

# Poverty Amidst Prosperity

## Building a Canada for All Children



Since 1989, when the House of Commons passed a unanimous resolution to "... seek to eliminate child poverty by the year 2000", poverty among children has increased by 21%. One in six children, or 1,139,00 children, still lives in poverty in Canada.

... We must put Canada's families and children first ...we will begin immediate consultations with our partners so as to be ready in the next budget to put in place a long term investment plan. To enable Canada to turn the corner on child poverty and break the cycle of poverty and dependency for Canadian families. Prime Minister Jean Chrétien in Reply to the Speech from the Throne, October 2002.

### 2002 Report Card on Child Poverty



### More Than 1.1 Million Children Living In Poverty

Despite consecutive years of economic growth, poverty retains its stubborn hold on more than 1.1 million children in Canada. Robust growth and social investments in income support policies are finally contributing to an expected decline in the rate of child poverty - the number of poor children has dropped from one in five, to one in six for the first time since 1989. Yet, the one in six children who remain in low income families have not experienced much of an improvement in their living standards. In the midst of growing prosperity, low income families still struggle far below the poverty line. In 2000, two parent families continued to fall deeper into poverty and would need, on average, \$10,032 just to reach the poverty line. Despite some improvement, female-led lone parent families would still require an additional \$8,510 to reach the poverty line.

With the recent release of data for child poverty in 2000, it is official that Canadian governments failed to honour the unanimous House of Common resolution to seek to eliminate child poverty by the year 2000. It is a positive sign that the rate of child poverty dropped for the fourth consecutive year. However, child poverty has actually increased since all parties adopted the laudable resolution in 1989, when Canada's economy was similarly strong and child poverty stood at 14.4%. While the numbers of children in poverty have declined in recent years, vulnerability and deep poverty in Canada have remained consistently high.

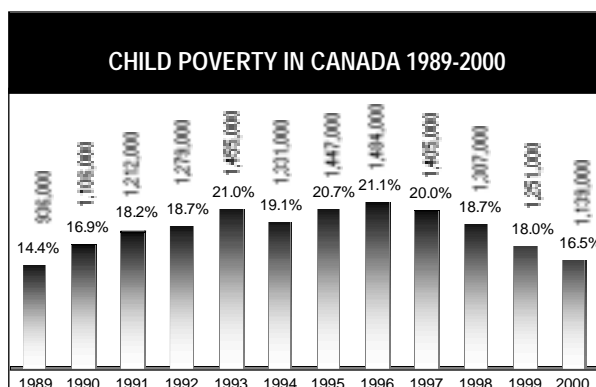
### The Way Forward on an Agenda for Children

The government's latest *Speech From the Throne* recognizes that the persistence of poverty in Canada, as a key determinant of health, compromises the long-term well-being of our younger generations. The government is pledging to fund significant

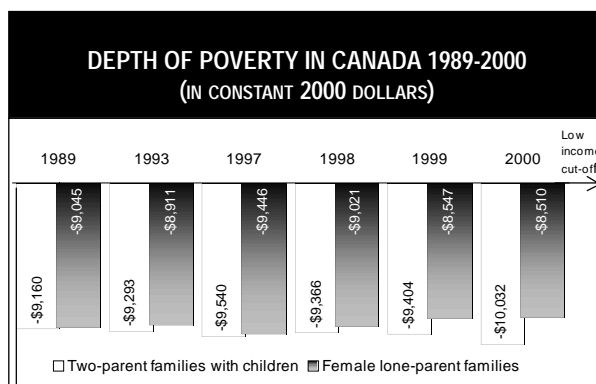
increases to the National Child Benefit for low income families over the long term. It is also promising to improve availability and accessibility to early learning opportunities and to quality child care, and to increase investments in affordable housing. The government also plans to introduce additional measures to assist Aboriginal children and families caring for children with severe disabilities.

The real test of the government's commitment to fight child poverty will be in the next budget when promises need to be translated into spending priorities. Public policy must recognize that *any* and *all* families can be vulnerable to factors that lead to poverty. A strong, comprehensive system of social and income supports is necessary to strengthen and support all families across Canada through good times and bad. The specialized needs of children and families who face greater risk of exclusion, including those in aboriginal communities both on and off-reserve, in visible minority and lone parent-led families, as well as recent immigrants and those with disabilities, are best met within these accessible systems.

