

Loving our neighbours: **Reducing inequality by lifting Canadians out of poverty**

*Brief to the House of Commons Standing Committee
on Finance Study of Income Inequality in Canada*

April 2013

CITIZENS *for* PUBLIC JUSTICE





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Our Vision

- CPJ is committed to seek human flourishing and the integrity of creation as our faithful response to God’s call for love, justice and stewardship.
- We envision a world in which individuals, communities, societal institutions and governments all contribute to and benefit from the common good.

Our Mission

- CPJ’s mission is to promote *public justice* in Canada by shaping key public policy debates through research and analysis, publishing and public dialogue. CPJ encourages citizens, leaders in society, and governments to support policies and practices which reflect God’s call for love, justice and stewardship.

Public Justice

- CPJ Public Justice is the *political* dimension of loving one’s neighbour, caring for creation and achieving the common good, and is particularly the responsibility of government and citizens.

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Much has been written, commented on, and debated about income inequality in recent years. It is an issue that has attracted widespread media and public attention. Canadians are increasingly aware of inequality and concerned about its effects.

Canadian churches and faith communities share these concerns and believe that all spheres of society, including the federal government, have a role to play in ensuring everyone has access to a life of dignity, well-being, and opportunity.

Citizens for Public Justice (CPJ), a national, non-partisan organization of people inspired by faith to seek a more abundant vision for Canada, believes that too often discussions about inequality take on an unproductive, divisive tone. They devolve into a finger-pointing blame game of “us” versus “them,” the super-rich vs. the so-called 99 per cent.

Yet narrowly focusing our attention on the super-rich will not better the lives of all Canadians. The people hardest hit by inequality are the poorest 10 per cent in our country, and this is something that 100 per cent of us have a responsibility to address.

Address inequality by raising the incomes of the poorest 10 per cent¹

We propose a way forward against inequality in Canada that focuses on addressing the *absolute* deprivation of poor Canadians through targeted income supports. While relative measures of income inequality deserve attention, **our first step must be to raise the incomes of the poorest households to a more dignified and acceptable level.** Canada’s poor are *very* poor; on average, low-income individuals and families (approximately 3 million people) live on incomes that are only two-thirds of Statistics Canada’s Low Income Cut-Off. As TD Bank chief economist Craig Alexander and others have recently pointed out, the extremely low absolute levels of income of poor Canadian households severely limits this group’s opportunities and life chances.²

As CPJ’s soon-to-be released “Income, Wealth, and Inequality” fact sheet series highlights, Canadians in the lowest income quintile have experienced a 26.2 per cent drop in market incomes over the last 30 years. The 2010 *average* after-tax income for this group was only \$27,300 per year.³ Many people live on incomes well below that line, struggling with rising rents and other cost of living increases.

Raising the incomes of poor Canadians would:

¹ The approximate number of those living below Statistics Canada’s Low Income Cut-Off (After-Tax), Canada’s *de facto* poverty line. The LICO is the level at which a family spends more than 63 per cent of their income on food, shelter, and clothing. As [CPJ’s Poverty Trends Scorecard – Canada 2012](#) highlights, 9.0 per cent of the population currently lives on incomes below this line. The LICO-AT for a family of four in a major urban centre was \$36,504/year in 2010, although the *average* poor family lived on only 2/3 of that amount, approximately \$24,337.

² *Financial Post* (11 December 2012). “Canadian income inequality could be growing more than traditional data suggests: TD.” <http://business.financialpost.com/2012/12/11/canadas-income-gap-holds-steady-as-both-rich-and-poor-make-gains/>

³ Citizens for Public Justice (2013), “Poverty Trends Scorecard: Income, Wealth, and Inequality.” p.17.

1. fulfill our collective responsibility to care for the least advantaged in society, using public policy to “level the playing field” and ensure poor Canadians have more equal opportunities in life⁴
2. reduce total inequality and the resulting negative impacts felt by society as a whole (such as higher rates of crime, increased prevalence of mental health issues, lower levels of trust and social capital, etc.)
3. be fiscally responsible, saving Canadian governments and taxpayers significant amounts of money⁵

Poverty and disadvantage are becoming increasingly concentrated among certain groups. In this brief, we propose targeted policy interventions aimed at three particularly vulnerable groups: lone-parent families (18.7 per cent living in poverty), unattached working-age individuals (31.3 per cent), and persons with disabilities (13.6 per cent). Our policy recommendations for each of these groups focus on enhancements to income supports already in existence or programs the federal government has the administrative structure to implement. While not examined here, further policies need to be developed to address the situation of other groups vulnerable to poverty, including Aboriginal peoples, recent immigrants and racialized communities, and women.

As we highlighted in our 2012 pre-budget submission, CPJ fundamentally opposes the uncritical equation of economic growth with well-being. Low-income Canadians are being left behind. If the moral measure of the debate is how the most poor and vulnerable fare, we believe these are the people to whom we must turn our attention amidst discussions of inequality.

Improving opportunities for lone-parent families

Lone-parent families experience high levels of economic insecurity. In 2010, lone-parent families were three times as likely to be poor as two-parent families with children (18.7 per cent vs. 5.1 per cent). Moreover, one in five children (21.8 per cent) living in lone-parent families was living in poverty in 2010.⁶

The good news is that there has been a significant reduction in poverty rates for lone-parent families over the past three decades. The rate of poverty for this group has fallen by 62 per cent since its peak in the mid-1990s.

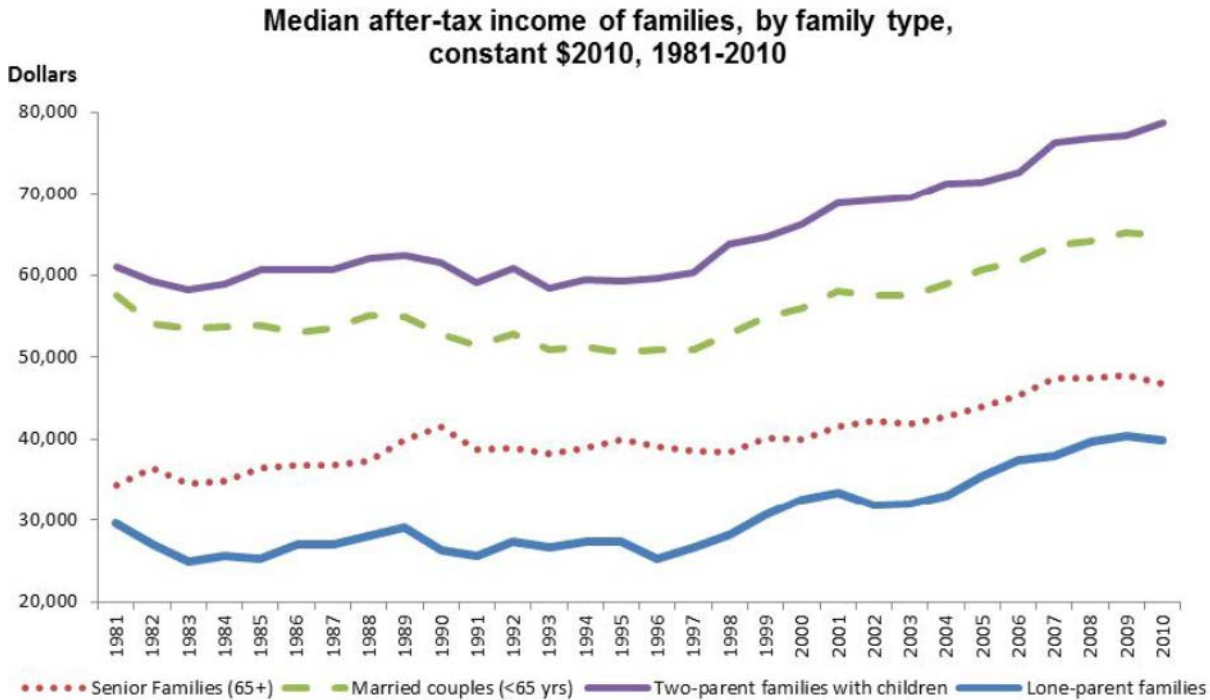
Despite this progress, lone-parent families are still forced to get by on very little. Their *median* after-tax income is only \$39,900/year. It doesn't take much to imagine how challenging it would be for a single parent

⁴ Equality of opportunity is elusive for people living in poverty as they are more likely to be faced with poor health, food insecurity, precarious or non-existent housing, limited educational and training opportunities, family stress and instability, and so on. According to the Conference Board of Canada in [Health Matters: An Economic Perspective](#) (2013), “[income] very often plays a critical role as an enabler or barrier to security on the other socio-economic determinants of health” (p.25).

