



# Saskatchewan



## Notes

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### Will the Economic Boom Reduce Poverty in Saskatchewan?

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Saskatchewan has experienced rapid economic expansion in the past two years. Recently the media has vociferously claimed the “Saskaboom” will bring about unprecedented opportunities for the people of Saskatchewan. Despite the unprecedented increases in the prices of oil, natural gas and potash and windfall government revenues, levels of poverty in the province have not significantly declined.

This report, presented by the Social Policy Research Unit (SPR) Faculty of Social Work at the University of Regina, covers a greater expanse of the poor in Saskatchewan than have previous poverty reports. (See “SaskNotes: vol.5 Iss.5. *Report Card on Child Poverty in Saskatchewan.*)

A central theme of this report is that economic recovery from the recessions of the early 1980s and 1990s, balanced budgets and reduced provincial debt have not challenged poverty. Policy emphases based on neo-liberal economics have been a failure for the poor and working poor. The Saskatchewan government needs to use its newfound wealth to address the problems of poverty with programs that will leave a legacy for all.

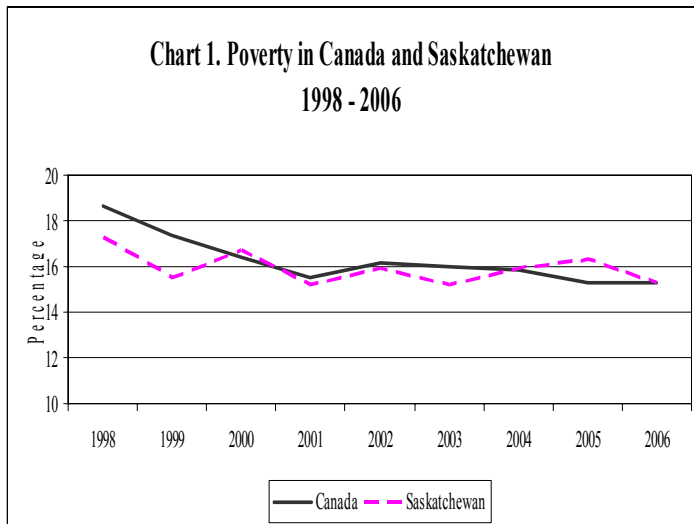
#### Poverty Statistical Highlights: 2006 Census

- Saskatchewan’s overall poverty rate is 15.3%<sup>1</sup> (140,000 people). Canada’s overall poverty rate is 14.5%
- For Saskatchewan children under 18 years of age, the poverty rate stands at 19.9% (42,000 children), whereas the national average is 15.8%. Saskatchewan is second only to British Columbia (21.9%) in having the highest child poverty rate in Canada.
- The poorest in Saskatchewan are children living in female lone-parent families, with a poverty rate of 47.5% (19,000). The national rate among this group is 42.6%.
- Unattached individuals under 65 years of age face a high poverty rate at 40.7% (38.4% for males and 43.9% for females).
- Saskatchewan’s unattached elderly (over 65) also face a high poverty rate at 28% (13,000). The national rate among unattached elderly is 34.9%.
- The average low-income gap - the amount of money needed to bring Saskatchewan’s poor up to the poverty line - is \$8,100. For families of two persons or more, the gap is \$9,600; for unattached people, \$7,300.
- 1.4% of the provincial GDP would lift all the poor in Saskatchewan from poverty.

<sup>1</sup> Data gathered by authors using data from Statistics Canada *Income Trends in Canada 19-76-2006n13F0022XIE* (persons)

These statistics demonstrate that poverty is a real issue for 140,000 residents of the province. Government action, however, can reduce poverty in the province. In many jurisdictions government action, focused on integrated anti-poverty reduction strategies, has successfully reduced child poverty and single person poverty.

### Poverty Rates: Saskatchewan and Canada



Source: Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)*.

