

# Community Dispatch

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## Poverty Reduction Series: **A BLUEPRINT FOR ECONOMIC STIMULUS AND POVERTY REDUCTION IN ONTARIO**

*In November 2008, over one hundred members of the Halton community met to participate in the development of a Blueprint for Economic Stimulus and Poverty Reduction in Ontario. The Blueprint lays out a plan that could reduce the number of poor Ontarians by 197,420 (15%) and reduce the number of poor children in Ontario by 62,000 (19%) within the next three years. The Blueprint is comprehensive and cross-sectoral. Over the next few weeks, CDH will issue a series of Community Dispatches that share with our members and community information on poverty reduction in Halton and across the province. The first of the series is a summary of the major recommendations in the Blueprint.*

*Joey Edwardh*

### **Introduction**

Ontario heads into the upcoming provincial budget of March 26, 2009 with a shaky economic future as the storm clouds of a global recession gather over Canada.

In many ways, Ontario is at the epicentre of this economic storm. Even before the global meltdown, Ontario began buckling under the pressure of job losses in manufacturing and forestry.

The next provincial budget could not come at a more critical time. What our provincial government does now to stave off the worst of a recession and protect the vulnerable has the potential to make an immediate and lasting difference in the lives of Ontarians and, ultimately, on the health of the nation's economy.

While no one can predict how long and how deep this recession will be, there is widespread consensus that it is up to governments to invest in infrastructure, shore up consumer confidence, and make our social programs recession-proof.

Until now, the focus has been on what our federal government will do. The events of the past few

weeks have left provinces, municipalities and communities on the edge of their seats, awaiting a January budget that would finally step up with resolute action to stimulate a slowing economy.

Unfortunately, the federal government's approach fell far short of the remedy required. While doubling the Working Income Tax Benefit and increasing funds for affordable housing are welcome measures, Ottawa's haphazard laundry list of initiatives failed to provide a coherent strategy for recovery and hope.

The federal government has also abdicated its responsibility to protect the vulnerable in these hardest of times, placing greater pressure on the upcoming Ontario budget to fill in gaps that our most senior level of government chose to ignore.

In the last few months, tens of thousands of Ontario workers have joined the ranks of the unemployed with fears that there is much more unemployment to come. Yet the majority of unemployed Ontarians do not qualify for Employment Insurance (EI), increasing the burden on the provincial government to deal with the fallout.

Making good on the province's commitment to reduce child poverty by 25 percent in the next five years is key to addressing the challenges facing Ontario today. That work begins with this year's provincial budget.

Recessions affect everyone, but many – especially those at the bottom end of the income spectrum – experience greater hardship. During the last recession of the early 1990s, low-income and poor Ontarians were the first to fall and the last to rise.

As Ontarians brace for tough economic times, they look to our provincial government to ensure this year's budget achieves three vital objectives:

1. **Invests in a major stimulus plan to stave off the worst of the recession and create jobs;**
2. **Protects the unemployed, the poor and the vulnerable;**
3. **Lays the foundation for a stronger, more sustainable economy that more fairly and equitably benefits Ontarians without leaving behind the poorest in our province.**

The Blueprint lays out strategies and corresponding investments to achieve all three of these objectives.

For months, the 25 in 5 Network for Poverty Reduction along with the Social Planning Network of Ontario has been engaged in consultations with Ontarians in communities right across Ontario to hear their views on an effective poverty reduction strategy. The Blueprint reflects the results of those consultations, outlining a plan of action for the Ontario government over the next two budgets. The recommendations advanced in the Blueprint are organized according to three goals for Ontario's poverty reduction strategy that were also endorsed in earlier community meetings across the province:

1. Ensuring livable incomes that affirm the dignity for all Ontarians – including those unable to work.
2. Investing in strong and supportive communities where opportunity and equitable inclusion is a reality for all, through enhanced access to affordable housing, early learning and child care, education and community programs that help people connect and thrive.
3. Achieving sustaining employment through a good jobs strategy that assures a living standard above poverty for any adult who works full time throughout the year and that pursues equitable access to work, fair pay and stable working conditions for all Ontarians.

