

# Better is Always Possible: A Federal Plan to Tackle Poverty and Inequality

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*Over its 20-year history, numerous policies proposed by the Alternative Federal Budget have been adopted by both Liberal and Conservative governments. While we have consistently underscored the feasibility of living with less inequality and poverty, that budgeting framework has not as yet taken root. This year's federal budget may signal a turning point, building on momentum at the provincial, territorial, and municipal levels. The following technical paper shows what a 21<sup>st</sup> century war on poverty and inequality could look like.*

**D**URING THE 2015 election campaign, the Liberal party campaigned vigorously on a promise to tackle inequality and substantially reduce child poverty. Now in government, the Liberals plan to introduce a new Canada Child Benefit (CCB) that would boost incomes for low-income families with children by slightly more than what the AFB and Campaign 2000 have proposed in the past. We estimate the new CCB should reduce child poverty by a quarter. A promised 10% increase to the Guaranteed Income Supplement (GIS) for low-income seniors should likewise lower the poverty rate among seniors by approximately 20%. The new government has also promised



action on Indigenous poverty, and has signalled that improvements are coming with respect to accessing employment insurance (EI) and benefits.

As welcome as these progressive proposals are — they have been advanced in consecutive AFBs for years — the task of adequately tackling poverty and inequality remains far from complete. By creating a false divide between the deserving poor (children and seniors) and other low-income people, we lose sight of the urgent challenges raised by poverty across the board. This paper, which expands upon a chapter on poverty and inequality in the 2016 AFB, proposes the terms of a comprehensive federal poverty reduction plan. If the government is serious about its campaign pledge to bring real economic opportunities to more people, the practical and affordable policy tools outlined here will take them some way toward that goal.

### **There Is Nothing Inevitable About Poverty**

Neither poverty nor high levels of inequality are inescapable facts of life. They are problems that can be addressed by effective policy.<sup>1</sup> Despite national and international evidence to back this up, too often we become resigned to the persistence of poverty, and of food and housing insecurity.<sup>2</sup>

For example, Denmark and Finland have child poverty rates below 3%.<sup>3</sup> According to the latest comparable data from the Organization for Economic Co-operation and Development (OECD), Canada tolerates almost five times that rate for children (14.4%).<sup>4</sup> Yet Canada has the 11th largest economy in the world. That means we have the resources to create virtually any kind of society we want.

We know we *can* do better, because we *have* done better before. Canada chose to tackle poverty among the elderly in the 1960s and the poverty rate for seniors plummeted from 33% to less than 4% in 20 years. But since the mid-1990s, poverty rates among seniors have more than doubled to about 11%, with some seniors experiencing much higher rates. One in three single women over the age of 65 live below the low-income measure.

Income data from census results and other in-depth surveys also show higher rates of poverty are systematically experienced by racialized minorities, Indigenous peoples, and people with disabilities. Single parents and people who live alone are disproportionately likely to live in poverty. In every category, women experience more poverty than men.

Across-the-board income support could help all these groups. But more money, alone, will likely not be enough to reduce economic disparities across a range of lived experiences. We are learning from communities across Canada that dramatic improvements in the quality of life of low-income households can arise from meas-

ures not related to income, such as improving access to supportive housing, dental care, and skills-upgrading opportunities, to name but a few initiatives.

Quebec was the first province to commit to a poverty reduction strategy in 2002. The second was Newfoundland and Labrador, in 2006. Since the onset of the 2008–09 economic crisis, all provinces and territories except for British Columbia have a poverty reduction plan in place or are in the process of developing one.<sup>5</sup> Several cities are also initiating poverty reduction strategies.

The previous federal government showed little interest in joining these efforts, but that appears to be changing. Shortly after swearing in his new cabinet, Prime Minister Justin Trudeau asked the Minister of Families, Children and Social Development to work on an inter-ministerial federal poverty reduction strategy that “will align with and support existing provincial and municipal poverty reduction strategies.”<sup>6</sup>

This new approach is in line with numerous parliamentary recommendations in recent years. In 2009, all parties supported a House of Commons motion directing the federal government to “develop an immediate plan to eliminate poverty in Canada.” That same year, a Senate report also urged the federal government to “adopt a poverty-eradication goal.”<sup>7</sup> In November of 2010, a House of Commons committee released a major report on the federal role in poverty reduction, recommending the federal government “join with the provinces to introduce an action plan for reducing poverty in Canada.”<sup>8</sup> In February of 2015, the House of Commons again passed, with near unanimity, a motion calling for the elimination of child poverty.<sup>9</sup>

As the AFB has said for years, in order to effectively tackle poverty, the provinces, territories, and municipalities need the partnership of the federal government. The government of Canada has lead responsibility for poverty among Indigenous people and seniors, and plays a critical role in reducing disparities among poor children, recent immigrants, and people with disabilities. Key income-support programs, including the CCB, GIS, GST credit, and EI, are in the hands of the federal government. And while vital forms of non-income support — from child care to housing and public transit, health care to post-secondary education — are provided by provincial and territorial governments, the federal government’s supporting role also shapes the lives and opportunities of people living in low-income households. These programs, left to the provinces alone to fund and roll out, produce variation in access to essential resources from region to region. The point of cost-sharing by the federal government has always been to increase access to, and lower the cost of, the services that improve our quality of life.

On the eve of Canada’s 150<sup>th</sup> anniversary as a federation, it is time for the new federal government to reprise its historic role as partner with the provinces and territories in developing and implementing a comprehensive federal action plan to end poverty across the country.

## Inequality Trends and Causes

Without question, reducing poverty is a matter of urgency. But inequality shapes our view of that urgency, and international research reveals an important link between the two phenomena: the higher the rate of inequality among people, the higher the rate of poverty that is tolerated.<sup>10</sup>

In the past, inequality trends were driven by what happened to people at the bottom of the income spectrum. More recently, it has been shaped by what happens at the top. Inequality used to widen in the wake of economic recessions. Now it widens during good times, too, partly due to the market and partly due to public policies.

