

Submission to the Standing Committee on Finance Pre-Budget Hearings 2005

Paulette Halupa
President

Dennis Howlett
Executive Director

National Anti-Poverty Organization

2212 Gladwin Cres., Unit C7
Ottawa, ON K1B 5N1
Tel. 613.789.0096
Fax. 613.789.0141
napo@napo-onap.ca
www.napo-onap.ca

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The National Anti-Poverty Organization (NAPO) is a non-profit organization representing 4.9 million Canadians currently living in poverty. Our mandate is to eradicate poverty in Canada. We are known as “voice of the poor” because our 19-member board is made up of people who live or have lived in poverty at some time in their lives. Our membership is made up of low-income individuals, organizations that provide direct and indirect services to the poor and other concerned Canadians.

A. Introduction

Over the last several years the Government has enjoyed successive substantial surpluses despite fiscal projections consistently underestimating surplus revenue. This trend of surpluses is expected to continue for the next two fiscal years (2005-06 and 2006-07). The Canadian Centre for Policy Alternatives projects federal surpluses of \$9.5 billion in 2005-06 and \$11.3 billion in 2006/07. (These numbers take into account the \$4.6 billion in new spending in Bill C-48.) Funding for existing social programs and new expenditures for poverty reduction is available without threat of a deficit. The need to address poverty has not diminished despite the economic prosperity in Canada over the last several years. In fact, poverty levels remain high for many groups, and the depth of poverty has deepened in many cases.

B. Poverty Today

- **Poverty levels have been underestimated since 1989 so rates are actually higher than previously believed.** In 2003, the latest year for national poverty statistics, the number of people in low income was originally thought to be 4.7 million. In fact, there were 4.9 million living in poverty according to recently revised Statistics Canada numbers.
- **The depth of poverty continues to grow, particularly for social assistance recipients.** The National Council on Welfare “Welfare Incomes 2004 Report” (2005) shows nowhere in Canada are welfare rates above the Low Income Cutoffs. As a result, the poverty gap for social assistance recipients remains appalling high – as much as \$18,937 for a family of four in Ontario. This is the amount required to just reach the poverty line. In New Brunswick a single “employable” person is expected to live on just \$3168 a year! If this was not bad enough, tightening eligibility rules and deliberate barriers created in the application process have denied many people welfare benefits even though their need is great. It is not surprising then, that the homeless population and those needing to use food banks continues to grow.
- **Youth poverty is emerging as a major issue.** Precarious and low wage work, high unemployment rates, increasing costs of post secondary education and restricted access to income support programs such as EI and welfare mean more youth are poor or vulnerable to poverty. They also have less chance of escaping

poverty once they become poor. Young families are particularly vulnerable. Almost 31% of all households where the head was under the age of 25 were in poverty in 1981. By 2002 this number rose to 43%. Youth simply do not have the security or independence of their parents' generation.¹

- **Child poverty is on the rise again after some improvement.** Child poverty has risen to over one million, an increase from 1989.² Relative to other wealthy countries Canada has a shockingly high rate of poverty among children and their families. Canada ranks 19 out of 26 countries in child poverty with a rate of almost 15%. By comparison Denmark and Finland have child poverty rates of 2.4% and 2.8% respectively.³
- **Work is no longer a guarantee against poverty.** Even households with two low-wage workers cannot earn sufficient income to escape poverty. In 2000 30% of all low-wage workers lived in low-income families (households earning incomes below Statistics Canada's Low Income Cut-Offs).⁴ In 2004 over 13.3% of food bank users were workers living on poverty wages and 41% of poor families in 2001 had at least one family member who worked 910 hours in the year.⁵ Young male workers (between 15-24) are paid 25% less than 30 years ago while female workers earn 20% less than what they would have received 30 years ago. Young workers of colour are in a worse situation experiencing higher unemployment, longer unemployment, lower salaries and fewer promotions even when they are Canadian born.⁶ The value of the minimum wage has been seriously eroded in many jurisdictions. The value of minimum wage has been seriously eroded in many jurisdictions.

In addition, the last several years have seen an increase in precarious, part time, temporary low-wage jobs in Canada. One in seven adult full time workers have held their job for less than one year. More than 11% of all workers are in explicitly temporary jobs up from 7% in the 1980's.⁷ Canada now has a low wage economy with 25.3% of workers in low-wage jobs.⁸ In 2003, 57% of youth earned less than \$10 an hour, 16.2% of women aged 25 to 54 and 11.2% of men aged 25-54 earned less than \$10 an hour.⁹ All of these changes leave people more vulnerable to poverty.