Substantive action, adequate funding and a multi-year strategy for implementation are required to address child and family poverty and build inclusive communities. The 2003 budget can also lay the fiscal foundation for a National Plan of Action for Children which Canada committed to implement following the UN Special Session on Children (May 2002). Campaign 2000 calls on the federal government to introduce strategic investments in a 3-pronged policy agenda consisting of increased income supports through a comprehensive child benefit, the creation of new affordable housing units, and a national strategy of early childhood education and care (ECEC).



Source: Data for 1989-1991 prepared by the Canadian Council on Social Development using *Survey of Consumer Finances*, Statistics Canada, microdata files; data for 1992-2000 prepared by the CCSD using *Income Trends in Canada 1980-2000*, Statistics Canada 13F0022XCB.



Source: Prepared by the Canadian Council on Social Development using *Income Trends in Canada 1980-2000*, Statistics Canada 13F0022XCB.

## A Healthy Start In Life Is Key to Long-Term Well-Being

The persistence of poverty compromises the immediate and long-term health, social development and cognitive ability of our future generations. Children who live in poverty encounter more hurdles to healthy development and are at an elevated risk for a wide range of negative outcomes to their health and well-being. Research shows that poor children are more likely to experience a host of negative outcomes including lower functioning vision, hearing, speech, mobility, dexterity, and cognition. Poor children are also less likely to live in safe neighbourhoods and are at a disproportionate risk of exposure to environmental contaminants.

Investing in children helps to build the social capital for inclusive communities, knowledge and innovation and long-term labour market capacity. It has not been for a lack of resources, but for a lamentable lack of political will, that the federal government has chosen not to invest enough resources into public programs to help families. The federal government has significantly exceeded the official balance projected in its budgets in recent years. These are resources that could have made a huge difference for vulnerable families and children. Instead the government has chosen to use all of the ensuing budget surpluses above its projections - a total of about \$40 billion over the past 3 years alone - to paying down the debt.

A national commitment to the health and well-being of children and families requires a shift in public policy priorities. The inordinate spending on debt reduction and tax cuts - which mostly benefit those who are well-off - dominated government agendas over the past decade but did little to substantially reduce child and family poverty. Federal program spending as a percent of the Gross Domestic Product has fallen from 16.5% in 1993/94 to 11.6% in 2001. Families lost critical social and economic supports which helps explain why so many are no further ahead despite the strength of the economy. Instead, inequality between the wealthiest and poorest groups in Canada has grown.

### Child Poverty in Provinces - 2000

	Rate	Number
Canada	16.5%	1,139,000
Newfoundland and Labrador	26.2%	30,000
Prince Edward Island	13.3%	4,000
Nova Scotia	17.6%	36,000
New Brunswick	15.4%	25,000
Quebec	18.7%	293,000
Ontario	14.4%	391,000
Manitoba	22.1%	58,000
Saskatchewan	18.1%	44,000
Alberta	15.2%	112,000
British Columbia	16.7%	146,000

Source: Prepared by the Canadian Council on Social Development using *Income Trends in Canada 1980-2000*, Statistics Canada 13F0022XCB.

