

November 2005

Report Card on Child Poverty in Saskatchewan

Poverty is inescapably wedded to the degree and consequences of social inequality we are prepared to tolerate or even encourage.

The Social Policy Research Unit
Faculty of Social Work
University of Regina
Regina, Saskatchewan



UNIVERSITY OF
REGINA

Poverty can do both immediate and lasting harm to children. Children who grow up in poverty are more likely to lack adequate food, clothing and basic health care, live in sub-standard housing and poorly resourced neighbourhoods, become victims of crime and violence, be less successful in school, suffer ill health and have shortened life spans.

Report Highlights

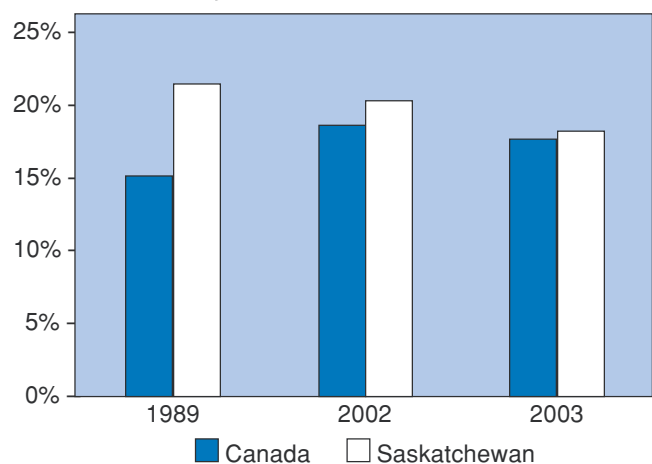
- In 2003, the incidence of child poverty in Canada was 17.6 percent. In Saskatchewan, 18.3 percent or 40,000 children lived in poverty.
- 49 percent of Saskatchewan children who lived in female lone-parent families were poor.
- 0.7 percent of the province's Gross Domestic Product would raise all Saskatchewan poor children to the poverty lines.
- The average Saskatchewan poor family with children required an additional income of \$6,500 to reach the poverty line.
- Before social transfers, 29.5 percent (65,200) of Saskatchewan children under age 18 lived in households below the poverty line. When spending on social programs is included in the family income, the figure drops to 18.3 percent.
- More than half of poor children live in unaffordable housing – 54 percent in 2002 and 58 percent in 2003.
- There is ongoing polarization of incomes between the majority of people on the one hand, and the affluent few on the other:
 - The bottom 10 percent of the Saskatchewan population continues to hold less than one percent of all wages and salary income (in 1997, 0.8 percent and in 2002, 0.6 percent).

- The top 10 percent of the population continues to receive over one-quarter of all wages and salary incomes (25.9 percent in 1997 and 26.6 percent in 2002).

Incidence of Poverty

Family (household) poverty is the most direct indicator of the economic status of children. The following Figure 1 depicts the percentage of both Canadian and Saskatchewan children under 18 living in households below the low-income cut-off (LICO)¹ line. Percentage² figures give us the incidence of poverty.

Figure 1. Children under 18 years in Households below the (LICO) Poverty Line



Source: Canadian Council of Social Development using Statistics Canada Survey of Labour and Income Dynamics, masterfile.

In 1989 when Canada's House of Commons resolved to seek an end to child poverty by the year 2000, 15.1% (1,002,000) of all Canadian children under 18 lived in households below the poverty line. By 2003, the poverty rate among Canadian children had risen to 17.6% (1,201,000).

The provincial rate continues to be higher than the national average. For instance, the percentage of Saskatchewan children living in households below the

¹ The LICO low income cut-off line is a Statistics Canada estimate of the pre-tax total income needed to meet the basic living costs of food, shelter and clothing only, adjusted for family size and geographical area (rural and urban centres of various sizes).

² Percentage figures are included as well as count data. Percentage values are preferred over count values as they provide a representation of children in poverty to the population base of all the children in the province. Using counts alone would not be an accurate representation, as the population base number fluctuates from year to year. Percentage gives us a ratio of child poverty to the base number of children for each year; a base number that changes each year.

LICO poverty line stood at 21.5% (59,000 children) in 1989. It fell slightly to 20.3% (46,000 children) in 2002, and again to 18.3% (40,000 children) in 2003.

The decline in the provincial poverty rate while slight must be interpreted with caution. Statistics Canada continually revises its data. It initially listed the province's child poverty incidence rate for 2002 at 18.7% (43,000 children). With the most recent release of the 2003 data set, Statistics Canada revised the incidence rate for 2002 to 20.3%. The original incidence rate of 18.7% is close to Statistics Canada's latest incidence rate of 18.3% for 2003.