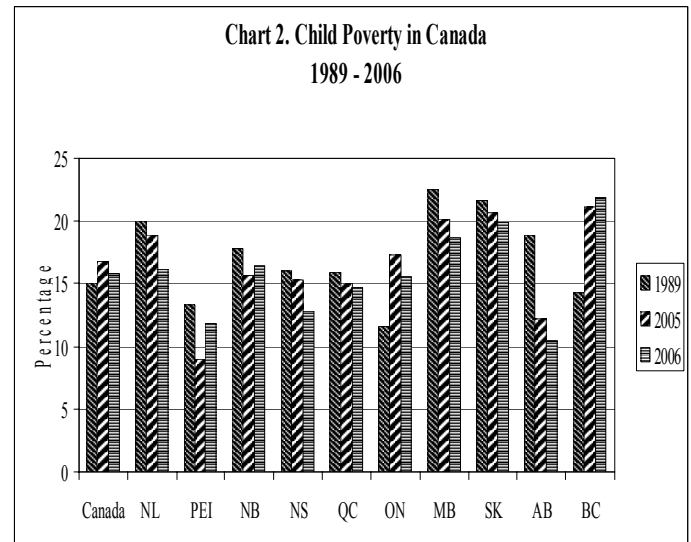
In 1998 the Saskatchewan government redesigned its main poverty payment program, *Building Independence*. *Building Independence* focuses on labour force attachment and splits welfare into two different programs: Transitional Employment Allowance (TEA) and the Saskatchewan Assistance Plan (SAP). As can be seen in chart one above, although poverty has dropped from 17.5% to 15.5%, it is still high. The redesign did not significantly diminished poverty in Saskatchewan. Indeed, poverty in Saskatchewan remains high especially for unattached individuals.

### Children Live in Poverty Across Canada

The lengthy period of economic recovery since the early 1990s recession has neither benefited all people equally, nor solved the serious problem of poverty. Especially troublesome is the ongoing high rates of poverty among children in Saskatchewan and across Canada. Statistics

Canada data in chart 2 illustrates that the percentage of children living in households below the poverty line has changed little from 1989, the same year the House of Commons resolved to eliminate child poverty in Canada by the year 2000.

In Saskatchewan in 1989 almost 22% of children lived in poverty; by 2006 about 19.5% lived in poverty – a long way from elimination



Source: Statistics Canada *Income Trends in Canada 1976 - 2006 13F0022XIE (persons)*.

### How much would it cost to raise Saskatchewan's poor from poverty?

\$256 million would raise Saskatchewan families of two or more up to the poverty line; another \$370 million would lift the unattached poor to the poverty line. This is a total expenditure of \$626 million. Saskatchewan's GDP for 2006 stood at \$45,922,000,000<sup>2</sup> (\$45.9 billion). Therefore, expenditures of 1.4% of the provincial GDP aimed at the poorest segment of the population would lift Saskatchewan from poverty. Clearly, Saskatchewan is currently in the position to use its financial leverage available to deal with poverty.

<sup>2</sup> Statistics Canada (April 2008). Gross domestic product, expenditure-based, by province and territory. Retrieved on 2008-05-08.

The United Nations' report on child poverty in rich countries notes:

No OECD country devoting 10 percent or more of GDP to social transfers has a child poverty rate higher than 10 percent. No country devoting less than 5 percent of GDP to such transfers has a child poverty rate of less than 15 percent.<sup>3</sup>

### Income Distribution

The Statistics Canada data suggests that there has not been a significant change in either market income inequality (income from wages and salaries) or total income inequality (all income, including government transfers) from 1998 to 2006. The percentage of market income shared by the rich and low-income earners has not changed significantly in the last decade and continues to exhibit a high level of income inequality. Things improve somewhat when we consider total income, including income transfers from social programs. Social transfers of money have a significant impact (changes greater than 1%) on income inequality. For instance, Saskatchewan's market income inequality in 2006 is 51.5%, while the total income inequality index registers 42.9%. This difference represents a 16.7% decline in inequality.

The lesson is clear, although social spending does not eliminate inequality, it has a significant impact on reducing the income inequality that exists when income is derived solely from the market place.

