

# Poverty Reduction

From bankers to the unemployed, everyone is concerned about the fragility of the recovery because 63% of the economy is reliant on consumer spending — yet Canadian consumers face record levels of indebtedness. Going into the recession, the average Canadian household owed \$1.40 for every dollar of disposable income. By mid-2009, that figure had reached \$1.45, placing millions of households in jeopardy should they lose a job, or face rising interest rates.

A recent report on pensions raised concerns that significant numbers of middle-income retirees face serious declines in living standards in the coming years.<sup>1</sup> The looming spectre of economic ruin and decline haunts an increasing number of Canadians.

Spearheaded nationally by organizations and coalitions such as Make Poverty History, Canada Without Poverty, Citizens for Public Justice, and Campaign 2000, civil society groups across the country are demanding that the federal government step up with a concrete strategy. Complementing these efforts, important work is underway by organizations representing those sectors of society where poverty is most acute, such as

the Assembly of First Nations, and disability organizations.

Today the political momentum to tackle poverty is undeniable. Six provinces — Quebec, Newfoundland and Labrador, Ontario, Nova Scotia, New Brunswick, and Manitoba — have poverty reduction plans in place or in development. At the federal level, however, the Harper government has failed to take poverty reduction measures, even though the House of Commons, last November, passed a motion with all-party support directing it to “*develop an immediate plan to eliminate poverty in Canada for all.*” And a recent report from the Senate Subcommittee on Cities also urged the federal government to “*adopt as a core poverty eradication goal, that all programs dealing with poverty and homelessness are to lift Canadians out of poverty rather than make living within poverty more manageable, and that the federal government work with the provinces and territories to adopt a similar goal.*”<sup>2</sup>

Clearly, the political terrain is shifting.

While provincial governments have taken the lead, the job can't be completed without the active partnership of the federal government. In fact, it is the Government of Canada's responsi-

bility 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 people, and all citizens, should not depend on the part of Canada in which they reside.

Historically, the federal government has played a key role in alleviating poverty in Canada. For every dollar spent by provinces and municipalities on social assistance, the federal government spends six dollars on Old Age Security, the Canada Child Tax Benefit and Employment Insurance. In addition, the federal government supports the incomes of the poorest Canadians through the Working Income Tax Benefit and the GST credit. But much more needs to be done.

There is nothing inevitable about poverty in a society as wealthy as ours. Evidence from countries such as England, Ireland, Sweden and the Netherlands demonstrates how governments that commit to bold action plans get results.<sup>3</sup> Canada also had a similar experience when we chose to tackle poverty among the elderly in the 1960s: as a result, the lowest rate of poverty for any demographic group in Canada has been, by far, that for seniors. When there is a plan to get something done, progress gets made.

Consider this: the AFB proposal for a federal poverty reduction plan this year would cost \$2 billion. That's a mere 0.2% of national GDP, and little more than 0.8% of federal program spending. By what economic logic, in a nation with a total annual income of about \$1.7 trillion, are we unable to afford to take a serious run at poverty, knowing the payoff from these initiatives will benefit citizens and public treasuries for years to come? It is a hopeful sign that some provincial governments are waking up to these realities. It is time for our federal government to do the same.

Another hopeful sign: the public desire for action is very strong. According to polling conducted in late 2008 by Environics for the CCPA

(just as the recession was taking root), 90% of Canadians say it's time for strong leadership to reduce the number of poor people in Canada; 89% say both the Prime Minister and the provincial Premiers need to set concrete targets and timelines to reduce the number of poor Canadians; and 77% of Canadians say that, in a recession, it's more important than ever to make helping poor Canadians a priority.

#### National poverty reduction plan

The need for a national poverty reduction plan is clear. In 2007 (the latest year for which we have statistics), the national poverty rate was 9.2% (using Statistics Canada's after-tax low-income cut-off), or 10.1% (using the federal government's Market Basket Measure — arguably a superior measure that captures the actual cost of living in communities across the country). Irrespective of the measure used, over three million Canadians — more than 600,000 of them children — lived in poverty, even before the recession began. For these Canadians, the issue is not just making ends meet, but being able to plan for the future, develop skills, or participate in the social, cultural, and political life of the community. Temporary bouts of poverty may be easier to overcome, but evidence shows that the duration of poverty is lengthening, leaving a scarring legacy on individual lives and communities across the country. Persistent poverty represents a violation of basic human rights, and a squandering of human potential.