Depth of Poverty

A concept related to the incidence of poverty is the depth of poverty.³ Depth of poverty indicates how far below a poverty line an income falls. The measure is useful when calculating how much is needed to raise the income of poor families to the different poverty cut-off lines. For example, in 2002, the average Saskatchewan poor family with children needed \$6,400 in additional income to reach the poverty lines; by 2003, that family required an additional income of \$6,500 to reach poverty lines.

Depth of poverty can also be used to estimate the proportion of Saskatchewan's real (constant dollar) gross domestic product⁴ (GDP) required to raise all poor families to the LICO poverty line. That is, how much Saskatchewan wealth would it take to help the poor among us?

To raise all poor children to the poverty line it would have taken 1.1% of Saskatchewan's GDP in 1998 and 0.81% of the GDP in 2002. As Saskatchewan's economy continues to grow — a 6.7% change from 2002 to 2003⁵ — only 0.71% of the provincial GDP would have been required to raise Saskatchewan's poor children above poverty in 2003. Yet the persistence of poverty suggests that economic growth is not reaching the economically vulnerable.

3 The average low-income gap is calculated by determining the sum of all income amounts that are below the low income cut-off levels, and dividing that sum by the number of children below the low income cut-off lines.

4 Real GDP is the value of all goods and services produced in Saskatchewan for a given year in constant dollars. Constant prices, or constant dollars, are used rather than reporting only nominal values so that comparisons can be made across different years accounting for the rise in prices measured by inflation.

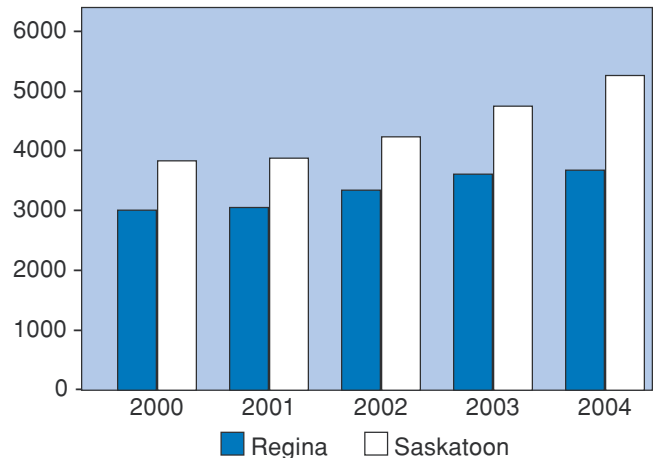
5 Saskatchewan Provincial Economic Accounts, May 2005.

6 *The State of Hunger in the Provinces and Northern Canada*. Hunger Count 2005; <http://www.cafb-acba.ca>

In this land of plenty a radically unequal distribution of resources underlies the existence, extent and depth of poverty across the country.

Hunger Count 2002, "Eating their words: government failure on food security" p 5

Figure 2. Food Bank Orders, Regina and Saskatoon (2000 – 2004)



Sources: The Regina and District Food Bank, and Saskatoon Food Bank and Learning Centre

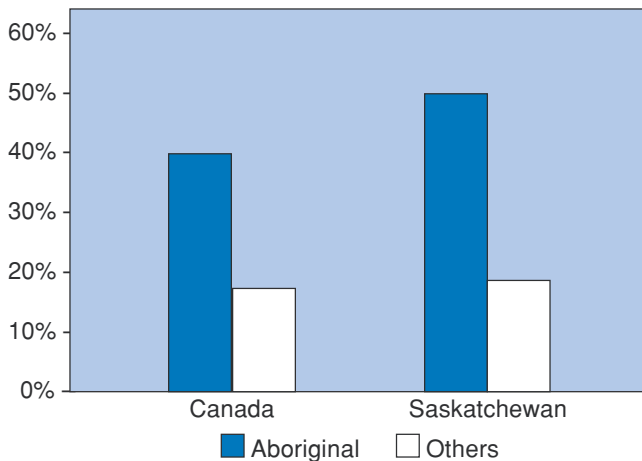
According to Hunger Count 2005, food bank use throughout Saskatchewan is on the rise. The demand for emergency food is most pronounced in major urban centres, but there is an increasing need throughout rural Saskatchewan.⁶

Figure 2 shows the average number of food requests made each month at food banks in Regina and Saskatoon from 2000 to 2004. In that five-year period, food requests in Regina increased by 21.2% (from 3007 to 3649). In the same five-year period, the number of requests in Saskatoon ballooned by 36.5% (from 3813 to 5205). Children continue to comprise the largest group of food bank users in the two cities.