While the top 1% in North America has amassed a rising share of total income over time, the same is not true in some industrialized countries such as the Netherlands, France, Japan, and Sweden.<sup>11</sup> Just as poverty can be addressed with good public policy, these countries show us high rates of inequality are also not inevitable.

Inequality in Canada may be less extreme than in the U.S., but it grew at a faster rate here between 1997 and the onset of the last recession, during a time of robust growth and job creation.<sup>12</sup> The richest 1% of earners in Canada accounted for 32% of all income gains between 1997 and 2007. That is four times their share of total income gains during the 1960s (another period of rapid growth) and almost double the share of gains of the 1% during the Roaring Twenties.<sup>13</sup> This raises the question: if robust job growth is not enough to reduce inequality, what is required?

Since the 2008–09 recession, inequality has not continued to increase if measured by the share of income accruing to the top 1%. In fact, their share of income was lower in 2013 (11.4%) than the pre-recession peak in 2007 (13.7%).<sup>14</sup> This is because the incomes of the top 1% have dropped slightly since then, while those of the 99% have risen modestly over the course of the recovery. This does not mean the problem is resolving itself: most of that growth has occurred near the top of the 99%, among earners in the top income decile.

Much has changed since 2013 (the latest year for which income data is available). Canada's inequality did not widen as rapidly as expected in the early years of recovery from the 2008 crisis. From 2009 to 2014, the commodity-rich provinces of Alberta, Newfoundland and Labrador, and Saskatchewan saw robust export-led growth, and both job and wage growth. But since it peaked at US\$115 a barrel in June 2014, the global price of oil has plummeted. At the time of writing, it was below US\$30 a barrel.<sup>15</sup> Though we may see a further decline in incomes of the top 1% during this slump, it does not mean income inequality will decrease. The effect of greater unemployment in resource-rich provinces will likely offset any potential losses among high-income earners. As data are updated, income inequality is likely to once again rise in Canada from levels already near 35-year highs.

While the incomes of the bottom 50% of earners have also grown since the beginning of the recovery, that growth has stalled since 2012. In 2013, 50% of earners in Canada reported incomes below \$31,800.<sup>16</sup> The average income of the bottom 50% was \$14,900. For the top 1%, average income was \$516,000, almost 35 times as much. Taxation reduced this disparity somewhat — to about 26 times the bottom half’s average income. In 2013, the average after-tax income of the richest 10% of Canadian households was 20 times that of the average income of the poorest 10%, the second highest ratio of any period on record since 1976.<sup>17</sup>

Worrisome as the increase in inequality has been, economist Lars Osberg notes, “unbalanced growth has been the new normal for the past thirty years. If historic differentials in income growth rates continue, they will compound to a successively larger gap between the top 1% and everyone else.”<sup>18</sup> Many commentators urge policies that can spur the rate of economic growth. Few note that the distribution of the benefits from growth is perhaps more important than its pace.

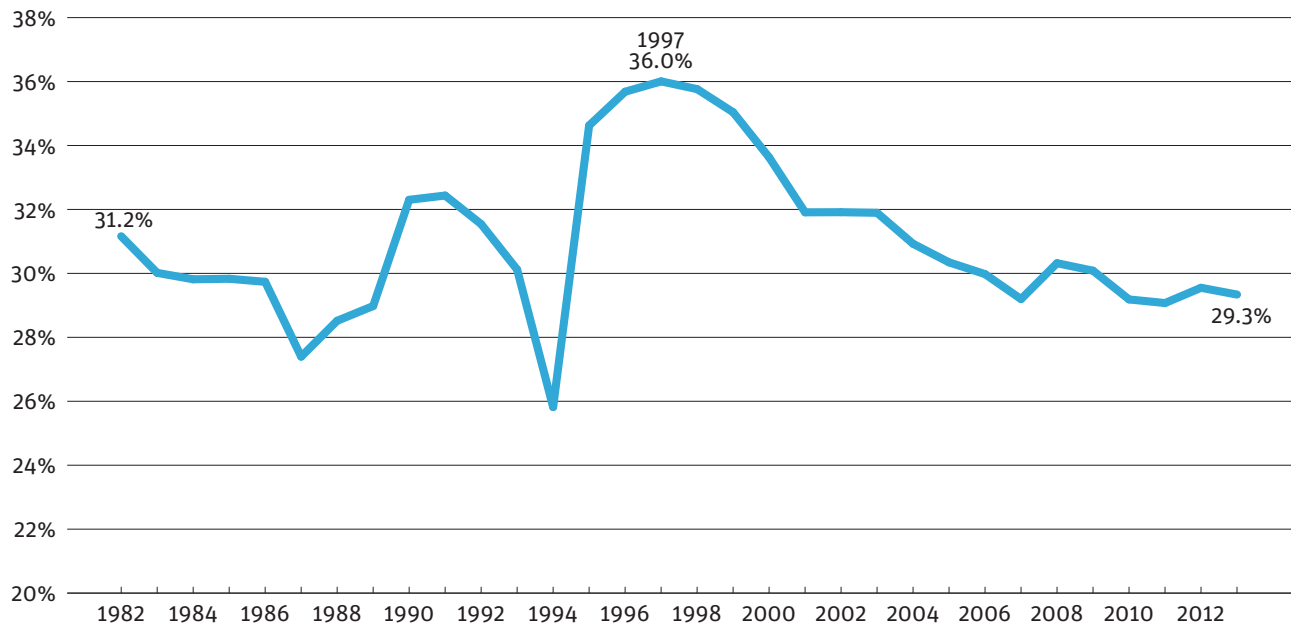
It bears repeating that income inequality in Canada (and everywhere) is also highly racialized and gendered. Levels of income and employment are consistently lower for women, Indigenous peoples, racialized groups, persons with disabilities, and new immigrants. These differences cannot be attributed to differing educational levels alone. Women and men are equally likely to have post-secondary training, yet women working full time, all year still earn 20% less than men in the same situation.<sup>19</sup> Indigenous workers with university degrees experience an even larger pay gap — a 44% difference in the private sector — than those with less education. Women are also overrepresented at the bottom of the income spectrum, making up 59% of all minimum-wage workers in Canada.<sup>20</sup>

