

Poverty Reduction Policies and Programs

Canada

By David I. Hay

Social Development Report Series, 2009
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Poverty Reduction Policies and Programs

CANADA

INTRODUCTION

There has been a resurgence of policy debates – in Canada, and around the world – on what to do about poverty. In many ways, an understanding of Canadian federal poverty policy in 2009 is generally consistent with understandings formed over the last 40 years or so. But things have changed as well. It is worth reviewing Canada’s characteristic approach to social welfare policy and its implications for poverty policy – the key people, organizations and sectors involved, the governance and decision-making systems, the demographics of poverty and poverty policy, and the important influences of gender and geography – all of these issues bear review to uncover important similarities, differences and trends over the last 15 to 20 years. A new approach to poverty reduction in Canada that considers all of these elements is clearly needed.

This paper reviews national-level poverty policies and policy-making in Canada. It discusses the context for understanding federal poverty policy, including an overview of poverty measurement and trends, and a discussion of social policy goals and perspectives, and it reviews the current system of anti-poverty and income security policies at the national level. The paper also examines what could be included in a comprehensive anti-poverty and income security policy in Canada.

POLICY CONTEXT

This section reviews issues crucial to a comprehensive understanding of poverty and poverty policy development in Canada. It reviews the definition and measurement of poverty in Canada and provides the latest data on poverty trends. Other sections highlight perspectives that stress the interdependence of different policy goals; situate and qualify Canada as a particular social welfare state “type”; summarize the foundation of values and governance challenges for social policy development; and draw attention to elements for successful policy decision-making.

Poverty Definition and Measurement

Discussions of poverty and poverty policies require an understanding of what is meant by poverty, and hence, how it is measured.

There is no “official” government definition of poverty in Canada. Statistics Canada, the national statistical agency, defines low income for Canadians as “living in straitened circumstances.” The agency collects income data annually from sample surveys of Canadians and from these surveys, Statistics Canada produces reports on income trends, including low income (e.g., Statistics Canada, 2008c). Canadians who are living at or below the low income levels defined by three different measures are thus considered to be “poor.”

The three measures of low income used by Statistics Canada (hereafter referred to as poverty measures) are the Low Income Cut-offs (LICOs, both before- and after-taxes), the Market Basket Measure (MBM), and the low income measure (LIM). Each has its application and each contributes to our understanding of poverty in Canada.

There is no national consensus among the poverty policy community on definitions of low income, poverty or income adequacy. Definitions of income adequacy are implied, however, from the poverty measures that are chosen: proportional to average household spending levels on food, clothing and shelter (LICOs); proportional to the median household income (LIMs); and proportional to the cost of “essential” goods and services (MBMs). And since members of the poverty policy community have differing concepts of absolute levels of income adequacy, the issue of adequacy remains an ongoing debate.

There is another important issue to understanding income adequacy. All poverty measures in Canada are relative to prevailing consumptions levels, levels of income, and the costs of goods and services. If these things change, then the poverty measures should change as well. For example, if the amount of income needed to purchase nutritious food is essential – and thus, a component of an adequate income – a rise in food costs should necessitate a rise in the overall level of income deemed adequate, all other things being equal. Thus, a market-based measure would adjust as costs of the items in the basket change. The measure tied to the annual median income level would automatically change every year.

Statistics Canada’s LICOs are indexed annually to the consumer price index. From the late 1960s until 1992, LICOs were adjusted every six to eight years to reflect changing household spending patterns on food, clothing and shelter. Over that period, the average proportion of household spending on those three items declined. Without adjustments to reflect changing costs, however, the poverty rate would appear to be lower (Mitchell and Shillington, 2008). So the recent trend of slightly lower rates of poverty based on LICOs (see the next section) are probably, at least in part, an artifact of this lack of adjustment of the LICOs. Shillington (2008) summarizes the consequence of adjusting the LICO more frequently since 1992, or even at all, “I guarantee you the [poverty] rate would jump.” (p. 1040)

Poverty Trends in Canada

Figures 1 and 2 provide poverty trends for Canada over the last 25 to 30 years. Poverty rates based on the before-tax LICO (Figure 1) have fluctuated between approximately 15% and 20% over 30 years.

Similarly, over the last 25 years, the rates based on the after-tax LICO have also fluctuated within a 5% range, i.e. between 10% and 15%.

It is evident from these data that poverty in Canada is a persistent and enduring condition. Fluctuations in the rates are primarily due to fluctuations in the business cycle (i.e., employment levels), but also reflect changes in tax levels and income transfer programs (e.g., benefits, pensions, etc.).

In the last few years, evidence suggests the trend in the poverty rate has been downward or positive, i.e., in the direction of less poverty (Richards, 2007; Sauvé, 2008). How positive, however, depends on the time frame examined. For example, looking at LICOs after taxes and transfers, the poverty rate dropped by only 1% between 1990 and 2005 (from 11.8% to 10.8%), but it dropped nearly 5% between 1996 and 2005 (from 15.7% to 10.8%). Using the measure of the total number of people in poverty in Canada, poverty levels were essentially unchanged, although slightly higher in 2005 compared to 1990 (3,191,000 in 1990; 3,409,000 in 2005).

