

INTRODUCTION

Alternative Federal Budget 2010: Getting the Job Done Right

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As the worst of the global recession begins to wind down, there is renewed pressure on governments everywhere to keep a steady hand on the wheel and steer their countries into a smooth economic recovery.

Canada wasn't hit as hard as others, but the country is suffering from one of the worst job crises in its history. At the height of Canada's recession, 486,000 full-time jobs evaporated into thin air. Hundreds of thousands of Canadians were thrown out of work and many are still waiting for relief. It's time to get Canadians working again.

The task before Canada is daunting, but not impossible.

There is the political problem of government deficits. A year ago, Canadians ignored the prospect of deficits, knowing the full weight of a global recession was upon us and agreeing it was up to our governments to shield us from the worst of the storm. But as the green shoots of recovery begin to sprout, right-wing pundits are now fuelling deficit hysteria. Their response is to return to the failed policies of the 1990s, urging our governments to sell off Crown assets and slash public spending. Thankfully, as this year's

Alternative Federal Budget — AFB 2010 — demonstrates, there is more than one way for a country to dig itself out of a deficit.

There is also the problem of not enough revenue to pay for the programs and services Canadians cherish most; but that, too, is a political problem rooted in years of tax cuts for corporations and the wealthy. AFB 2010 offers a way forward that strengthens our public coffers, improves public services, and keeps Canada competitive.

Most pressing, there is the social problem of too many unemployed prime-aged working Canadians who discovered their Employment Insurance (EI) system isn't recession-proof. As many as 500,000 Canadians who initiated an EI claim in 2009 will exhaust their benefits before finding a new job. Today, only half the country's unemployed receive jobless benefits, and that's with the modest — and temporary — loosening of EI rules last year.

In the coming months, 810,000 more EI beneficiaries could be joining those scrambling for any kind of work, any amount of income. The jobs they used to hold — jobs that once paid mortgages, fed children, and contributed taxes — are not likely to bounce back any time soon

without a plan to make it happen. AFB 2010 puts forward that plan.

Canada's economic recovery is fragile. What our governments do in the coming months will deeply affect whether the recovery works only for those invested in stock markets or whether it works for every Canadian household: rich, poor or middle-class.

The challenge before our federal government is not deficit slaying, but creating widely shared and sustainable economic growth. AFB 2010 demonstrates that the task of diminishing deficits will be much more achievable once we get Canadians who've lost their jobs working — contributing — again.

The worst thing Canada's federal, provincial, territorial, and municipal governments could do is to repeat the mistakes of the 1990s. In the 1990s, a series of federal and provincial governments implemented massive cuts that reduced Canada's spending on public services to 1960s levels.

The act of cutting when governments should have been investing to create jobs meant Canada's economic recovery in the 1990s was a jobless one. It took Canada seven long years to gain back the full-time jobs that were lost in the 1990–91 recession.

In what turned out to be a lost decade, much of Canada's economic recovery efforts were eclipsed by a hyper-charged political focus on wiping out deficits through massive cuts to public services, attacks on public sector workers, on the poor, and on the vulnerable. The quality of services as varied as health care, child care, clean water, good roads, and public transit suffered as a result. The cure was far worse than the ailment. Adopting the same approach now would be a backwards step, and would act as a drag on Canada's economic recovery efforts.

Canadians are looking for solutions that will put Canada back to work. AFB 2010 acknowledges that Canada is likely entering into a period of slow economic growth and stubborn unemployment. Unlike the Harper government,

which plans to cut off stimulus spending, AFB 2010 implements an assertive job creation strategy designed to help turn a fragile recovery into a robust recovery.

AFB 2010 takes a realistic approach to the federal fiscal shortfall. The federal government's relentless drive to lower corporate income taxes, the GST, and taxes on the wealthy have dangerously eroded its revenue generating capacity. Maintaining the status quo comes at too heavy a price for Canadians to pay.

Instead of re-investing in social and physical infrastructure, the Harper government is expected to begin a round of spending cuts in order to maintain its tax cut agenda. With both government revenues and expenditures near historic lows, there is little left to cut without further eroding the quality of the services Canadians rely on.

Rather than cut public spending, which could plunge Canada back into recession, AFB 2010 puts Canadians back to work and turns recession-hit communities into thriving, prosperous hubs. It takes seriously warnings by the International Monetary Fund (IMF) and the World Bank that the fragile global economic recovery could wilt if governments pull back on their stimulus efforts too quickly. AFB 2010 re-focuses the stimulus and builds investments in public infrastructure and services that will create jobs and improve communities across Canada.

Whether it is a newly hired early learning professional easing the load of a hard-working mother or a construction worker restoring Canada's aging bridges and roads, federal money spent employing Canadians is an investment in our collective future. Physical and social infrastructure investments are key levers to create jobs and reduce unemployment in AFB 2010. Investing \$15 billion over three years to improve physical infrastructure in cities across Canada, as well as expanding social infrastructure such as health care (\$12 billion) and child care (\$8 billion), will create jobs and improve access to these cherished

public services for all Canadians. AFB 2010 also invests \$5 billion over three years in arts, culture, and communications to allow Canadians to stay connected with one another, with their history, and with their culture.