As inequality increases, the rich bid up the cost of basic goods such as housing, causing affordability problems for lower-income households. The squeeze on household incomes (rising costs plus downward pressure on wages) is being managed through higher household debt and/or reduced spending, which is also bad for business.<sup>21</sup> As the International Monetary Fund (IMF) has pointed out, higher levels of inequality are correlated with fewer and shorter spells of growth.<sup>22</sup> The OECD has identified inequality as a major societal and economic challenge, and recently launched the Centre for Opportunity and Equality (COPE) to explore and showcase ways of accelerating inclusive growth.<sup>23</sup>

## **Equalization Through Taxation**

These large and growing imbalances could be redressed by raising the tax rate on very high incomes, which would generate revenues to provide programs that both reduce poverty and support the broad middle class. The federal government has intro-

**FIGURE 1** Average Effective Income Tax Rate Paid by Canada’s Top 1%, 1982–2013  
(Average Federal and Provincial Income Taxes as Share of Average Total Income with Capital Gains)



Source: Statistics Canada CANSIM Table 204-0001

duced a new top marginal tax rate of 33% on taxable incomes over \$200,000 (only about 1.4% of people in Canada make more than that). This represents an increase of 4% over the previous top federal marginal tax rate of 29%, applied to taxable incomes above \$138,586. It is important to note the *effective* tax rate (the share of income actually paid, rather than the rate at which incomes are taxed) has been falling for the top 1% since 1997 (see *Figure 1*).

The new top tax rate on Canada’s “One Per Cent” was originally estimated to produce revenues over \$3 billion, but was intended to be “revenue neutral,” since the money raised would cover the cost of lowering the marginal tax rate for the second tax bracket, currently covering taxable incomes between \$45,282 and \$90,563. In fact, as the government now acknowledges, this shift will not be revenue neutral. The tax cut will cost more than the revenue raised by the upper-income tax hike due to high-income earners taking (legal) steps to avoid paying taxes.

We must emphasize this is not a middle-class tax cut. It is a middle *tax-bracket* cut. Every tax filer with taxable income over \$45,282 will benefit from this tax cut, not just individuals with incomes in the \$45,282 to \$90,563 range. If that range sounds like the middle class to you, you may be surprised to learn that the taxable

income of about 60% of earners is less than \$45,000. In other words, the majority of tax filers in Canada will see no benefit from this tax cut, which will widen the annual deficit by almost \$2 billion a year and cost the public purse \$10.5 billion by 2020. Who will benefit? The Parliamentary Budget Officer (PBO) shows virtually all the payout from this tax cut will flow to the top 30% of Canadian tax filers.<sup>24</sup> That matches no one's definition of the middle class.

Since the tax cut to the second tax bracket applies to anyone with taxable income above \$45,282, even some of the 1% benefit, despite the new top tax rate. The higher the income, the bigger the tax break. Since top earners will also benefit from the new tax break, their taxable income would have to exceed \$217,000 before they actually start paying more tax.<sup>25</sup>

Changing the bottom tax rate may also not help the middle class, or low-income households for that matter. The PBO compared the Liberal rate cut to the second tax bracket to the NDP plan to cut income tax rates on the bottom tax bracket (up to \$45,282).<sup>26</sup> The NDP plan would be more costly, since it was not accompanied by a new top tax rate on high earners. But while it would help some people in the lower middle class, it could never do anything for the poor: in 2012, 34% of people in Canada paid no income taxes because their incomes were too low.<sup>27</sup>

At the other end of the income spectrum, there is debate as to whether the 33% federal tax rate now applied to high incomes is not enough or too much. The combined federal-provincial effect means marginal tax rates on incomes over \$200,000 range between a low of 40.5% in Nunavut to a high of 58.75% in Quebec and New Brunswick, though the top tax rate may not kick in until a very high income, such as \$500,000 (as it does in Yukon).

A recent review of the literature suggests Canada has even more room to tax top incomes without distorting economic behaviour. Between 1940 and 1980, the top marginal income tax rate in Canada (combined federal and provincial) was over 70%. Studies indicate today's revenue-optimizing limit is 65%.<sup>28</sup> If none of the provinces increased their top tax rate, and if this analysis is correct, the federal government would have room to raise its top marginal tax rate by another six percentage points.<sup>29</sup> Osberg estimates a combined tax rate of 65% on incomes over \$205,000 (excluding capital gains) would raise between \$15.8 and \$19.3 billion annually, enough to double investments in infrastructure renewal *and* provide tuition-free post-secondary education.<sup>30</sup>

## **We All Pay for Poverty and Inequality**

Again and again, research links poverty with poorer health and higher health care costs, higher justice system costs, more demands on social and community services, more stress on family members, and diminished school success. Poverty also comes

with huge costs associated with reduced productivity and foregone economic activity. One study puts these costs in Canada in the range of \$72.5 billion to \$86.1 billion, or about 6% of Canada's GDP.<sup>31</sup>

A report by the National Council of Welfare, published shortly before the federal government cut the group's funding, finds: "[t]he poverty gap in Canada in 2007 — the money it would have taken to bring everyone just over the poverty line — was \$12.3 billion. The total cost of poverty that year was double or more using the most cautious estimates."<sup>32</sup>

Statistics Canada estimates the 2013 value of this poverty gap figure, which was based on the low-income cut-off (after-tax), to be \$16.9 billion.<sup>33</sup> Using what is now the more widely used metric for poverty — the low-income measure (after-tax) — the aggregate cash shortfall was \$22.1 billion in 2013. (These estimates do not include housing benefits and other subsidies that offset poverty.) In 2013, there were 4.65 million Canadians trying to make ends meet with incomes that were, on average, one-third below the poverty line.<sup>34</sup>

Just as we all pay for poverty, so too do we all pay for inequality. Ground-breaking work by epidemiologists Richard Wilkinson and Kate Pickett shows it is not just the poor who experience worse health in more unequal societies, but middle- and upper-income households as well.<sup>35</sup> Income inequality is also linked to diminished generational income mobility, undermining the cherished Canadian ideal of equality of opportunity.<sup>36</sup> If lower-income children are more likely to remain poor, and if a lack of income is correlated with fewer chances to develop skills, we are all denied their future economic contributions.