Figure 1

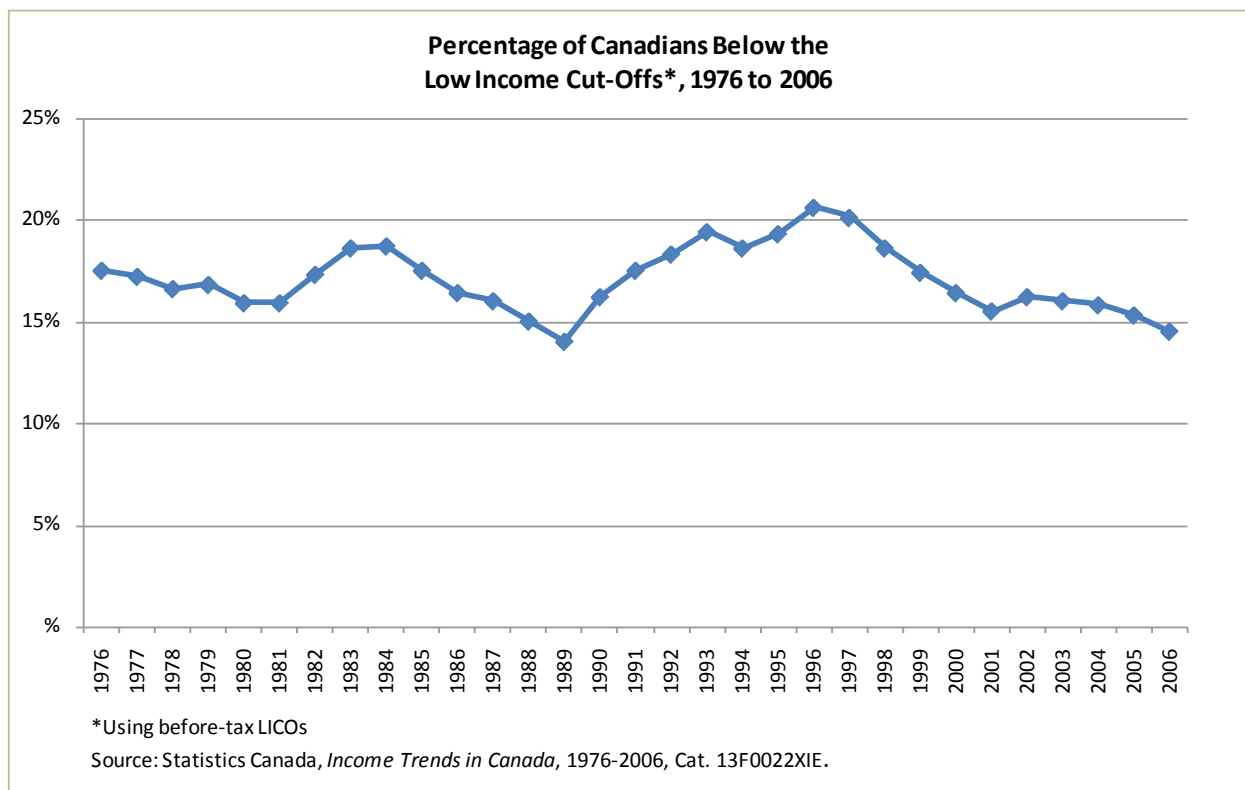
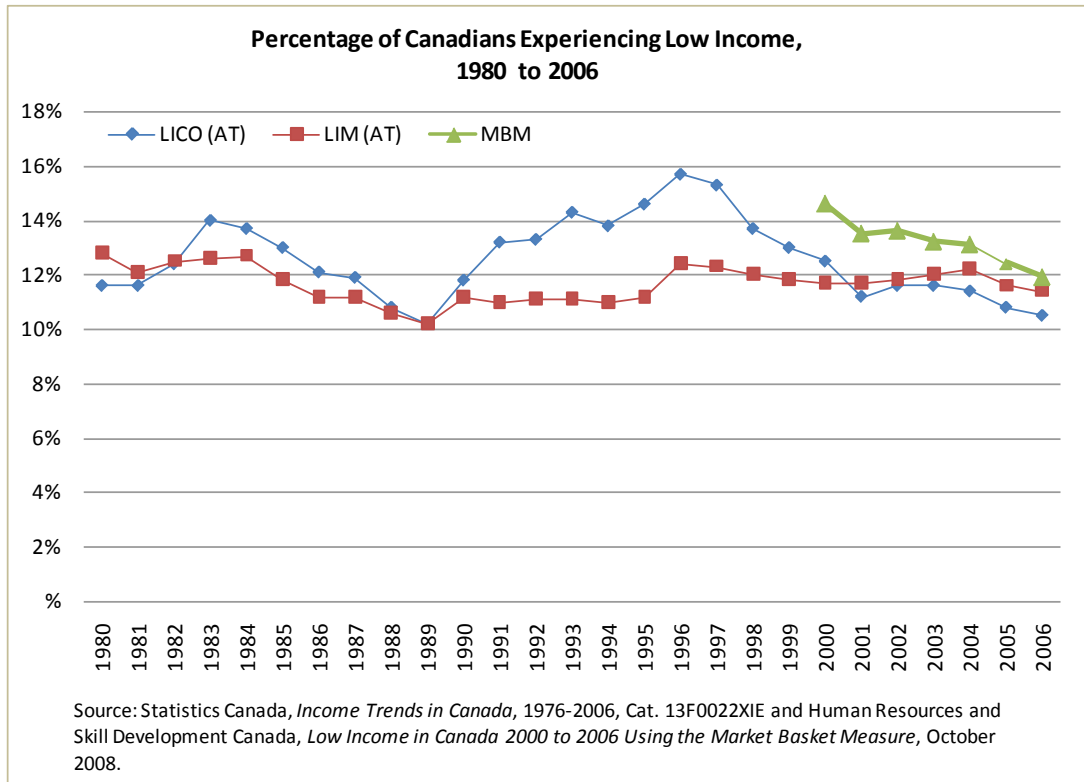


Figure 2



According to the Organisation for Economic Co-operation and Development (OECD), Canada’s rates of poverty have been rising relative to other countries and above the OECD average. Figure 3, from a 2008 OECD report, shows the income poverty trend using a low-income measure similar to Statistics Canada’s LIM. Figure 4 shows the trend in income inequality as measured by the Gini coefficient.

Figure 3

Figure 4

The OECD report notes that paid employment is more important for avoiding poverty in Canada than in other OECD countries. For example, in Canadian households where no one has paid employment, nearly seven of every 10 households are poor; if someone in the household is working, 21% of such households are poor; and if two or more people are working, the poverty rate is 4%.

These rate differences reflect the fact that Canada spends less on cash benefits (such as employment insurance, child and family benefits) than most OECD countries. And taxes and transfers “do not reduce inequality by as much as in many other countries ... and their effect on inequality has been declining over time” (OECD, 2008; cf. Conference Board of Canada, 2008).

