leave you with some key questions. First, what are some other questions that could be used to frame these questions about budget priorities? How will they impact on people who are the most marginalized and left out in Canada? What will debt repayment do to improve the living conditions of marginalized groups? How will specific tax measures impact these people? And what public investments will be needed to narrow the gap in incomes and life chances between marginalized groups and others?

Thank you.

• (1215)

The Chair: Thank you.

From the Hands Off! Campaign, Ms. Halls.

Ms. Beverly Halls (Disabled Social Benefit Recipient, Co-Chair of the Parent Action Network, Hands Off! Campaign): Actually, Ms. Shaw will be speaking before me.

Ms. Sandy Shaw (Representative, Social Planning Council of Hamilton, Hands Off! Campaign): Good morning, Mr. Chairman. Thanks for having me here today.

My name is Sandy Shaw, and this is my co-presenter, Beverly Halls. We're here today to speak on behalf of the Hands Off! Campaign in our efforts to end the clawback of the national child benefit supplement.

The Hands Off! Campaign is an Ontario-based grassroots campaign with two key demands—that the federal and provincial governments act immediately to end the clawback of the national child benefit supplement from families on social assistance, and that the governments fund reinvestment programs that work for low-income families out of other provincial and federal revenues.

The Hands Off! Campaign has been endorsed by over 120 organizations. We have distributed over 40,000 postcards to Premier McGuinty, and we'll soon be distributing postcards to the Prime Minister.

The national child benefit supplement, or NCBS, was introduced in 1998 and was praised by the Government of Canada as a

significant new measure to reduce child poverty. Unfortunately, it is not widely understood that the federal government also negotiated agreements with the provinces and the territories that allowed the NCBS to be clawed back from children and families on social assistance. Only New Brunswick and Manitoba let social assistance families keep the full benefit. All of the other provinces and territories claw back some or all of the benefits to reduce social assistance rates.

Canadians, including MPs, all agree that the NCBS is an important federal initiative to combat child poverty. However, in much of Canada our most vulnerable children and their families are being denied this benefit.

There are two principal reasons why the finance committee should be concerned with the clawback, and these are accountability and transparency. The clawback significantly undermines the effectiveness of the NCBS as a federal initiative to combat child poverty. Nearly one-quarter of the NCBS funds paid out by the government are taken away from the poorest of families through the social assistance clawback.

Canadians are led to believe that the NCBS goes to all poor families. In the course of our work, the Hands Off! Campaign repeatedly finds members of the public who are at first surprised and then outraged to learn that families on social assistance do not get to keep this extra NCBS benefit. More surprisingly, however, is the way in which these funds are reinvested at a provincial and municipal level. For example, in Ontario 65% of the clawback funds are used to fund the Ontario child care supplement for working families. The unfairness of taking anti-poverty dollars away from families on social assistance to fund programs that they cannot access should be obvious.

In many municipalities there are other programs that social assistance families can access, but surely families who are struggling to pay the rent and feed their kids should not be expected to pay for those programs. We believe these programs should be funded directly, and not through benefit reductions from the poorest of children in our communities.

Governments often justify the clawback as a necessary measure to promote attachment to the workforce. We feel that this justification is not credible, and contains many disturbing assumptions about families in our communities. For example, many parents on social assistance are already working. In Ontario 20% of the families affected by the clawbacks are already working. Families that are on social assistance face complex barriers to moving into the workforce. Chief among these is the failure of the labour market to provide good employment opportunities for parents with children.

In addition, in many of these families, the primary wage earner is dealing with a mental or physical disability. We believe the clawback is a poor instrument for creating attachment to the labour force.

We're asking the finance committee to make the following recommendations: one, that the federal government should lead the way by publicly withdrawing its support for the clawback; two, that the federal government should seek agreement from the provinces and territories to renegotiate the national child benefit agreement with the intention of eliminating the clawback practice; three, in order to support negotiations to amend the national child benefit agreement, the government should offer to increase funding to ensure that the reinvestment programs are maintained; and finally, failing a mutually agreeable end to the clawback, the federal government should act unilaterally to amend the Income Tax Act to permit a consolidation of the Canada child tax benefit, which is the basic benefit, and the national child benefit supplement into one unified child poverty benefit.

The effects of the clawback disproportionately fall on single mothers, aboriginal families, parents with disabilities, and visible minority families. We hope you'll support us in the belief that addressing child poverty for children on social assistance is no less important than addressing the poverty of all children in our communities.

Thank you.

• (1220)

Ms. Beverly Halls: Good morning, ladies and gentlemen. It certainly is an honour to be here today.

My objective is to bring to you the realities of parents in Canada who are facing or have faced getting their national child tax benefit clawed back by municipalities. To meet this end, I will engage you in discussion from the perspective of a human service worker in Toronto and also as a low-income single parent.

When the federal government announced the national child tax benefit and a new poverty advocate, I thought it was the light at the end of the tunnel. However, the mood changed to anger when it was determined that each province would claw back or take away the funds given to the families.

In 2004 there were over 90,000 families in Ontario who had their NCBS clawed back. This meant that over 65,000 poor children did not get the benefit of the NCBS. Ontario had clawed back dollar for dollar since day one, and we think this is outrageous. Out of the benefit, most families who are on social assistance only keep \$24. This is why we come before you today.

To put this amount into perspective, a single mother with two children would be entitled to a maximum of \$1,119 a month, which is clearly not enough to live on, especially with rents being so high and all the different things children need for growing up. Families who are affected by the clawback are already living in abject poverty, so we think it's outrageous that this money is being clawed back.

Now, since we're on a time limit, I'm just going to go right to my work as direct service worker. It has allowed me to see many clients who had no access to food. It is my job not only to interview them but to defend them and try to find a comprehensive solution to their poverty. Many of the clients stated that they would use the extra funds to buy things necessary for their children's best interests. Most low-income people are concerned with the welfare of their children.

Many people regard the poor as though they're nebulous criminals and opportunists. I have not found that as a direct service worker. It's not a true picture of poverty in Canada.

Many persons living in high to medium levels of poverty wish that there was something they could do to remove the barriers facing them. Many of them have sought solutions, but they remain trapped, as relief in the situation requires monetary investments. The poor need a chance, not a handout—a true opportunity to live, learn, and lift themselves up. The clawback is just another affront to keep the poor quashed, incriminated, and scorned. This clawback is shameful, especially since members of society who boast affluence have many options to write off money for taxes, thereby having greater access to money.