The Blueprint protects the vulnerable on several accounts, including innovative immediate measures such as:

- A \$100 monthly Healthy Food Supplement to help all adults on Ontario Works or the Ontario

Disability Support Plan get access to healthier food;

- A Housing Benefit to help low-income renters meet the high cost of housing;
- Increase Ontario Works and Ontario Disability Support Program asset levels to reduce asset stripping and allow those recipients to accumulate an economic cushion;
- Begin the roll out of full-day learning for four and five-year olds;
- An increase to the Ontario Child Benefit to \$92 a month in 2009 and \$125 a month in 2010 to protect families and their children during the economic downturn and beyond;
- Building 7,500 new affordable child care spaces, crucial to supporting parents who need to work and retrain for the demands of a changing Poverty Reduction economy;
- Leveraging the expected federal infrastructure dollars to build more affordable housing.

Important recommendations to be implemented in the medium term are:

- Index social assistance rates beginning in the 2010-2011 budget;
- Explicitly include in the upcoming review of Social Assistance a commitment to ensure high quality and effective education, training and employment support programs for recipients of Ontario Works and Ontario Disability Support Program;
- Establish an Equity and Anti-Racism Directorate recognizing the disproportionate number of children (32%) in racialized families were poor in 2000. This compares to a child poverty rate of 17% for all children in Ontario;
- Poverty-proof the minimum wage by raising it to \$11 an hour in 2011 and indexing it to the cost of inflation.

In the first year, the Blueprint calls for an investment of \$2.4 billion in social infrastructure and public programs, with a \$2.6 billion commitment next year.

This investment represents only 2.7 per cent of Ontario's 2008-09 program expenditures and less than half of one percent of Ontario's GDP. All of this spending is stimulative; it is directed toward infrastructure investments or low-income individuals and families. Almost half is directed to infrastructure investment, which will help our economy recover and will not contribute to a structural deficit.

The International Monetary Fund (IMF) recommends jurisdictions invest 2 percent of their GDP to help jolt the global economy out of its current slump. Ontario needs to do its part.

As an indication of the depth of the global economic crisis, the prevailing orthodoxy about balanced budgets has been turned on its head in less than three months.

The discussion has moved away from whether it is appropriate for governments to ever run a deficit to widespread consensus that deficits – and strong government leadership – are essential to weather this global economic storm. Governments who invest now do the double duty of softening the blow of recession and investing in generations to come – actions that will leave those jurisdictions that act boldly and swiftly with stronger, more sustainable economies.

The IMF has recognized that investments in anti-poverty programs can be most effective at pumping much needed activity into local economies. It advocates increasing transfers to low-income people because they will spend it quickly and locally,

resulting in a faster, positive impact on the economy than other kinds of spending.

Inaction is not an option. The long-term effects of doing nothing about poverty are well known. A recent study shows that increased expenditures in health care, crime and social assistance due to poverty cost Ontario up to \$13.1 billion a year in lost revenues. And that is in good times. In times of economic turmoil, the costs will surely be greater.

Recent Canadian research shows that increased government spending on infrastructure is most effective at increasing GDP. It shows that \$1 billion of personal income tax cuts creates 7,000 jobs and increases GDP by \$720 million. The same \$1 billion spent on infrastructure creates 16,000 jobs, half of which come in construction, and increases GDP by \$1.78 billion. The choice is clear: infrastructure is the better investment in our future.

If the provincial government acts now on the recommendations laid out in this Blueprint, it will meet its own commitment to reduce poverty and it will provide effective short-term fiscal stimulus to help Ontario recover from possibly the worst economic storm it has ever faced.

In short, it will provide strong leadership in tough times.

References for the figures used in this *Community Dispatch* can be found in *The Blueprint for Economic Stimulus and Poverty Reduction in Ontario* located on the following websites: [www.25in5.ca](http://www.25in5.ca); [www.cdhalton.ca](http://www.cdhalton.ca) and [www.povertywatchontario.ca](http://www.povertywatchontario.ca)



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