Some groups of Canadians are at an increased risk of poverty – women (particularly young mothers and unattached seniors), recent immigrants, people with disabilities, and Aboriginal people. Poverty rates among these groups are generally higher than the average rates noted above. For example, the poverty rate for unattached senior women is nearly 10 times the rate for senior families with two adults or more: 19% compared to 2% (National Advisory Council on Aging, 2005).

Historically, poverty rates have been higher among women than the rates for men, although the difference has narrowed over time, primarily due to increased labour force participation among women. Gender wage inequities and the negative economic effects of marital separation are but two examples

of factors that can contribute to higher poverty rates among women. These and other factors have led some analysts to propose a systematic “feminization of poverty” that goes far beyond issues of income adequacy (Brady and Kall, 2008; Davies, McMullin and Avison, 2001).

The risk and extent of poverty varies from community to community in Canada, and often from neighbourhood to neighbourhood (Canadian Council on Social Development, 2007). For example, the 2006 poverty rates among Canadian provinces ranged from 13% in British Columbia to 5.4% in Prince Edward Island (Statistics Canada, 2008c). Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Ontario, Saskatchewan and Alberta had poverty rates at or below the Canadian average of 10.5% in 2006, while Quebec, Manitoba and British Columbia had higher than average poverty rates.

Poverty is persistent in Canada – over time, among different family types, and in communities all across the country. It is clear from Canada’s performance compared to other countries that programs and benefits can contribute to poverty reduction. The rest of this section of the paper discusses a number of contextual issues that are important in understanding the past, present and future poverty policy development in Canada.

Social Policy Development Goals

Social policy redesign in the European Union and in Canada over the last 10 to 20 years reflects a belief that economic and social policies are increasingly interdependent as our understanding of the welfare state changes (Saint-Martin, 2004; Jenson, 2004; Paterson, Levasseur and Teplova, 2004). There is general agreement among policy-makers that governments are an important part of the economic production process, either as employers, subsidizers or legislators, particularly in distributing resources and analyzing well-being (Fouarge, 2003). There is also evidence that economic growth is affected by public goods, finance, demographic parameters, income distribution, and social norms, all of which contribute to social cohesion (Knack and Keefer, 1997; Temple, 1999; Osberg, 1995, 2003; Harris, 2002; OECD, 2005). Thus, social policy is seen as a “productive” contributor to individual and societal well-being (Hay, 2006).

In this view there is an interrelationship or synergy between economic efficiency and social equity (which is also referred to as “social efficiency”). The private market is seen as inefficient in ensuring an adequate distribution of resources among citizens, and the state is understood to have an important role in pursuing a number of policies and programs with redistributive and social minimum goals.

The principle of social policy as a productive factor implies an interdependence among macro-economic, employment and social policies – an understanding that is critical in developing quality social policy. For this reason, there has been a growing focus on active social policies (social benefits tied to labour market participation) to further reduce any potential negative effects of social protection systems on economic growth.

Essentially, policy analysts who follow this line of reasoning see social policy spending as a good investment in the knowledge-based economy and society, and as a contributor to economic efficiency and progress. Failure to spend on social policy (“non-social policy”) increases the risk of creating persistent inequalities of outcomes that can lead to economic costs through lost productivity, foregone tax revenue, reduced consumer spending and higher expenditures on programs such as income assistance, social services, health care and security. Non-social policy also has social costs that can lead to social instability (Jenson, 2004).

The major challenge facing developed countries is not whether to spend on (or invest in) social policies or not, it is finding the politically and fiscally “sustainable” level of spending and investment. Many countries face increasing cost pressures and the need to keep taxes and contributions at “reasonable” levels. Economic globalization has created opportunities and threats, one being the competitive pressure to keep taxes at economically and politically acceptable levels. This means affordability, along with equity and efficiency, are the primary criteria for consideration of spending on social policies. The major challenge for policy-makers is how to maximize three major policy objectives – employment, equality and a balanced budget – to achieve the goals of efficiency, equity and affordability. To simultaneously achieve these goals, Canada has to find the right policy mix from a number of different actors, at a time when the federal government believes in watertight compartments and when the roles of other actors, particularly at the community level, are being redefined.

Some have argued that policy-making that attempts to simultaneously achieve goals of efficiency, equity and affordability is compromised by a policy-making approach that has been labelled the “fiscalization of social policy” (Prince, 2002; Rice and Prince, 2006; Workman, 1996). Essentially, the fiscalization thesis holds that all policy decisions, including social policy decisions, are evaluated primarily according to fiscal goals and principles. Over the last 25 to 30 years in Canada, successive federal governments of different political stripes have each had fiscal goals of annual balanced budgets and reducing government debt. Within the fiscalization framework, proposals for social policy spending for any national program of significance were characterized as major costs with long-term debt implications. The fiscal imperative for evaluating policy choices meant that all policies and programs had to show evidence of being *revenue-generating* or at least revenue-neutral. Fiscalization holds that the goal of equity is at best secondary to the goals of efficiency and affordability.

Canada as a Social Welfare State

To better understand social policy development and spending in developed societies, Esping-Andersen (1990) created a typology of welfare states – liberal, conservative and social democratic – and used this typology to characterize welfare state regimes in advanced capitalist democracies. The three types are groupings that arise by analysing the strength of various political influences in the social policy development process within countries.

Bernard and McDaniel (2007) provide summary definitions of the three types:

- **Liberal** welfare states are where individuals and families largely fend for themselves over their life course, with means-tested social protection policies and programs.
- **Conservative** welfare states attend to specific risks with the purpose of maintaining the position of individuals, and indirectly their families, over their life course.
- **Social democratic** welfare states adopt a broader, longer-term approach to risks, inducing individuals and families to be active contributors to the sustainability of the welfare state regime.

Earles (2002) suggests the key distinction between welfare states rests on who is primarily responsible for meeting the needs of citizens – “the major difference between the three regimes is whether it is the state (social democratic), the market (liberal), or the family (conservative) that is expected to provide for most of people's social welfare needs.”