Who Experiences Poverty?

Poverty is not evenly distributed within the province. For Aboriginal peoples (data does not include reserves) the situation is especially dire. Aboriginal people experience a ratio of poverty almost four times greater than the general population. The National Census data for 2001 shows that 50% (19,190 of 38,360) of Saskatchewan children identified as Aboriginal lived in poverty. This compares to 19.2% of all Saskatchewan children living in poverty in 2001. The poverty rate among all Aboriginal children nation-wide stood at 40% in 2001.

Figure 3. Child Poverty: Aboriginal and All Populations, 2001

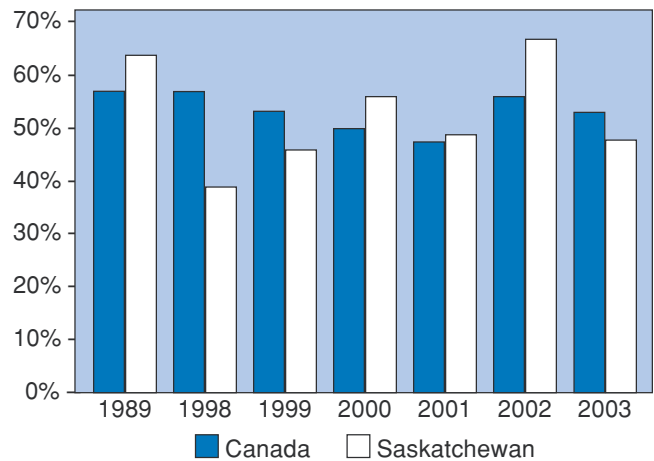


Source: National Census 2001 data. The incidence of low income is not calculated for economic families and unattached individuals living in the Yukon, the Northwest Territories, Nunavut, and on Indian reserves in the 2001 Census.

Figure 4 shows that female lone-parents in Saskatchewan also share a disproportionate level of poverty. In Saskatchewan, the percentage of children under 18 living in female lone-parent households below the poverty line varies from year to year. It has ranged from a low of 39.1% in 1998 to a high of 65.1% in 2002. Consistently, however, female lone-parent households have a higher poverty rate than do two-parent households. In 2003, Saskatchewan children living in two-parent households had a poverty rate

of 11.2% (20,000 children) out of all two-parent families, while 49% (18,000) of all Saskatchewan children in female lone-parent families lived below the poverty line. Canada-wide, 52.5% of children in female lone-parent households lived below the poverty line in 2003.

Figure 4. Child Poverty in Female Lone-Parent Families Canada and Saskatchewan



Source: Canadian Council of Social Development using Statistics Canada Survey of Labour and Income Dynamics, masterfile.

Working, Poverty and Social Assistance Reform in Saskatchewan

Social Assistance reform was introduced in Saskatchewan in 1998 under the *Building Independence* initiative. The Social Services Minister (now Premier) Lorne Calvert stated, “We are turning the present welfare system on its head.”⁷ In 1998 when *Building Independence* partnered with a federal government initiative called the National Child Benefit (NCB) program, Minister Calvert stated, “It [the NCB] is in fact the most significant social program to be developed in Canada in 30 years.”⁸

The fundamental philosophy of *Building Independence* is that work is the best path out of poverty.⁹

7 Saskatchewan Social Services Newsletter. *Next Step*. Budget Edition 1998.

8 News Release, Media Services. *Saskatchewan Takes an Active Role in the National Child Benefit*. June 15, 1998.

9 Saskatchewan Community Resources and Employment. *Building Independence: An Innovative Approach*. June 10, 2004. (brochure)

Building Independence and the NCB programs channel increased benefit levels to people having some form of labour force attachment (i.e., are employed). Consequently, “[b]y making jobs the first option for people in need of assistance, thousands of Saskatchewan families have left welfare or have avoided it altogether, returning it to a “last resort” option in Saskatchewan.”¹⁰

