

PRE - BUDGET BRIEF
STANDING COMMITTEE
ON
FINANCE AND ECONOMIC AFFAIRS

FROM
CANADIAN PENSIONERS CONCERNED, INC.
ONTARIO DIVISION

JANUARY 2011

Canadian Pensioners Concerned, Ontario Division

Canadian Pensioners Concerned, Ontario Division, was founded in 1969, as part of a national voluntary organization of seniors committed to promoting issues such as pensions, health care, housing and transportation. We are concerned not only about those matters which involve older citizens but about all of the factors which make for a just, caring, compassionate, civil society for all age groups.

We have structured our advice based on the advice we submitted last year. We noted then that many of the issues facing the province in 2010 would continue over the long term. We recommended that the government make a five year plan to tackle the deficit **and** the social, economic and infrastructure issues challenging Ontarians in 2010 - 2011. A long-term approach, revised as situations change, is the best approach for the government to follow. The economy is still fragile and unemployment and underemployment are too high. The focus must be on ensuring the long-term strength of the province – its people and their capacity to contribute and participate in society.

Key highlights from our brief in 2010

1. We need a five-year plan, at the very least, to tackle the deficit.
2. We need to focus on long-term growth – not short-term projects. We have experienced the devastation caused by previous provincial and federal governments racing to cut deficits by slashing programs across the board. The economy is still fragile and unemployment and underemployment far too high.
3. Avoid trying “quick fixes”. Do not sell off foundational activities that should remain in the public domain. Privatizing most public infrastructure is not in the long-term interest of the public.
4. Do not continue to cut taxes. Our total tax rates are below those of our competitor Great Lakes States in the United States. Taxes are needed for public services and we will all lose if service cuts are chosen over tax increases. Do not shy away from increasing taxes if need be.

5. We have to rebuild our shabby infrastructure both social and physical while tackling the deficit. If we focus on economic growth and careful effective spending then the deficit will be steadily reduced
6. The need to stimulate economic renewal and business competitiveness is central to improving Ontario's fiscal position. In consultation with communities across the province, set targets for improvements in competitiveness across the business sectors. Increased economic and productivity growth will be a key element in a deficit reduction strategy.
7. Focus on the social and economic determinants of health. Nation states that have reduced poverty levels, reduced social and economic inequities, are in a far better position to benefit from the skills, creativity and talents of their people.
8. Smarter, more efficient **and effective** spending must be undertaken. Focus on the services that will produce the results needed for the expansion of the economy and the improved health and well-being of the citizens.

Additional advice for 2011

We congratulate the provincial government on its commitments to education, both primary and secondary, to community colleges and universities, to improvements in the health "care/cure" system and its promises to tackle the tragic issue of poverty among its peoples. We also commend it for its commitment to the renewal of our public infrastructure that had been sadly neglected over many decades. All these policies have taken courage and a commitment to the vision of a stronger Ontario. The government's Poverty Reduction Strategy is a critical factor in improving the economic and social conditions. In this however, we recognize that there is much more that needs to be done and this too will take courage and the need to educate the public about the importance of these strategies.

Poverty Reduction Strategy

Poverty is a social and economic cost to society. It also affects our educational achievement potential, our labour force skills, our economic development potential and our health care costs. We need to have a public education campaign similar to the ones mounted to tackle

the scourge of diabetes and obesity or elder abuse. The growing polarization of incomes in Ontario, the growing vulnerability of people from all backgrounds to marginal employment and sporadic employment is a matter of deep concern. In particular, those who are recent immigrants, Aboriginal people, women, and people with disabilities and families with children must have particular strategies targeted towards their risk of falling into poverty.