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## Current Issues

The new government of Canada, in keeping with Liberal promises from the election campaign, has asked the Minister of Families, Children and Social Development to lead the development of a "Canadian Poverty Reduction Strategy" that would set targets, and measure and publicly report on progress, in collaboration with the Minister of Employment, Workforce Development and Labour. The strategy "will align with and support existing provincial and municipal poverty reduction strategies," says a mandate letter from the prime minister.<sup>37</sup>

We are encouraged by this exciting development. We also applaud the new government's decision to scrap the Universal Child Care Benefit and income splitting for families with children in order to reallocate federal resources and target greater help toward lower-income households with children. Replacing the former Can-



ada Child Tax Benefit/National Child Benefit supplement with the enhanced Canada Child Benefit corresponds to past AFB recommendations.

In fact, where past Campaign 2000 child poverty report cards called for the annual CCTB/NCB amount to be increased to \$5,600 per child, the CCB, once enacted, will provide \$6,400 per child to low-income families, thereby lifting an estimated 315,000 children from poverty. This is good policy with clear results. But there are important omissions from the new government's plans.

In the past, the Alternative Federal Budget has called for the elimination of income splitting for seniors, believing these resources would be better focused on low-income seniors, similar to the government's plan for children. The new government has chosen not to pursue this approach for seniors.

Tackling poverty is also about more than income; it requires strong action on the social supports and programs that enhance affordability, quality of life, and economic security. So it is disappointing the new government has thus far not proposed meaningful action on the urgent need for a national child care program or provided details on the Liberal campaign promise for new spending on social housing.

The new government also does not seem to appreciate that to truly tackle income inequality, policies are needed that address the *pre-distribution* of income (i.e., how society shares income prior to the tax and transfer system modestly redistributing it). This will require federal action on the minimum wage, something the government has thus far rejected. It necessitates measures that boost unionization, as union density is one of the strongest predictors of inequality in a society.<sup>38</sup> And it entails other policies that seek to restore the relative bargaining position of workers, such as replacing temporary foreign worker programs with permanent immigration as labour shortages become increasingly widespread over the coming years.<sup>39</sup>

## **The Case for a Federal Plan**

While the depth of poverty is primarily a result of inadequate provincial social assistance, the breadth of poverty is primarily a low-wage story. Market pressures stemming from slow growth and accelerated competition are one reason there is so much pressure to lower the cost of wages. Inexplicably, public policy is reinforcing rather than countering this effect.

The federal government's massive expansion of the Temporary Foreign Workers Program (TFWP) and International Mobility Programs (IMPs) have dramatically expanded the supply of temporary foreign workers in Canada, which effectively suppresses wages even in places where there is little evidence of labour or skills shortages.<sup>40</sup> This issue became highly controversial in 2014–15, forcing the last government to roll back some of the most blatant examples of abuse of the TFWP by em-

ployers. There was less attention on the IMPs, which do not even require a labour market impact assessment, even though the use of these programs by employers is expanding more quickly than the TFWP.

Millions of people in Canada continue to struggle with unemployment, underemployment, and precarious work. Employment insurance benefits now reach less than four in 10 unemployed workers, a level not seen since 1944.<sup>41</sup> The provincial social assistance system is a shadow of what it was during the early 1990s. The purchasing power of welfare benefit rates has plummeted, and new rules have made assistance harder to get, often requiring people to liquidate their savings before receiving help.<sup>42</sup> Those facing job loss, the loss of a spouse, the loss of good health, or old age find that the social safety net meant to catch them has been shredded.

### **By the Numbers**

Historically low levels of income support and the growth in insecure, poor-paying jobs led an estimated 852,137 individuals to food banks across Canada in March of 2015, 26% more people than before the recession hit in 2008.<sup>43</sup> Food insecurity has risen dramatically since 2008 as well, with 12.5% of people in Canada experiencing some level of food insecurity in 2013.<sup>44</sup>