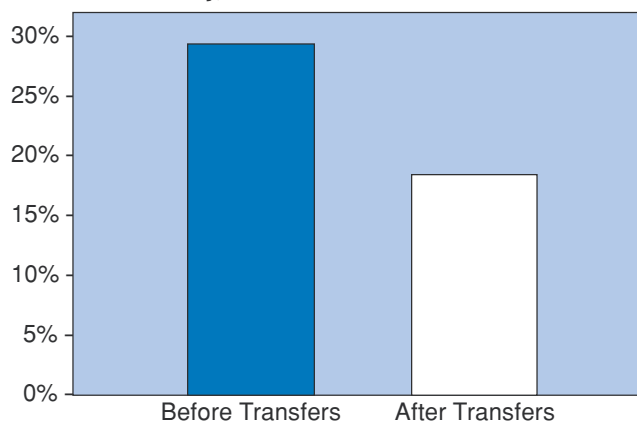
The Saskatchewan Department of Community Resources and Employment reports a 41% drop in the number of families receiving social assistance, and the lowest social assistance caseload since 1991. Would it be a mistake however, to confuse lower social assistance caseloads with a corresponding decrease in child poverty? What are the implications of encouraging a working poor labour force?

In 2002, 28%, or 12,900¹¹ of the total number (46,000) of Saskatchewan children in poverty lived in households having full-time, full-year work. There was a very slight decrease in 2003, with 27.8% or 11,100 of the total number (40,000) of poor children living in households having full-time, full year work. The Saskatchewan child poverty ratio of full-time, full-year employment families in poverty to the total workforce population in 2003 is 7.7%, down slightly from 8.9% in 2002. Relying on wages and salary income alone presents a much higher level of child poverty as can be seen in Figure 5. Clearly a work first approach is not enough to reduce child poverty in Saskatchewan, particularly if families removed from welfare cannot find employment to bring them above the poverty line.

Before social transfers, 29.5% (65,200) of Saskatchewan children under age 18 lived in households below the poverty line. Once spending on social programs is included in the family income, the figure drops to 18.3% (40,000 children). By comparison, before social transfers 26.9% of all Canadian children

under 18 lived in households below the poverty line; the percentage falls to 17.6 when spending on social programs is included in the income.

Figure 5. Saskatchewan Labour Force Income and Child Poverty, 2003



Source: Canadian Council of Social Development using Statistics Canada Survey of Labour and Income Dynamics, masterfile.

Housing and Poverty in Saskatchewan

Shelter costs must be considered when examining child poverty. Especially important is the number of children in poverty who live in unaffordable housing.¹² In 2002, 54% of children in poor economic families lived in unaffordable housing, whereas only 5.4% of children of economic families who were *not* in poverty lived in unaffordable housing. By 2003, the number of poor children living in unaffordable housing in Saskatchewan had grown to 57.7%.

In May 2005, Saskatchewan introduced a new Rental Housing Supplement program for low-income people to address the housing problem.¹³

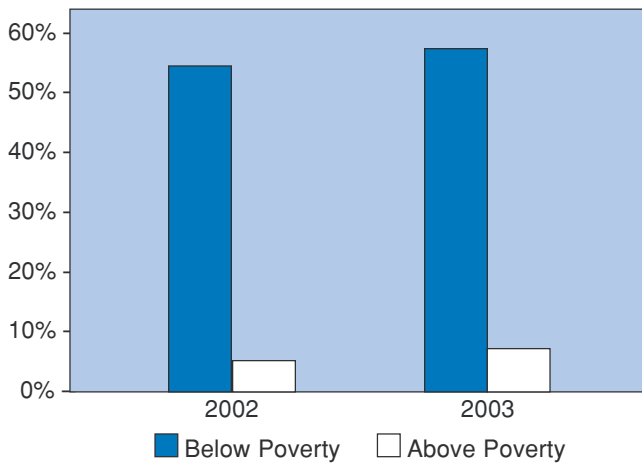
¹⁰ *ibid*

¹¹ Canadian Council of Social Development, using Statistics Canada’s *Survey of Labour and Income Dynamics*, masterfile.

¹² Housing is considered unaffordable if shelter costs are greater than 30% of total income. Annual costs of shelter included for the household are for owners: mortgage payments, property taxes, condominium fees (if applicable), and payments for electricity, fuel and water; for renters: rent plus payments for electricity, fuel and water not already included in the rent.

¹³ For a critical analysis of the Rental Housing Supplement program and related housing issues in Saskatchewan see: Hunter, G., & K. Donovan (2005). *Transitional Employment Allowance, Flat Rate Utilities, Rental Housing Supplements and Poverty in Saskatchewan*. Social Policy Research Unit, Faculty of Social Work, University of Regina, Occasional Paper #20.

Figure 6. Unaffordable Housing and Poverty in Saskatchewan



Source: Canadian Council of Social Development using Statistics Canada Survey of Labour and Income Dynamics.