Living with the clawback means for me that I've had to compromise a lot. I compromise on medicine I need for my health. I'm deaf and I'm also half-disabled, so I face multi-challenges every day. Living with the clawback means that everything becomes a strategy. I sometimes cry because, as a disabled person, I am trapped. I'm trapped in a poverty that does not allow me to move forward without penalty. I'm trapped knowing that my children look only to me for their needs. I'm trapped because there is only so much you can do with the money when you get it.

I think all poor people are tremendous accountants; if only we could train them better so they could get out there and do something for society. The little that you have to live on goes so many places, you have to have a lot of knowledge to be able to survive day to day without going crazy.

It is exhausting and frustrating. Children do not deserve to live in the abject poverty many poor people face. They need funding that goes directly to their families. Our children need nutritional food. They need better access to events and activities, like their affluent peers do. Our children need to participate in life, and right now poor children are not participating in life. You've heard on the news and have seen everywhere about the gun violence. If you track that, you will see that when the Ontario government started clawing back the funds, some of those same children came from families who would have benefited from the funds. Having that money taken away meant that those children could not get into karate or programs that could have allowed them to vent their anger properly.

• (1225)

In closing, the most important thing to do for the cessation of poverty is to take one step, and this is why we're here. I'm hoping that this committee will be able to encourage the Ontario government to take the steps necessary to end poverty by accepting the recommendations brought to you by Ms. Shaw earlier, on behalf of our group.

I thank you very much for your time.

The Chair: Thank you, Ms. Halls.

From the Task Force on Modernizing Income Security for Working Age Adults, it's Mr. Pecaut.

Mr. David Pecaut (Co-Chair, Task Force, Toronto City Summit Alliance, Modernizing Income Security for Working Age Adults): My co-chair and I will do the presentation together. Thank you very much for enabling us to present today.

Our group was formed in September of 2004 as a joint effort of the Toronto City Summit Alliance and St. Christopher House here in Toronto. The Toronto City Summit Alliance is an umbrella civic action group that has within it leaders from the business sector, the non-profit sector, governments, mayors, and others in the Toronto city region. We've launched a number of initiatives over the past several years, dealing with issues like immigration, building the region into a high-tech region, recovering our tourism industry after SARS, and so on.

In April of 2003 we put forward an action plan for the city region, called "Enough Talk". In that action plan we highlighted the issue of income security as being quite critical to the future of major cities like Toronto. We also indicated that we wanted to address it in more specificity in the future. Hence, in September 2004 we formed the Task Force on Modernizing Income Security for Working Age Adults.

We've gone about this in a fashion that's very similar to other Toronto City Summit Alliance endeavours, which is to say that Susan and I, working with our colleagues, have put together an umbrella steering group of about 50 individuals that are leaders from the business community, from the non-profit community, from the poverty action community, and that includes low-income individuals themselves. Working through St. Christopher House, Susan will tell you about a reference group we've put together of nearly 40 low-income people who have been directly involved in the development of the recommendations.

In addition to the broad steering group, we have a working group that includes on it leadership from the Conference Board of Canada; the C.D. Howe Institute; TD Economics, Don Drummond's group; Warren Jestin and Scotia Economics; the Caledon Institute; the Canadian public research networks; and the Canadian Labour Congress.

I really believe it's unprecedented for all of these think tanks to work together in one working group, and we're hopeful that we're going to obtain a consensus from all those groups representing a significant portion of the think tanks in Canada.

There's an overwhelming set of evidence that current policies and programs do little to realize their objective of supporting adults and gaining economic independence and attachment to the labour market. It's not unfair, I think, to say that Canada has done a much better job of dealing with the income security needs of seniors, and with the national child tax benefit an increasingly good job of dealing with the issues as concerns child poverty—although there's still very much that remains to be done there. But the issue of working age adults is the great neglected part of our income security framework in Canada. As the City Summit Alliance and St. Chris began this task force, we undertook a very simple back-of-the-envelope analysis: what would happen to the City of Toronto and the greater Toronto area if we had the 1993 recession today, in 2005? What would happen if the economy declined to the same extent it did in 1993?

Now, since 1993 we've had huge changes in employment insurance rules, in the welfare system in Ontario, and in other income security policies, including a major downloading of economic security welfare systems onto the municipalities in Ontario. We've also had huge changes in the workforce, a dramatic increase in people working part time and people who are self-employed, and continuing and dramatic increases in immigrants to the GTA.

Our analysis suggests that if we had the 1993 recession today, there would be a \$3 billion to \$4 billion shortfall in transfer payments that would have been made available under the rules and the labour market structures of 1993. Now, those people would still be unemployed today, and they would still be suffering from a lack of food or housing, but they would not have that economic transfer system supporting them.

In effect, we are running a huge fiscal experiment in our big cities. And Toronto is not alone in this. The same conditions apply in Montreal, in Vancouver, and in many smaller cities across the country. We are running a huge fiscal experiment. In fact, we know how that experiment would turn out in the next economic downturn; the answer is, very, very badly for our large cities and communities.

So we are in the process of finalizing a report that will bring forward both an analysis of the problem and also a set of recommendations to the federal government and to the Province of Ontario as well as municipalities in the greater Toronto area. While we are not a national body, we have tried to take account of the national policy implications right across the country. Therefore, what we are recommending to you today, and what we will recommend in our final report for the federal government, is a set of policies that we believe will be absolutely effective in Quebec, in the west, in the Maritimes, in large and small communities, and in fact will support what needs to happen in big cities like Toronto.

Our analysis starts by looking, first of all, at the working income population and the fundamental fact that in Ontario today, one-quarter of all jobs are under-\$10-an-hour jobs. They are low-paying jobs. So a very large portion of our workforce, today and for the foreseeable future, is employed in jobs that fundamentally are challenging from an economic point of view. Of course, this doesn't take into account the many people who at any one time are also unemployed.

● (1230)

In total, there are about 600,000 working age adults in Ontario who are living in low-income households. They are the focus, in Ontario, of our analysis; a similar population in other provinces is also applicable in this case.

The fact of the matter is that for those 600,000 adults in low-income households, they are not, if they are living in any of our cities of any size, able to make ends meet. I think you've already heard today, and will continue to hear, other testimony to that affect—very personal testimony that I think is very important in your deliberations.