### Conclusion and Recommendations

Poverty among the disabled, children, female lone-parent families, the unattached elderly, First Nations, Aboriginal and Metis people, immigrants and other groups will not go away on its own. The development of a comprehensive strategic action plan would involve governments, community-

<sup>3</sup> *Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 4.

based organizations, business, labour and the poor themselves. It would be a long-term, persistent plan with well-defined goals and responsibilities, and it would demonstrate that poverty is not inevitable or the fault of the individual but a deep-seated structural issue requiring collective action.

The provincial government can take a number of steps to immediately address some of the inequality and poverty in Saskatchewan.

- **Government action should end the claw back of the National Child Benefit Supplement to the Canada Child Tax Benefit for people on welfare.**

The National Council of Welfare<sup>4</sup> argues that a huge problem in welfare financing is the continued claw back of federal child benefits from families with children on welfare in a number of different provinces *including Saskatchewan*. Saskatchewan does not pass on the federal increases to families on welfare with no paid employment or maintenance payments. The federal increases to the NCBS that are not passed on to these families on welfare are called the clawback. It should be noted here that the clawback is just under \$60 million in 2006-2007 which could be passed on to recipients. Furthermore, this would not significantly impact the provincial budget and would be better spent on those that need it the most.

- **The government could implement rent controls in major urban centres.**

With the cost of housing in Saskatchewan cities doubling in the past two years, government action is needed to control the harmful impact of housing speculation on the poor and low-income earners.<sup>5</sup>

<sup>4</sup> Government of Canada (2005). *Fix Welfare Financing and End the "Clawback" of Child Benefits!* National Council of Welfare.

<sup>5</sup> Beginning Aug. 1, 2008 the government will increase the housing subsidy at an annual cost of \$11.3 million. <http://www.cbc.ca/canada/saskatchewan/story/2008/06/23/housing-aid.html>

The Saskatchewan government could use its Office of Residential Tenancies to introduce rent controls. Without some form of rent controls, increases to shelter rates for social assistance budgets or rental housing supplement programs only really benefit landlords who can adjust their rents accordingly. As well, with increased natural gas prices, home heating costs are likely to increase by double figures, adding greatly to overall utility costs.

- **The government should raise the minimum wage above the poverty line and tie that wage to the consumer price index (inflation).**

This would ensure that ‘work pays’ for working people in the province, and it would begin to move Saskatchewan out of a low wage economic arena. In this regard, the government is currently reviewing minimum wage policy.

- **Government should eliminate the Transitional Employment Allowance (TEA).**

TEA provides flat rated, and in most cases, reduced benefits and extra restrictions for ongoing eligibility to the poor who are considered to be employable, either currently or sometime in the future. The program is discriminatory in nature and compounds the problem of poverty. Moreover, the announced plan by the government to flat rate utilities for people on the Saskatchewan Assistance Plan (SAP) is ill advised as it will create a situation where the poor on SAP must devote even more of their welfare on housing costs.<sup>6</sup>

- **Fund the Community Schools Program through the Ministry of Education, not the NCBS program**

<sup>6</sup> For more on the problems of TEA in Saskatchewan and the impact of flat rate utility payments see Hunter, G. & K. Donovan (2005), *Transitional Employment Allowance, Flat Rate Utilities, Rental Housing Supplements and Poverty in Saskatchewan*. SPR Occasional Paper Twenty. University of Regina: Social Policy Research Unit.

Saskatchewan just spent over \$13 million on the Community School Program. The funding of community schools is an important social objective; however, using the NCBS program appears to be a disingenuous way to meet that goal. Funds for school programs are best addressed through the Ministry of Education.

Saskatchewan is experiencing a period of extreme economic growth and the government can seize this opportunity to make a lasting mark on poverty for the betterment of the people of Saskatchewan.

This is a condensed version of a longer paper titled *A Question of Prosperity* prepared by the Faculty of Social Work, SPR 2008.

### Sources

<sup>1</sup> Data gathered by authors using data from Statistics Canada *Income Trends in Canada 1976-2006* n13F0022XIE (persons)

<sup>2</sup> Statistics Canada (April 2008). Gross domestic product, expenditure-based, by province and territory. Retrieved on 2008-05-08.

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