¹ Canadian Labour Congress communiqué, August. 12/05

² Campaign 2000 report card page 1 2004. – 2005 UNICEF report, Campaign 2000.

³ Child Poverty in Rich Countries 2005 (Report Card No. 6)

⁴ Lifting the Boats: Policies to Make Work Pay by Ron Saunders, Vulnerable Workers Series No. 5. June 2005.

⁵ The Current State of Canadian Family Finances – 2004, by Vanier Institute of the Family and *The Economy* by the Canadian Labour Congress resp

⁶ Canadian Labour Congress communiqué, August. 12/05

⁷ ¹ Richard Chaykowski, *Non-standard Work and Economic Vulnerability*. Vulnerable Workers Series – No/3/. Work Network, March 2005.

⁸ Andrew Jackson, "Paul Martin's Economic Record: Living Standards of Working Families and Prospects for Future Prosperity." *Hell and High Water*. ed. Todd Scarth, 2004.

⁹ Ron Saunders, *Does a Rising Tide Lift All Boats? Low-paid Workers in Canada*. Document No 4, Vulnerable Workers Series, CPRN. May 2005.

- **Poverty among immigrants, visible minorities and persons with disabilities remains high and in many cases is growing.** There has been a significant increase in the poverty rate of immigrant families, even those who have been in Canada for 10 years or more. From 1980 to 2000 the rate of poverty for this group rose by 8.3%. This trend holds true for all immigrant groups (including those who have been in Canada more than 20 years).
- **Poverty among Canada's Aboriginal groups remains unacceptably high both on and off reserve.** In fact, if the statistics for Canadian Aboriginal people were viewed separately from those of the rest of the country, Canada's Aboriginal people would slip to 78th on the UN Human Development Index – the ranking currently held by Kazakhstan.

C. Budget Priorities

1. Towards a National Poverty Elimination Strategy

The causes of poverty are many and interconnected but they have remained relatively the same for the last decade: a labour market that does not provide a sufficient number of jobs with stable, living wages; an increase in precarious and non-standard employment; an eroding income security system that fails to provide adequate financial support for those in need, and insufficient social housing as well as accessible and affordable child care. Although progress has been made in some areas there has not been a significant reduction in the number of people living in poverty or the depth of poverty over the last decade. NAPO believes the Federal government must develop a cross-departmental and coordinated national poverty elimination strategy with clearly defined goals and indicators to address the multiple issues defining poverty today.¹⁰ With projected surpluses of \$9.5 billion in 2005-06 and \$11.3 billion in 2006/07 a poverty reduction plan is more than affordable.

The cost of such a plan would include the spending on several of the recommendations in this brief. Some cost recovery would occur through taxes on higher incomes as more people move out of poverty. Cost savings on health care and corrections can be realized through improvements in population health and crime reduction resulting from lower rates of poverty. And there are productivity gains that can be realized as our economy is able to benefit from the economic contribution of those who are now marginalized and excluded from productive employment.

A national poverty elimination strategy should include the following:

¹⁰ A number of countries have implemented such a strategy. For example, Ireland established its National Anti-Poverty Strategy in 1997. It set key targets for poverty reduction by 2007 and followed up with the report *National Action Plan against Poverty and Social Exclusion 2003-05*. Others like the UK have developed national plans focusing on specific elements of low income such as child poverty.

- public consultation on strategy development that includes input from people living in poverty and community and national groups dealing with poverty issues;
- development of indicators that measure specific outcomes such as poverty rates, income levels, employment etc.
- federal/provincial/territorial consultation and policy coordination;
- concrete policy measures (see recommendations);
- implementation plans with dates and targets as well as periodic evaluation of progress;

2. Productivity and Prosperity

NAPO has concerns about the way productivity and prosperity are being defined as goals of a Federal Budget.

Prosperity defined simply as economic growth in terms of GDP will not necessarily contribute to the improvement of the well-being of a majority of Canadians if the quality of the environment is sacrificed in the process or if the benefits of GDP growth accrue to only a small minority. Other indicators are needed to measure whether a Budget or government policies will help to improve the quality of life of its citizens.

More equitable distribution of income and wealth, and improvements in the social wage (made up of social programs and public services such as medicare) contribute more to social cohesion, our sense of security and our quality of life than simply increasing the income per capita.