Income Inequality

An emphasis on poverty-line criteria does not say much about the rest of society and reveals nothing about the rich and powerful and the levels of affluence they enjoy.¹⁴

To more fully understand poverty, it is necessary to look at wealth and inequality as it exists in society. While there is much to say about income inequality, we outline here its impact on health, and then examine in some detail the growing gap between the rich and the poor in Saskatchewan.

Income Inequality and Health. As Commissioner of the *Commission on the Future of Health Care in Canada*, the former Premier of Saskatchewan, Roy Romanow Q.C., has remarked on the relationship between income inequality and health.¹⁵ Romanow’s ideas are hardly new. They do however convey the urgency for addressing income inequality, and are cited here at length.

“Socio-Economic Status is the Key Determinant of Health. There is a growing body of evidence that money is one of the most important determinants of health. We’ve known that for a long time. If you’re at the bottom of the income ladder, the odds are you’re going to find yourself at the bottom of the health ladder. If you’re at the top of the income ladder, you’re more than likely to be at the top of the health ladder. Here in Canada, life expectancy drops for every step down the ladder: the very rich live longer than the somewhat rich; the upper middle class live longer than the merely middle class; and the poorest 20 percent are more likely to die of every possible disease from which people can die.

In developing countries, as the average income goes up, life expectancy does also. In developed countries there is something more important than the average income, and that’s the size of the gap between the rich and the poor. It seems that in countries where the gap is large, life expectancy is not as high as in countries where average income may be lower, but the gaps between rich and poor are smaller.

In a country like Canada, such a finding should sound alarm bells throughout the nation. Why? Because we have a growing gap between the rich and the poor and the gap is growing annually. Just two years ago, a study carried out at York University showed that of all the years of lost life in Canada before the age of 75, about 23% can be traced to differences in income.

Income supports are crucial for a minimum standard of living. Due to the lack of good jobs that provide economic security too many people are working at near minimum wage and struggling to make ends meet. The increase in contract, temporary, or part-time work means there are too many individuals who no longer qualify for Employment Insurance.

¹⁴ Ternowetsky, G. (2000). *Poverty and Corporate Welfare*. Social Policy Research Unit, Faculty of Social Work, University of Regina, page 2.

¹⁵ Romanow, R. (2004). *The New Canada Social Transfer: Impetus for a Renewed Era of Innovative Social Policy in Canada?* Canadian Council on Social Development, National Arts Centre, Ottawa, Ontario, 14 October, 2004.

For individuals or families who do not qualify for Employment Insurance, welfare is the program of last resort. Because of cuts to welfare and the claw back of the Canada Child Tax Benefit for people on welfare, too many people are forced to choose between either paying the rent or feeding the kids. Income matters.

The Early Years are a Key Determinant.

The income that your family has determines the quality of your childhood years, the type of job you have, the kind of housing and community you live in, the type of recreation and fitness programs which you have access – all of which directly affect health.

We know for a fact that a child subject to deprivation or stress is far more likely to experience mental illness, obesity, adult on-set diabetes, heart disease and a shortened life span. Even if these children move into a better environment after childhood, they suffer poorer health throughout their lives.”

We agree with Romanow’s suggestion that the claw back of the Canada Child Tax Benefit for people on welfare should end. (The National Council of Welfare also argues that a huge problem in welfare financing is the continued claw back of federal child benefits from families with children on welfare in Prince Edward Island, Ontario, **Saskatchewan**, British Columbia and all three territories.¹⁶) Yet it is interesting to consider that the Romanow government initiated the claw back of federal child benefits when the Canada Child Tax Benefit program was introduced in 1998.

We also recognize along with Romanow that due to the lack of good jobs providing economic security

and with cuts to welfare, too many people are forced to choose between either paying the rent or feeding the kids. However, as we have noted elsewhere, the former Romanow government introduced the *Building Independence* welfare program in 1997 with the belief that any job is a good job and the aim of reducing welfare benefits through program benefit restrictions.¹⁷

Income Inequality Index 1997-2002

Family Wages and Salaries¹⁸ and Income Inequality in Saskatchewan

We have outlined some implications of income inequality on the health of Saskatchewan citizens. We now examine the degree of income inequality in the province for 1997 and 2002.¹⁹

Table 1 which follows compares family wages and salaries in Saskatchewan. The family wage variable is grouped into ten income deciles, ranging from the bottom 10% of income earners to the top 10%, from the poorest to the most affluent families (Column 1). The top 10% is further grouped into 90-95th percentiles; 96-99th percentiles; and the most rich one percent. There is a large income spread within the top income decile. Subdividing this decile allows us to examine this income spread in terms of wages and total incomes within the province.