Now, the policy framework, to summarize in a very simple fashion—and our submission goes into a great more detail in our report, which will be due out before the end of the year—can be thought of in Ontario very simply as the following. The first level of the social safety net is essentially employment insurance. When someone becomes unemployed, the first place they logically should turn to is EI. Today, only 38% of Canadians who become unemployed are covered by EI, versus 74% just a decade ago. But in Toronto, the number in the GTA is 22%. We were stunned when our analysis demonstrated this.

In other words, four out of every five people in the greater Toronto area who become unemployed fall right through the safety net initially. Only one in five get caught by it.

So you've fallen through the safety net. You're 80% of the population that becomes unemployed in the GTA. So where do you go? If you need help, you go to the welfare system, and the first thing you must do is reduce all of your assets until you have only less than \$600 of assets in your name before you can actually go on welfare. So not only is the second level of the safety net not a net, it's a deep hole that you plunge into, directly into the ground. And then, to get out of that hole, we have put a whole bunch of impediments in place in our provincial welfare system.

Some of them were with all the right intentions—health and dental benefits and things that, once you're on welfare, become very important mainstays to supporting the social side of your family but become real impediments to moving out into the workforce. In fact, one of the most stunning analyses, to me as a business person and to most of the business people on our task force, was an analysis that the TD Bank did and released about a month ago—we can provide it to you—that looked at the marginal effective tax rate of coming off welfare into a minimum wage job. In effect, it is in the thousands of percent. In other words, you lose many more times your income in moving off welfare into a minimum wage job because of the benefits that are withdrawn in so doing and because of the taxes imposed.

So we have created a very irrational system in Ontario—I'm pleased to say that some of the other provinces aren't quite as irrational—with a huge number of impediments that make it very difficult for people to come off welfare into the workforce, which they want to do.

What I'd like to do now is turn to Susan Pigott for a little bit more on the analysis of the problem. Then I'm going to wrap up with our recommendations.

The Chair: Let me help you on that: I would prefer if you wrapped up, unless she can wrap up.

Ms. Susan Pigott (Co-Chair, Chief Executive Officer of St. Christopher House, Modernizing Income Security for Working Age Adults): I'm going to solve your problem. In deference to your time schedule, the fact that my colleague has done such an excellent

job, and the fact that it gives me tremendous pleasure, as a long-time social worker, to hear a prominent member of our business community in Toronto have such a firm handle on the analysis, I'm not going to say anything more about it. I'm going to hand things back to David to very quickly do our recommendations, before we run out of time.

Mr. David Pecaut: I promise I won't do that to you again, Susan.

The recommendations, quite simply, are very profound but very specific. We believe the federal government, with its fiscal capacity, and, using the federal income tax system, could introduce a new, refundable, integrated tax credit available to all Canadians. It would have two parts to it. The first is a refundable tax credit, available to anyone, of up to \$1,800 maximum per year. It would become the first level of income security in the country before welfare or anything else kicked in. It would be very similar to the way the national child tax benefit was introduced.

In addition to that, an income supplement to the working poor could be pegged at a level that would take a person working full time, at the available minimum wage hours in the country, to at least the income level of the poorest senior in the country, which is about \$14,500. Currently if you work full time at minimum wage at the available hours, which are about 31 hours a week, you can't get anywhere near close to that level.

It seems to me that while that is not necessarily the level in the long term that we need to get to, that would be a very powerful and meaningful first step. This tax credit would be designed to be geared to have a very smooth marginal tax rate impact, up to \$21,600 when you begin to kick in the phase-out of the some of the other things, like the NCB. Therefore, it would help to get a very even income framework for people.

On top of this, we have a set of other initiatives more specific, around EI and so on. But that is our key recommendation

• (1235)

The Chair: Thank you, Mr. Pecaut.

From Legal Aid Ontario, please.

Ms. Janet Leiper (Chair, Legal Aid Ontario): Thank you very much, Mr. Chair, members of the committee. Good afternoon, and bonjour.

We are here today because there's a growing need for civil legal aid across Canada. There's also a greater awareness of the need for providing civil legal aid. There are regional differences across Canada in the way that civil legal aid is now delivered, but every constituency in the whole country has people living in it who need civil legal aid services.

Marital breakdown, joblessness, and debilitating illness do not respect boundaries. These are the areas of human suffering that lead people to need advocacy for income replacement, security of housing, and advice. We're very fortunate in Canada, because our laws, our Constitution, all provide for our Canadian values and the social safety net, which David spoke so well about.

If your plant closes, we have employment insurance. If you're a vulnerable tenant, you can't be evicted unfairly. If you're divorcing, the needs of your children will be considered by a court in a fair hearing. But who speaks for the disabled and the ill and the illiterate and those who can't speak the language of the courts? Civil legal aid brings life into the maze of regulations and statutes and court processes. It's the key that unlocks the door for so many people.

Why do we need this? Our laws are increasingly complex, and our clients, who have the greatest needs, often have many sets of overlapping problems. They need help untangling the effects of these problems.

This is described very well by young Erin Murray. She's a student at the University of Toronto, taking a law degree combined with a master's in social work. Last summer, Erin worked at a legal aid-funded student clinic run by the University of Toronto. She worked with clients in the children's rights division.

This is what she said:

...it opened my eyes even further to the reality of life for people living in poverty in this city. Perhaps what struck me most was the complexity of each of their lives, and the ways in which legal issues are almost always interwoven with other issues such as homelessness, drug and alcohol abuse, mental health issues and domestic abuse....I was constantly surprised by how often when addressing a criminal or family law matter, it was also necessary to explore other issues in their lives resulting from their struggles with social marginalization and poverty.

Those are valuable insights for us—and for her, as a professional going forward and as someone who is able to provide some service to vulnerable people.

In Ontario we have been able to provide some level of civil legal aid services through Legal Aid Ontario. We're the mixed-model service delivery system. That means we have staff officers who provide, for example, family law services. We also provide certificates that clients can take to members of the private bar who will represent them in full-service matters. We have a series of community-based legal clinics, 79 in all, across Ontario who provide basic poverty law services: income replacement, landlord and tenant, disability, advice, and referral. They also hook into a broad network of other community organizations and they provide public legal education.

So they don't actually have to represent everyone who comes through the door, but they can provide information, pamphlets, and, "Here are your rights". We have a specialty clinic, called Justice for Children and Youth, that hands out small cards with rights that kids can carry around in their pocket—very creative. We also provide civil mental health services in Ontario for those who face restraints on liberty.

