



END CHILD & FAMILY POVERTY IN CANADA

Family Security in Insecure Times: Poverty Reduction as Poverty Prevention

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Campaign 2000 is a non-partisan, cross-Canada network of more than 120 national, provincial and community organizations committed to working together to end child and family poverty in Canada

Family Security in Insecure Times: Poverty Reduction as Poverty Prevention

Executive Summary

Campaign 2000, a non-partisan, cross-Canada network of over 120 national, provincial, territorial and community organizations, urges that federal tax and program spending measures focus on those individuals, families and communities who are vulnerable and feel the greatest impact of on-going economic disruption. **More than two decades after the unanimous 1989 House of Commons resolution to end child poverty in Canada and nearly two years after the 2009 unanimous November 24th resolution of the House “... be it resolved that the Government of Canada, taking into consideration the Committee’s work in this regard, and respecting provincial and territorial jurisdiction, develop an immediate plan to eliminate poverty in Canada for all.”, 639,000 children and their families – almost 1 child out of every 10¹ – still live in poverty.** These first post-recession figures show that despite an unprecedented period of strong economic growth from 1996 through mid-2008, the rate of child and family poverty in Canada – 9.5% (measured by after-tax LICO) - remained high. It is important to note that these statistics do not fully reflect the shameful situation in Inuit communities and in First Nations’ communities where 1 in every 4 children is growing up in poverty.²

Campaign 2000 recommends the following:

- **Increase the Canada Child Tax Benefit (base benefit plus NCBS) to a maximum of \$5,400 (2011 \$) over the next two budget years.** Closing the child benefit gap is essential to ensure that parents working full time, full year can lift their families out of poverty. In 2007, Campaign 2000 commissioned a simulation on the impact of this increased NCB that estimated a 31% decline in the child poverty rate at an additional cost of (est.) \$5 billion;
- **Improve Employment Insurance to provide better support for more unemployed workers by restoring eligibility requirements to 360 hours, with benefit levels based on the best 12 weeks of earnings at 60% of earnings as a minimum.** Statistics Canada data shows that only 44% of those unemployed benefited from Employment Insurance in December 2010, compared to over 50% in mid 2009. And, even with an increase in government transfer money, 50% of which was for EI, the poverty rate continues to climb in Canada;
- **Designate \$1 billion in federal funds in the 2012 budget for Early Childhood Education and Care services within an established policy framework** to those provinces and territories that demonstrate public plans, including legislated universal entitlement, targets, and timetables, for developing comprehensive and integrated systems of ECEC services that meet the needs of both children and parents.

Why move forward on poverty reduction now?

- **The federal government has a key role in poverty reduction**

The federal government has always played and must continue to play a key role in income security, including income transfers to low-income Canadians and support for provincial and territorial governments to meet their responsibilities for health care, social services, income support and post-secondary education.

¹ Statistics Canada’s *Income Trends in Canada* released June 2011. These data exclude those on First Nations reserves, in the Yukon, Northwest Territories and Nunavut and children living in institutions. A child is defined as a person under 18 years living with parent(s) or guardian(s). Children in poverty are those living below the Low Income Cut Off (LICO after tax) as defined by Statistics Canada. LICOs vary by the size of the family and of the community. For example, the after tax LICO for a lone parent with one child in a large urban centre (pop. Over 500,000) was \$22,831 in 2009.

² Assembly of First Nations. (2011). Fact Sheet – Quality of Life of First Nations, p. 1.

Campaign 2000 was pleased that the November 2010 report of the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities, *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*, recommended “that the federal government immediately commit to a federal action plan to reduce poverty in Canada that would see, during its first phase, the implementation of the recommendations in this report.” It is notable that the committee also stated, “that the majority of provinces maintain in their poverty reduction strategies that in order to successfully improve the well-being of their populations, a willing federal partner is required³.” Campaign 2000 was pleased that all political parties supported this report in principle, albeit with important caveats. As a cross-Canada coalition, we expect to see the implementation of these recommendations, beginning with increases to the CCTB/NCBS in the next budget.