Column 2 shows the income cut-off dollars for each decile of the Family Wages variable. These values represent the top income reported in each of the income deciles. For example, in 1997 the highest income in the bottom decile was \$6,500, and the cut-off grew to \$6,800 in 2002, a difference of \$300 or an increase of 4.6% in wages and salaries. For the bottom half of the families (the income cut-off for the

16 Government of Canada. (2005). *Fix Welfare Financing and End the “Clawback” of Child Benefits!* National Council of Welfare, 07 June, 2005.

17 For more on *Building Independence* see Hunter, G. & D. Miazdyck (2003). *Current Issues Surrounding Poverty and Welfare Programming in Canada: Two Reviews*. Social Policy Research Unit, Faculty of Social Work, University of Regina, Working Paper #20.

18 The *Wages and Salaries* variable gives the sum of amounts reported by all individuals in the family including “gross” wages and salaries but excluding the value of “taxable allowances and benefits provided by employers.”

19 These years were chosen because 1997 was the year Saskatchewan introduced its changes to welfare with the *Building Independence* program.

Although this 2005 poverty report uses data from 2003, the 2002 *Survey of Labour Income & Dynamics* is used for the income inequality analysis, as this is the latest data set available to researchers without direct access to Statistics Canada. As income shifts occur slowly over time, the income inequality situation for 2003 would be very similar to that reported using 2002 data.

fifth decile) the family wage grew from \$32,500 in 1997 to \$40,000 in 2002, a difference of \$7,500 or a 23% increase in wages and salaries. The changes in Saskatchewan income patterns become more explicit when these increases are compared to the increase experienced by the top 96-99th percentile. Here family wages increased from \$131,533 in 1997 to \$179,300 in 2002, a difference of \$47,767 or a 36% increase in wages and salaries. The increase experienced by just these four percentiles alone is more than six times the wage and salary increases of the bottom half (5 deciles) of Saskatchewan families by 2002. Furthermore, the increase is 159 times the increase experienced by the bottom income decile. These rates are in current dollars and the situation for the lower income families is even worse when inflation is accounted.

Column 3 presents the percentage share of income in each of the income deciles. The bottom 10% of the population continues to hold less than 1% of all wages and salary income: in 1997 this group held 0.8% of the total share of income in the province and by 2002 held 0.6%. In comparison, the top income decile received 26.6% of all wages and salary income in 2002. There is little variation among the income shares between 1997 (25.9%) and 2002 (26.6%) for this decile.

Column 4 allows us to measure inequality as indicated by the Gini coefficient. The Gini coefficient is calculated using cumulative percentages.

Under a situation of perfect equality the bottom 20% of all families would control 20% of income and the bottom 50% would control an equal 50% of the cumulative income. The Gini score depicts the size of the gap between this ideal and the actual cumulative distribution of income. A Gini coefficient measures inequality with a value between 0 and 1, where 0 corresponds with perfect equality (everyone has the same income) and 1 corresponds with perfect inequality (one has all the income and everyone else

has zero income). The Gini index is the Gini coefficient expressed in percentage form, and is equal to the Gini coefficient multiplied by 100.

While most developed European nations tend to have Gini coefficients between 0.24 and 0.36, the United States has been above 0.4 over the last two decades, indicating greater income inequality. Saskatchewan's Gini coefficient ranged from .404 in 1997 to .422 in 2002 for wages and salaries, which also indicates high income inequality.

Using the Gini can help quantify differences in **welfare** and other income support programs. The Gini coefficient can also be used to indicate how the distribution of income has changed within a country over a period of time. Hence it is possible to see if inequality is increasing or decreasing. However the Gini coefficient can be misleading when used to make political comparisons between large and small countries.

Gini coefficient values usually range between 0.2 – 20% (low inequality) to values of 0.5 – 50% (high inequality).²⁰ Changes in income inequality take place very slowly, and a change in one percentage point would be considered significant.²¹ Table 1 suggests that significant changes have occurred in inequality from 1997 to 2002. In 1997 the Gini index was 40.4%. By 2002 it had increased in value by almost two percent, to 42.2%. When we look at the wages and salaries in Saskatchewan, the rich are getting richer and the poor are getting poorer at a significant rate.

Total Family Income²² and Income Inequality in Saskatchewan

Table 2 examines the Total Family Income variable to determine whether government transfer payments to families and income from investments have an impact upon narrowing employment income inequality generated by the market.

