

# Alternative choices for a healthy economy

## Canadians are facing huge social problems coming out of this recession



Here are the ugly facts:

- Unemployment is high at about 8.5%.
- As many as 500,000 Canadians who were on EI will exhaust their benefits before finding a new job.
- 810,000 more Canadians are expected to be applying for EI because the jobs they once had are disappearing.
- Consumer debt levels equal 145% of household income, an historic high.
- Higher debt and high unemployment have pushed more Canadians into bankruptcy, an increase of 43% in just one year.

### There's a *right* way and a *wrong* way to get the economy back on track

#### The wrong way

Concentrating on cutting the deficit through public spending cuts is not a solution. Not only will it slow the economic recovery but it ignores one of the main causes of the deficit in the first place – aggressive tax cutting.

PSAC members have been struggling to meet the demand that this unemployment has caused and address the emotional turmoil that the Canadians they interact with are sharing with them. They hear about it every day over the counter, the phone and the internet.

From experience they know that the worst course of action for the federal government is to repeat the mistakes of the nineties and cut public spending. Canadians don't need another seven-year long jobless recovery.

#### The right way

The stimulus money provided to communities for hard infrastructure was long overdue, although many of the projects have been too short term to be very beneficial, grooming snowmobile trails for example. Instead the stimulus should have been used to improve Canada's bridges, sewers and community facilities. It should have also been used to create new green infrastructure such as home retrofits, water treatment facilities and community energy systems. Any physical infrastructure funding that doesn't address the long term infrastructure needs of Canadian communities should be judged a failure.

The most effective stimulus is spending on social infrastructure. Governments need to put money in the hands of people who need it most – the poor, women, disabled people, aboriginal women and men, immigrants, the unemployed – and provide the public services at all levels that support these Canadians.

An effective stimulus plan should have contained funding for health care, post-secondary education, child-care, and social housing. And it will produce results. Even during the worst of the recession, real Australian Gross Domestic Product (GDP) increased by 1.1%, as opposed to the decline experienced by most other advanced economies, because the government invested in schools, health and housing.

The gap between the rich and poor is growing in Canada. Studies show that there is a direct correlation between inequality and poverty. If existing or continuing stimulus funding in the 2010 federal budget doesn't address inequality, then that funding is inadequate.

One immediate step the budget could have taken but didn't was to improve unemployment insurance for workers in need by implementing a single national entrance requirement of 360 hours and eligibility for up to 50 weeks of benefits based on 60% of the best 12 weeks of earnings in the qualifying period. The budget also could have extended benefits for unemployed workers who have exhausted their claims and have not been able to find work because of the recession.

## **The Harper Conservatives could have made better choices**

The Conservatives had other options. The 2010 Alternative Federal Budget, prepared by the Canadian Centre for Policy Alternatives, in conjunction with its community and labour partners, outlined a series of positive policy choices – policies that would create jobs.

The Conservatives could have chosen to spend over the next three years:

- over \$25 billion on poverty reduction,
- \$10 billion to improve EI,
- \$12 billion for health care,
- \$8 billion for child care,
- \$6 billion for social housing,
- \$15 billion to improve physical infrastructure across the country, and
- \$5 billion invested in arts, culture and communications including better access for more Canadians to the internet.

Economic growth depends on people working. Unlike the Harper government's job strategy, which leaves unemployment at 8.5% by 2011, these alternatives will create or sustain 330,000 jobs bringing the unemployment rate down to 6.7%.

The stimulus measures outlined here as well as measures to reinstate adequate tax revenues will help all Canadians, encourage economic growth and ensure that Canada emerges as a more prosperous, healthy and equal society. Spending cuts are not only unnecessary they are the worst policy that the government could undertake at this time.