Population health research shows that countries where there is a more equal distribution of income have the best health outcomes – not those who have the highest GDP per capita or highest % of health care spending.

Many of the cuts to health, education and social spending in the past were justified on the grounds that we had to reduce government spending in order to ensure our global competitiveness. But in many cases these cuts and continued under-funding have had just the opposite effect. Canada used to have one of the rates of highest post-secondary education attainment in the world – a key competitive advantage in a global economy where high-tech and other knowledge-based industries are key. Yet under-funding of education, increasing tuition costs and reduced accessibility of post-secondary education for low and medium income families, and increasing drop-out rates because of poverty and other social problems is threatening to undermine this advantage.

Productivity growth is also undermined by high rates of unemployment and the exclusion of so many people from full participation in productive employment. Lack of access to Employment Insurance to support workers transition to other employment, training programs accessible only if one qualifies for Employment Insurance, lack of affordable quality day care, inhumanely low levels of social assistance, welfare rules that claw-back earnings, to name a few, constitute significant barriers to labour market integration of marginalized groups and individuals.

Canadian productivity has also suffered from an unwise pursuit of a low wage economic strategy. Among industrialized countries our incidence of low pay is second only to the United States. Raising minimum wage rates at both Federal and provincial levels would encourage productivity enhancing investments. Experience in the UK and Ireland have shown that raising minimum wages and government policies supporting a higher wage, knowledge-based economic strategy have had positive results in terms of employment levels, income distribution and global economic competitiveness.

3. Taking a Long Term Approach

NAPO welcomed the inclusion of a number of poverty reduction measures, including funding for social housing, early childhood education, post-secondary education, improvements to seniors benefits and tax measures for the disabled in the last Federal budget. For the first time after many years of going backwards on poverty elimination we are finally beginning to move forward. There is a need to build on commitments made in the revised budget (Bill C-43) beyond the next couple of years. A short-term view will not bring about the changes required to reduce poverty.

Based on the current nature, rate and depth of low income in Canada and the economic resources clearly available to the government, NAPO recommends a number of concrete steps be taken to address poverty in this country. Many of these recommendations can be viewed as potential components of a national poverty reduction strategy.

D. Recommendations

1. Develop a National Poverty Elimination Strategy

Develop, implement and adequately fund a long-term national poverty elimination strategy, which includes targets, dates, measures and evaluation.

2. More Social Housing

The \$1.6 billion over 2 years for social housing in the last budget is welcome but it is still not adequate to meet the need for affordable housing. NAPO recommends the government

- Implement a multi-year National Housing Strategy with funding of at least \$1.5 billion each year for the development of 25,000 affordable housing units per year with 10,000 targeted to low-income families and individuals in core housing need.
- Reinvest savings from existing social housing programs back into affordable housing programs.

- Fund the Supporting Community Partnerships Initiative (SCPI) with \$200 million/year to provide supportive housing and services and shelters for the homeless and renew and extend the Residential Rehabilitation Assistance Program (RRAP). These programs should be funding out of on-going program budgets, not the new funds set aside for affordable housing in the last budget.

3. Increase the Canada Child Tax Benefit

The National Child Benefit Supplement (NCBS) and the Canada Child Tax Benefit (CCTB) are effective programs that help reduce child and family poverty. However, current benefit amounts and scheduled increases planned up to 2007 are not sufficient to eliminate child poverty. The poorest families who are on social assistance (except New Brunswick and Manitoba) do not receive the full benefit of this program as the The NCBS is clawed back from families on social assistance denying them a crucial resource provided to other Canadian families.

- It is recommended that the Canada Child Tax Benefit be increased to \$4,900 per year per child.
- The federal government work with territorial and provincial governments to end the claw back of the NCB supplement for families receiving social assistance where this still takes place.

4. Quality, affordable and accessible child care

The effort of the Minister for Social Development in negotiating recent agreements with provinces and territories is an important step towards a national child care system. However, a stronger commitment to affordability, which is crucial to people in poverty, must be made. Any agreements must ensure childcare funding goes to a public, non-profit system that is accessible to low income families, rather than for-profit providers. Measures must be taken to create a coherent effective national framework of childcare that ensures quality, accessibility, and affordability for families living in poverty.