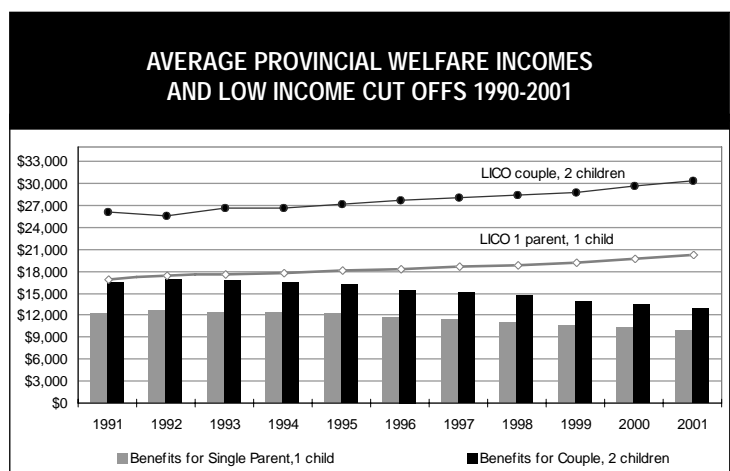


## Families Struggling Despite Thriving Economy

The average working family made strides in 2000 following seven consecutive years of growth in market earnings and the lowest level of unemployment in twenty-five years. Yet, economic growth and prosperity have not spilled over to all families. A significant number of low income working parents continue to struggle to make ends meet. Even those who have managed to inch closer to the poverty line have not necessarily come closer to the goal of social inclusion.

Family-friendly jobs that pay a decent income are key to an anti-poverty strategy. However, many parents work for near-minimum wages that leave them deep in poverty. Significant changes to the labour market have also meant that part-time jobs and temporary positions are growing at a faster rate than full-time and permanent work which is more secure. The more than 1.1 million children living in poverty include many whose parents are in the labour force but find their families still struggling to provide adequate food, clothing, shelter and the goods and services needed for increasing their opportunities and life chances.

Currently Canada does not have a resilient system of social and economic supports to help parents who are out of work. Since eligibility rules for Employment Insurance were tightened in recent years only one in three of the unemployed qualifies for benefits in contrast to three in four in 1989. Cuts to services over the past decade have also had a major impact on families who are forced to rely on social assistance. Since 1991, welfare benefits for families with children fell by more than 23% in absolute terms.



Sources: National Council of Welfare, *Welfare Incomes 2000-2001*, Spring 2002. LICO data prepared by the Canadian Council on Social Development using Statistics Canada's *Low Income Cut-Offs, from Low income cut-offs from 1991 to 2000* Catalogue # 75F0002MIE-01007, November 2001.

## Public Investments: Cornerstones for Preventing Poverty

Social expenditures such as the Canada Child Tax Benefit, the GST Credit and Employment Insurance are key to preventing children and families from falling into poverty. The National Child Benefit, Aboriginal Headstart, the extension of parental leave benefits and the Early Childhood Development Initiative, as well as some investments in affordable housing have begun to make an important contribution towards a comprehensive mix of income assistance and community services. However, stronger action by governments is needed to achieve a more substantial reduction in the levels of poverty in Canada.

## Comprehensive Child Benefit Key to Tackling Poverty

An enhanced child benefit that reaches all lower and modest income families is key to substantially reducing child and family poverty in Canada. The moderate success thus far in reducing poverty reflects both the modest federal investments and the denial of the National Child Benefit to families on social assistance in some provinces.

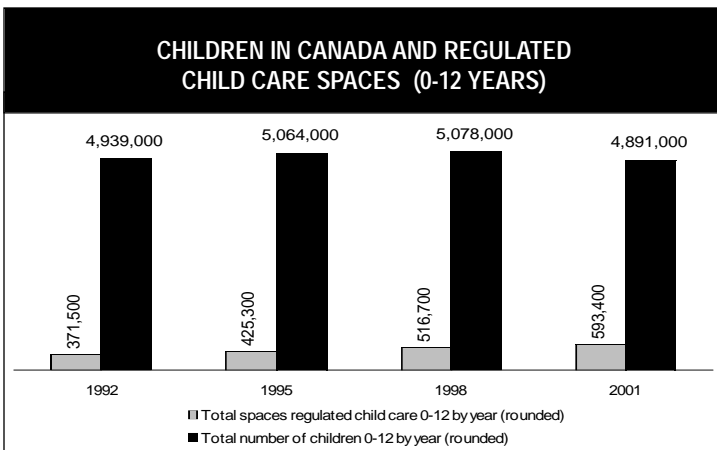
The federal government is expected to announce that the Canada Child Tax Benefit will be increased to a maximum amount of \$2,500 in the next budget. While this is good news that will help many people who are close to the poverty line, the announced level of benefits will still not meet the needs of Canada's most vulnerable families who live deep in poverty. This increase also fails to address the situation of many parents on social assistance who have their federal benefits deducted from their welfare income.

