



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 this recession. **Nearly two decades after the unanimous 1989 House of Commons resolution to end child poverty in Canada, 637,000 children and their families – almost 1 child out of every 10¹ – still live in poverty.** Despite an unprecedented period of strong economic growth since 1996, the rate of child and family poverty in Canada - 9.5% (measured by after-tax LICO) - remained almost as high as it was in 1989. There have been cyclical variations, reflecting recessions and recoveries, but the high rate of child and family poverty has remained tenacious. This figure does not include 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 \$5,200 (2009 \$) 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.
- **Expand eligibility for Employment Insurance and improve benefit levels to provide support for unemployed workers.** In the midst of this recession less than half (47%) of unemployed female workers and only one in five young workers (15 – 24 years) are receiving EI.³ Eligibility requirements should be restored to 360 hours, with benefit levels based on the best 12 weeks of earnings at 60% of earnings as a minimum.
- **Designate new federal transfer funds for Early Childhood Education and Care services. Specify funds in the next two federal budgets for ECEC operating costs (beginning with \$1 billion in 2010) and for capital expenses including expansion and quality improvement.** These capital costs are part of social infrastructure designed for short-term economic stimulus. These funds will be transferred upon the provision of a plan, with measurable targets and timelines and approval of provincial and territorial legislatures, to build a system of quality, affordable, inclusive public/non-profit child care services which is essential to poverty reduction.

¹ Statistics Canada's *Income Trends in Canada* released June 2009. 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) 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 \$21,851 in 2007.

² Assembly of First Nations. (2006). *Make Poverty History for First Nations*; First Nations Centre, National Aboriginal Health Organization. (2005). *First Nations Regional Longitudinal Health Survey (2002 – 2003)*. Ottawa: National Aboriginal Health Organization.

³<http://www40.statcan.gc.ca/l01/cst01/labor02a-eng.htm> and <http://www.statcan.gc.ca/daily-quotidien/090605/t090605a1-eng.htm>.

Why move forward on poverty reduction now?

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

Campaign 2000 believes that the federal government's response to recommendation 17 of the United Nations Human Rights Council's Universal Periodic Review of Canada for 2009 was inconsistent with Canadian culture, current realities and our history as a confederation. The federal government has always played and must continue to play a key role in providing transfer payments to low income Canadians and in facilitating provincial and territorial governments' meeting their responsibilities for provision of health care, social services, income support and post-secondary education. While provinces and territories have constitutional jurisdiction in some relevant areas, it is wrong to ignore the essential federal role that has been well established long ago. Does the federal government not have an interest in enhancing economic productivity, reinforcing Canadian identity and supporting the health of the population? Is that not why the House of Commons unanimously voted in 1989 to end child poverty by the year 2000?

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

Strong economic growth and prosperity did not, in and of themselves, lift many children and families from 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 a high of nearly 18% (LICO after-tax) – about 1 in 5 children - in 1996. Designated expenditures in the 2009 budget are essential to prevent child and family poverty rates from again spiking.

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 reached its maximum cash transfer of \$3,271 for the first child in 2007. The NCB can take the credit for preventing an estimated 59,000 families with 125,000 children from living in poverty. That's a 12% decrease in the number of families living in poverty during 2004. The NCB also helped to reduce the depth of poverty by 18% among those families who remained in low income.

- **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 because they use their money in their local communities to pay rent, purchase food and other necessities such as child care and home care, in contrast to more affluent families that often spend or invest funds outside of Canada. Similarly, community services such as early learning and child care services operate in local neighbourhoods, functioning as a support to families, as consumers of local food and services and as local employers.

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

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

Most Canadian households enter this recession with a slim, if any, financial cushion. In 2006, 40% of low income children lived in families in which at least one parent worked full-time throughout the year yet still lived in poverty. 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.

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 cards.⁵ 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.⁶ 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 about 70 cents on every dollar of income, on average. By 2007, households owed \$1.27 on every dollar of income.⁷

The fragile economic state of many Canadian families means that loss of a paycheque or loss of housing they can afford will force them to use up their limited resources quickly. Many may fall into poverty and have no choice but to rely on Employment Insurance or social assistance to attempt to pay the rent and feed the children.

This prospect of a hollowed out middle class is already apparent in the gap between rich and poor in Canada. 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.⁸ Consider that the average income for the poorest 10% of Canadian families has increased by just less than \$5,000 over the past decade while the average income of the richest 10% of Canadians increased by over \$50,000 between 1996 and 2006. For every dollar the average family in the lowest 10% of the population had, the family in the highest tenth of the population had \$11.59. 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 and are central to vibrant communities. **Early childhood education and care (ECEC) programs are more than poverty reduction, but poverty reduction requires ECEC programs.** Improved access to child care facilitates poverty reduction. 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. Informetrica Ltd has calculated that spending an additional \$1 billion in child care would create 46,000 jobs and would boost GDP by double compared to that same investment made in municipal infrastructure which would create only 11,000 jobs.

⁵ Shapcott, M. (2008). *The State of the Nation's Housing*. Toronto, ON: Wellesley Institute.

⁶ Vanier Institute. *State of the Family 2007*.

⁷ Statistics Canada. *CanSim. Series 378-0003*.

⁸ OECD. (2008). *Growing Unequal?: Income Distribution and Poverty in OECD Countries*.

- **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 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.⁹

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 Makes Sense in the Short, Medium and Long Term

Increased public expenditures are needed to prevent further child and family poverty and to stem an even wider gap between rich and poor as Canada weathers this economic storm. The cost of poverty is high for all Canadians. There is good evidence that as a society we either share the collective responsibility to prevent and reduce child and family poverty, or we face rising costs in health care services, criminal justice and education and reduced output due to high unemployment. The majority of Canadians agree; in a recent study, an overwhelming majority (92%) said that if other nations like the UK and Sweden can reduce poverty, so can Canada. 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.

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⁹ Ontario Association of Foodbanks. (2008) *The Cost of Poverty*.