

CAMPAIGN 2000
END CHILD & FAMILY POVERTY

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METTONS FIN À LA PAUVRETÉ
DES ENFANTS ET DES FAMILLES

Pre-Budget 2024 Submission, House of Commons Standing Committee on Finance

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Campaign 2000: End Child and Family Poverty is a diverse pan-Canadian coalition of over 120 organizations working to end child and family poverty. We are generously hosted by Family Service Toronto, a large multi-service organization serving the Toronto area.

Recommendations:

1. Remove growth restrictions and add binding conditions to the Canada Social Transfer (\$2B).
2. Reverse reductions to the CCB (1.45B), retire CERB debt and implement a CERB Repayment Amnesty.
3. Expand eligibility (\$160M). enhance adequacy of the Canada Child Benefit (\$5.9B).
4. Implement an interim benefit for people with disabilities of working age, enhance adequacy of the Child Disability Benefit and create a Caregiver's Benefit.
5. Create a parallel cash transfer system for marginalized non-tax filers outside of the personal income tax system (\$100M).
6. Address growing income inequality and generate revenue for poverty reduction programming by eliminating tax loopholes, closing tax havens, taxing extreme wealth, making the personal income tax system more progressive and implementing an excess profit tax focused on corporate pandemic windfalls.
7. Invest \$10B for capital costs associated with increased demand for child care and \$7B to support their workforce.
8. Ensure that federally financed housing is affordable for low-income families and reflects the diverse needs of families with children.

Child and Family Poverty in Canada

Campaign 2000's latest annual report card found record decreases in rates of child poverty in 2020 largely because of temporary pandemic measures including the Canadian Emergency Response Benefit and the one-time top up to the Canada Child Benefit.ⁱ Although emergency pandemic income measures were not meant to be poverty reduction programs, that is the effect that they had, reducing child poverty rates by 4.2 percentage points between 2019 and 2020. These benefits were so effective that the federally legislated target to reduce poverty by 50% by 2030 (measured from the base year 2015), was exceeded a decade early.

Despite historic reductions, nearly one million children lived in poverty. Child poverty rates continued to be disproportionately higher for groups who face systemic marginalization and discrimination including First Nations, Inuit, Métis, racialized, im/migrant, newcomer, children and families with disabilities, in lone mother led families, 2SLGBTQI+ families, among others.

Temporary income supports have expired, and the cost of food, housing and basic needs continues to increase. As low income families struggle with the affordability crisis and gaps in our support system, the federal government is seeking repayments for CERB and CRB recipients deemed ineligible. Data released this year for 2021 confirms the expected rollback on progress made on poverty reduction.

The federal poverty reduction strategy is the mechanism through which Canada will achieve its commitment to the United Nations Sustainable Development Goals number one, which is to "end poverty in all its forms everywhere" and to achieve a sustained 50% reduction in poverty by 2030. The pandemic revealed that there is room for more ambitious targets in the Canadian Poverty Reduction Strategy. Indeed, low income children and families cannot wait any longer.

Campaign 2000 strongly recommends the CPRS be strengthened with the goal of sustained reduction in overall poverty and poverty within marginalized communities who have higher rates of poverty by 50% between 2015 – 2026 based on the CFLIM-AT using tax filer data, by investing in the measures outlined here.

1. Remove growth restrictions and add binding conditions to the Canada Social Transfer (\$2B).

Investments into the CST could be better leveraged to support social and disability assistance adequacy by removing the arbitrary growth cap of 3%, investing an additional \$2B and recognizing regional economic variations. Bind funding with conditions including that benefit amounts be substantial enough to meet basic needs, child related benefits including spousal support, are not deducted, and requiring regular reporting from provinces and territories on how funds are advancing human rights obligations using disaggregated data and local indicators. Require provinces and territories with unspent pandemic transfers, including clawbacks through social and disability recipients who received CERB and CRB, to invest those transfers into social assistance adequacy.

2. Reverse reductions to the CCB (1.45B), retire CERB debt and implement a CERB Repayment Amnesty.

From 2021 to 2024 the federal government will spend \$1.45 billion less on CCB payments because CERB and the CRB have been included in the CCB income test.ⁱⁱ We recommend reversing these reductions and providing families with CCB repayments, as was done with the Guaranteed Income Supplement.