We agree that there have been some useful changes made in income tax policy, particularly recognizing the injustice of taxing those who are in fact below the poverty line, the Low Income Cut-off. The improvement in the Child Benefits is commendable, but not nearly sufficient to raise families with children beyond the constant struggle of dealing with insufficient income. Welfare rates are still unacceptably low, with the peak year for welfare income being 1992, but in 2009 the four major recipient groups were from 18.1% lower for persons with disabilities to a low of 34.4% for a single employable person. (*Welfare Incomes 2009. National Council of Welfare*, volume #129, Table 10, p.A-31). In our view, it is mindless to allow these conditions to continue. The social and economic costs of poverty have been well-documented, both nationally and internationally. We remind the government that **“Supporting the vulnerable and helping people succeed is not only fair but it is also good for the economy”** (Premier Dalton McGuinty).

Recommendation 1. Welfare rates (OW and ODSP) and the policies affecting eligibility and service supports must be raised quickly.

Recommendation 2. The government should launch a public education campaign about the costs of poverty to everyone, the poor and non-poor alike. This injustice must not continue. It is politically expedient to demonize the poor. Attitudes can and must be changed.

Recommendation 3. Enrich the Ontario Child Benefit substantially and without any further rate restructuring

social assistance because of circumstances beyond their control, they remain in need for a period of time and then move back into financial self-support. The government demands that they essentially eliminate their assets in order to receive assistance which means it is much harder for them to move out of poverty and to become self-sustaining. We believe that, as a minimum, Ontario should follow the lead of Manitoba where the liquid asset exemption ranges from \$4000 for a single person deemed employable to \$16,000 for a couple with two children.

Recommendation 5. The government should Immediately raise the liquid asset exemptions for people needing Social Assistance to the 2009 level found in Manitoba. The Social Assistance Review may recommend further increases, but an immediate increase is necessary to assist those who have lost their jobs during the recession and have run out of Employment Insurance benefits. This is not a costly change but will have a significant impact on the lives of those in need.

A sustainable affordable housing strategy is essential to the Poverty Reduction Strategy. The government needs to increase its investment in social housing renewal and new construction. The wait times for affordable housing are unacceptable and harming our society. Investment in social infrastructure is equally important to the investment in physical infrastructure.

Recommendation 6. Increase the investment in social and affordable housing. Establish partnerships with groups in society who are willing and anxious to build these much needed units.

Taxation Policy

The HST was brought in by the province believing that, in the long run, it will be in the economic interest of all Ontarians as it will enhance the business environment for all sizes of business from small to large. This in turn should help improve the employment opportunities in the province.

Recommendation 7. All businesses in the province must be required to report publically on a yearly basis the savings in operating costs and their redeployment of those savings into job and productivity improvements.

The government should be commended for implementing the HST tax credits for low-income persons. However, the tax credits must be reviewed to ensure that the protections intended have indeed worked and meet the needs of those targeted.

Recommendation 8. We believe that the HST should not apply to individuals' energy bills. Heat and light are necessities of life and this additional charge has a far higher impact on people struggling with insufficient incomes to meet the very basic requirements of living.

Ontario needs a strong entrepreneurial sector that is prepared to invest in both people and research and development. We commend the government for its strong support to the creation of partnerships between fundamental/basic research, applied research and economic development. We see the creation of MaRS and the strong support for medical research expertise as one example of this forward thinking.

Recommendation 9. The government needs to continue and strengthen its investment in research and development by means of direct investment and the use of the taxation system. This strategy should include tax incentives for venture capital investment and corporate investment in improved productivity.

Recommendation 10. Education and skill development of the workforce is crucial to the health of the Ontario economy. Government investment in such programs will help to ensure the economic gains of the future.

Support for the arts and the creative energy of the artistic community is also important. We urge the government to continue its strong support for these activities. The creative and artistic communities are a vital part of the economy of the province.

Recommendation 11. Maintain the strong provincial role in direct (grants) and indirect (taxation policy) support for the arts.

Finally, there must not be any further tax reductions for the corporate sector in Ontario. We are already the lowest corporate tax jurisdiction in the Great Lakes Region and believe that given the difficult economic challenges facing the province and the citizens, absolutely no more tax reductions be made. In fact, in order to reduce the deficit, a temporary increase in taxation levels would be justified. We recognize that this is highly unlikely as governments and the

public like to talk about cutting taxes, not raising them despite the economic realities facing the state.