- NAPO supports the Child Care Advocacy Association of Canada's (CCAAC) call for funding to reach an annual investment of \$10 billion, or 1 % of Canada's GDP – the minimum funding level recommended by the European Union Child Care Network for its member countries.
- Funding should occur over 15 years where annual federal funding increases to \$5 billion by year five. Funding also must be tied to standards that ensure quality, accessibility, and affordability for low income Canadians regardless of where they live.
- Provinces and territories must meet conditions and accountability measures before accessing funding.
- Provide fully subsidized spaces for low-income families that are adequate to meet current and projected demand.

5. Accessible Post Secondary Education

High tuition rates and other education fees continue to exclude many people from accessing post-secondary education. Children from higher-income families are twice as likely to attend university as those from lower-income families. While the increased funding for post secondary education contained in the last budget is important, we need a long term commitment to higher education and ensuring that it is accessible to all qualified students regardless of family income.

Crippling debt is a major problem for students. The average debt load for a university graduate is now \$25,000. The collective debt of all Canadian undergraduate students is well over \$11 billion. This high debt load coupled with a dramatic decrease in starting salaries and an increase precarious employment as well as high unemployment rates for youth mean young people are increasingly vulnerable to poverty.

- Funding for post secondary education under the Canada Social Transfer needs to be placed in a separate Post-Secondary Transfer with funding set at \$4.3 billion over the next three years. (Current funding is \$1.5 billion over 2 years.)
- Tie funding to mandatory tuition freezes and reductions by provinces and territories.
- Replace current student financial assistance loan programs with a national system of grants for low-income students.

6. Improve Employment Insurance

Unemployment insurance is an important income support program for Canadians. It must be returned to an adequate level and accessibility increased so people do not find themselves forced into inadequate paying jobs or onto social assistance where they must struggle to meet even basic needs and face multiple barriers to re-entry in the labour market.

- Reduce qualifying hours from 910 hours to 360 for all workers.
- Use the surplus from the EI program to fund income support for unemployed workers, and effective employment programs and training. The surplus should not be used to pay down the debt.
- Alter EI eligibility requirements so those who require it can access it.

7. Re-establish a Federal Minimum Wage

The purchasing power of the minimum wage is less than it was in the mid-1970s.¹¹ Anywhere in this country, a minimum wage worker working full time for a full

¹¹ . John Jacobs, *Time for A Real Raise: The Minimum Wage in Nova Scotia*. Canadian Centre for Policy Alternatives

year is still \$5000 to \$9000 below the poverty line. Women are particularly hard hit by minimum wage policies, representing 65 % of the minimum wage earners in Canada. Many women working in the service or retail industries, are paid at or slightly above the minimum wage. As the majority of these sectors are non-unionized workers rely greatly on government-set minimum wages to achieve some wage fairness. While provincial governments are largely responsible for labour standards, the Federal government is responsible for setting standards in federally regulated industries which cover about 10% of the Canadian work force and could also take leadership to set a higher standard for provinces to follow.

- Reinststitute a federal minimum wage set at \$10 an hour or higher and index it to the real cost of living.
- Encourage provinces and territories to raise minimum wages to a level that a single person working full time would be able to escape poverty. In provinces with large urban centres this would require a rate of at least \$10 an hour.

8. Develop a national job strategy

- Develop and adequately fund a national job strategy that includes Aboriginals, youth, women, immigrants and people with disabilities.

9. Fairer taxes

In 2004 people living in poverty paid over \$4 billion in federal taxes of which approximately 70% came from federal commodity taxes and 12% from income taxes. The GST credit was not indexed to inflation between 1992 and 1999. As a result, it has lost some of its value and its usefulness as a way of mitigating the regressive tax effect of the GST itself.

- NAPO recommends that the government restore the value of the GST credit to reflect its previous purchasing power lost through lack of indexation. This would cost about \$600 million but is the best way to deliver tax relief targeted to low income families.¹²
- Begin taxing large intergenerational transfers of wealth over \$1 million at the rate of 25%; raise the inclusion rate for capital gains to three-quarters (where it was prior to February 28, 2000); and introduce a new tax rate on earnings over \$250,000 to 32.5%. Canada is one of only three countries in the OECD who do not tax transfers of wealth.²¹
- Return tax rates for high-income earners and corporations to pre-2000 levels.

¹² See: Federal tax relief for low income people, Discussion paper prepared for the National Anti-Poverty Organization by Andrew Mitchell and Richard Shillington, November 2004. (<http://napo.ca/en/issues/tax%20cuts.htm>)