Low and no income earners are experiencing hardship and undue stress with post-verification eligibility and repayment processes years after the benefits were received. These are individuals who applied in good faith, who were misinformed by changing eligibility requirements from CRA, were encouraged to apply by social workers and government officials or were mandated to apply by income assistance case managers. Federal appeals processes demonstrate that the threshold for proving eligibility is unusually high. Government is mischaracterizing benefits that contributed to the most significant year over year reduction in poverty rates as 'overpayments', 'ineligibility' and in some cases, 'abuse'. We recommend the federal government retire CERB and CRB debt and immediately cease pursuing repayment from low income individuals.

3. Expand eligibility (\$160M), enhance adequacy of the Canada Child Benefit (\$5.9B).

Research by Campaign 2000 shows that the CCB is not able to sustain a continued reduction in child poverty without significant additional investment because it is not large enough to reach families in deep poverty.ⁱⁱⁱ For example, the average after-tax poverty gap¹ for a lone parent with two children (the largest of all family types in 2020) was \$14,825 and the poverty rate for children growing up in low-income, lone-parent households (which are mostly female-led) was nearly 27% compared to the national average of 13.5%.^{iv}

Budget 2024 must increase investment and target funds to families who have been left in deep poverty. We recommend the non-taxable End Poverty Supplement, which would provide an additional \$8,500 per year to a family with an earned income of less than \$19,000 for the first child. Additional amounts would be provided for multiple children and the supplement would reduce at a rate of \$0.50 for every additional dollar of income. This supplement would have a dramatic effect on the rates of child poverty, reducing it from 11% to 3% with 369,000 fewer children in poverty, according to the Market Basket Measure in 2024.^v

Ensure government transfers are accessible. Repeal s.122.6(e) of the Income Tax Act that ties eligibility for the CCB to immigration status. Enable different government agencies to share information required for caregivers to access benefits, such as birth certificates. Expand the circle of people able to attest to residency and ensure that

¹ This is the amount that a family's income falls below the CFLIM-AT measure.

kinship, customary care, and families caring for children outside a formal care arrangement have access to the CCB.

4. Implement an interim benefit for people with disabilities of working age, enhance adequacy of the Child Disability Benefit and create a caregivers benefit.

The Canada Disability Act has passed but people with disabilities will have to wait until 2024 to see its implementation. People with disabilities are twice as likely to live in poverty than those without disabilities.^{vi} We urgently recommend that an interim emergency benefit for people with disabilities be implemented immediately and ensure adequacy of the legislated Canada Disability Benefit.

Families with eligible children with disabilities will receive up to \$3,173 for 2023-2024 tax year. In 2019, the Minister of Disability Inclusion was given a mandate to double the Child Disability Benefit. We support the recommendation from BC Complex Kids and other self-advocates of their recommendation to triple the Child Disability Benefit, and create a Caregivers Benefit for those who lose work hours to care for children with disabilities.

5. Create a parallel cash transfer system for marginalized non-tax filers outside of the personal income tax system (\$100M).

Campaign 2000 supports movement towards automatic tax filing. However, not all vulnerable or systemically marginalized groups will benefit from such a program. The Auditor General found that federal departments overestimate access to benefits and recommended developing a comprehensive action plan to reach people who are not accessing benefits.^{vii} We recommend an alternative direct cash transfer system to ensure income benefits reach those who need them most (i.e., most often those without a permanent address, those without citizenship status, and those who work in informal or cash-based economies). The federal government must look to other jurisdictions for best practices to deliver cash transfers, whether through prepaid reloadable credit cards or electronic transfers. Community organizations should be relied upon to provide these cash transfers because they are the most likely to be able to reach these populations.

6. Address growing income inequality and generate revenue for poverty reduction programming by eliminating tax loopholes, closing tax havens, taxing extreme wealth, making the personal income tax system more progressive and implementing an excess profit tax focused on corporate pandemic windfalls.