As people struggle to find permanent, well-paying jobs and deal with unsustainable levels of debt, this recession will add hundreds of thousands of the nouveau poor to the déjà poor. For those experiencing unemployment, poverty and homelessness, the crisis is far from over. And, as the unemployed exhaust their EI coverage, they are discovering a provincial social assistance system that is a shadow of what it was in the recession of the early 1990s. Real social as-

sistance benefit rates are much lower and new rules have made assistance much less accessible, often forcing people to liquidate their savings before help is provided.<sup>4</sup> Those in desperate need of income support, due to the loss of a job, the loss of a spouse, the loss of good health, old age, or any number of other life circumstances, find that the social safety net meant to catch them has been shredded.

For hundreds of thousands of Canadians, the purported economic recovery is a fiction. Many economists believe Canada is likely to experience a jobless recovery for some time. We can't wait for economic growth to start trying to reduce poverty.

### Inequality

Without question reducing poverty is a matter of urgency. But inequality shapes our view of that urgency. Decades of international research have now revealed an important link between poverty and inequality: the higher the rate of inequality among people, the higher the rate of poverty that is tolerated.<sup>5</sup> That could explain why poverty didn't decline in Canada in the past decade, even though the economy was firing on all cylinders.

Between 1997 and 2007, the Canadian economy enjoyed the most sustained period of robust growth since the 1960s, resulting in a gradual decline in the prevalence of poverty — but also unprecedented growth in income inequality.<sup>6</sup> By 2007, the average after-tax income of the richest 10% of non-elderly households was 21 times that of the average incomes of the poorest 10%. That's much higher than during the depths of the recession in the 1990s, when average incomes of the richest were 15 times that of the poorest.

Two recessions in as many decades (1981–82 and 1990–91) have knocked the stuffing out of the bottom half of the distribution, while those at the top barely felt a thing. Thousands of good-paying middle-class jobs disappeared after both recessions, replaced by jobs that paid less, had

fewer hours, or were impermanent. These shifts in the labour market resulted in a smaller middle class, and a Canada of greater extremes at the top and bottom.

Canada needs a plan that prevents and reduces poverty — a plan that restores the resilience of its middle class. For that plan to work, everyone has to buy in. For poverty to decline, inequality has to decline, too.

### Affordability

As Canada struggles through the global economic downturn, our governments need to recognize that a poverty reduction plan is where we are likely to see the maximum stimulus bang for the buck. That's not just AFB analysis. That's the message from the IMF, the World Bank, and the United Nations.

Income support programs can be boosted easily, and can quickly get money into the pockets of those in greatest need, concentrating that assistance in the communities hardest hit. And, unlike middle- and upper-income households, low-income households do not have the luxury of saving: they spend everything they have, primarily in our local communities.

Many of those in poverty rely on social assistance, and live thousands of dollars a year below the poverty line. Nearly half of those living in poverty, however, are employed in the low-wage workforce, and over half of poor children live in homes where the adults are employed,<sup>7</sup> but their earnings are not enough to lift them and their children out of poverty.

The story of poverty in Canada is not only one of inadequate and inaccessible income supports (welfare, EI, and Old Age Security), but also, importantly, a low-wage story. A comprehensive poverty reduction plan must address both these dimensions.

## We all pay for poverty

Many Canadians feel a sense of shame about the poverty and homelessness in our midst, but too often they accept the claim that we cannot afford more help for the poor. In fact, the opposite is true: we cannot afford *not* to take action.

Study after study links poverty with poorer health and higher health care costs, higher justice system costs, more demands on social and community services, more stress on family members, and diminished school success. A recent study published by the Ontario Association of Food Banks calculated the cost of poverty in Ontario to be between \$10.4 and \$13.1 billion for the public treasury, and between \$32.2 and \$38.3 billion for society at large (or about 6% of Ontario's GDP).<sup>8</sup> Clearly, refusing to act doesn't save us money. Doing nothing is a false economy, and an increasingly unaffordable posture as we look into the future and see looming labour shortages that will compromise our standard of living and quality of life.

## Setting clear targets and committing to a plan

A meaningful poverty reduction plan must have clear targets and timelines, using multiple and widely accepted measures of progress. The benchmarks for the timelines must be concrete enough, and frequent enough, that a government can be held accountable for progress within its mandate. The AFB adopts the following indicators, targets, and timelines:

- Reduce Canada's poverty rate by 25% within five years (by 2015), and by 75% within a decade.
- Ensure the poverty rate for children, lone-mother households, single senior women, Aboriginal people, people with disabilities, and recent immigrants likewise declines by 25% in 4 years, and by 75% in 10 years,

in recognition that poverty is concentrated within these populations.

- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line.
- In two years, ensure no one has to sleep outside, and end all homelessness within eight years by ensuring all people who are homeless have good quality, appropriate housing.
- Reduce the share of Canadians facing "core housing need" — those who pay more than 50 per cent of their income on housing — by half by 2015.
- Reduce the number of Canadians who report both hunger and food insecurity by half within two years.
- Reduce the share of low-wage workers. Canada should seek to reduce the share of workers earning less than two-thirds the median wage every year.

In order to achieve these targets, the AFB will take action in the following key policy areas:

### 1. Provide adequate and accessible income supports.

Priority Actions:

- Legislate an Act to reinstate minimum national standards for the adequacy and accessibility of provincial income assistance.
- Ease the rules governing EI eligibility, increase EI benefit rates, and extend the duration of EI coverage.
- Increase the Guaranteed Income Supplement for low-income seniors by 15%.
- Double the refundable GST credit.
- Increase the Canada Child Tax Benefit to \$5,000 per child.

**2. Improve the earnings and working conditions of those in the low-wage workforce.**

Priority Action:

- Re-establish a federal minimum wage (set at \$11 and indexed to inflation).

**3. Address the needs of those most likely to be living in poverty.**

- The plan focuses 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.

**4. Address homelessness and the lack of affordable housing.**

Priority Actions:

- Pass a National Housing Strategy (as proposed by Bill C-304).
- Immediately start building *new* units of social housing (not counting conversions, rental subsidies, or shelter spaces).

**5. Provide universal publicly-funded child care**

Priority Action:

- Within one year, develop a comprehensive plan and timeframe for the implementation of a high-quality, universal, publicly-funded Early Learning and Child Care program. Initial phase-in should start immediately.

**6. Provide support for training and education**

Priority Action:

- Immediately increase the availability of post-secondary grants for low-income students.

The AFB will also introduce a new federal transfer payment to the provinces, tied to helping them achieve their poverty reduction goals and helping them meet new minimum national standards. This innovative transfer will be worth \$2 billion in both the first and second year, over and above the costs associated with the federal measures outlined above. It is specifically designed to assist provinces and territories to meet clear poverty reduction targets and timelines.

In the first year, there are no strings attached to the amounts transferred. In subsequent years, however, only provinces that can demonstrate improvement in income supports and show progress on a significant number of other outcome indicators will continue to receive federal support. The intent of this transfer is to ensure that the lion's share of these funds help provinces improve social assistance and disability benefit rates and eligibility.

The Government of Newfoundland and Labrador has aimed to be the province with the lowest poverty rates in Canada by 2014. It is well on the way to achieving that do-able and inspiring goal. As the Chair of the National Council on Welfare put it: *"If every province and territory sought to match or exceed what Newfoundland and Labrador has already done and intends to do, there would be that much more reason for confidence that poverty can be drastically reduced and eventually eliminated in Canada."*

If we commit to a bold plan, a dramatic reduction in poverty and homelessness within a few short years is a perfectly achievable goal.

**Notes**

<sup>1</sup> Janet MacFarland, "Lower living standard looms for many high-income Canadians", *The Globe and Mail*, December 18, 2009.

<sup>2</sup> The Standing Senate Committee on Social Affairs, Science and Technology, December 2009. In from the Margins: A Call to Action on Poverty, Housing and Homelessness. Report of the Subcommittee on Cities.

3 See for example, Jane Waldfogel, 2008 (September). "Improving Policies for the Working Poor: Lessons from the UK Experience." Policy Options.

4 For a full review of provincial social assistance rates and eligibility rules, see: National Council of Welfare (2008), Welfare Incomes, 2006 and 2007.

5 Pierre Fortin, "Quebec is Fairer", Inroads, Winter/Spring 2010, Issue No. 26, pp. 58–65.

6 Statistics Canada, Incomes in Canada 2007, Catalogue No.75-202-X, June 2009; Armine Yalnizyan, The Rich and the Rest Of Us, Canadian Centre for Policy Alternatives, March 2007. The rate of child poverty in 1989 was 11.7%.

7 Human Resources and Skills Development Canada (2009), Low Income in Canada: 2000–2007 Using the Market Basket Measure. (August)

8 Nathan Laurie (2008), The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario, Toronto: Ontario Association of Food Banks.

9 Government of Newfoundland and Labrador, Press Release: "First Progress Report Shows Significant Results in Province's Fight Against Poverty", December 14, 2009