⁵ Various “cost of poverty” reports have shown the exorbitant costs associated with poverty, including the cost of emergency responses, costs borne by the health care system, and the strain put on our judicial system. See the National Council of Welfare’s [Dollars and Sense of Solving Poverty](#) (2011), Stephen Gaetz’s [The Real Cost of Homelessness](#) (2012), and the Wellesley Institute’s [Poverty is Making us Sick](#) (2008).

⁶ Citizens for Public Justice (2012). *Poverty Trends Scorecard: Canada 2012*. www.cpj.ca/files/docs/poverty-trends-scorecard.pdf. p. 13

to adequately provide for their family on such an amount (when one factors in the costs of housing, food, clothing, childcare, transportation, etc.), let alone how incredibly difficult it must be for the many families whose incomes are *far less*.



The **Canada Child Tax Benefit (CCTB)**, which includes the **National Child Benefit Supplement (NCBS)** for low- and modest-income families, a joint federal, provincial, and territorial initiative launched in 1998, has played an important role in preventing and reducing child and family poverty. The CCTB/NCB is a non-taxable, progressive, refundable benefit paid monthly to eligible families. Further targeted enhancements to the CCTB would greatly improve the livelihood, opportunities, and future for families living in poverty, including lone-parent families and their children.

Recommendation #1:

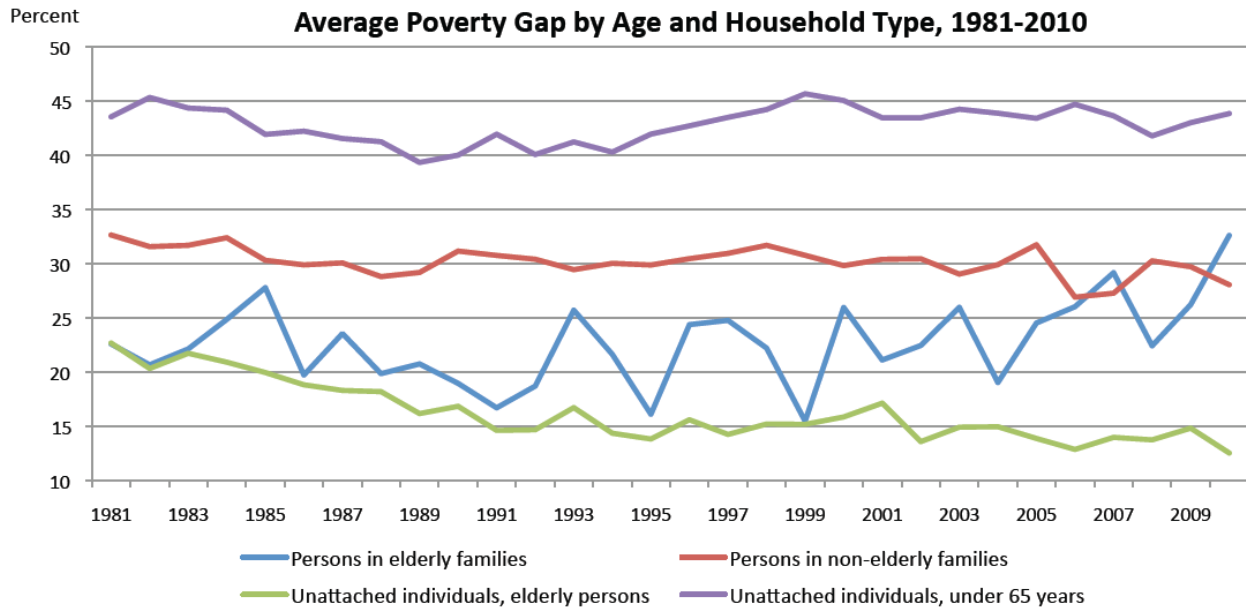
Raise the CCTB/NCB from its current maximum of \$3,582 to \$5,400 per child (2013 dollars, indexed to inflation) for low-income families. This change could be partly financed by eliminating non-progressive benefits such as the Universal Child Care Benefit, the non-refundable Child Tax Credit, and the Child Fitness Tax Credit. Streamlining the way the federal government supports children and families in this way would create a single, efficient benefit that is targeted towards families with the greatest need.