Another characteristic distinction between welfare states is how spending on social welfare is perceived in that particular country – as a *cost* to society in liberal states and as an *investment* in social democratic ones (Andersson, 2005). Traditionally, economists have viewed social policy spending as consumption – that is, an immediate and short-term cost to the economy – not as an investment in individual or public goods. For example, policies in support of equal opportunities for women can raise the costs for training, wages and social protection, and indirectly affect economic growth (Rubery et al., 1999). However, characterizing social policy spending as an investment changes the orientation to focus on outcomes in the medium- and long-term and away from a narrow focus on inputs and outputs. Equal opportunities policies could then be seen as ensuring the effective use of human resources, supporting educational attainment, ensuring childbearing and care, and so on.

Esping-Andersen and other users of the welfare state typology maintain that the type of welfare regime is important in understanding the mix of policies and approaches that a country employs to address poverty and contribute to the income security of its citizens. According to Bernard and McDaniel (2007), “lives unfold in society contexts shaped by welfare regimes.”

Canada is identified as a liberal state in Esping-Andersen's typology. No country is an ideal type, however, and the mix of policies and programs supporting poverty reduction and income security in Canada over the years have also appeared in other countries that are characterized as conservative and/or social democratic. Welfare states are complex systems of people, policies, programs, institutions and their interrelationships, so it is not surprising that social welfare systems in most states reflect components of all three typologies.

Brady (2005) investigated the relationship between the welfare state and poverty in 18 western nations, including Canada, over a 30-year period from 1967 to 1997 using a number of measures. Examining data from the Luxembourg Income Study, Brady found that the effects of the welfare state on poverty – measured after taxes and transfers as the number of people below 50% of the country's median income

and as an index combining the poverty count with a depth of poverty measure – are far larger than the effects of economic and demographic sources on poverty and that significant features of the welfare state entirely account for any differences in poverty between welfare state regimes. Specifically, it is social security transfers (measured as a percentage of GDP) and public health spending (measured as a percentage of total health spending) that are significantly predictive of poverty reduction. Brady concludes that “poverty is best explained by simply examining social security transfers and health spending and neglecting welfare state regimes” (2005, p. 1346).

Given Brady’s findings and the complexity of the mix of policies and programs within the welfare state, a practical and informative approach to understanding policy development in Canada is found in Boychuk’s description of the *Canadian Social Model* (2004). Boychuk defines four “policy logics” to explain Canadian state provision for social welfare:

- Universal *social provision* for the entire population (e.g., universal programs like health care, pensions, education);
- *Social insurance* against risk to encourage labour market attachment (e.g., workers’ compensation, employment insurance, contributory pensions);
- *Social inclusion* through the establishment of social minimums to mitigate the effects of marginalization (e.g., refundable tax credits, social assistance, social housing);
- *Social cohesion* by fostering social integration in communities, emphasizing “place-based” solutions (e.g., community development programs, programs for ‘at-risk’ groups such as Aboriginal People and immigrants, industrial adjustment programs)

Boychuk also distinguishes policy design choices in two ways for each of the policy logics. “Social amelioration” policies are more short-term and address deficiencies, while “social investment” policies are longer-term and attempt to shift the source of welfare, for example, from the state to the market. In the case of poverty reduction and income security, examples of ameliorative policies are unemployment insurance and social assistance; examples of investment policies are child benefits and employment training programs.

Social Values in Canada

Noel maintains, however, that social policy debate and development is principally “moral and democratic” before its “institutional and technocratic” considerations (2003, p. 20). According to Esping-Andersen, “it is difficult to imagine that anyone struggled for social spending *per se*” (1990, p.21). That is, the political struggle for social development was, and is, primarily a struggle underpinned by the values of fairness and social justice, not simply a desire to spend money.

Many Canadians feel that their current social reality is disconnected from long-standing, essential and shared Canadian values (Hay, 2005a; Jenson, 2004; Rioux and Hay, 1993; Scott, 2005). These values include self-determination and mutual interdependence; equality, justice and fairness; respect for diversity; democracy and engagement; and trust and accountability. These values are grounded in our

constitution and the organization of government, our Charter of Rights and our jurisprudence, and reflected through public opinion polls and scholarly research, among others (MacKinnon, 2004).

Canadians feel they are living in a world of increasing uncertainty and risk, and they are seeking ways to address those risks and create more certain futures for themselves and their families. There is a shared understanding that the needs of many Canadians are going unmet; that the capacity of Canada and its people is still underdeveloped; and that the current governance arrangements in Canada need to be reformed to meet expectations of how a society in the 21st century can work together to solve these challenges (Hay, 2005a; Jenson, 2004; Scott, 2005). If the goal is to decrease rates of poverty in Canada, issues of governance and capacity are critical to address.

Roles and Responsibilities

Meeting the challenge of poverty has always required action from all sectors of Canadian society – from families, communities, businesses and governments. No sector is able to meet these challenges on its own, nor should it be expected to. But over the past couple of decades, expectations about the relative contribution of each of these sectors have changed markedly. Although Canadians have traditionally looked to government for leadership and support, governments are increasingly turning the responsibility for reducing poverty and achieving adequate income for health and well-being back to the family, businesses and communities. Even so, however, there is no longer a clear and shared understanding of what each sector could, and should, contribute (Jenson, 2004; Scott, 2005).

The constitutional division of powers and responsibilities among governments in Canada has greatly shaped the federal role in poverty policy. The development and implementation of any social policy requires cooperation and agreement among the federal, provincial and territorial governments. At the very least, this contributes to complex and time-consuming political and bureaucratic processes.

Bradford examined recent federal governments and categorized their approaches to intergovernmental relations (2007). The previous government led by Paul Martin and the Liberal Party was engaged in “deep federalism,” an approach that “facilitates multi-level joined-up governance.” It facilitates – indeed, requires – both horizontal and vertical cooperation among governments to achieve policy goals, “unencumbered by the rigidity of constitutional provisions” (Leo, 2006). By contrast, the current federal government of Prime Minister Stephen Harper is said to have rejected the deep federalism approach for a model of “open federalism” to guide intergovernmental relations (Bradford, 2007). This approach strictly adheres to the constitutional division of powers between different levels of government and avoids “collaborative policy deals that intrude on provincial turf” (p. 13).

In Canada, provincial and territorial governments have the constitutional responsibility to provide for the health and welfare of their citizens. However, the federal government has always had the greater fiscal capacity to fund new social programs. Over the years, a number of federal-provincial-territorial agreements have been developed to transfer federal funds to the provinces and territories for their

income security programs. These agreements include the Canada Assistance Plan (CAP) and the Canada Health and Social Transfer (CHST). Recently the CHST was split into two separate transfers, the Canada Health Transfer (CHT) and the Canada Social Transfer (CST). The CST is the mechanism for providing federal funds to the provinces and territories for their income security programs (e.g. social assistance) and social services.

Some analysts have suggested that Canada learn from the European experience, where the Open Method of Coordination used by member states in the European Union (EU) contributes to a more cohesive approach to social policy development, while respecting the sovereignty of member countries (Saint-Martin, 2004). The architecture developed by the EU looks much like Canada's Social Union Framework Agreement (SUFA).¹ It emphasizes consensus-building around the need for and direction of change based on: updated social knowledge (i.e. increasing data collection and strengthening policy research efforts); broad involvement and coordination; multilateral monitoring and reporting to citizens; regular meetings of EU states for progress reviews; a rotating leadership; and effective use of third-party thinkers, i.e. academics and think tanks (Hay, 2004).

Policy Decision-making in Canada and the Poverty Policy Community

In Canada, the debate and development of poverty policy is not particularly cohesive, and it generally occurs ad hoc. There is no ongoing or major institutional mechanism to monitor and develop poverty policy.² Debate and development occurs most visibly through parliamentary committee hearings and major conferences, and less visibly through lobbying and advocacy efforts with elected officials and departmental bureaucrats (McKeen, 2006).

Pross (1992) maintains that a key place for policy development occurs among a policy community. That is, policy development does not happen among the broad political community, but rather among a group of actors with expertise, knowledge and interest (McKeen, 2006). Thus, along with government, the poverty policy community consists of policy commentators and research analysts from community and advocacy organizations, business groups, think tanks, labour groups, universities and so on (Haddow, 1993).³

The development of policy necessarily involves ongoing, dynamic and challenging processes of knowledge development, understanding, implementation and reflection. And when these stages work together, conceptually and practically, they tend to be most efficient and effective. Policy development processes that are rooted in shared expertise and experience and that are both multi-dimensional and multi-sectoral have the best chance of addressing complex social policy problems. They are based on the recognition that "one-size-fits-all policy delivered from above" – with those "above" being politicians, policy-makers or some other group of "experts" – doesn't support the participation of others from the poverty policy community in defining the problems and meeting the needs (Hay, 2005b, p.6). Centralized government isn't appropriate for the task, but neither is decentralized government; "the goal is collaborative governance" (Bradford, 2005).

If, indeed, social policy spending is a good investment, social policy development processes need to be more systematic and broadly participatory in order to engage appropriate levels of debate on the best policy choices, ones that reflect a balance between the goals of equity, efficiency and affordability, and that arise from shared, multi-sectoral decision-making.

The next section discusses the current state of anti-poverty and income security policy at the federal level in Canada.

NATIONAL ANTI-POVERTY AND INCOME SECURITY POLICIES IN CANADA

There are a number of policies and programs at the national level in Canada that contribute to preventing and reducing poverty levels and that provide supports to low-income people (Canadian Population Health Initiative, 2004, p. 34).

Programs that prevent and reduce poverty include:

- Seniors benefits (e.g., pensions);
- Child and family benefits;
- Social assistance programs;
- Employment-related benefits (e.g., employment insurance, maternal/parental leave, sickness, disability and injury benefits);
- Minimum wage regulations.

Programs that provide supports to the poor include:

- Employment training;
- Community economic development;
- Early childhood care and education;
- Home and nurse visiting.

The major federal policies and programs that help to reduce poverty and support low-income people are focussed in three areas: child and family benefits; benefits for seniors; and employment benefits. Each area is described in greater detail below.

Child and Family Benefits

The Canada Child Tax Benefit (CCTB) is a tax-free monthly payment to families with children under 18 years of age (Canada Revenue Agency, 2008). The CCTB can also include payment of the Child Disability Benefit for families with children with severe and long-term disabilities, and monthly benefits for low-

income families with children through the National Child Benefit Supplement.⁴ Eligible families must apply to receive the CCTB.

Benefit amounts are calculated from income tax returns and hence, paid to families based on their income from the previous year (i.e., 2008 benefits are based on 2007 family income). The basic benefit is \$1,307 per year (\$108.91 per month) for each child under age 18. The third and each additional child receive a supplement of \$7.58 per month. Benefits are reduced once family net income exceeds \$37,885.⁵

The National Child Benefit Supplement (NCBS) is paid at the rate of \$2,205 per year (\$168.75 per month) for families with one child; \$1,792 a year (\$149.33 per month) per child for a two-child family; and \$1,704 a year (\$142 per month) per child for families with three or more children. The NCBS payments are reduced when family income reaches \$21,287, and they disappear for most families once the household income reaches \$37,885.⁶

The federal government also delivers two other benefits under its child and family category – the Universal Child Care Benefit (UCCB) and the Goods and Services Tax (GST) / Harmonized Sales Tax (HST) Credit. The intent of the UCCB is to support families with the costs of their childcare choices (Canada Revenue Agency, 2008). The UCCB provides \$100 per month per child for all families with children under the age of six. The UCCB is treated as taxable income. To help people living in low income offset the burden of consumptions taxes, the GST/HST Credit is paid quarterly to eligible low-income individuals and families. The amount of the credit depends on household income and province of residence. In Ontario, for example, a family of two adults and two children with a net income of \$41,200 would receive a credit of approximately \$330 per year; if their net income was \$26,200, they would receive approximately \$725 per year.

There has been no comprehensive assessment of the impact of these programs on poverty rates in Canada. Certainly cash benefits and tax credits, taken together, can reduce the incidence of poverty among Canadian families from 5 to 10 percentage points or more, depending on the specific type of benefit and the size of the family (cf. Canadian Population Health Initiative, 2004). According to Paterson, Levasseur and Teplova (2004), the “National Child Benefit can be credited with modest decreases in child poverty, [but] the benefit itself is inadequate to reduce child poverty in Canada.”