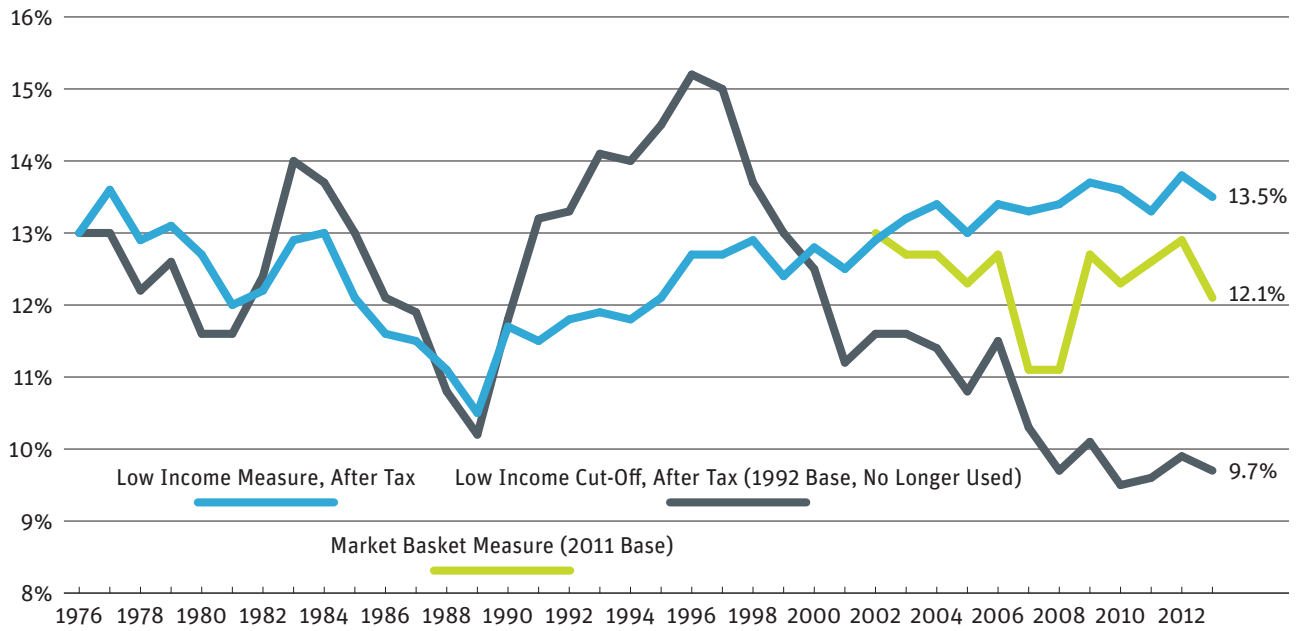
Homelessness remains a crisis across Canada. A recent report, *The State of Homelessness in Canada 2014*, notes that nearly one in five Canadian households experience severe housing affordability problems, about 35,000 people are homeless on any given night, and over 235,000 distinct individuals experience some form of homelessness during the year. “The rise of modern mass homelessness in Canada can be traced directly back to the withdrawal of the federal government’s investment in affordable housing and pan-Canadian cuts to welfare beginning in the 1980s,” concludes the report.<sup>45</sup>

By any measure, there was a rise in poverty rates in Canada immediately following the onset of the 2008 recession. Whether rates have since returned to pre-recession levels, however, depends on the measure used. The low-income cut-off (LICO), for many years the most commonly used poverty line, has not been re-based since 1992, making it an increasingly unreliable metric. For this reason, our tracking of poverty rates is based on the more reliable low-income measure (LIM) and market-basket measure (MBM).

As *Figure 2* demonstrates, the choice of measure determines how many people in Canada are struggling with poverty — from 3.4 million using the LICO to 4.6 million using the LIM. Based on the more accurate LIM, we can see in *Figure 3* that the rate of poverty varies significantly by age group.

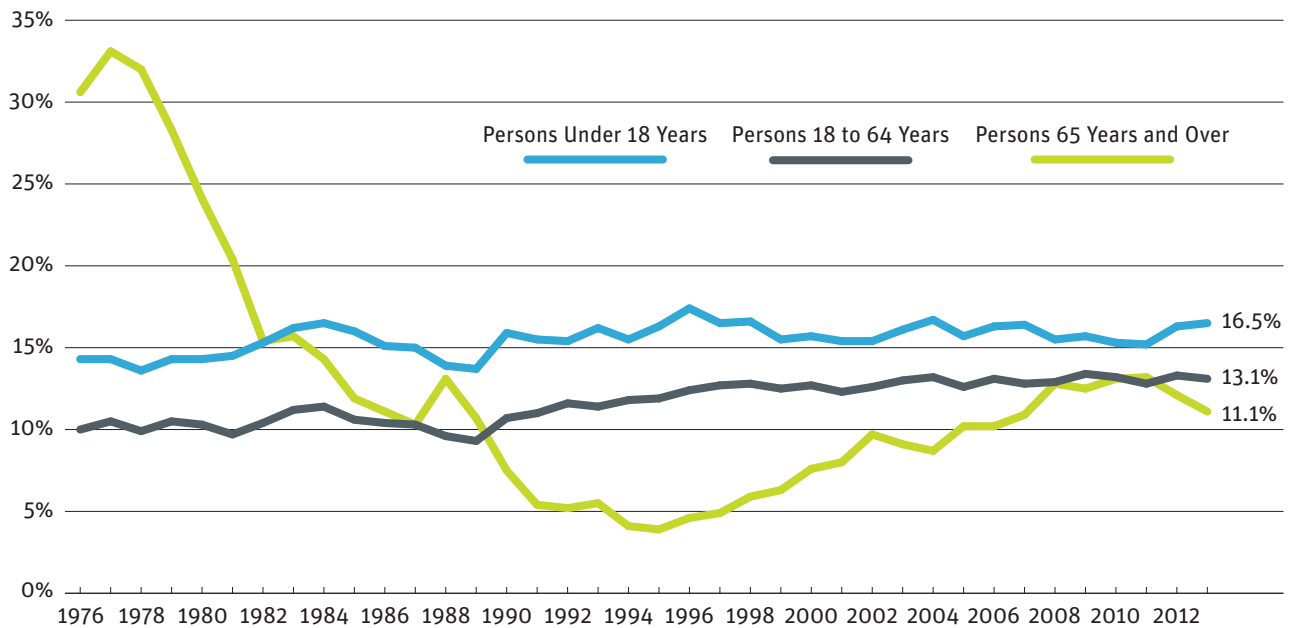
According to Campaign 2000’s most recent child poverty report card, more than 1.3 million children (19%) lived in poverty in 2013 compared to 15.8% when the House