- **Public investments are needed to prevent and lessen poverty**

Strong economic growth and prosperity did not, in and of itself, lift many children and families out of poverty. Times of economic crisis will only deepen the hardship, as history illustrates, if there is no aggressive, multi-faceted intervention including income transfers and support for vital community services. Following the early 1990s recession, as unemployment rose and severe cuts to social programs were implemented, the child and family poverty rate went up, reaching as high as nearly 18% (LICO after-tax), about 1 in 5 children, in 1996. Now, as Canada experiences slow economic growth, families aiming to lift themselves out of poverty face steep challenges in a sluggish economy. Designated expenditures in the 2011 budget are essential to prevent child and family poverty rates from spiking again.

Canada currently has a mechanism in place that can quickly be adjusted to prevent further poverty. The Canada Child Tax Benefit (CCTB), including the National Child Benefit Supplement, has played a major role in preventing and reducing child and family poverty. This joint federal, provincial and territorial initiative was launched in 1998 and now provides a maximum cash transfer of \$3,485 for the first child. The NCB can take credit for preventing an estimated 78,000 families with 171,000 children from living in poverty in 2005 (using MBM) – accounting for a 13.7% decrease in the number of families living in poverty in 2005.

- **Investments in low income families stabilize communities directly and quickly**

Increased public investments in low and modest-income families serve to strengthen local economies and protect families from further hardship. Canadian consumers power 57% of the economy.⁴ Public investments in low and modest-income families are efficient and particularly strategic as these families use their money within their local communities to pay rent, purchase food and pay for other necessities such as child care and home care. This is in contrast to more affluent families that often spend or invest funds outside of Canada. The HUMA Committee’s *Workers in Partnership* report states that the poorest families (those in the lowest quintile) spend 52% on food, shelter and clothing alone. Similarly, community services such as early learning and child care centres operate in local neighbourhoods, functioning as a support for families, as consumers of local food and services, and as local employers.

- **Increased income supports are needed to prevent a wider gap between rich and poor**

Low-income families, in particular, pay high proportions of their income on rent, with very little left over for food, clothing, transportation and child care, let alone savings. Unfortunately, full-time employment is not an assured pathway out of poverty. Most recent data indicate that one in three low-income children lived in families in which at least one parent worked full-time throughout the year yet still lived in poverty.⁵

³ the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities, *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*, November 2010, p75

⁴ Yalnizyan, A. Presentation to 25 in 5 Poverty Reduction Forum. Toronto. October 28, 2008.

⁵ Campaign 2000. 2010 Report Card on Child and Family Poverty in Canada: 1989 – 2010. p. 7.

With an alarming 1 in 4 households paying more than 30% of their income on housing, it is not surprising that the financial situation of many Canadian families is a delicate house of cards⁶. With the average savings rate falling sharply from \$7,300 per year in 1990 to \$1,000 in 2006, families have limited nest eggs to rely on in case of unemployment and/or loss of housing.⁷ At the same time, household debt is at a record high. In 1984, at the peak of double-digit unemployment following the recession of 1981-82, households owed on average 70 cents on every dollar of income earned. By 2007, households owed \$1.27 on every dollar of income.⁸ Recent data confirms that lower income Canadians report that their debt has increased.⁹

The fragile economic state of many Canadian families means that the loss of a paycheque or loss of housing that is affordable will force many to use up their limited resources quickly. As a consequence of this recent recession, as many as 500,000 workers have exhausted their Employment Insurance benefits and welfare caseloads have increased in all provinces. Many of these families find that social assistance is far from sufficient to pay rent and feed their children.

This prospect of a hollowed-out middle class is already apparent in the gap between rich and poor in Canada. The Conference Board of Canada recently joined other organizations in identifying inequality and poverty as key issues on the public agenda.¹⁰ As their report card on Canada highlights, the top 20% of Canadians has increased its portion of total national income while the lowest 20% and middle-income Canadians have lost their share. Strikingly, inequality between the rich and poor in Canada has grown more than in any OECD country during the last decade, with the exception of Germany.¹¹ For every dollar the average family in the lowest 10% of the population has, the family in the highest tenth of the population has \$12.66 – almost 13 times more than in 2008. Clearly, the wealth generated during good economic times was not distributed equitably.