Yet even here in this province, where we have a lot of innovation in legal aid and a range of services not shared by every province, we do share a growth in need and complexity. We're seeing increasingly higher numbers of unrepresented people in our courts. This is a place

where people need to get their affairs in order, and unrepresented litigants slow down the process, make it more cumbersome for all, and is very distressing for those who are there without representation.

Changing demographics are adding to the pool of people who will need legal aid. The number of seniors in Ontario will increase by 17% in the next five years, and that will present additional need around disability, pension rights, etc.

The Chief Justice of Canada has challenged us all to think of legal aid services as an essential public service. This past summer she spoke at a Bar Association conference. She told the assembly that Canadian judges are reporting that more and more of their cases are conducted without the assistance of counsel. The high cost of legal advice, limited availability of lawyers offering pro bono work, and inadequate legal aid are all factors limiting public access to legal representation.

• (1240)

Civil legal aid is part of an acknowledged shared responsibility. I was listening to the last panel, and there was a question about areas of jurisdiction. The September 2002 Speech from the Throne committed the federal government to working with the provinces towards the renewal of legal aid so that Canadians can have access to legal representation. There is a strong national commitment to eradicating child poverty and to prosperity, even internationally. You've heard other people talk about our commitments internationally under the International Covenant on Civil and Political Rights.

It's important to remember that not only does civil legal aid reduce the impact of poverty but it can help people move beyond it. Many times people who divorce are plunged into the most financially significant period of their lives, but they can move beyond it. There's a mother in my child's school who went through a very difficult time. She was represented by legal aid. She could never have afforded the service, but she's working now and she's doing fine. We see it over and over again. People move on with the help of our services. We see it with men who are injured on the job and who need income support and links to rehabilitation services. All of these services are part of democratically healthy communities.

Just like the areas of criminal and refugee legal aid, civil legal aid is really a shared responsibility. It's shared because of the federal interest in matters such as aboriginal conditions, child poverty, status of women, divorce, employment insurance, and adequate housing. It's shared because of the provincial interest in matters of property and civil rights and the administration of justice.

A substantial federal investment in civil legal aid is truly an opportunity. Regional differences and common values are not incompatible. Federal civil legal aid can benefit Canada and all Canadians, and it's the logical next step in an investment that began with criminal and immigration investments. It will mean better decision-making, increased confidence in our court systems, and more efficient administration of justice. It will benefit individuals and all Canadians who want our institutions to be effective, both in principle and in operation.

Our materials contain the voices of three clients. I'm going to leave you with one more, found in this week's edition of *Ottawa Xpress* under the headline, "An SOS from the courts". There's a story there about Sherry Phillips, a 39-year old single mother who became ill with a rare nerve disorder. She was cut off from her disability insurance and CPP benefits, which she needed to live, and was forced onto welfare for the first time in her life. She described the stress, in the news article, as almost unbearable. Fortunately, she was able to get help from one of our legal aid community clinics in Ottawa, and she succeeded. She couldn't have done so without assistance.

We can only finally conclude with the words of the Honourable Roy McMurtry, Chief Justice of Ontario:

We live in a highly sophisticated society with a highly developed sense of the need for positive intervention to protect the basic rights and freedoms of the disadvantaged and to ensure continuing access to the rights and freedoms which we proclaim is fundamental to a civil, humane and just society.

Legal Aid is perhaps the single most important mechanism we have to turn the dream of equal rights into a reality. Indeed, our laws and freedoms will only be as strong as the protection they afford to the most vulnerable members of our community.

Thank you.

The Chair: Thank you, Ms. Leiper.

From the Ontario Coalition for Better Child Care, Ms. Heineck.

Ms. Kira Heineck (Executive Director, Ontario Coalition for Better Child Care): Bonjour. Thank you for the opportunity to speak with you today.

The Ontario Coalition for Better Child Care was founded in 1981. We advocate for universally accessible, high-quality non-profit and regulated child care in the province of Ontario and in Canada. Since then, as a non-partisan advocacy organization, we have continued to press successive governments to make improvements in child care to benefit children and families, again across the province and across the country.

Our membership includes representatives from over 500 organizations from many sectors and also community-based child care programs and chapters across the province. We are also a member of the Child Care Advocacy Association of Canada, and I am the Ontario representative on their board.

The coalition defines early learning and child care as a non-compulsory program that supports the optimal development and learning of children aged zero to 12, at the same time as it enables parents to work, study, care for other family members, and participate in their community; provides support and resources to help parents become active participants in their children's early learning; and promotes women's equality.

Our presentation today is based on a submission by the CCAAC to the federal Standing Committee on Finance. We wholeheartedly agree with and endorse their acknowledgement that Canada is beginning to move forward on early learning and care, and we congratulate everyone involved. I think it's very important to recognize that this is an exciting time with real opportunities for early learning and care, and this should not be lost on any of us. It was only a few years ago that we would come to these committee hearings to talk about how we needed to start investing in early learning and care at the federal level, so it's very exciting to come today to talk about how we can now take the investments that have been made and make them better.

In Ontario today we see the benefit of recent federal commitments. We have had over 800 new regulated child care spaces in the last few months alone, and we anticipate 25,000 new spaces by the end of 2007. It's still only the beginning of where we have to go, but it's a very important first step.

In Ontario today there are 1.2 million children under 12 with mothers in the workforce but only 200,000 regulated child care spaces. That means we cover only about one in ten children right now who would need a child care space. Another illustrative point about what Ontario looks like today is that 74% of mothers with children aged three to five are in the workforce. That's why our submission today also focuses on how child care can enhance productivity growth in Canada. We feel that child care will speak to at least two areas that the standing committee has identified for action, both human and physical capital. I'll focus on that for a moment.

In terms of investing in human capital, we believe enhancing productivity growth in Canada requires a skilled labour force. The evidence shows that high-quality, affordable, and accessible child care supports labour force attachment skills, training, and lifelong learning, particularly for women. Child care also promotes the development, of course, of a highly skilled labour force in the future.

There is no doubt that there is a gap in access between the spaces available and the children with mothers in the workforce. I told you what Ontario looks like; in Canada, it's about 15%. We only have enough spaces for about 15% of children—outside of Quebec, of course.

Canada's productivity relies on working mothers with young children who contribute \$53 billion annually to Canada's GDP. That reliance is only increasing because of the widely predicted shortages of skilled labour, a fact that this standing committee acknowledges in asking respondents to consider actions to encourage citizens to engage in work rather than leisure and to invest in lifelong learning. I think it's instructive to remember the words of David Dodge, the governor of the Bank of Canada, earlier this year, that the first step to improving skills is to build an excellent infrastructure for early childhood development. We can't agree more.