Recommendation 12. No further tax reductions for the corporate sector in Ontario.

Energy Policy

We support the government's efforts to close the coal generating stations, to push for energy savings across all sectors and to invest in green energy. The focus on replacing "dirty" energy with clean/renewable sources is commendable, but basing that policy on protectionist measures is a dubious strategy in the end. Free trade negotiations with other countries are likely to put this policy at risk of being overturned.

Health

Last year we argued for more effective use of our health care dollars. We reject the scaremongering campaigns pushed by those who want a private sector parallel system. However, we do recognize that changes have to be made. We believe our ideas from last year are still relevant for today:

- A. Health care dollars can be more efficiently and effectively used by:
 - i) Building up the level of community based services,
 - ii) Ensuring the full implementation of integrated family health teams,
 - iii) Ensuring the full utilization of nurse practitioners as front-line providers of primary care,
 - iv) Focusing on Healthy Aging and the Aging at Home Strategy. Older persons are significant consumers of health care expenditures and every effort must be taken to ensure healthy aging and disease prevention. We have "pilot practices" that have proven to work – implement them.
 - v) Stop the misuse of the Homes First program. Ensure that services are available to sustain people living at home rather than forcing them into institutional care.
 - vi) Put in place regulations requiring rigorous health promotion as part of all health providers' practice. Evidence has shown that a dollar invested in health promotion will save many more dollars in the health care system.

- B. The Rationale

The World Health Organization Report *Closing the Gap in a Generation* (The Commission on Social Determinants of Health ,WHO, Final Report 2008, p.39) reported the following study in Canada that showed, "That reducing health disparities has the potential for major economic benefits resulting from a reduction both in health-care needs and in the costs of lost productivity. Health-care spending in Canada is about 120 billion Canadian dollars per year (with the institutionalized population accounting for 26 billion Canadian dollars and the household population accounting for 94 billion Canadian dollars). The lowest income quintile of the household population accounts for approximately 31% of the 94 billion Canadian dollars, approximately double the utilization of the highest-income quintile. The study reported that if the health status and utilization patterns of those in the lower-income groups equaled those with middle income, significant savings on health-care costs could be possible."

In addition, the study reported that better health enables more people to participate in the economy. Reducing the costs of lost productivity by only 10-20% could add billions of dollars to the economy.

We have the evidence about what we need to do. Now is the time to act.

- C. The Minister of Finance has more influence over health equity than the Minister of Health and the closer we come to tackling the determinants of health through our budget and policy planning the closer we will come to achieving social equity and social inclusion. This in turn will lead to increased productivity and stronger more sustainable economic growth. We cannot afford to lose the skills and potential contributions of a significant number of our population who are suffering because of poverty and social and economic inequalities.

In our advice to you in February 2010 we said, "The government needs to continue to focus on economic stimuli. Central to improving Ontario's fiscal position is the need to stimulate economic renewal and business competitiveness. Business and industry need to invest in productivity improvements so that they can compete in a highly competitive world economy. We need to have financial institutions ready to lend to small start-up industries and enterprises. Venture capital needs encouragement to improve the flow of funds to new enterprises, to encourage the development of new technologies, to foster support for new creativity in all sectors of society. We note in particular the need to engage and support the skills of our recent immigrant communities. We cannot afford to lose their knowledge and skills by putting senseless barriers in their access to employment such as the requirement for "Canadian experience", or the obstacles professionals face in getting recognition for their educational and professional background".

Finally, above all else, we need to invest in our people across all ages, all cultures and all conditions. Our economy will succeed and grow, our deficit will decline, if we continue wise investment in our people, our communities and our environment. If the government focuses on the short term, on expenditure cuts to services and infrastructure, then our fragile economy will be at great risk of a slide back into a recession. We believe that the most significant benefits will come through the investment in our people and their health and well-being.