Benefits for Seniors

According to the federal government, Canada’s “retirement income system” consists of three parts: Old Age Security, a universal program for all people over the age of 65; the Canada Pension Plan, an employment-related contributory program; and private pensions and savings (Human Resources and Social Development Canada, 2008).

Old Age Security (OAS) has three parts – the OAS monthly pension, the Guaranteed Income Supplement (GIS) for low-income pensioners, and an Allowance for spouses or common-law partners of low-income

pensioners aged 60 to 64. The OAS, GIS and Allowance are not automatically given to Canadians once they reach age 65 (and for the GIS and Allowance, are also in low-income); instead, each potential pensioner must apply to receive the benefit. The OAS payments are treated as taxable income; the GIS and Allowance payments are not. The maximum monthly OAS payment is \$505.83, and pensioners with net incomes above \$64,718 must repay part of their OAS; benefit payments are eliminated once net income reaches \$105,043 or more. The average GIS payment is \$300 to \$400 per month; it stops being paid when the combined income of the pensioner and spouse reaches \$36,768. The average Allowance payment is \$400 to \$500 per month, and pensioners are ineligible for benefits once the combined income reaches \$28,368 or more. All benefit payments and income thresholds are indexed to the cost of living and adjusted quarterly.

The Canada Pension Plan (CPP) provides a monthly pension to people who have worked and paid into the plan.⁷ Pensioners must apply to receive CPP benefits and all benefits are considered taxable income. The amount of the benefit received depends on the number of years the pensioner has contributed to the Plan, and how much they contributed. In 2008, the maximum retirement pension was \$884.58 per month, and the average benefit paid in 2007 was \$481.46 per month.

The federal government instructs Canadians that “Old Age Security and Canada Pension Plan pensions are an important part of your retirement income, but they are not intended to meet all your retirement needs” (Human Resources and Social Development Canada, 2008). The federal government provides tax assistance to Canadians who contribute to their retirement savings through individual Registered Retirement Savings Plans (RRSPs) and through employer-sponsored pensions known as Registered Pension Plans (RPPs). Contributions to these types of plans are deductible from income taxes owed, and investments earned in the plans are sheltered from taxes until they are withdrawn (before or after retirement). RRSPs are predominantly taken up by middle- and upper-income groups (Battle, Torjman and Mendelson, 2002). Low-income Canadians have little or no money available to put into these kinds of savings plans, and very poor people pay no income taxes anyway so the potential tax savings are of little benefit to them. And access to RPPs requires a stable job with a secure employer (usually at least a medium-sized employer) – again, something poor people are less likely to have.

Canada’s retirement income system has been labelled a “major success story” (Osberg, 2001). Government tax and transfer programs have reduced the poverty rate among all seniors by a factor of 10 – from around 60% to less than 6% in the early 1990s (Canadian Population Health Initiative, 2004). The rate fluctuated somewhat in the latter half of the 1990s and the first few years of the 21st century, but by 2006, the poverty rate for all seniors was below 6% (Statistics Canada, 2008c). It is important to repeat, however, that particular groups of seniors – such as unattached senior women – have much higher poverty rates. As well, the National Advisory Council on Aging cautions that among groups of seniors “inequalities in retirement income will increase in the future” (2005).

Employment Benefits

The purpose of Canada's Employment Insurance (EI) program is to offer financial assistance to unemployed Canadians.⁸ The major EI benefit is a cash payment to workers who regularly paid EI premiums and subsequently lost their job; self-employed Canadians are not eligible for EI. There are a number of rules and regulations that govern access to the program and some of the major ones are outlined below. Reforms to the EI program in the late 1990s "increased work requirements and penalized frequent users" (Richards, 2007, p. 13). As a consequence of these reforms, currently less than half of the unemployed actually receive unemployment benefits, compared to over 80% of the unemployed that received benefits in the period from 1988 to 1990 (Hunsley, 2006; Richards, 2007).⁹

To be eligible for EI, workers must involuntarily lose their job. Those that are "dismissed for cause" or voluntarily leave their employment are not eligible to collect benefits. Workers must have worked for a specified minimum number of hours over the "qualifying period" – for most workers that is the 52 weeks immediately prior to the date of their EI claim. The minimum number of hours required to apply for benefits depends on a number of things, such as the unemployment rate in the worker's "economic region" of residence. For example, in regions where the unemployment rate is over 13%, claimants may qualify for benefits with a minimum of 420 hours (approximately 12 weeks of full-time work), but most workers require closer to 700 hours of work in the qualifying period in order to be eligible. And if a claimant is "in the workforce for the first time" or "re-entering the workforce after an absence of at least two years," 910 hours is the minimum required to be eligible for EI benefits (Service Canada, 2008). Workers must wait seven days after losing their job before they can apply for benefits, and there is a further two-week waiting period for eligible claimants before receiving benefits.

Unemployed workers must maintain and document an active search for employment while they are receiving EI benefits. They can obtain part-time work and earn \$50 to \$75 per week, depending on the claimant's region of residence, but anything above that amount is deducted directly from benefits to be paid. The maximum EI benefit is \$435 per week for a maximum of 45 weeks, and benefits are subject to income taxes. The benefit amount is calculated as a percentage of the claimant's income – 55% of a maximum income level of \$41,100 – and the number of weeks of benefits depends on the number of work hours accumulated in the qualifying period and the worker's region of residence. Thus, an unemployed worker who is eligible to receive EI benefits could receive a maximum of about \$1,700 per month for just over 10 months. In terms of income adequacy, maximum EI benefits would provide replacement income at about the level of the after-tax LICO (or "poverty line") for a single person in a large Canadian city.¹⁰

Other Programs

The Working Income Tax Benefit (WITB) was introduced in the 2007 federal government budget as an incentive to employment and a supplement for low-income earners. The WITB is a refundable tax credit; in 2008, it provided working Canadians up to \$510 for individuals and \$1,019 for families.¹¹ Individuals or

families must have at least \$3,000 in earned income (the “base amount”) to be eligible to receive the WITB. The benefit is calculated at 20% of earned income above the base amount up to the maximum benefit level. WITB payments are reduced by 15% of the amount of income above certain thresholds (\$9,500 for individuals and \$14,500 for families).

Other policies and programs can also contribute to reducing poverty. For example, substantial levels of public funding for the health care and education systems means that the amount of money that poor families must pay privately for their health care and education is greatly reduced. This enables the household’s financial resources to be directed to other areas of need.

Programs that help to build financial security through the accumulation of assets have received much attention over the last decade in Canada and internationally (Mendelson, 2007). These programs, such as Registered Education Savings Plans and the Canada Learning Bond, reflect the “active social policy” principle in that they are designed to encourage people to save for education and training purposes, with the goal of increasing their employment prospects and hence, the income of participants.

COMPREHENSIVE ANTI-POVERTY / INCOME SECURITY POLICIES IN CANADA

Anti-poverty and income security policies do work. For example, if there were no income benefits for seniors, poverty rates for that group of Canadians could be nearly 10 times higher (Canadian Population Health Initiative, 2004). Similarly, if there were no federal child benefits, the poverty rate for families with children would be 15% compared to just over 9% under the current benefits system (Battle, 2008). Public policy is an effective means of addressing poverty and income security for Canadians (Osberg and Sharpe, 2001).

What are the essential elements?

The policy community is in general agreement that a mix of policies and programs are required to alleviate poverty levels and contribute to income security for Canadians. In general, the proposed mix is representative of the policy and program areas discussed earlier: child and family benefits, employment benefits, benefits for seniors, and other benefits (such as tax credits, housing allowances and supports, food allowances and supports), including those for specific population sub-groups such as people with disabilities, Aboriginal people, recent immigrants, farmers and rural residents. And an “active social policy” orientation underlies these policy and program proposals, i.e. promoting education, training and labour market attachment as the main route to achieving an adequate income. A couple of examples proposed by the poverty policy community highlight the suggested changes to child and family benefits and to employment insurance benefits.

For example, the Caledon Institute proposes that the amount of the Canada Child Tax Benefit (CCTB) be raised to a level that helps to reduce child poverty and approaches the actual costs that families face in raising their children (Battle, 2008). Caledon proposes that the current maximum benefit of \$3,271 per year for the first child in low-income families be raised to \$5,000 per child. Benefits for “modest” and “middle” income families would also be raised. Caledon says the effect of this change would be to reduce the poverty rate for families with children from 9.3% to 8.3% and would lift 40,000 families out of poverty. It would also reduce the average depth of poverty – that is, the average dollar amount that families fall below the poverty line – by about \$400, from \$7,546 to \$7,153. The Caledon proposal for the CCTB would eliminate the Universal Child Care Benefit and a small child tax credit and apply the current spending on those programs to their proposed CCTB. The incremental cost of the Caledon proposal is estimated to be \$4 billion.

Three “income security architecture proposals” included suggestions for reforming the employment insurance program (Battle, Mendelson and Torjman, 2006; Duclos, 2007; Task Force on Modernizing Income Security for Working-Age Adults, 2006). Battle et al and Duclos propose changes that would substantially reform the EI system. Duclos would “simplify” the program and make it more of a contributory program based on insurance principles; Battle et al propose two “tiers” of unemployment assistance, with the first tier being the responsibility of the federal government and provincial and territorial governments being responsible for the second tier. The federally funded tier would provide short-term, time-limited support through an income-tested “temporary income” (TI). Recipients would be expected to look for new employment while receiving the TI. The Task Force report essentially proposes changes to the current EI system: move towards uniform eligibility requirements; reduce the number of hours of work required for new entrants and re-entrants; include voluntary job leavers and those dismissed for cause as eligible recipients; and improve access to other EI benefits and programs (such as training and parental leave benefits) for those not otherwise eligible for EI.

Other analysts over the years have made similar proposals for small changes or large reforms to particular income security programs in Canada. They are similar to the above examples in that they generally include fairly technical re-working of benefit levels, eligibility requirements, duration of benefits and so on. Unlike the Caledon proposal for a new \$5,000 Canada Child Tax Benefit, however, many of these proposals do not have poverty reduction as a primary goal of the reform. And most proposals do not indicate at all if they would reduce poverty or increase income security. In fact, all of these complicated, lengthy and technical proposals that purport to be “new architecture,” “a significant retooling,” and “major reforms” may not have much impact on poverty levels in Canada – e.g., a 1% reduction in poverty among families with children costs an estimated \$4 billion.

Having a job is still the best way to avoid poverty, but even that statement has caveats. First, people earning low wages – around \$11 per hour or less – can work full-time for a full-year and still be below the poverty line (Saunders, 2006). Second, a single earner for a family of two or more people needs much higher wages to keep themselves and their dependents out of poverty. And third, a number of Canadians are unable to work, either temporarily or permanently.

There are two main unresolved issues among the poverty policy community about what characterizes a comprehensive anti-poverty and income security policy in Canada. The first is determining what amount of income is deemed to be adequate. Endless tinkering with program details of specific policies does not contribute anything to defining adequate income levels. The second unresolved issue is who – from among families, communities, businesses and governments – contributes what to the mix of policies, programs and efforts required to achieve income security for Canadians.

The National Council of Welfare conducted research and held a national consultation on “solving poverty” (2007). Based on their review of anti-poverty strategies, the Council concluded that “if there is no long-term vision, no plan, no one accountable for carrying out the plan, no resources assigned and no accepted measure of result, we will continue to be mired in poverty for generations” (2007, p. 17). They recommended four elements of a strategy as the “foundation for lasting solutions:”

- A national anti-poverty strategy with a long-term vision and measurable targets and timelines;
- A plan of action and budget that coordinates initiatives within and across governments and other partners;
- A government accountability structure for ensuring results and for consulting Canadians in the design, implementation and evaluation of the actions that will affect them;
- A set of agreed-upon poverty indicators that will be used to plan, monitor change and assess progress.

The Council urged the federal government to adopt and lead this strategy “as one of the most important initiatives” it could undertake, and said they should be encouraged by the support and confidence of Canadians who believe poverty that can be reduced (2007, p. 18).

What are the political opportunities and prospects?

As noted earlier, there has been a resurgence of discussion and debate about what to do about poverty in Canada. Most notably, two Senate of Canada committees and one House of Commons committee have examined or are currently examining poverty in Canada (House of Commons, 2008; Senate of Canada, 2008a; Senate of Canada, 2008b). A few provincial and territorial governments are developing their own poverty-reduction strategies, and there are ongoing discussions about the issue in national, regional and local media. And members of the poverty policy community actively engage with these processes and institutions to promote their poverty solutions.

The focus of this paper is on national or federal-level policies and programs to reduce poverty. However, the key federal member of the poverty policy community – the federal government – is currently the least engaged member in discussions about solutions to poverty. The current federal government’s model of “open federalism” to guide intergovernmental relations and policy development suggests that their significant engagement in any social policy field is unlikely.

The ideal of collaborative governance in Canada has suffered from years of federal unilateralism, fiscalization, and expenditure and tax cuts. A significant consequence has been that Canadian institutions that were explicitly formed to build consensus and coordinate actions on important policy issues such as the Law Commission of Canada or Status of Women Canada have been eliminated or undermined. And proposed changes to strengthen coordination have been agreed to, and then not used (such as the Social Union Framework Agreement).

Given this, perhaps the best opportunity for policy development, implementation and action on poverty can be found at the local level in communities across Canada, and particularly in those provinces that have engaged in or have begun to develop their own anti-poverty strategies – Quebec, Newfoundland and Labrador, Ontario, Nova Scotia, and New Brunswick. Bradford recommends that in order to “get on with the job” of policy development to meet the needs of Canadian communities such a “ground-up” approach is required (2008; 2002). He describes the elements of a “national innovation system” built on successful community approaches to social change: technical expertise and grassroots knowledge; an institutional framework that brings together citizens, sectors and governments; and the “strategic brokering” skills of particular individuals and organizations (Bradford, 2008). The persistence of poverty demands a new approach.

CONCLUSION

This paper has reviewed poverty reduction policies and programs at the federal level in Canada. It discussed poverty measurement and trends, and the policy goals and perspectives necessary to understand the poverty policy debate; reviewed national level anti-poverty and income security policies and programs; and outlined elements of anti-poverty and income security policies found in the research literature.

It is important to note that inadequate income and income inequalities impose economic as well as social and individual costs (Jenson, 2004). And the costs of neglecting social protection policies – in terms of higher levels of poverty, weak economic development, and the waste of human and social capital – these costs are borne by society as a whole (Bonilla Garcia and Gruat, 2003; Fouarge, 2003; Harris, 2002; Suhrcke et al., 2005).

Population groups that have inadequate economic resources are restrained from pursuing and achieving their human development potential. And they lose the ability to contribute fully to the collective social, political and cultural development of their communities. A society’s stock of human capital – for the present and the future – will be diminished if there is inadequate spending on public benefits and services. The consequences include reduced life expectancy, greater rates of illness, lower literacy levels and educational attainment, and insufficient supports for the successful development of children and youth (Canadian Population Health Initiative, 2004).

Research has consistently linked poverty and vulnerability with weak social policies (Saunders, 2006). Anti-poverty and income security policies and programs work – they reduce the incidence of poverty and contribute to increased income security. But current policies and programs could certainly work better.

This paper suggests that rather than making particular policies and programs better, a more integrated approach to policy development would likely achieve greater and longer-lasting success. The strategy suggested by the National Council of Welfare (2007) seems to be a reasonable foundation for such an integrated approach to poverty reduction in Canada. Following Bradford (2008), a national community innovation system for the elimination of poverty in Canada could also be a worthwhile avenue to contribute to real and lasting change for low-income Canadians.

ENDNOTES

¹ Information on the Social Union initiative and the Social Union Framework Agreement is available at <http://www.unionsociale.gc.ca>.

² Arguably the closest thing in Canada would be the National Council of Welfare. The NCW “is an arm's length advisory body to the Minister of Human Resources and Social Development on matters of concern to low-income Canadians.” See <http://www.ncwcnbes.net/>.

³ The Task Force on Modernizing Income Security for Working-Age Adults (2006) provides an example of both a broad policy community, and of a collaborative policy development process.

⁴ The Child Disability Benefit pays up to \$2,395 per year to families who care for children under age 18 with severe disabilities. The National Child Benefit Supplement is the federal government’s contribution to the National Child Benefit (NCB). The NCB is a joint initiative of the federal, provincial and territorial governments. See www.nationalchildbenefit.ca.

⁵ The 2009 federal budget raised the income thresholds for the receipt of maximum benefits. The effect of these changes will be increases of \$100 to a little more than \$200 in NCBS payments for one-child families with household incomes between \$25,000 and \$40,000, and increases of \$20 to \$40 in CCTB payments for one-child families earning \$40,000 to \$107,000. See Battle (2009) for a detailed discussion.

⁶ See note 5.

⁷ The CPP also pays benefits to the surviving spouses and children of deceased plan contributors.

⁸ “Canadians who are sick, pregnant or caring for a newborn or adopted child, as well as those who must care for a family member who is seriously ill with a significant risk of death, may also be assisted by Employment Insurance.” (Service Canada, 2008)

⁹ The percentage of the unemployed receiving EI benefits varies significantly across Canada, however. Data from 2004 show the range to be from about 30% in Ontario to over 90% in Newfoundland (Battle, Mendelson and Torjman, 2006).

¹⁰ The before-tax LICO for 2007 for a single person ranged from \$16,968 for those living in communities with less than 30,000 population to \$21,666 for those living in large cities of 500,000 or more people (National Council of Welfare, 2008). The after-tax LICO for 2007 was \$17,954 for single persons in large cities (National Council of Welfare, 2008; Statistics Canada, 2008).

¹¹ In the 2009 federal budget, maximum benefit levels were substantially increased – to \$925 for individuals and \$1,680 for families. Benefits were paid to slightly higher income thresholds, but the reduction rate was not changed (Battle, 2009). It should be noted that there are provincial and territorial differences in maximum benefit levels. See Battle (2009) for a detailed discussion.

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