Corporate profits reached record highs during the pandemic. In 2021, corporate after-tax profits totalled \$435 billion, up from \$332 billion in 2019.^{viii} The largest corporations in Canada reduced their effective tax rate to 15% through a myriad of tax loopholes despite a statutory tax rate of 26.5%^{ix} and 9% of corporate tax revenue was lost because of tax havens.^x People living in poverty feel this injustice deeply.

7. Invest \$10 billion for capital costs associated with increased demand for child care and \$7 billion to support the workforce.

The national childcare system has the potential to be a game changer for low income mothers and families. Campaign 2000 recommends developing a \$0-10/day maximum sliding scale fee per family (not child), decent work through competitive, equitable wage grids and improved benefits and working conditions, and ensuring infrastructure investments are tied to community benefit agreements. We support these recommendations

from Child Care Now, including the call for governments to ensure First Nations, Métis and Inuit rights and jurisdiction are respected throughout the childcare system-building.

8. Ensure that federally financed housing is affordable for low-income families and reflects the diverse needs of families with children.

Change affordability requirements in federal rental housing financing and co-investment funding to ensure that any supported housing development includes a sufficient number of units and a range of unit types that are affordable for, and meet the adequacy needs of, low-income families with children, defining 'affordability' at 30% of gross income.

Take immediate action on the commitment to ending homelessness as part of Canada's international human rights obligations. Reassess the definition of 'chronic homelessness' to capture the experiences of women and gender diverse people fleeing violence, immigrants, refugees, First Nations, Inuit and Métis Peoples, families and youth.

Eliminate inflows into homelessness by establishing a national framework with programs for extended care and support for youth in child welfare, in collaboration with First Voice Advocates, territories and provinces.

Endnotes

ⁱ Campaign 2000. *Pandemic Lessons: Ending Child and Family Poverty is Possible*. February 14, 2023.

https://campaign2000.ca/wp-content/uploads/2023/02/English-Pandemic-Lessons_Ending-Child-and-Family-Poverty-is-Possible_2022-National-Report-Card-on-Child-and-Family-Poverty.pdf

ⁱⁱ Office of the Parliamentary Budget Officer. *The Impact of the Canada Emergency Response Benefit and the Three Canada Recovery Benefits on the Canada Child Benefit Program*. June 8, 2022. <https://www.pbo-dpb.ca/en/publications/RP-2223-007-M--impact-canada-emergency-response-benefits-three-canada-recovery-benefits-canada-child-benefit-progra--incidence-prestations-canadiennes-urgence-trois-prestations-canadiennes-relance-economique-programme>

ⁱⁱⁱ Campaign 2000. *Pandemic Lessons: Ending Child and Family Poverty is Possible*. February 14, 2023.

https://campaign2000.ca/wp-content/uploads/2023/02/English-Pandemic-Lessons_Ending-Child-and-Family-Poverty-is-Possible_2022-National-Report-Card-on-Child-and-Family-Poverty.pdf

^{iv} Ibid.

^v Canadian Centre For Policy Alternatives. *Alternative Federal Budget 2024*. Forthcoming.

^{vi} Disability Without Poverty, Campaign 2000, and Family Service Toronto. *Disability Poverty In Canada: A 2023 Report Card*. June 2, 2023. <https://www.disabilitywithoutpoverty.ca/2023-disability-poverty-report-card/>

^{vii} Office of the Auditor General of Canada. *Report 1: Access to Benefits for Hard-to-Reach Populations. Reports of the Auditor General of Canada to the Parliament of Canada*. May 1, 2022, https://www.oag-bvg.gc.ca/internet/English/parl_oag_202205_01_e_44033.html

^{viii} Statistics Canada. *Table 36-10-0117-01: Undistributed corporation profits (x 1,000,000)*. 2023.

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3610011701>

^{ix} Cochrane, D. T.. *Unaccountable: How did Canada lose \$30 billion to corporations? Canadians for Tax Fairness*. October 2022. https://www.taxfairness.ca/sites/default/files/2022-10/oct-2022-tax-gap-report_0.pdf

^x Torslov, T., Wier, L., & Zucman, G. (2022). *Close to 40% of multinational profits are shifted to tax havens each year*. <https://missingprofits.world/>