A real commitment to significantly raise the living standards of families and reduce child poverty by half will require substantive and additional income transfers. Campaign 2000 recommends a consolidated Canada Child Tax Benefit of a maximum of \$4,200 per child to all low and modest income families that provides a net benefit irrespective of their source of income.

## A Bold Strategy for Early Childhood Education and Care

Quality early childhood education and care (ECEC) services are central in a strategy to reduce poverty. ECEC also strengthens the foundations of lifelong learning for all children, supports the social needs of families, and promotes equal opportunities for women in the labour market. While opportunities to participate in early childhood education and care should be available to all children, Canada's ECEC programs fall far short in meeting the needs of families and children.

Even though more than 70% of young children have mothers in the paid labor force, only 12% of children 0-12 have access to a regulated child care space. The supply of high quality spaces is woefully short in every province and territory. High costs prevent many moderate to low income families from enrolling their children in ECEC services; of those children who are in regulated child care, only 22% have a fee subsidy. And although the quality of services is key to meeting the developmental needs of children, quality - even in regulated settings - varies considerably across Canada.



Source: Friendly, M., Beach, J. and Turiano, M., *Early Childhood Care and Education in Canada: Provinces and Territories 2001, 2002* (in press).

Under the September 2000 Early Childhood Development Agreement, Ottawa transfers funds to the provinces to improve services for children 0-6. However, rather than fulfilling its commitment to helping children get the "best start in life", the lack of adequate levels of designated funding, a policy framework or adequate accountability mechanisms attached to the federal funding mean that ECEC services continue to stagnate in Canada.

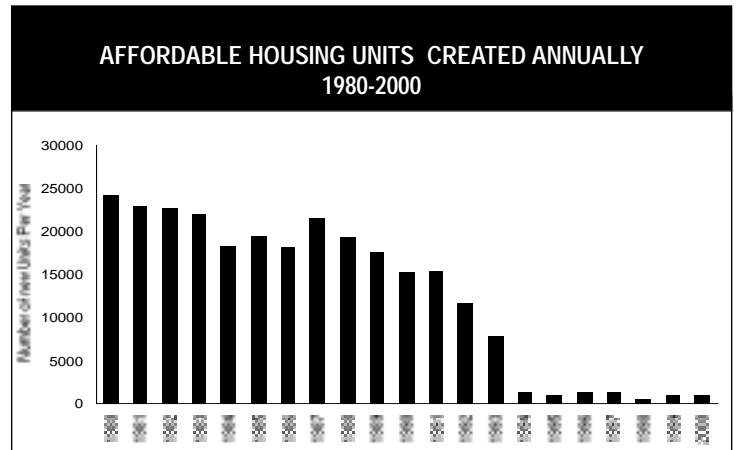
The federal government must develop a National Strategy to ensure development of universally accessible, high quality ECEC services across Canada. In order to ensure that the right architecture for ECEC services is laid, federal funds should be transferred to participating jurisdictions within a framework of common principles. These should include universality; high quality, comprehensive service provision; responsiveness to community values and diversity; public accountability for financial, administrative and service performance to governments and the community; and integrated, coherent service provision.

## Making Housing a Reality for All

Stable, affordable housing is essential to supporting sustainable, inclusive communities and to ensuring the health and well-being of children. However, dwindling federal and provincial government support and declining private sector investment have combined to create a rental housing crisis across the country. As rents rise and become increasingly out of reach for families, vacancy rates have plummeted in recent years. As a result, more than 40% of renter households are paying more than 30% of their monthly income on rent, which leaves them little money for food, transportation or other basics.

In November of 2001, the federal government promised to spend \$680 million over five years on affordable housing and provinces and territories agreed to match the federal dollars. However, the implementation of the agreement has not led to the desired outcomes. Most provinces are not paying their matching share for the program and the definition of affordability means that units remains out of reach for those who need it most.

The growing need for affordable rental housing requires initiatives that are more ambitious. The federal government's *Speech From the Throne* has promised to increase its commitment to desperately needed new affordable housing. Additional funding of at least \$1 billion per year is required to support a level of affordable housing development of 20,000 new affordable units each year, for 10 years, and the rehabilitation of 10,000 affordable units per year. This new funding would also contribute to the provision of rent supplements for low-income households and services for high-risk populations.



