



202-1193 Kingsway, Vancouver V5V 3C9
Phone: (604) 873-8437/1-800-307-1212
Fax: (604) 874-9898
E-mail: info@firstcallbc.org
<http://www.firstcallbc.org>

Children: The Best Investment for a Sustainable Future

Pre-2010 Budget Submission to the House of Commons Standing Committee on Finance

Submitted by: First Call: BC Child and Youth Advocacy Coalition, August 2009

EXECUTIVE SUMMARY

First Call: the BC Child and Youth Advocacy Coalition is a coalition of province-wide and regional organizations, smaller groups, individuals and mobilized communities that share the belief that children and youth should have “first call” on the resources of government.

In answer to the two questions posed by the Committee in this consultation, and in line with Canada’s commitments under the UN Convention on the Rights of Children, First Call makes the following two recommendations:

- 1. Give priority to federal tax and program spending that will increase Canada’s investment in early childhood development.** Esteemed economists agree and research evidence shows that the high rate of return on investments in young children’s health and development is of key importance to keeping social costs down and maximizing “human capital.”
- 2. Focus stimulus spending and re-design federal tax policy with the aim of reversing the growth of income inequality in Canada.** Despite the economic ups and downs throughout the past 20 years, little reduction of child poverty has been achieved since Canada committed to eliminate it in 1989. This is evidence of the fact that economic benefits in good times have not been shared equitably, producing an increasingly divided society. In the current economic crisis, achieving greater social inclusion and income support for the families the market is leaving behind must be essential public policy goals.

Accomplishing these two key policy objectives is fundamental to shifting course away from the short-term thinking inherent in the policies and ideology that have led us into crisis and to creating a healthier, more sustainable path of social and economic development for our country. Achieving them will require a thoughtful mix of changes to existing taxation and spending policy.

Our future depends on the ability of today’s young people to achieve their fullest potential, and we know living in poverty or going without crucial early childhood supports undermines that potential.

AN INVESTMENT IN CHILDREN IS MORE THAN A NICE SLOGAN

The research evidence of the benefit to children and the economy of investing in the early years is overwhelming. The work of experts Dr. Fraser Mustard, Dr. Clyde Hertzman, and a host of others both Canadian and international, informs us of the crucial windows of opportunity and risk during early brain development. Esteemed economists and market analysts from Canada, the United States and international bodies have documented the high rate of return on investments in young children's health and development and the economic value of these investments in keeping social costs down and maximizing "human capital."

Similarly, there is a veritable mountain of research evidence attesting to the harm done to children from living in poverty, especially for prolonged periods. This evidence points to weakened educational outcomes, life-long health impacts, such as higher rates of chronic disease, increased risks of criminal activity, and lowered earning power. It also points to the corrosive social impacts of exclusion and marginalization.

It's time for Canada's fiscal policy to catch up to act on this evidence if we are serious about improving outcomes for children and building a healthier society for all.

We have been chastised by international bodies such as UNICEF and the Organization for Cooperation and Development (OECD), who note our significantly low investments in early learning and child care. Periodic reviews of our compliance with the UN Convention on the Rights of the Child (UNCRC) note our failure to address child poverty, especially among sub-populations of Aboriginal children, children with disabilities, recent immigrant children and children in lone-parent female-led families.

In light of the failures of a market-driven, non-interventionist approach to deliver the supports families and young children need, to eliminate child poverty, or to reduce the unhealthy gap between the rich and the poor, it is apparent that our current federal policies and programs need to change.

In some cases, such as the Canadian Child Tax Benefit, we need to make good policy better, i.e. by raising the maximum annual benefit to \$5,100 per child, and making it available to all low, modest and middle-income families; including those on social assistance (disallowing provincial claw backs). This change is estimated to cost \$5 billion and would achieve a 37% reduction in Canada's after-tax child poverty rate.