Investing in physical capital is also important. Like schools and libraries, investing in physical capital through community-based child care helps to build desirable communities. Child care that is inclusive and integrated in the communities promotes the social, economic, gender, cultural, and ethnic harmony that Canadians value. It contributes to equity for all children, and can also provide a welcome to new Canadians, supporting their participation in society and promoting respect for their own heritage and culture of others.

In addition to being high-quality, accessible, and inclusive, child care needs to be linked to other publicly funded community support such as health and education—and we are very pleased to see that this is the direction being taken in Ontario under the Best Start plan—and it needs to be responsive to community needs and priorities.

The evidence shows that all these goals are best accomplished through a commitment to expand child care in the not-for-profit sector, yet many communities across Canada currently lack the capacity to plan and implement these community-based services. We recommend that dedicated resources and supports to develop this important community infrastructure be part of the federal initiative.

• (1245)

While public investment through program spending on child care is required—in our recommendations, we'll speak directly to that—the way in which these public funds are invested is also critical. Effective child care and early learning systems can only exist in the presence of a strong public policy framework, and layering new funding on top of the current patchwork will not provide the desired outcomes for children and families, nor will it provide the predicted economic returns.

Two particular issues are important. One is direct public funding, which means funding directly to the child care program. We believe this is the best way of establishing clear linkages between public investment and public outcomes. Of course, child care must be based on a universal approach.

Targeted action is always required in some communities to minimize barriers to access, of course. However, a universal foundation is first and foremost required; otherwise, the criteria used to try to identify and direct public funds to at-risk children and

families will always miss the mark in one or more ways. I'd be happy to talk about that more in the question period.

Finally, targeted approaches do not address the fact that quality child care is not affordable for the majority of families with young children. In Ontario, it can cost up to \$10,000 a year, depending on where you live and the age of your child, to access high-quality child care. Adults frequently cite the cost of child care as one of the reasons for delaying having children, or having fewer children, contributing to Canada's declining birth rate.

I'll quickly summarize our recommendations. They fall into two areas, and the first is on public policy and accountability. Under that, I would highlight the recommendation that legislation is developed that ensures that all children in Canada have access to quality early learning and child care opportunities in their communities, and that expansion takes place in the not-for-profit sector. These are the two items we'd like to see enshrined in federal legislation. We'd also like to see public accountability requirements strengthened at the provincial and territorial levels to include public reporting in the legislatures.

In terms of public investment, we believe the federal government needs to increase its current funding commitment. This funding must be sustained over the long term, and additional resources and supports are required to meet aboriginal as well as rural and remote needs and to build services for school-aged children. You are no doubt aware that the current federal plan is only for children aged zero to six.

The goal is to increase annual child care funding to provinces and territories to \$5 billion at the end of five years, and to \$10 billion at the end of 15 years. Using today's \$925 million as the baseline, annual incremental federal funding increases of approximately \$900 million are required in each of the next several years. This would result in a 2006 federal funding commitment of \$1.825 billion.

Thank you very much.

• (1250)

The Chair: Thank you, Ms. Heineck.

From the Watson Wyatt Worldwide, Mr. Markham...?

Ms. Laura Samaroo (Pension Consultant, Watson Wyatt Worldwide): Actually, I'll be starting, I'll pass it over to Keith Horner, and then Ian will be available for questions.

The Chair: You still get only seven minutes.

Ms. Laura Samaroo: We'll be fast.

Good afternoon, Mr. Chairman, honourable members of the committee. Thank you for this opportunity to appear before you today.

Our purpose is to propose a modest tax change that's designed to encourage greater funding of supplemental pension plans and, in so doing, to contribute to increased productivity in Canada. Ian Markham and I represent the Canadian pension practice of the global consulting firm Watson Wyatt Worldwide. Working with us on this proposal is Keith Horner, an independent consultant whose background includes over 20 years of experience in the tax policy branch of the federal Department of Finance.

I should note that our proposal was first outlined in a Watson Wyatt special memorandum that we published on May 2, 2005, and that we summarized in the brief we provided to the committee on September 1. We offer you the memorandum as a basis for surveying the reaction of employers to such a tax change.

I'll now ask Keith Horner to describe our proposal and its expected effects.

Mr. Keith Horner (Consultant, Watson Wyatt Worldwide): Thank you, Laura.

Our proposal concerns the tax treatment of supplemental pension plans. These are plans that provide benefits additional to the benefits available in registered pension plans, or RPPs. Most employers with registered pension plans have supplemental plans as well, partly because the maximum pensions permitted under the tax law for registered plans in Canada are much lower than they are in countries that we compete with for high-skilled employees.

For example, in 2005 the limits on maximum pensions are about 60% lower than those in the U.S. and the U.K. As a result, the supplemental plans are a crucial element of competitive compensation packages in Canada.

Under the income tax rule, supplemental pension benefits could be provided in one of two ways, essentially. The first is on an unfunded pay-as-you-go basis. The second is through pre-funding, using a retirement compensation arrangement. I might just mention that civil servants—I was one—and MPs have a retirement compensation arrangement. You may not know about it; it's a very technical thing. An RCA, retirement compensation arrangement, is defined in the Income Tax Act. It was introduced in 1986, and the aim of it was to accommodate the funding of supplemental pension benefits but without providing the same sort of tax deferral advantages that are available for saving in registered pension plans and RRSPs.

The mechanics of an RCA are as follows. Contributions to one, like other forms of compensation, are deductible to the employer. However, there's a special tax of 50% on the contributions and a tax of 50% on the investment income earned each year. This special tax is refunded as benefits are paid out, and then the benefits finally are taxed as regular income in the pensioner's hands.

The result of those rather complicated rules is that the after-tax rate of return on saving in an RCA is about half the pre-tax rate of return. If the return on investment is 8%, the after-tax rate of return will be about 4%.

The problem we would like to see addressed is that the 50% RCA tax rate is much higher than is necessary to remove the tax deferral arrangements. It was a bit high when the plan was created in 1986, but it's much too high now that tax rates on investment income and on corporate income have been substantially reduced.