Source: Canadian Housing and Renewal Association, *Presentation to House of Commons Committee on Finance*, 2001.

*We are committed to ensuring that [Canada's children] get the best possible start in life and have continued support as they grow. It is our duty to ensure they are ready, and have the right tools, to learn so that they gain the skills and knowledge, as well as the motivation and creative freedom, needed to live full and rewarding lives.*

Finance Minister John Manley on the occasion of the United Nations' Special Session on Children, May 2002.

## Towards an Inclusive Canada: A Social Investment Plan for Families and Children

We have finally made some progress on reducing income poverty among families, but there is still much work to be done to ensure the well-being of children and their ability to fully participate in their communities. The federal government must take the leadership in implementing a comprehensive agenda for children that fosters the inclusion and well-being of all families in their schools, workplaces and communities. This agenda requires that governments at all levels work together with the interests of children as a guiding principle for action and collaboration. Campaign 2000 calls on the federal government to adopt the following recommendations as priorities for a social investment strategy including clear targets and timetables beginning with the 2003 federal budget.

- ① The federal government commits to a 50% reduction in the depth and level of child poverty over the next five years through improved child benefits for all low, modest and middle income families by consolidating the Canada Child Tax Benefit into a single program that provides a maximum benefit of up to \$4,200 to families independent of their source of income
- ② The federal government commits to establishing the architecture for early childhood education and care that includes high-quality child care and is available to all families in every community across Canada. This strategy will require a systematic and integrated approach to policy and service delivery to ensure services that integrate care, education and family support. In the next budget, an allocation of \$1 billion in the first year and clear targets and timetables for expansion are needed to implement this strategy.
- ③ The federal government commits to national investments in affordable housing required to ensure the availability of an adequate supply of affordable housing throughout the country. A National Affordable Housing Strategy leading to the creation of 20,000 new affordable units each year, for 10 years, and the rehabilitation of 10,000 affordable units per year requires an investment of at least \$1 billion per year over the next five years.

## The Canada We Want

A social investment strategy for children and families will assist in providing an economic and social environment where many more Canadians can enjoy a higher quality of life. These investments are essential to enable children in Canada to get the best start in life and to have an equal opportunity to succeed. A comprehensive plan of social investments for children will promote an inclusive society where the gap between the families that have plentiful resources and those that do not is narrowed. We urge that the federal government follow through on its commitments to children in Canada and put promises into action in upcoming federal budgets. The well-being of children and families today will lead to more inclusive communities and a stronger Canada tomorrow.



### Notes

1. Poor children are those living in families whose total income before taxes falls below the Low Income Cut-Off (LICO) as defined by Statistics Canada. Numbers in 1989-1991 use 1986-base LICO and numbers for 1992-2000 use 1992-base.
2. A child is defined as a person under the age of 18 living with parent(s) or guardian(s), excluding those who are unattached individuals, those that are the major income earner or those who are the spouse or common law partner of the major income earner.
3. Child Poverty data for 1989-1991 prepared by the Canadian Council on Social Development using *Survey of Consumer Finances*, Statistics Canada, microdata files; data for 1992-2000 prepared by the CCSD using *Income Trends in Canada 1980-2000*, Statistics Canada 13F0022XCB.
4. Statistics Canada data excludes those on First Nations reserves; those in the Yukon, Northwest Territories and Nunavut; and children living in institutions.
5. Chart entitled "Average Provincial Welfare Incomes and Low Income Cut-Offs 1991 - 2000" uses Low Income Cut-Offs for communities with population between 100,000 and 499,999.

**Campaign 2000** is a non-partisan, cross-Canada coalition of over 85 national and community organizations united in securing the implementation of the 1989 House of Commons resolution to end child poverty by the year 2000.

Some community and provincial partners in Campaign 2000 produce local and provincial report cards on child poverty. For general information regarding Campaign 2000, please contact Ms. Liyu Guo at Campaign 2000, c/o Family Service Association of Toronto, 355 Church St., Toronto, Ont., M5B 1Z8. You can reach us by phone at (416) 595-9230, ext. 244 or by e-mail at [liyugu@fsatoronto.com](mailto:liyugu@fsatoronto.com)

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