**FIGURE 2** Measuring Poverty in Canada (Percentage of Persons in Low Income, Annual, 1976–2013)



Source: Statistics Canada CANSIM Table 206 0041

**FIGURE 3** Poverty Rates by Age Group, Canada, 1976–2013 (Measured by Low Income Measure, After Tax)



Source: Statistics Canada CANSIM Table 206 0041

of Commons passed its ill-fated resolution in 1989 seeking to end child poverty by the year 2000.<sup>46</sup> This is despite the fact Canada's inflation-adjusted GDP went up by 76% between 1989 and 2014, from \$994 billion to \$1.75 trillion measured in constant dollars.<sup>47</sup> A higher child poverty rate was accompanied by a greater proportion of poor families with children that had at least one parent working full time, all year (37% in 2011 compared to 33% in 1989).<sup>48</sup> The situation is much worse for Indigenous children whose poverty rate is a staggering 40%.<sup>49</sup>

Poverty rates are higher for recent immigrants, Indigenous people, racialized people, senior women, single parents, and people with disabilities. Overall, 14.1% of women and girls live in poverty (using the 2013 after-tax LIM). In 2011, that rate was 13.3%. But Indigenous women and single mothers experienced even higher rates of 30% and 36% respectively.<sup>50</sup>

It is important to remember that while we have relatively recent data for all women and girls, we will have to wait until 2018 for up-to-date census information on the experience of poverty by ethnicity or immigration status. Based on the 2011 National Household Survey, however, and using the after-tax LIM as our measure of poverty, the following incidence of poverty emerges:<sup>51</sup>

- 18.3% for immigrants versus 14.6% for non-immigrants.
- 38.1% for non-permanent residents.
- 21.5% for visible minorities versus 13.3% for non-visible minorities.
- 25.3% for Indigenous identity versus 14.5% for non-Indigenous identity.
- 11.9% for men and 13.3% for women.
- 9.1% for men over 65 and 14.4% for women the same age.
- 34% among lone-parent families, 5.1% for two-parent families with two earners, and 22% for two-parent families with one earner.

For these Canadians, the issue is not just making ends meet, but being able to plan for the future, develop skills, or participate in the social, cultural, and political life of their communities. Persistent poverty represents a violation of economic and social rights enshrined in international law, and a squandering of human potential.

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## Government Actions

Given all the above, we recommend the following actions be taken by the federal government.

## Set Clear Targets

The federal government should adopt the following indicators, targets, and timelines:

- Reduce Canada's poverty rate by 40% by 2020, and by 75% within a decade.
- Ensure the poverty rate for children and youth under 18, lone-parent households, single senior women, Indigenous people, people with disabilities, recent immigrants, and racialized people also declines by 40% in four years, and by 75% in 10 years, in recognition that poverty is concentrated within these populations.
- In two years, ensure every person in Canada has an income that reaches at least 75% of the poverty line.
- In two years, ensure there are sufficient emergency shelters that no one has to sleep outside, and within 10 years ensure there is sufficient stock of high-quality supported and affordable housing for everyone who needs it.
- Within two years, reduce by half the number of people who report both hunger and food insecurity.

To achieve these targets, the federal government should take action in the following key policy areas:

- Establish a human rights framework by which the federal government provides leadership on poverty and inequality issues, with a plan grounded in legislation that includes targets and timetables to eradicate poverty, accountability and reporting mechanisms, and input from those with a lived experience of poverty.
- Introduce a new federal transfer payment to the provinces and territories tied to helping them achieve their poverty reduction goals, as recommended in the 2010 report of a parliamentary Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities. This innovative transfer should be worth \$4 billion in both the first and second years, over and above the costs associated with the federal measures outlined below.<sup>52</sup> It is specifically designed to assist provinces and territories to meet clear poverty reduction targets. The intent of this transfer is to ensure the lion's share of these funds helps provinces improve social assistance, and disability benefit rates and eligibility. In the first year, there are no strings attached to the transfer. In subsequent years, however, only provinces and ter-

ritories that demonstrate improvement in income support and progress on a number of other outcome indicators will continue to receive federal funding.

- Legislate minimum national standards for provincial income assistance to ensure that welfare is accessible and adequate.
- As promised during the election campaign, introduce a new Canada Child Benefit (CCB) that would provide low-income families with \$6,400 per year, per child up to age six, and \$5,400 per year, per child between ages 6–17. This amount must be indexed, increasing annually in line with inflation. With the full package of reforms suggested here, we anticipate the goal of reducing child poverty by 50% could be reached within five years.
- Triple the GIS top-up benefit for seniors and double the point at which top-up benefit is reduced, the result of which would be an increase in support targeted to seniors below the poverty line. Single seniors would see an additional \$1,300 a year and seniors in couples \$910 a person a year. This would result in 23% reduction in senior poverty at a cost of \$1.8 billion a year. Additionally, cancel pension income splitting among seniors to help pay for helping low-income seniors.
- Immediately double the refundable GST credit and lengthen the phase-out to include more families at a cost of \$5.1 billion per year.<sup>53</sup> This is vital to boost the income of *all* low-income households, not just those with children and seniors, even in the face of provincial resistance to increasing social assistance benefit rates.
- Improve the earnings and working conditions of those in the low-wage workforce. This can be done by re-establishing a federal minimum wage of \$15 per hour covering all workers under federal jurisdiction, to be indexed to inflation; committing that federal government contracts go only to living wage-employers; and revising temporary foreign worker programs so that migrant workers can seek and obtain landed-immigrant status, without nomination by employers, and assure all those who come to Canada for work are granted full labour rights and protections upon arrival.<sup>54</sup>
- Tackle homelessness and ensure the addition of affordable housing stock.
- Provide universal, publicly funded child care through increasing the number of regulated spaces and capping fees.

- Provide support for training and education, and initiate a green infrastructure and green jobs plan with a special focus on apprenticeships for economically marginalized populations.