20 Rashid, A. (1998). "Family Income Inequality, 1975-1995." *Statistics Canada*. Catalogue no. 75-001-XPE, p. 14.

21 Ibid.

22 The *Total Income* variable includes all income gained by family members from investments, government transfer payments, retirement pensions, superannuation and annuities, and all other money income.

Table1. Income Distribution of Family Wages and Salaries. Saskatchewan 1997 and 2002

Column 1 Deciles	Column 2 Upper Cut-off		Column 3 Percent Income Share		Column 4 Cumulative Percent	
	1997	2002	1997	2002	1997	2002
	Lowest 10%	\$6,500	\$6,800	0.8%	0.6%	0.8%
2 nd 10%	\$12,800	\$14,750	2.5%	2.2%	3.3%	2.7%
3 rd 10%	\$19,255	\$23,300	4.2%	3.9%	7.5%	6.7%
4 th 10%	\$25,012	\$31,000	5.8%	5.7%	13.3%	12.3%
5 th 10%	\$32,500	\$40,000	7.6%	7.5%	20.9%	19.8%
6 th 10%	\$40,123	\$50,500	9.4%	9.3%	30.3%	29.2%
7 th 10%	\$50,024	\$62,500	11.9%	11.8%	42.2%	41.0%
8 th 10%	\$60,135	\$77,500	14.3%	14.3%	56.5%	55.4%
9 th 10%	\$75,000	\$98,400	17.6%	17.9%	74.1%	73.3%
Highest 10%			25.9%	26.6%		
90%-95%	\$92,000	\$118,000	10.8%	10.9%	84.9%	84.2%
96%-99%	\$131,533	\$179,300	10.8%	11.5%	95.7%	95.8%
Top 1%	–		4.3%	4.2%	100%	
	1997	2002				
(gini coefficient)	0.404	0.422				
(gini index)	40.4%	42.2%				

Source: Calculated by the authors using Statistics Canada Survey of Consumer Finances 1997 micro data tapes.

Table 2. Income Distribution of Total Family Income Saskatchewan 1997 and 2002

Column 1 Deciles	Column 2 Upper Cut-off		Column 3 Percent Income Share		Column 4 Cumulative Percent	
	1997	2002	1997	2002	1997	2002
	Lowest 10%	\$12,03	\$13,675	1.9%	1.7%	1.9%
2 nd 10%	\$15,790	\$19,700	3.4%	3.2%	5.3%	4.9%
3 rd 10%	\$20,398	\$27,250	4.5%	4.6%	9.8%	9.5%
4 th 10%	\$26,518	\$33,625	5.8%	6.0%	15.6%	15.6%
5 th 10%	\$32,580	\$41,725	7.3%	7.3%	22.9%	22.9%
6 th 10%	\$40,12	\$52,500	8.9%	9.3%	31.8%	32.1%
7 th 10%	\$50,465	\$63,650	11.1%	11.2%	42.9%	43.4%
8 th 10%	\$61,507	\$77,600	13.8%	13.8%	56.7%	57.1%
9 th 10%	\$79,223	\$98,725	17.0%	17.0%	73.5%	74.2%
Highest 10%			26.3%	25.9%		
90%-95%	\$95,124	\$121,250	10.6%	10.7%	84.3%	84.8%
96%-99%	\$144,976	\$180,175	11.3%	11.0%	95.6%	95.8%
Top 1%			4.4%	4.2%	100%	
	1997	2002				
(gini coefficient)	0.381	0.379				
(gini index)	38.1%	37.9%				

Source: Calculated by the authors using Statistics Canada Survey of Labour and Income Dynamics 2002 micro data tapes.

When compared to Table 1, the effect of government transfer payments appears to have had considerable impact for the poorest income earners. In 2002, the bottom decile received 0.6% of its income share from family wages and salaries (see Table 1) and 1.7% of its income share from total family income (see Table 2). In fact the major beneficiaries of government transfer of income are the four lowest income deciles.

Trickle Up Effect

The Gini values also indicate the impact of income support programs in Saskatchewan. For example, in 2002, the Gini Index is 42.2% when we look at wages and salaries, but when we look at total income, including income support payments, the Gini Index is 37.9%. Although the Gini Index for total income does not show a significant change in income inequality from 1997 (38.1%) to 2002 (37.9%), it does show that income support programs have a significant impact on reducing the growing levels of income inequality created by market forces. Of course, the downside is that higher and higher levels of government income support are required to subsidize employers who are offering low wage employment. Even with the infusion of government transfer payments, the gap between the poor and the very well-off continues, as evidenced by the percentage of income shares. When income inequality in Saskatchewan is examined, the rich are becoming richer at the expense of the poor, who are becoming poorer. This phenomenon is referred to as the Trickle Up effect of fiscal policy in Saskatchewan.

One important finding when examining the Wages and Salaries variable between 1997 and 2002 is that the market (as represented by salaries and wages) has generated an increased income inequality in Saskatchewan. However, when “Wages and Salaries” and “Total Income” are compared for 2002, we see that government transfer payments reduced the inequality generated by the market by 10.2%, mostly

to the benefit of the lowest family income deciles. This suggests that government transfer payments are more effective than market-driven forces in reducing income inequality.

From 1997 to 2002, greater reliance on the “invisible hand of the market” has not reduced income inequality in Saskatchewan. To some extent, government income transfer programs continue to ameliorate the inequalities of the market. A major point of our examination of market incomes from 1997 to 2002 is that in Saskatchewan there is ongoing polarization of incomes between the majority of people on the one hand, and the affluent on the other.

There is a limitation to examining income to measure inequality, for it leaves out a consideration an examination of wealth. There are no current databases produced by Statistics Canada to examine wealth, but once the ownership and possession of stocks, bank accounts, property holdings, vehicles etc. are considered, the gap of inequality must be quite large.

Proposed Solutions

Wages: An increase in the provincial minimum wage to at least the LICO poverty line is required. The Living Wage Coalition in Saskatchewan²³ has mounted a campaign to advocate for changes to the minimum wage, increasing it from the current minimum of \$6.65 per hour set in 2002, to at least \$8.16 per hour. Calls for ongoing reduction in corporate taxes and the business community’s repeated insistence that the market will solve economic and therefore most social problems must be examined in light of the evidence. Growing income inequality in Saskatchewan should temper enthusiasm for market-based solutions advocated from those most likely to gain from the proposals.

Provincial Budget: How do we pay for increased expenditures for poverty programs? The provincial government expenditure for public service and wealth redistribution as a proportion of its GDP was the third

²³ The coalition members include labour groups, university student organizations and church groups. The coalition webpage is <http://www.living-wage.ca/>

lowest of all ten provinces during 2002/03. Only Alberta and Ontario had lower expenditures.²⁴ Saskatchewan's current high oil prices and windfall profits present an opportunity. Rather than following the current trajectory of reducing royalty rates, the Saskatchewan government could increase its royalty rates and better the lives of the poor.

The implications of Saskatchewan cuts to its income tax rates must be closely watched. Since 2000, income tax rates have been steadily reduced by almost one third. Changes to the provincial tax system have reduced the differentials between rates for different income brackets, so that benefits from the tax reforms increase as one moves up the income scale. If these changes to the tax system prove to have little impact on wealth redistribution, then the government should re-introduce more progressivity of income distribution into the tax system by returning to the approach of taxing income as a proportion of the federal income tax.

Government Collaboration. In the mid 1990s the federal government dramatically reduced its level of financial contributions to the provinces to deal with child poverty, specifically by eliminating cost-sharing under the Canada Assistance Plan and increasing restrictions on eligibility for Employment Insurance. The reduction in federal funding and the persistence of high levels of poverty underline the fact that child poverty cannot be addressed only at the provincial level. Poverty is a structural problem eliminated through collaborative efforts of municipal, provincial and federal governments and ultimately with the international community. Provinces need to insist that the federal government return poverty program funding to pre-1995 levels. All levels of government must attack the problem of poverty with the same level of enthusiasm engendered when working to eliminate deficits.

24 Weir, E. (2004). *Saskatchewan at a Crossroads: Fiscal Policy and Social Democratic Politics*. Canadian Centre for Policy Alternatives, available <http://www.policyalternatives.ca/sk/index.html>

Prepared by

Garson Hunter and Fiona Douglas

Social Policy Research Unit

Faculty of Social Work

University of Regina

Regina, Saskatchewan S4T 3K7



<social.policy@uregina.ca>

Telephone (306) 585-4117

<http://www.uregina.ca/spr>

with

Linda Bell and Sue Delanoy

Saskatoon Communities for Children

<admin@communitiesforchildren.net>

Telephone (306) 956-6147

and

Social Reform/Campaign 2000

Family Service Association of Toronto

355 Church St. Toronto M5B 1Z8

Telephone (416) 595-9230 x 244

<http://www.campaign2000.ca>

