

The 7% Solution: Key “triple bottom line”
investment opportunities Canada can afford to
provide - economic, health ***and*** social stimulus

Federal budget recommendations fiscal 2009

The key federal budget principle: Canada needs both economic *and* social/community stimulus

In the face of global economic recession, the upcoming Canadian federal budget must provide a potent mixture of stimulus investments, both to spur economic development and to support the social infrastructure vital to health and well-being for individuals, families and communities.

The Wellesley Institute is an urban health research, policy and social innovation institute focused on providing pragmatic social policy solutions through relentless incrementalism and tipping point initiatives. We work with partners at the international and national levels, and in communities throughout Canada. We understand that the federal government requires both “shovel-ready” projects to stimulate employment and earnings *right now*, as well as longer-term initiatives that lay the foundation for a healthier economy.

G20 leaders, as well as economists at the International Monetary Fund and the Organisation for Economic Co-operation and Development, are calling for public investments at a target of about 2% of Gross Domestic Product – or about \$33 billion for Canada. The World Bank, in early January, added: “Governments must keep their commitments to increase aid to the most vulnerable people” – a theme also stressed by the OECD.

The Wellesley Institute’s stimulus package covers a relatively modest part of the overall federal stimulus that is required. We propose investments in two parts: (1) “shovel-ready” initiatives of \$2.25 billion that can be launched within 120 days (representing just 7% of the OECD recommendation); and (2) longer-term investments of \$2.05 billion that can be allocated immediately, but may take more time to fully complete.

The Wellesley Institute also supports budgetary investments proposed by the Toronto Board of Trade and the Toronto City Summit Alliance that address urgent local priorities, including transit infrastructure. At the national level, we support the Canadian Centre for Policy Alternatives’ economic stimulus plan that covers a variety of social investments.

Tapping “triple bottom line” investment opportunities

The Wellesley Institute has identified four areas of investment that provide economic and social/community stimulus, and address growing concerns about health inequity; a “triple bottom line” deal. These investments will create new jobs, prevent job loss, *and* provide support in cases of inevitable job loss, thereby ensuring broad-based consumer spending and stimulus to industry. Concurrently, they directly protect Canadians from significant threats to our personal health and community resources, stimulate economic activity, strengthen communities, address some of the key social challenges facing Canadians and reduce the health burden of lower-income Canadians – thereby easing health care spending over time.

The investments are divided into two categories:

- “Shovel-ready” initiatives of \$2.25 billion that can be launched within 120 days to provide immediate economic stimulus and other benefits; and,
- Longer-term investments of \$2.05 billion that can be allocated immediately, but for initiatives that may take more time to fully complete.

We highly recommend the following investments, in order of priority:

1. **National affordable housing investments of \$2.5 billion** that include a “shovel-ready” component of \$600 million for 10,000 new housing units/homes and \$128 million for urgent repairs to 20,000 existing homes, for a **“120 day plan” investment of \$728 million.**
2. **Investments of \$325 million to strengthen Canada’s vital third sector,** including a new \$150 million national social innovation fund (the Canadian Social Purpose Venture Fund) geared to supply much-needed credit for 3,000 enterprising, social purpose businesses, along with \$40 million for community innovation, and \$135 million to expand the national homelessness strategy resulting in a **“120 day plan” investment of \$190 million.**
3. **A new national, low-income household supplement** of \$1,000 for the poorest 10% of Canadians, geared to easing the terrible health burden that they experience, resulting in a **“120 day plan” investment of \$1.2 billion.**
4. **A new national community health plan** that invests \$300 million in 140 new community health centres across Canada that would not only build a world-class national community health care program, but would also create 10,000 jobs.

Our policy proposals meet a number of critical policy objectives:

- **Ready to go:** Within 120 days, the investments in housing, the third sector and lowest-income households would start to deliver immediate benefits.
- **Real investments:** Direct investments, along the lines we recommend, avoid the problems with policy options such as tax cuts, which disproportionately benefit the more affluent and do little to provide broad economic stimulus.
- **Stronger foundations:** The investments in housing, the third sector and in community health centres help to build a stronger social and economic foundation throughout the country, and lay the foundation for longer-term national initiatives.
- **Delay generates costs:** Ignoring critical health, housing and social problems not only causes immediate distress for many millions of Canadians, but also ensures greater costs tomorrow in increased health care, along with community and economic disruption. The cost of solutions will only increase if government ignores these serious problems.