By making these stimulus investments and job creation efforts top priorities for Canada's economic recovery, AFB 2010 lays out a strategic plan to power up our GDP and deflate our federal deficit without creating unnecessary pain for Canadians. Within a single year, AFB 2010 creates or sustains 330,000 full-time jobs at a time when the sluggish private sector is offering mostly part-time and occasional work. With this plan in place, unemployment will drop to 6.7% in two years.

At its core, AFB 2010's job creation strategy achieves three main goals:

1. Protection for the unemployed: It improves support for the over one-and-a-half million still unemployed by fixing EI qualification requirements, by increasing the length of time EI beneficiaries can remain protected, and by improving benefit levels.

2. Creation of new full-time jobs: It follows the advice of the OECD and the World Bank for governments to keep stimulus spending flowing during the fragile days of the world's economic recovery or risk dipping back into recession. It also unleashes a long overdue industrial and multi-sectoral jobs strategy to win back good paying middle-class jobs and improve Canada's competitiveness in the world economy.

3. Leadership on green jobs: It makes Canada a leader in creating green jobs — jobs that improve the country's energy efficiency and accepts our responsibility to tackle climate change. It invests in sustainable production, green manufacturing, and green skills development.

This hands-on approach to economic recovery is good for the economy, it's good for communities, and it's good for Canadians. By putting the

federal government's hands firmly on the steering wheel, AFB 2010 takes Canada safely into economic recovery — and it does so much more.

AFB 2010 recognizes that, especially in times of social and economic upheaval, a government's first duty is to protect the vulnerable. But when it comes to supporting unemployed and poor Canadians, our federal government has lost its way. Canada has the ninth largest economy on the planet, yet its poverty rates rank among the worst of 17 leading developed countries. More than 12% of working-age Canadians live in poverty, and more than one in seven children are poor in Canada, despite its many years of economic growth and affluence. Without a national plan to reduce, and eventually eliminate poverty, recession will only swell the ranks of the poor in this country.

Six provinces — Quebec, Newfoundland and Labrador, Nova Scotia, Ontario, Manitoba and New Brunswick — have poverty reduction plans in place or in development. The remaining provinces have given notice of their intent to tackle poverty, especially since the recession took root in Canada a year ago. The provincial governments have taken the lead, but the job can't be completed without the active partnership of the federal government. In fact, it is the Government of Canada's responsibility to lead the poverty reduction charge with respect to Aboriginal poverty, seniors' poverty, child poverty, and poverty among recent immigrants and people with disabilities. The economic security of these, and all, citizens should not depend on what part of Canada they live in.

AFB 2010 invests in a plan to reduce Canada's poverty rate by 25% within the next five years, and by 75% by 2020. It commits to a National Housing Strategy that ensures no Canadian has to sleep outside within two years. It invests in affordable housing to help end homelessness by 2018. It reduces the share of Canadians facing "core housing need" by half within the next five years. AFB 2010 improves income supports to Ca-

nadians, addresses poverty among the elderly by increasing the Guaranteed Income Supplement for low-income seniors by 15%. It doubles the refundable GST credit for low-income Canadians, and it increases the Canada Child Tax Benefit to pull families with children out of the clutches of poverty. The AFB 2010 poverty reduction plan also doubles its efforts on those groups with higher poverty rates, such as Aboriginal people, people with disabilities and mental illness, recent immigrants and refugees, single mothers, and single senior women.

Tackling the fiscal deficit:

Less pain, more gain

In order to close the structural deficit as well as engineer a job recovery for Canadians, AFB 2010 redresses the federal government's revenue-generating shortfall through several strategic steps. It assumes environmental leadership by introducing carbon pricing at \$50 a tonne in 2010, raising significant revenue over three years. It attempts to restore the formerly progressive nature of Canada's tax system by returning corporate

tax rates to the 2006 level and by ensuring that wealthy Canadians who are the primary beneficiaries of much lower taxes on capital gains are taxed at the same rate as working Canadians. That measure alone will generate \$13 billion in revenues over three years, significantly contributing to Canada's economic recovery and deficit reduction efforts. And it asks those who are best placed to contribute to Canada's future by establishing a new 31.5% tax bracket for the 0.8% of Canadians who have incomes over \$250,000.

These revenue-generating strategies are transformed into powerful investments in Canadian jobs, in the health and vibrancy of our communities, in the stability of our middle and working class, in the support of the unemployed, the poor and the vulnerable, and in the sustainability of our economy and our environment. AFB 2010 accomplishes all this, and puts Canada on a healthy economic footing, by recognizing that there is more than one way for a nation to dig itself out of a deficit and by assuming the leadership required to get the job done. Canada will emerge more prosperous, healthier, and more equal as a result.