- **Public investment in social infrastructure contributes to sustainable communities and stable, self-supporting families**

Infrastructure in communities is not limited to bridges and roads; social infrastructure, including early childhood education and care services and social housing, are key components in poverty reduction. **Early childhood education and care (ECEC) programs are more than poverty reduction, but poverty reduction requires ECEC programs.** With access to high quality child care, female lone parents – who often are unable to pay steep child care user fees – are better able to seek further education, train for work, get decent jobs and accept job promotions. Two-parent families have a better chance to improve economic stability and income in a time of insecure employment. Expenditures on ECEC have a strong economic stimulus. For every dollar invested in Canada, there was a \$2.54 return in benefits to society. Furthermore, for every dollar invested, approximately 90 cents would be returned in increased revenue for the provincial and federal governments. As well, Investing in ECEC is found to be the highest employment multiplier (job creator). A \$1 million investment in childcare would create 40 jobs.¹²

⁶ Shapcott, M. (2008). *The State of the Nation's Housing*. Toronto, ON: Wellesley Institute.

⁷ Vanier Institute. *State of the Family 2007*.

⁸ Statistics Canada. *CanSim. Series 378-0003*.

⁹ Certified General Accounting Association of Canada. *A Driving Force No More: Have Canadian Consumers Reached Their Limits?*. Accessed from http://www.cga-canada.org/en-ca/ResearchAndAdvocacy/AreasOfInterest/DebtandConsumption/Pages/ca_debt_default.aspx

¹⁰ Conference Board in Canada. *How Canada Performs: A Report Card on Canada*. 2011.

<http://www.conferenceboard.ca/hcp/hot-topics/canInequality.aspx>

¹¹ OECD. (2008). *Growing Unequal?: Income Distribution and Poverty in OECD Countries*.

¹² Robert Fairholm. *Benefits of Investing in Child Care*. (2009) Canadian Union of Public Employees. Accessed from <http://childcarecanada.org/documents/research-policy-practice/09/11/new-study-shows-major-benefits-investing-child-care>

- **The cost of poverty is too great in both the short term and the long term**

The cost of poverty is great; poverty prevention and poverty reduction will benefit all Canadians. Recent analysis estimates the cost of poverty at \$38 billion annually for Canada when it calculates the value of lost output due to high unemployment, increased costs of health and social services, policing and criminal justice systems.¹³

Public investment in poverty reduction is smart economics. Repeating the “belt-tightening” methods of the 1990s will not only deepen inequalities within Canada but will cost taxpayers more in the future through increased health care costs and emergency housing resources in addition to more services.

What other investments are needed to reduce and eventually eradicate poverty in Canada?

Campaign 2000 continues to recommend the development of a permanent affordable housing plan for Canada. Affordable housing is a key component of poverty reduction and an essential social infrastructure program. Additional on-going public expenditures will be needed to implement this approach. The infusion of funds will stimulate the economy, help to stabilize households and address pent-up need for affordable housing. In addition to new funding, the federal government must commit, as long-term federal social housing mortgages expire, to reinvest all funds saved into the maintenance, modernization and expansion of Canada’s affordable housing supply. This reinvestment of surpluses generated at CMHC will not require additional budget allocations.

Poverty Reduction and eventual eradication is achievable

Increased public expenditures are needed to prevent further child and family poverty and to stem an even wider gap between rich and poor. The cost of poverty is high for all Canadians. Poverty reduction leading to eradication is not a utopian dream, but a credible goal that is achievable over the next decade. In concrete terms, poverty eradication means pursuing the lowest possible levels of poverty in the industrialized world, both in incidence and depth. Lowest levels in today’s terms would mean the complete elimination of deep poverty [below 40% of median] and general poverty levels [below 50% of median] of no more than 4%.

In 1989, we made a commitment to eliminate child poverty by the year 2000. We failed because we never acted with conviction and determination. The commitment to eliminate poverty was renewed and extended in November 2009. Let us not dare to fail again. We urge all federal party leaders, with the premiers, civil society, Aboriginal leaders and business, to reflect the inherent decency of most Canadians and start to work on a plan for poverty eradication.

Our choice is clear – we can pay now or pay later. Campaign 2000 believes that paying now to improve life chances and provide more opportunities for independence and success makes good sense.

¹³ Ontario Association of Foodbanks. (2008) *The Cost of Poverty*.