The Wellesley Institute agrees that the government’s stimulus investments must stretch beyond these three recommendations alone. These particular investments, however, will provide high-

value, high-impact returns. **In the context of limited ‘stimulus dollars’, and the need to ensure both economic stimulus and social/community stimulus, these three-for-one investments constitute some of the most efficient, and cost-effective options available to the federal government.** They would place hundreds of thousands more Canadians to work, in construction, in materials and supply industries, and in community service and health care – industries which have a multiplying effect because of the direct impact they have on our health, our quality of life and our workforce productivity. And, they would leave a tangible, positive impact on our communities in the form of new housing (the most basic of needs), vital community services, and a national system of community health centres that give more Canadians one-stop shopping for physician, nurse, dentist and other health and health care needs.

Opportunity 1: National affordable housing plan

In summary: An immediate investment of \$728M as part of a \$2.5 billion investment in a new national program to create 40,000 new affordable housing spaces across Canada, combating Canada’s homelessness epidemic and providing relief for the growing number of precariously-housed low- and middle-income families. It will create over 200,000 person years of employment for Canadian workers (picking up the slack in the residential construction sector), and across the industry’s supply chain. **The immediate goal is to start construction of 10,000 homes within 120 days.** This investment by the federal government would be matched by the private sector and community organizations, along with provincial and municipal governments. **In addition, our plan calls for an enhancement of \$300 million in the existing Residential Rehabilitation Assistance Program** (the federal housing repair program that has exhausted its funds for fiscal 2008/09).

Description: More than 1.4 million Canadian households (over 10% of all Canadian households) spend more than 30% of their income on housing. This is a commonly-accepted danger zone, since spending more means less money available for food, medicine, transportation, energy, childcare and other necessities.¹ The impact on nutrition, childhood development, access to health care, medicine and other determinants of health is a major blow to the health of Canadians nation-wide. And, an estimated 150,000 to 300,000 people experience homelessness every year at an annual cost to the public of \$4.5 billion! All Canadians then shoulder these costs in the form of increased illness and vastly more expensive health system demands. From a public cost perspective, affordable housing with supports is about half the cost of emergency shelters and five times cheaper than institutional responses to homelessness (prison, detention, and psychiatric hospitals).

Investment of \$2.5 billion as the foundation for a national affordable housing plan will enable Canada to overcome its dubious distinction as one of the only major countries in the world without

¹ Statistics Canada, *Changing Patterns in Canadian Homeownership and Shelter Costs*, 2006 Census

a comprehensive national housing strategy. Each new home built creates an estimated four to six person years of direct and indirect employment for Canadian workers. Through shovel-ready construction projects in municipalities across Canada, this plan will provide over 200,000 person years worth of employment for Canadian construction workers, and across the industry's supply chain. The cascading effect will inject the economy with broad-based consumer spending. Canada's national housing repair and rehabilitation program has been highly successful and cost-effective over the past few decades, but the need outpaces the existing funding. This investment in housing repair will keep tens of thousands of Canadians properly housed. It is far less expensive to fix-up most substandard housing than to pay the cost of developing new homes.

Opportunity 2: Strengthening vital third sector

In summary: An immediate investment of \$198M as part of a \$325 million investment in Canada's vital third sector: the network of non-profit, charitable and community-based organizations that deliver the web of health, education, culture, recreation, housing and social services that are essential for the well-being of Canadians and Canadian communities. The investment would be allocated to three specific areas of need: a social innovation fund that would provide practical assistance to 3,000 or more social purpose businesses; a research fund that would identify and evaluate good practices in the third sector; and, an immediate enhancement to the existing national homeless program, which supports community organizations in 61 communities across the country that provide shelter, support and transitional housing to people who experience homelessness.