## Reducing Inequality

The government should adopt a comprehensive strategy to tackle the growing income gap in Canada based on the following five-point plan:

1. Halt and reverse Canada's drift toward an economy based primarily on resource extraction and a low-wage service sector by establishing an industrial policy that emphasizes the creation of value-added jobs in the primary sector of the economy, rebuilds manufacturing capacity with well-paid jobs, and invests in research and development to accelerate energy-efficient production and use of sustainable energy sources.
2. Enhance the infrastructure and public services upon which most people rely (child care, post-secondary education, housing, transit, etc.), thereby stretching paycheques and improving the purchasing power of the broad middle class.
3. Rebalance the bargaining relationship between capital and labour through measures that support unionization and collective bargaining, and enforce and enhance the employment standards of vulnerable workers.
4. Prioritize improvements in the incomes of all low- and middle-income households such as better public pensions, higher minimum wages, the widespread adoption of living-wage policies, and improved support for the ill, unemployed, young and old.
5. Increase the progressivity of Canada's overall tax regime, and reduce tax exemptions for high-income individuals and highly profitable corporations.

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## Notes

**1** Statistics Canada, CANSIM Table 202-0802, measuring poverty rates by the low-income after-tax measure. These data only go to 2011, but Quebec, Newfoundland and Labrador, and Ontario all introduced poverty reduction strategies before that (2002, 2006, and 2009 respectively).

**2** For how Canada compares to other OECD countries on inequality, see the Conference Board of Canada's comparison's here: <http://www.conferenceboard.ca/hcp/details/society/income-inequality.aspx> or the OECD data here: <http://www.oecd.org/els/soc/income-distribution-database.htm>

**3** Organization for Economic Co-operation and Development, OECD Family Data Base, Table CO2.2 Child Poverty (includes family poverty): <http://www.oecd.org/social/family/database.htm> (data up to 2012).

**4** Data from the new Canada Income Survey for the year 2013, measured by the low-income after-tax measure for persons 18 years of age and under. Statistics Canada, CANSIM Table 206-0041.

- 5** In the fall of 2014, Saskatchewan became the latest province to announce that it will develop a plan, leaving B.C. alone in refusing to accept the need for a poverty reduction plan.
- 6** Letter from Prime Minister Justin Trudeau to the Minister of Families, Children and Social Development Mandate, December 2015: <http://pm.gc.ca/eng/minister-families-children-and-social-development-mandate-letter>
- 7** The Standing Senate Committee on Social Affairs, Science and Technology (2009). *In from the Margins: A Call to Action on Poverty, Housing and Homelessness*. Ottawa: Senate of Canada.
- 8** The House of Commons Standing Committee on Human Resources, Skills and Social Development, and the Status of Persons with Disabilities (2010). *Federal Poverty Reduction Plan: Working in Partnership Towards Reducing Poverty in Canada*. Ottawa: Parliament of Canada.
- 9** MP Rathika Sitsabaiesan tabled Motion 534 calling for a national anti-poverty plan to address the need for affordable housing, child care, and nutrition, with special emphasis on the unique needs of First Nations, Inuit, and Métis communities. On February 4, 2015, Motion 534 was passed nearly unanimously with little fanfare or media coverage.
- 10** Fortin, Pierre (2010). “Quebec is Fairer”, *Inroads*, Winter/Spring, Issue No. 26, pp. 58–65; and Ravalion, M. (2007). “Inequality Is Bad For The Poor” in *Inequality and Poverty Re-examined*, edited by Steven Jenkins and John Micklewright, Oxford University Press.
- 11** See the World Top Incomes Database, developed by Facundo Alvaredo, Tony Atkinson, Thomas Piketty, and Emmanuel Saez: <http://topincomes.parisschoolofeconomics.eu/>
- 12** Conference Board of Canada (2011). “World Income Inequality: Is The World Becoming More Unequal?”: <http://www.conferenceboard.ca/files/hcp/pdfs/hot-topics/worldinequality.pdf>. Since the recession, inequality has grown more rapidly in the U.S. than Canada because of the strength of global demand for Canadian natural resources, and women’s higher labour force participation rates here. Developments in 2015 will see this offsetting force diminish, but we will not see the results in income data until 2017.
- 13** Data are based on individual incomes. Yalnizyan, Armine (2010). *The Rise of Canada’s Richest 1%*. Ottawa: Canadian Centre for Policy Alternatives.
- 14** Income is pre-tax from all sources including capital gains. Data is from Statistics Canada, CANSIM Table 204-0001. 2013 is the most recent data available.
- 15** On January 25, 2016 the price of oil closed at \$29.83 USD. <http://www.bloomberg.com/quote/CL1:COM>
- 16** All incomes in this section refer to pre-tax income, including capital gains.
- 17** Statistics Canada CANSIM Table 206-0031. The rich-to-poor ratio was slightly higher in 2000. In 2013, the most recent data available, it was at the highest level it has been since the 2008 recession.
- 18** Osberg, Lars (2014). “Canadian Inequality, then and now: Can increasing inequality be a steady state?”: <http://myweb.dal.ca/osberg/classification/conference%20papers/May%2022%20Canadian%20Inequality%20Then%20and%20Now.pdf>
- 19** Statistics Canada. *2011 National Household Survey*. Ottawa.
- 20** Our data for these critical dimensions of poverty are out of date and not as reliable as they have been in the past because they come from the National Household Survey, a voluntary survey that replaced the mandatory long-form census during the last government. The very first act of the new government of Canada was to restore the mandatory long-form census, the only source for data that can link income, education, ethnicity, and immigration data. The next census takes place in May of 2016, and data associated with income will be released in 2018.
- 21** Yalnizyan, Armine. “Inequality is Bad for Business,” *Canadian Business*, August 11, 2011.
- 22** Ostry, Jonathan et al. (2014). *Redistribution, Inequality, and Growth*. International Monetary Fund Discussion Note, Washington D.C..