In other cases, we need to completely re-design mislabeled programs like the "Universal Canadian Child Care Benefit," which is really just a general income bonus for families with young children. While a family bonus program can be helpful, the UCCB is ineffective in advancing families' access to quality, affordable and accessible child care, specifically because it relies on a miniscule, taxable transfer in the hands of parents (who can choose to spend it on anything) to somehow stimulate the creation of the quality child care spaces that are lacking in nearly every community in the country. This policy objective has proven in practice to be just wishful thinking on the part of government.

OUR RECOMMENDATIONS

The 2010 budget must give priority to federal tax and program spending that will increase Canada's investment in early childhood development.

Outside of direct income supports for low income families, the most substantial programmatic investment should be in the form of significant new federal transfer payments to provinces and territories that agree to be accountable to use them to build a *system* of quality, affordable early childhood education and care services. These transfer payments should follow the terms of the 2003 Multilateral Framework on Early Learning and Care and should support only public ownership and non-profit operation of facilities and equipment purchased. Research indicates service quality is higher in non-profit delivery models.

Besides supporting the healthy development of children, improving the accessibility and affordability of quality early childhood education and care programs works to reduce and prevent family poverty and reduces the impact of poverty on children. A stable system allows parents to enter and stay in the labor force directly, or to pursue further education and training. Creating such a system must be an objective of government and a priority in the upcoming budget.

Our second major recommendation is to focus economic stimulus spending and re-design federal tax policy with the aim of reversing the growth of income inequality in Canada.

Governments overall have done a very poor job of supporting many of Canada's family units. Despite the economic ups and downs throughout the past 20 years, little reduction of child poverty has been achieved since Canada committed to eliminate it in 1989. According to Statistics Canada, the child poverty rate, measured by the after-tax low income cut off, was 11.9% in 1989, and was 9.5% in 2007, prior to the economic crash which began in 2008.

Further, the 2006 Canadian Census reported that despite very significant GDP growth, the median Canadian income had, indexed for inflation, climbed only \$53 from \$41,348 to \$41,401 over the 26 years from 1980 to 2006. Research by Emmanuel Saez and Michael R. Veall suggests that the most dramatic increases in income actually took place for people in the top one percent.

This is evidence of the fact that economic benefits in good times have not been shared equitably, producing an increasingly divided society. In the current economic crisis, achieving greater social inclusion and income support for the families the job market is leaving behind must be essential public policy goals. Raising the incomes of lower-income Canadians and ensuring fair taxation of wealthy Canadians are both long overdue.

Proposed components of a commitment to reduce poverty and income inequality span government policy and market-based initiatives. In both the publicly-funded and the private sector, family-supporting, living wages in stable jobs need to replace poverty-level wages and precarious employment.

First Call's list of priorities that touch upon federal responsibilities, based on our standing commitments to children, youth and parents, include:

- a significant increase in federal child tax benefits,
- raising the thresholds that trigger loss of benefits for families that are just lifting themselves out of poverty,
- restoring Employment Insurance eligibility for more workers and increasing benefit levels,
- increased government investments in social housing,
- increased investments to make post-secondary education accessible for youth from all income levels.

CONCLUSION

Accomplishing these two key policy objectives is fundamental to shifting course away from the short-term thinking inherent in the policies and ideology that have led us into crisis and to creating a healthier, more sustainable path of social and economic development for our country.

The obsession with tax cuts as the best solution no matter what the problem has differentially benefited those at the high end of the income scale and has gutted the ability of government to respond to collective social needs. This translates in practice into a demotion of children's rights to adequate care and education if they happen to live in low income families or fall into another vulnerable group. Necessary services are rationed, wait lists are long, and families struggle individually to make up these deficits in support.

The current situation highlights the lack of political will at the leadership level to champion children's best interests, and give them the priority they deserve. However, the cost of political inaction is steep. Our future depends on the ability of today's young people to achieve their fullest potential, and we know living in poverty or going without crucial early childhood supports undermines that potential.

We are looking for the 2010 federal budget to demonstrate the wisdom of long-term thinking which judges every tax and program spending measure from the view of its impact on the well-being of Canada's youngest and most vulnerable children and families and places children's rights at the top of the priority list.