To give an idea of how high it is, the Department of Finance uses a benchmark rate of return, in trying to value what the tax expenditure is on savings in pension plans and RRSPs. If you use that benchmark and look for a tax-neutral rate on supplementary pension funding, the rate would be about 31.4% rather than 50%. A rate at that level would provide a tax-neutral treatment, and our proposal is simply to lower the current RCA rate of 50% to that level of around 31.4% or 33%. We recognize that there'd be transitional issues in how you handled existing plans, but we would leave those to the Department of Finance to set up the coming-into-force type of rules.

What benefits would that have? In short, reducing the RCA tax rate would lower costs for employers and employees that currently act as a drag on productivity. Firms that now use RCAs to fund supplemental pensions would see a reduction in compensation costs that currently makes them less competitive.

The main result, though, of the current high RCA tax rate is that few employers, particularly in the private sector, fund supplemental pension benefits. Basically, the RCA isn't used very much except in the public sector, where costs aren't quite the same concern.

• (1255)

A recent Watson Wyatt survey indicated that RCA funding was used by only 21% of employers with supplemental plans. Unfunded pension promises are clearly risky for employees, and this imposes costs in different ways. In some cases, employers are simply unable to hire the employees they want because of that riskiness. In other cases, they must pay premium wages as compensation.

The net result of these effects is that the unnecessarily high RCA rate makes it more difficult and more costly for Canadian employers to attract and retain the managers and other high-skilled employees they need if they're going to compete successfully and if they're going to innovate and grow.

As the committee is well aware, promoting a high-skilled labour force and a cadre of entrepreneurial managers is part of the recipe for increasing productivity in Canada. Reducing the RCA rate would contribute to that. It would also, by encouraging more savings, add to the pool of savings available to support domestic investment.

I'd just like to close by saying that Watson Wyatt used their special memorandum that Laura mentioned to survey employees last summer about a possible response to such a change. The survey revealed that a majority of employers would increase their funding of supplemental pension plans if the rate was changed. Some employers would also improve pension benefits and expand eligibility for them.

We recognize that reducing the RCA tax rate would result in some decline in government revenues, at least in the short term. We haven't got a precise estimate of this cost, but we're confident that it's quite small and would be well outweighed by the long-term benefits of the change.

Thank you very much.

• (1300)

The Chair: Thank you, Mr. Horner.

We're going to go directly to the members for questions.

I would just remind the witnesses that the members have only five minutes to ask questions, and that includes your responses. So if you could keep your responses to a brief intervention, the members would appreciate it, because they could ask more questions.

Mr. Penson, ready to go?

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair.

I have three questions, one for each group. With five minutes for questions and answers, I'm not sure how this is going to work....

Mr. Horner, you said that there is a 50% tax rate charge and then it's refunded when the benefits start to flow. What's the problem with that? Explain why that is a problem—as precisely as you can in a short period of time.

Mr. Keith Horner: You'd have to work through the math of it, but as I mentioned, when you look at the rate of return on the savings in the plan, if the investment in the plan is making 8%, for example, if you were putting money into an RRSP, after all the taxes were paid, you would get an 8% rate of return. And that's the subsidy; there's essentially no tax on the rate of return.

If you were investing outside with a dividend tax credit and whatever, you'd be paying about 31% tax on your investment return. With the RCA, you're paying essentially a 50% tax on your investment return. As a result, they're not attractive to—

Mr. Charlie Penson: Essentially, you're saying that after it was introduced in 1986, there's been slippage, and to make it neutral you would have to go to that 31%.

Mr. Keith Horner: Essentially, yes.

Mr. Charlie Penson: Okay.

I'd like to go to Ms. Leiper next. First, I'd like to know the percentage of pro bono work in legal aid, and second, I'd like to know if you have some cost estimate of the request you're making of our committee today.

Ms. Janet Leiper: I'll start with the pro bono question. Legal aid is not a pro bono service; it is a much-reduced rate paid to lawyers to provide full service. We do have a small amount of pro bono work... well, there's a tradition of pro bono work at the bar, to start with, but we also have a new organization in Ontario, called Pro Bono Law Ontario, which serves people who would not qualify for legal aid. We are in very limited areas of the law. So if you are an artist, for example, with no or little income and you need some help with, for example, a contract, there may be some lawyers in the firm who do contract law who are prepared to give you a pro bono service.

Mr. Charlie Penson: So you don't have any idea of what percentage we're talking about here.

Ms. Janet Leiper: In terms of how much pro bono service is being given?

Mr. Charlie Penson: Yes.

Ms. Janet Leiper: Formally, it would be in the order of less than 10%. We serve almost a million people a year with our assistance, and the pro bono movement in Ontario is quite small and specialized.

Mr. Charlie Penson: And your estimate of the cost of your proposal?

Ms. Janet Leiper: Currently the federal government provides approximately \$110 million for criminal and refugee. The estimated cost of civil legal aid across Canada for a year would be about \$300 million. We'd be seeking approximately in the order of a third of that from the federal government.

Mr. Charlie Penson: Thank you.

I'd like to go next to Mr. Pecaut. I see in your proposal you're talking about between 600,000 and 1 million people in Ontario who are living in this low-income category. In terms of trying to put some numbers around what your proposal would cost, which figure are you using? Can you give us a rough idea of what it's going to cost for the first and second proposal that you're recommending?

Mr. David Pecaut: Yes. We are actually right in the process of doing a very detailed costing. We've been very pleased that the federal Department of Finance is very engaged; we're in kind of a unique process of actually giving them our assumptions and they're running the models internally. We can get you a very detailed cost estimate within the next six weeks, if you like.

We also anticipate that the GST rebate will be embedded in this refundable tax credit. Only a portion of the GST rebate currently—the majority, but not all of it—goes to low-income households, so there will be some tax savings from that. There also will be some tax savings by the grey market economy effect, because everyone will have to file a tax return to get these tax credits, and there will be people brought into the tax web who will have some income. That will have some positive offsets as well.

But we'll have a very detailed accounting within about six weeks.

• (1305)

Mr. Charlie Penson: Would it be safe to say that it's roughly \$1 billion per program?

Mr. David Pecaut: It's definitely going to be in the billions, not in the millions, but we believe there will be some significant productivity and economic benefits too, and we're costing those as well.

Mr. Charlie Penson: Have you looked at the other alternative, which is to raise the basic personal exemption? As you know, individuals now are paying in federal tax at \$8,700, moving to \$10,000 shortly. If it were raised to \$20,000, how would that stack up against your proposal?

Mr. David Pecaut: It's another way to try to come at the problem. The reason we've veered away from that is it's a very blunt instrument, and about 80% of the benefits of raising that first tax bracket, as you suggest, would go into the hands of people who are not low-income. So if there's a limited amount of federal dollars, as we assume there is, we would really want that targeted at the quarter of the population who are truly low-income working poor and the people who aspire to be working.

Mr. Charlie Penson: On the other hand, when you send money to government and then get it back, there's some leakage along the way, isn't there?

Mr. David Pecaut: There always is, but in this particular case, I think, by moving to the federal income tax structure, you get it onto a very efficient tax base, and one that, frankly, provinces could then emulate. I think we've had some interesting support for that idea from some of the provinces.

Mr. Charlie Penson: It's an interesting proposal, Mr. Pecaut. Certainly I've heard on the other side where people would like to just have it left in their own pockets and they'll decide what to do with it to avoid any leakage. So there are different ways of coming at it, but I do thank you for your proposal.

Mr. David Pecaut: Thank you. And we will get you those estimates. As soon as they're available, we'll send them to the committee.

The Chair: The only problem is that we have to issue our report by the beginning of December.

Mr. David Pecaut: We think we'll be done with the estimates by then, actually.

The Chair: Yes, but we're going to be writing the report in the next two weeks.

Mr. David Pecaut: We may have it that soon.

The Chair: How about...tomorrow?

Voices: Oh, oh!

Mr. Charlie Penson: I've got \$1 billion on the first program and \$1.4 billion on the second. Is that pretty close?

Mr. David Pecaut: It may be, when you consider the GST rebate on top of that; it's certainly not less than that. But we'll get back to you.

The Chair: Thank you, Mr. Penson.

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you very much, Mr. Chair, and thanks to all of you. This is an incredible lineup of folks and expertise for our process.

I'm going to start with the clawback issue. It seems to me that, from what you've said, the clawback is portrayed as something that will actually help people reduce their dependency on social assistance, but in fact it does the opposite. So it's taking money away from people on assistance that might actually help them get off assistance, because they're dealing with all the basic necessities of life...and instead, taking that money and putting it into low-income working families. So in effect, it's a self-defeating prophecy, isn't it?

Secondly, do you think this is going to happen with the gas rebate money as well? Bill C-66 is the bill to put the money back into low-income families around the high cost of fuel. Is there anything that you know of to prevent the clawback in that regard as well?

Ms. Sandy Shaw: I think the issue is that these are policy instruments, and the problem is that we're not entirely clear what this is being used for. The NCB was meant to address child poverty, but attached to that is the notion that by clawing back, we can also encourage attachment to the labour force. It's our belief that it's a good instrument to reduce child poverty. There has been evidence that child poverty has reduced, and a lot of that is being attributed to the benefit for those families that do receive it. But the families on social assistance are not receiving that benefit.

In terms of this clawback practice helping to encourage attachments to the workforce, we believe that is not effective. As you identified, there are multiple and complex barriers to families moving off social assistance and getting into the workforce, and this one carrot-and-stick kind of incentive is not very effective.

As far as the gas tax rebates and other moneys that go into the hands of families on social assistance, I'd just like to point out a story that happened in Toronto recently. A woman found some extraordinary amount of money, something like half a million dollars, in bags in Toronto. She returned that money and was given a reward of \$2,000 from the bank. Her immediate concern was that she was on social assistance and she wouldn't be allowed to keep that \$2,000.

I think that's a telling example of the experience of people who receive money on one hand from one level of government for one purpose and it being clawed back and taken away from them from another level of government for another purpose.

• (1310)

Ms. Beverly Halls: Just to wrap that up, any income you receive, even if it's a gift from a friend, is considered income. So the provinces can designate and the municipalities take it back.

Mr. Greg deGroot-Maggetti: In response to the first question, about the national child benefit supplement, it strikes me that one of the significant findings from the Modernizing Income Security for Working Age Adults project has been that actually some of the main barriers to employment for people moving from social assistance are things like access to extended benefits, health and dental benefits. With the little difference in income that a parent would get from keeping the national child benefit, that's not the biggest obstacle. So it's not so much on the income side as some of the extended benefits that become the real barriers.

I would suggest that the whole premise of allowing the clawback of the national child benefit was a misreading of the barriers to moving from social assistance into employment.

Around the question of the gas tax rebate, I guess the question I would have is does the bill include in it language that specifies that the tax rebate not be counted as income in the calculation of social assistance benefits? That would strike me as being very important to have in there.

Ms. Judy Wasylcyia-Leis: Very good advice; I don't believe it does, so I'll watch for that.

While we're on the question of proper analysis of this whole cycle of people trying to deal with their economic security issues and actually, as many have said, to get off of income security—because they want to work—it seems to me that one of the ways you do that is by ensuring that there is a good child care program available. Just at the moment that we're probably on the throes of getting a national non-profit child care system in place, we're getting all kinds of criticisms from the right, especially the Conservatives in the House, that this doesn't offer women choice. They're working hard to dismantle the very idea.

Kira, perhaps you could just give some comments on that and try to put to bed this notion that we're taking away choice—at least for the record; Mr. Penson's out of the room.

Ms. Kira Heineck: No, it's a very good question, and thank you for the opportunity to address it.

I should state at the outset as well, though, that the coalition does support ending the clawback. In Ontario, as my colleague has pointed out, about 60% of the Ontario child care supplement for working families is funded by the dollars clawed back, but that in no way is child care. There are no strings attached to those supplements, that they need to be used for child care or not. So we don't consider that an investment in child care in the province. It's a remnant of the previous government, and we'd like to see that changed as well.

On your question, you're right, there's an alternative view that the child care needs of families are best met by tax credits. While we do support increased investments in various supports for family, including increased maternal/paternal leave programs, a tax credit in no way builds a system. It does not allow for universal access, which is one of the founding principles of the current federal investment in child care. Nor does it allow for adequate accountability of public dollars. Again, I think the Ontario child care working supplement example is clear on that. That's a tax measure meant to meet families' child care needs, meant to give families choice in how they want to access child care, but again, it doesn't ensure that child care is actually accessed by that supplement.

There's also an assumption, of course, in the argument from the right, that there are many working mothers and working women who want to stay home, or who could stay home. We know that's not the reality for most families in Canada. In fact, the economy, as I've pointed out in our presentation—and others have before me, I'm sure—is highly dependent on the workforce participation of women. The contribution is in multi-billions of dollars every year to the GDP. If women were all to suddenly stay home, we would feel the impact of that.

• (1315)

The Chair: It's not just women who stay home.

Ms. Kira Heineck: No, I agree with you, it's not. I'm just saying the assumption—

The Chair: Let's have some equality here.

Thank you, Ms. Wasylcyia-Leis—

Ms. Judy Wasylcyia-Leis: Didn't you hear that Mr. Loubier gave me his five minutes?

Hon. Maria Minna: No, I don't think so.

Ms. Judy Wasylcyia-Leis: Maria and I would have to split it.

The Chair: You are splitting it.

Ms. Minna.

Hon. Maria Minna: Thank you.

If you want, you and I could share his five minutes.

Ms. Judy Wasylcyia-Leis: Yes, absolutely.

Hon. Maria Minna: Okay, good idea.

I want to get back to the clawback too, because for me it's a very personal issue, apart from the fact that it's an issue. I was one of eight MPs on a committee—dubbed the “tax the rich” committee—back in 1996 who fought and pushed and lobbied Chrétien at the time to establish it in 1996. It was officially established, actually, in 1997 or 1998, but the initial impetus came when we increased the child tax credit by \$250 million. The committee was asking for \$500 million, and a commitment was made to us by the Prime Minister at the time that he would increase it by \$650 million in the next budget and then \$850 million thereafter, and it was established.

I have to tell you about the anger I feel today at the inclusion of the clawback, when finally we got this project going forth to address the issue of child poverty. A lot of it was as a result of pressure from provinces. And I agree, I don't have to say that we have to get rid of it: today is too late already, it should have been gotten rid of a long time ago. I think this should be one of our major recommendations. It's got to get done really quickly.

I want to go very briefly to the Canadian Federation of University Women and your comments on the gun registry. I really appreciate that, because I'll tell you, the official opposition has made a commitment in their policy that they will repeal it if elected. I think my colleague there can verify that for us. I think that's totally unacceptable, totally unacceptable. I can go into the details as to why they want to do this, but he'll do it for himself at some point.

So I appreciate your raising it, because it hasn't been raised for a long time, and we need people to speak out on that.

• (1320)

Ms. Margaret McGovern: May I just make a comment?

Hon. Maria Minna: Yes.

Ms. Margaret McGovern: We really feel very strongly about this. As you know, dating back to 1989, we as an organization felt very strongly about those 14 young women who were murdered at a university. I guess one of the things I was not able to say, and cannot understand, was, yes, I appreciate that way too much money was spent on it, but it is in place now, it is working well now. Even the chiefs of police in Canada are supportive of it.

I can give you a couple of interesting statistics. One is that in 1989, when it was established, 74 women were killed by guns. In 2001, only 32 women died—still too many but less than half.

The other interesting statistic that came out of Statistics Canada was that only half of gun owners in Canada support the gun registry, but 77% of the people who live with them support it. I think that's most interesting.

Hon. Maria Minna: You're absolutely right, and I thank you for putting that on record. It's very accurate.

I have a lot of questions. They were all great presentations, but I want to go to Mr. Pecaut. I'm really glad to see business interested in poverty issues.

I was on the Council of Welfare back in 1983, when we first did the report on the myths and realities of the welfare state. We didn't get business involved at the time, but from what you're seeing now, things don't seem to have changed a whole lot.

I want to understand a little bit more clearly the refundable tax credit and then the supplements. The reason I ask is that in my social policy committee that I chair for my caucus, there's been a push for us getting a \$15,000 threshold—that is, if you earn \$15,000 or less, you automatically pay no taxes. This is not the same thing as the personal exemption, which would go to everybody, this would be your earnings. I said that it could be \$20,000, but nonetheless, starting at \$15,000.

First, could you tell me what you think about that? And second, I need a little bit more explanation of how those two would actually work, the tax credit and the income supplement.

Mr. David Pecaut: I think perhaps the recommendation you have in your committee is trying to go to the same issue.

Hon. Maria Minna: Right.

Mr. David Pecaut: If we just increase the personal exemption, the vast majority of the benefits will go to higher-income people, or to people who aren't poor.

Hon. Maria Minna: Sorry, this is not a personal exemption.

Mr. David Pecaut: No, I know. As I understand you, your group and what we're saying are both trying to address that issue; your

group is suggesting that maybe just anyone under \$15,000 wouldn't end up paying tax.

Hon. Maria Minna: Right.

Mr. David Pecaut: The reason we've designed it this way is that it would have a practical effect exactly like that, but it would be graduated so that we would maintain the relative progressivity of the income tax system all the way through, and also the highest proportion of the funds would go to those earning the least. So those people working for minimum wage—you know, for maybe 70 or 80 hours a month—would get the most significant support, relatively speaking.

We can take you through how that works in more detail, if you like, but that's the thinking behind it

The two mechanisms would be seamlessly integrated. In effect, you would apply by filing your taxes for both supplements at the same time, your refundable tax credit and the income supplement. We've worked with Finance, and they believe it can be done in a very seamless sort of fashion. And as I said, it would be complementary to provincial governments doing a similar kind of support level.

Ms. Susan Pigott: Perhaps I could add just one sentence. It wouldn't be that different, from a technical tax-related point of view, from the OAS/GIS model that we have for seniors, where you've got the base and then a floating supplement. We feel that has been a very effective, non-stigmatizing way to flow money to seniors.

As the tax system becomes technologically more and more able to be able to be responsive to the changes in people's personal circumstances, we think we should really look more carefully at the potential of the tax system for these kinds of things.

Hon. Maria Minna: I agree with the concept, obviously. What we're looking at here is introducing a guaranteed income supplement, income of some kind. We don't actually call it that, but that's pretty much...and I agree, I think we're going to the some place, it's just that we're coming at it slightly differently. I'm not suggesting that one or the other is the best. I'd like to see your material, though, because I think I'd like to share it with my committee.

The Chair: Thank you, Ms. Minna.

The Canadian taxpayers came before committee, and I think they asked us to increase the exemption from \$10 billion to \$15 billion. I think the cost to Finance would have been about \$25 billion. If you go to \$20,000, I think the amount doubles. It's a crazy amount. So any idea would be welcome by the committee, I think.

Mr. David Pecaut: Ours is dramatically much less. In response to Mr. Penson's question as well, this is a more cost-effective way to get money in the hands of—

The Chair: I'd like to thank the panel. We're limited as to time, and that's unfortunate, but this is the exercise we are going through.

Again, thank you for your time. We have to call it a meeting. Thank you for giving us your presentations, and have a good day.

Meeting adjourned.

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