- 23** The launch of the Centre for Opportunity and Equality (COPE) took place at the Organization for Economic Co-operation and Development on October 26, 2015 with a forum on the topic. This website is an archive of OECD materials on the topic of inequality and ways of overcoming it: <http://www.oecd.org/els/soc/launch-centre-for-opportunity-and-equality.htm>
- 24** Office of the Parliamentary Budget Officer (2016). *The Fiscal and Distributional Impact of Changes to the Federal Personal Income Tax Regime*, Ottawa: January 21, 2016.
- 25** Blatchford, Andy. Feds' tax changes to cost \$100-million more a year than expected: watchdog, *Canadian Press*, January 21, 2016.
- 26** Office of the Parliamentary Budget Officer (2016), *op.cit.*
- 27** Based on Canada Revenue Agency's final tax statistics for the 2012 tax year, published in 2014.
- 28** Osberg, Lars (2015). *How Much Tax Could Canada's Top 1% Pay?* Ottawa: Canadian Centre for Policy Alternatives. Some economists, such as Piketty, believe the figure is higher (75%).
- 29** See the combined federal and provincial marginal tax rates for 2015 here <https://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/PersonalTaxRates/Combined-Top-Marginal-Tax-Rates-For-Individuals-2015.pdf>. This is before the creation of a new tax bracket that raises top marginal rates by 4%.
- 30** Osberg, Lars. *Ibid.*
- 31** Laurie, Nathan (2008). *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario*. Toronto: Ontario Association of Food Banks. This estimate includes the additional costs of health care, incarceration, etc. borne by the taxpayer when poverty is not addressed.
- 32** National Council of Welfare (2011). *The Dollars and Sense of Solving Poverty*. Ottawa: NWC, p. iv.
- 33** Statistics Canada, unpublished data from the Canadian Income Survey, 2013. The low-income cut-off measure (LICO) has not been rebased since 1992, rendering the measure effectively obsolete.
- 34** As measured by the low-income measure, after-tax. Statistics Canada CANSIM Table 206 0041.
- 35** Wilkinson, R., and K. Pickett (2009). *The Spirit Level: Why More Equal Societies Almost Always Do Better*. London: Penguin Allen Lane.
- 36** Corak, Miles (2013). "Income Inequality, Equality of Opportunity, and Intergenerational Mobility." *Journal of Economic Perspectives*, 27(3): 79–102.
- 37** Mandate Letter from Prime Minister Justin Trudeau to the Minister of Families, Children and Social Development: <http://www.pm.gc.ca/eng/minister-families-children-and-social-development-mandate-letter>
- 38** Jaumotte, Florence and Carolina Osorio Buitron (2015). *Inequality and Labour Market Institutions*, International Monetary Fund: <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf>
- 39** The federal government has tabled legislation to repeal two of the previous government's most controversial bills, C-377 and C-525, both anti-union to such an extent they were widely viewed as anti-constitutional. The Conservatives in the Senate have hinted they may try to use their majority status to block its passage. See Raj, Athia. "Fight Over Repealing Bills C-377, C-525 Could Spill Over To Senate," *Huffington Post*, January 29, 2016: [http://www.huffingtonpost.ca/2016/01/29/union-bills-canada-c-525-c-377-scheer-mihychuk\\_n\\_9111546.html](http://www.huffingtonpost.ca/2016/01/29/union-bills-canada-c-525-c-377-scheer-mihychuk_n_9111546.html)
- 40** Yalnizyan, Armine. "Canada can't let labour mobility create an underclass of TFWs," *The Globe and Mail*, October 16, 2015.
- 41** Yalnizyan, Armine. "Proportion of Unemployed Canadians in Receipt of Jobless Benefits, 1942 to July 2014" (<https://twitter.com/ArmineYalnizyan/status/512602190360633344>), an update of a chart in Yalnizyan, Armine (2009). *Exposed: Revealing Truths About Canada's Recession*, Ottawa: Canadian Centre for Policy Alternatives.

**42** For a full review of provincial social assistance rates and eligibility rules, see: Tweddle, Anne, Ken Battle and Sherri Torjman (2014). *Welfare Incomes, 2013*. Toronto: Caledon Institute for Social Policy.

**43** *Hungercount 2015*. Toronto: Food Banks Canada. 2015.

**44** Tarasuk, V., A. Mitchell and N. Dachner (2015). *Household food insecurity in Canada, 2013*. Toronto: Research to Identify Policy Options to Reduce Food Insecurity (PROOF). Retrieved from: <http://nutritionalsciences.lamp.utoronto.ca/wp-content/uploads/2015/10/foodinsecurity2013.pdf>

**45** Gaetz, Stephen, Tanya Gulliver and Tim Richter (2014). *The State of Homelessness in Canada 2014*. The Homeless Hub and Canadian Alliance to End Homelessness.

**46** This is measured by the after-tax LIM using custom T1FF (a different source than the Statistics Canada data we use for the charts above). See *Let's Do This, Let's End Child Poverty for Good: 2015 Report Card on Child and Family Poverty* (2015). Toronto: Campaign 2000.

**47** Statistics Canada. CANSIM Table 380-0064: Gross Domestic Product, Expenditure-Based, Quarterly." Ottawa.

**48** Campaign 2000 (2013). *Canada's Real Economic Action Plan Begins with Poverty Eradication: 2013 Report Card on Child and Family Poverty*. Toronto: Family Services Toronto. Campaign 2000 has not been able to update the data on the number of children with parents in the paid labour force due to discontinued surveys at Statistics Canada. The restoration of the long form census should rectify this soon.

**49** See *2015 Report Card on Child and Family Poverty* (2015). Toronto: Campaign 2000; and Macdonald, David and Daniel Wilson (2013). *Poverty or Prosperity: Indigenous Children in Canada*. Ottawa: Canadian Centre for Policy Alternatives.

**50** *Progress on Women's Rights: Missing in Action. A Shadow Report on Canada's Implementation of the Beijing Declaration and Platform for Action*. (2014). Ottawa: CCPA.

**51** Statistics Canada. