



Alternative Federal Budget 2007

› Poverty Primer

March 2007

Poverty Primer

A Comprehensive Strategy to Reduce Poverty and Inequality in Canada

Canada: a land of great wealth...

- Canadians are producing about \$1 trillion more in goods and services *a year* than they did in 1981.
- Canada's real economy doubled (93% growth) between 1981 and 2005 (adjusting for inflation). Much of that growth (39%) has occurred in the past decade¹.
- According to the World Bank, Canada's GDP was the 9th largest in the world by 2005, generated by a population that is a fraction the size of the other eight nations.²
- Future generations will undoubtedly look back on this as a golden era. In previous golden eras, our predecessors invested in public programs to make sure the next generation of Canadians

could get a stronger foothold into the market; to make sure every single family in this country had an opportunity to share in prosperity.

...but also a land of growing income inequality and polarization:

- The gap between Canada's richest and poorest families has been growing — especially since the mid-1990s³.
- The richest 10% of Canadian families are getting richer. In 2004, the average earnings of the richest 10% of Canada's families raising children was 82 times that earned by the poorest 10% of Canada's families. That is approaching triple the ratio of 1976, around 31 times⁴.

- The top half of Canadian families saw their share of total earnings grow, from 73% to 79.5% between 1976 and 2004. The poorest 20% of Canadian families saw their share of the earnings pie drop from 4.5% to 2.6%⁵.

The result:

- Close to 1.2 million children — almost one child out of every six in Canada — still live in poverty⁶.
- 30% of full-time workers earning less than \$10 an hour lived in a low-income household in 2000⁷.
- Canadian families living below the low-income cutoff are living in deeper poverty and having greater trouble climbing out.
- Low-income families need, on average, an extra \$7,200 a year just to reach the poverty line — that's how far they have fallen into poverty⁸. This has barely changed since 1995, despite Canada's burgeoning economy.

Government response:

- In 1989, our federal Parliament agreed to act on a plan to wipe out child poverty⁹ in Canada — and yet child poverty has since become entrenched.
- For 10 years Canada's federal governments hoarded record-level surplus budgets instead of investing that money to ensure the nation's most vulnerable families have a fighting chance to pull themselves out of poverty and succeed.
- Provincial governments downloaded vital services and cut funding that impacted the poorest among us the hardest. Federal and provincial transfers provided 26% municipal

revenues in 1995; in 2005 they provided only 17% — equivalent to a cut of \$5 billion in transfers.

- Two provinces have begun to lead the way. The governments of Quebec and Newfoundland and Labrador have developed comprehensive poverty reduction strategies and appear to be committed to sustained action. These two provinces stand as examples that something can — and must — be done to reduce poverty.
- But two provincial governments do not a majority make. And provincial governments simply cannot do it alone. Governments at all levels need to be engaged in a comprehensive strategy to reduce both poverty and inequality.

Today, Canada is not doing everything it can to reduce poverty. The economic capacity to act is there, but the political will is still missing.

What do Canadians tell us?

- In the Fall of 2006, the Canadian Centre for Policy Alternatives asked Canadians in a nation-wide poll what they think government can do to address Canada's growing gap and to reduce poverty.
- 86% of Canadians told Environics Research in a recent nationwide poll that the government should take action on the income gap between rich and poor.
- 85% said that, if government took concrete action, poverty in Canada could be reduced¹⁰.

Clearly, any government that takes swift and concrete action to address these issues will receive majority support from Canadians.

AFB 2007: A PLAN TO REDUCE POVERTY AND INEQUALITY

The AFB recognizes that families are struggling to provide the best start for their children, and they would benefit from greater supports. This year's AFB provides support: it offers more affordable housing and more affordable quality child care, opens up access to post-secondary education, increases the Canada Child Tax Benefit, and puts an end to the practice of clawing back the benefit from our most vulnerable families — those on social assistance.

Why do these tools matter in the fight against poverty?

Homelessness a national disgrace: Almost 1.5 million Canadian households are in desperate need of decent, affordable housing, even though Canada has one of the most vibrant economies in the world. The situation is even worse within First Nations communities. The AFB creates 20,000 new affordable housing units per year, and renews 8,000 units per year to ensure that the existing stock can continue to subsidize housing for households with very low incomes.

Shortage of regulated child care straining working families: Three-quarters of working women in Canada have young children. Yet Canada ranks last out of 14 OECD countries in terms of *public spending* on early learning and child care (ELCC) programs, and also ranks last out of 20 OECD countries in terms of family access to ELCC.¹¹ Outside of Quebec, regulated child care spaces exist for less than 20% of Canada's children. The AFB creates a national vision for child care, ensuring that all children aged 3–6 can access a quality child care space in their community by 2010.

Open up access to university and college: Federal cuts to post-secondary education over

the past 20 years have, with few exceptions, led to massive tuition fee increases, forced students to accumulate huge debt-loads, and prevented qualified Canadians from acquiring post-secondary education. The AFB allocates \$1.5 billion to help ensure that those who are qualified and want to go to college or university can do so.

Canada Child Tax Benefit makes a difference:

The Canada Child Tax Benefit is an important tool for reducing child and family poverty. Unfortunately, benefit levels have been too low to produce a meaningful reduction in poverty levels, and many of the most vulnerable families have their benefits clawed back because they are on social assistance. The AFB stops the clawback of money from poor children and increases the CCTB up to \$5,000 a year to ensure that every child in Canada gets a fair chance at a good start in life.