Improving opportunities for single working-age adults

The median after-tax income for working-age single men was actually *less* in 2010 than in 1981 (\$28,800 compared to \$31,000). And while the incomes of women living alone have improved during this time, their median after-tax income in 2010 was still only \$25,200.⁷

⁷ Citizens for Public Justice (2013). "Poverty Trends Scorecard: Income, Wealth, and Inequality." p.11

Almost one third (31.3 per cent) of unattached working-age individuals live in poverty, with the average person in this group living on an income that is approximately 55 per cent of the poverty line (the poverty gap).⁸ For a single person in a major urban centre such as Ottawa, for example, this amounts to a paltry annual income of only \$10,619 (LICO-AT is \$19,307).



Statistics Canada. Table 202-0802 - Persons in low income families, annual. Note: After-tax Low Income Cut-off

What may surprise some is that many of these people are working: almost 40 per cent of poor households have one worker.⁹ Yet the rise in precarious employment (e.g. part-time, temporary, or contract work) and the fact that one in four workers is now employed in a low-paid job (defined by the OECD as paying less than two-thirds of the median wage – approximately \$13.33/hour in 2012), makes it incredibly difficult for single, working adults to get ahead.

The **Working Income Tax Benefit (WITB)** is a refundable tax credit introduced by the Conservative government in 2007 to provide financial support to low income workers and encourage them to enter (for those stuck behind the so-called “welfare wall”) or remain (for those already working in low paying jobs) in the paid workforce.

Despite previous boosts to the WITB’s benefits and reach, the maximum benefit amount for a single worker in 2012 was \$970 per year, reaching zero at a net income of \$17,478. The current allowable income level remains low enough that someone working full-time, year-round at minimum wage would not qualify, even though they would be living in poverty. Enhancements to the WITB, along with increasing federal and provincial minimum wages, would remove some of the significant disincentives to paid work in the formal economy, ease pressure on strained social assistance rolls, and lift single working-age adults out of poverty to a life of greater opportunity.

⁸ Citizens for Public Justice (2012). “Poverty Trends Scorecard: Canada 2012.” www.cpj.ca/files/docs/poverty-trends-scorecard.pdf. p.17

⁹ Citizens for Public Justice (2012). “Poverty Trends Scorecard: Canada 2012.” www.cpj.ca/files/docs/poverty-trends-scorecard.pdf. p. 4

Recommendation #2:

Increase the benefit level of the WITB and widen eligibility to include all households with earned income below the after-tax Low Income Cut-Off (LICO). This is consistent with recommendations made by the All-Party Anti-Poverty Caucus, the Caledon Institute, and *Dignity for All: the campaign for a poverty-free Canada*.

Improving opportunities for people with disabilities

People with disabilities are disproportionately affected by – and trapped in – poverty. Higher rates of unemployment, lower levels of education, lack of workplace accommodation, and inadequate income security programs all undermine the economic security of this group. In addition, people with disabilities often face very high costs of living as a result of necessary supports.

According to the Council of Canadians with Disabilities, approximately half a million Canadians with disabilities are on social assistance. The current patchwork of programs that make up the social safety net for people with disabilities are inadequate and leave many recipients living in deep poverty.

In Ontario, for example, the maximum monthly disability payment for people on social assistance is \$1,075, or \$12,900 annually. It seems not only unjust, but cruel, to doom someone to a life of such deep poverty. Why would we not desire the same standard of living, well-being, and dignity for someone who is unable to work because of a severe, long-term disability as we want for ourselves?

The House of Commons' Human Resources Committee reported as follows in its 2010 *Federal Poverty Reduction Plan* report:

provincial/territorial social assistance programs are often not suited to the diverse needs of those living with disabilities. People who cannot be expected to earn an income from employment frequently receive insufficient support, while those who could earn an income may be discouraged from doing so by the potential loss of benefits offered through social assistance programs, such as coverage of medical and disability-related costs. What Canadians with disabilities need are more effective income security programs and an independent disability support system in Canada.¹⁰

The Human Resources Committee, along with the Senate Subcommittee on Cities (2009), have echoed the calls of the Canadian Mental Health Association and the Council of Canadians with Disabilities recommending the federal government explore the viability, costs, and savings of a **basic income program for people with disabilities**.

Recommendation #3:

Work with provincial and territorial governments to establish a basic income program at or above the LICO level for people with disabilities administered through the federal tax system. The resulting provincial social assistance savings could be reinvested in disability-related supports programs delivered by provincial/territorial governments.

¹⁰ House of Commons. *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*. www.parl.gc.ca/content/hoc/Committee/403/HUMA/Reports/RP4770921/humarp07/humarp07-e.pdf. p. 141