Description: Canada's third sector is generally neglected, and has faced a series of funding cuts and regulatory hurdles over the past two decades. Research from the Wellesley Institute over the past two years shows that while Canadians, and their governments, rely on non-profit organizations to deliver some of the most essential and important services in our communities, the capacity of the third sector has been eroded in recent years. Canadian non-profit organizations make an enormous contribution to both the economy and social well-being:

- Canada's non-profit sector represents 2.4% of Canada's total GDP, generating over \$31 billion annually. That's three times as large a share of the overall economy as the auto sector, and more than the entire Canadian accommodation and food services sector.²
- As employers, non-profit organizations provide \$24 billion worth of jobs each year, compared to \$15 billion within the auto industry.³
- Non-profit organizations harness unparalleled volunteer services; the **value to the economy of non-profit volunteer services is calculated at over \$12 billion annually.**⁴

² Statistics Canada. *Satellite Account of Non-profit Institutions and Volunteering, 1997-2005*. Ottawa, Dec. 2008.

³ Ibid

⁴ Ibid

During the recession, without social/community stimulus investment, many non-profit organizations face major program cuts or utter collapse. The Rockefeller Foundation estimates that 100,000 US not-for-profits will disappear in 2009; that number translates to 10,000 in Canada! At both the level of individual and community health, the overall impact of failing to provide urgent social/community stimulus investment would be to transform Canada into a nation of the sick and isolated. This would push Canada toward a dangerous threshold of social instability, the likes of which we have not experienced for generations.

Non-profit organizations provide some of the most meaningful services to our communities. As lean and nimble organizations, often able to reach communities and individuals that government services are not, these 3,000 or more programs have the potential to significantly improve Canada's prospects for the future. And, in many instances, they will provide employment and supports to some of the most marginalized Canadians.

Consider, for example, the potential of non-profit businesses, such as those operated in Ontario through the Council of Alternative Businesses (OCAB), which develop and support paid employment opportunities for psychiatric survivors, a segment of the population which faces a staggering 90% unemployment rate^{5,6}. Or, imagine the impact of new cross-country development programs like that of the Canadian Urban Libraries Council, which has recently used small grant funding to build tools used by libraries in urban settings nationwide to increase participation by recent immigrant youth⁷.

Opportunity 3: New income supplement

In summary: An immediate investment of \$1.2B in a new income supplement for the 1.2 million Canadian households who are among the bottom 10% in income. This immediate investment would allow the poorest households to buy food and other necessities, providing an immediate economic impact. It would also ease the huge health burden that they face, reducing immediate and future costs of health care services.

Description: The Wellesley Institute released powerful new research in December of 2008, based on the most comprehensive review to date of health and income data in Canada. It shows that the poorest Canadians bear the heaviest burden of poor health. The poorest fifth of Canada's population faces a staggering 358% higher rate of disability compared to the richest fifth; 95%

⁵ OCAB. *Not for Lack of Trying: Barriers to employment and the unrealized potential of psychiatric survivors living in boarding homes*. Wellesley Institute Enabling Grant Report, 2008.

⁶ Canadian Senate Standing Committee on Social Affairs, Science and Technology. 2004.

⁷ Canadian Urban Libraries Council. *Urban Library Youth Social Inclusion Audit and Tool Kit*. Wellesley Institute Enabling Grant Report, 2008.

more ulcers; 63% more chronic conditions; 128% more mental and behavioural disorders; and 33% more circulatory conditions.⁸ Using sophisticated, multi-variate analysis, the researchers demonstrated that every \$1,000 increase in income for the poorest Canadians led to substantial health gains, including 10,000 fewer chronic conditions (the medical conditions that not only cause pain and suffering for individuals, but also add significant costs to our health care system).

Canadian and international research demonstrate overwhelmingly that income, and the lack of stable income, are key determinants of our health. In basic terms, the lower one's income drops, the worse off their health becomes; as income rises, so too does health.⁹ In terms of chronic illnesses, for example—cited by both Health Canada and the WHO as the single greatest burden facing our health system and a major economic risk—Canadians are faring poorly due to low-income and poverty. It has been estimated that, from 2005 to 2015, Canada's economy will lose over \$9 billion from premature deaths due to heart disease, stroke and diabetes alone¹⁰. This figure will jump drastically unless urgent social investment is made to prevent the impact of low-income and poverty.

Opportunity 4: New national community health plan

In summary: An investment of \$300 million to create 140 new community health centres across Canada, expanding the network of high-quality, cost-effective medical and other health services. This investment would result in immediate savings of \$120M of the \$801M worth of ambulatory care sensitive condition costs, identified by the Canadian Institute of Health Information.

Description: Canadians have identified health care as a top national priority, even in the context of financial downturn. This does not reflect a request for more spending per se, as much as it does a desire for leadership in finding new, innovative and cost-effective health care solutions within our public Medicare system. Across Canada, community health centres (CHCs) provide evidence of one of the greatest opportunities to put in motion this leadership, and to boost the role of the non-profit sector in health. CHCs provide comprehensive, one-stop primary health care and are particularly geared to meeting the needs of populations and communities facing inequitable access to services and the poorest health. The kind of inter-professional, patient-centred and cost-effective care currently provided by CHCs is seen by leading experts to be the key direction in which the overall health system must move^{11,12,13}. A large body of international

⁸ Lightman, E et al. *Poverty is making us sick: A comprehensive survey of income and health in Canada*. Wellesley Institute. December 2008. p. 2

⁹ Canadian Institute for Health Information, *Reducing Gaps in Health: A Focus on Socio-Economic Status in Urban Canada* (Ottawa, Ont.: CIHI, 2008).

¹⁰ World Health Organization (WHO), *Facing the Facts: The Impact of Chronic Disease in Canada*. Geneva, 2005

¹¹ Commission on the Future of Health Care in Canada. *Building on Values: The Future of Health Care in Canada – Final Report*. 2004. pp 115-120.

research shows their positive impact on reducing health disparities and providing high-quality, cost-effective primary health care^{14,15}. Instead of a national solution, CHCs in Canada remain a national patchwork, almost non-existent in many provinces, while in others, such as Ontario, they have seen modest, but noteworthy increases.

In the United States, as the *New York Times* recently reported, the current Administration doubled the U.S.'s national network of CHCs, opening or expanding 1,297 new centres nationwide. The administration of President-elect Barack Obama, under Health and Human Services Secretary to-be, Senator Tom Daschle, is poised to expand CHCs even further, in view of their documented impact and cost effectiveness.¹⁶ In his recent book on the abysmal state of U.S. health care, Daschle refers to CHCs as 'a godsend'.¹⁷

While health care is primarily a provincial responsibility, the federal government can play a leadership role by setting policy directions and providing incentives for provinces to better use the resources they receive under the federal health transfer. Under the single roof of their local community health centre, over one million more Canadians could access physicians, nurses, physiotherapists, dieticians, and scores of other health providers.

Conclusion

The Wellesley Institute highly recommends that the Government of Canada implement these investments of \$2.25 billion immediately in 2009, with a further \$2.05 billion in 2009/2010 ensuring a "triple bottom line" economic, social and equity success.

¹² Health Council of Canada. *Why Health Care Renewal Matters: Lessons from Diabetes*. March 2007, Pp 62-64.

¹³ Rachlis, Dr. M. *Prescription for Excellence: How Innovation is Saving Canada's Health Care System*. Harper Perennial Canada. 2004.

¹⁴ Ontario Health Quality Council. *Q Monitor: 2008 Report on Ontario's Health System*. "Section 3.4 - Does how we organize care make a difference to patients? Different models of care in Ontario" pp. 93-99

¹⁵ Association of Ontario Health Centres. *Fact Sheet: CHCs- cost-effective and affordable*. 2006.

¹⁶ Sack, K. "Expansion of Clinics Shapes Bush Legacy". *New York Times*. December 26, 2008.

¹⁷ Daschle, T. *Critical: What We Can Do about the Health Care Crisis*. St. Martin's Press, New York, 2008.