GST credit: The GST credit is one of the most effective means in the tax system of benefiting lower-income people. However, the value of the credit was reduced by about 12% between 1992 and 1999 because it was not indexed to inflation. This year's AFB increases the value of, and thresholds for, the GST credit by 25%.

AFB 2007: A PLAN THAT VALUES WORK

The AFB plan recognizes that Canadians are working in a marketplace that offers no long-term work guarantees. This year's AFB secures better coverage for workers who find themselves in between jobs.

The AFB plan also recognizes that low wages, the minimum wage, and other forms of income support have not kept pace with the rising cost of living — leaving Canada's poor in dire straits. To redress this problem, the AFB raises the federal minimum wage and increases the Guaranteed Income Supplement.

Why do these tools matter in the fight against poverty?

Workers deserve a decent minimum wage: No province pays a decent minimum wage — one that helps lift working families above the poverty line. The AFB plan raises the federal minimum wage to \$10 an hour, indexing it afterward so it rises to match inflation.

Employment insurance falls short of the need: The Unemployment/Employment Insurance program has been repeatedly cut since its high-point in the mid-1970s, most recently in the early 1990s. Today, only about four in every 10 unemployed workers collect regular EI benefits, down from 80% in 1990. The AFB plan reforms EI to increase and expand support, and also to encourage training for the unemployed and for those who have jobs.

Canada Employment Tax Credit does not help low-income workers: Federal Budget 2006 introduced an employment tax credit that is projected to cost \$1.8 billion in 2007–08. As it now stands, any qualified taxpayer will receive about \$155 annually from this tax credit. However, very-low-income workers do not earn enough to qualify for the Canada Employment Tax Credit. This year's AFB redesigns the Canada Employment Tax Credit to make this tax credit refundable, allowing very-low-income workers to benefit from it.

AFB 2007: A PLAN THAT PROTECTS AND STRENGTHENS THE MOST VULNERABLE

The AFB recognizes that Canada's poor are disproportionately represented by our most vulnerable populations: the First Nations, Metis, and Inuit, women, children, seniors, newcomers to Canada, and Canadians from equity-seeking communities. This year's AFB honours the November 2005 historic agreements with Canada's First Nations, Metis and Inuit, and increases resources for community programs. It increases funding to the Status of Women Committee's Women's Program and restores recently-cut core funding to equality-seeking groups.

A new agenda for First Nations: Over the past two years, First Nations across Canada have worked diligently to craft a comprehensive plan for a new agenda and a new approach. The First Nations Action Plan, agreed to as a part of the First Ministers' Meeting on Aboriginal Issues in November 2005 in Kelowna, sets in place a framework for progress that will enable First Nations to assume their rightful place in Canadian society and the economy. The current government cancelled the agreement, but the AFB puts the agreement back in place, and increases resources for urban Aboriginal peoples.

Help for seniors: Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) provide a basic guaranteed annual income for seniors. But the guarantee is inadequate. The AFB plan increases GIS benefits to a total increase of 15% as a first step to strengthening the basic income guarantee for seniors.

Support for women's programs: The current government made significant funding cuts to the Women's Program at Status of Women Canada. Those programs directly helped women gain financial independence, and provided supports in communities across Canada. This AFB plan

increases the Women's Program budget to \$100 million annually, and restores core funding to equality-seeking groups, including women-centred services.

NOTES

- 1 Armine Yalnizyan. March 2007. *The Rich and The Rest of Us: The Changing Face of Canada's Growing Gap*. Canadian Centre for Policy Alternatives.
- 2 The World Bank ranked the 2005 GDP of 183 nations in US dollars. Ahead of Canada in 2005 is, in order — United States, Japan, Germany, China, United Kingdom, France, Italy and Spain. See <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf>
- 3 David Green. March 2007. *Canada's Rich and Poor: Moving in Opposite Directions*. Canadian Centre for Policy Alternatives. Armine Yalnizyan. March 2007. *The Rich and The Rest of Us: The Changing Face of Canada's Growing Gap*. Canadian Centre for Policy Alternatives.
- 4 Armine Yalnizyan. March 2007. *The Rich and The Rest of Us: The Changing Face of Canada's Growing Gap*. Canadian Centre for Policy Alternatives.
- 5 Armine Yalnizyan. March 2007. *The Rich and The Rest of Us: The Changing Face of Canada's Growing Gap*. Canadian Centre for Policy Alternatives.
- 6 Campaign 2000. 2006 *National Report Card on Child and Family Poverty*. www.campaign2000.ca/rc/index.html
- 7 Stuart Murray and Hugh Mackenzie. March 2007. *The Case for a \$10 Minimum Wage*. Canadian Centre for Policy Alternatives.
- 8 Statistics Canada. 2004. *Income in Canada*.
- 9 In 1989, the House of Commons unanimously resolved to "seek to achieve the goal of eliminating poverty among Canadian children by the year 2000."
- 10 Canadian Centre for Policy Alternatives. March 2007. *What Governments Can Do*.
- 11 Martha Friendly. (2006). "Early Learning and Child Care: How Does Canada Measure Up? International Comparisons using Data from Starting Strong II." Child Care Resource and Research Unit Briefing Notes. pp. 9, 10.



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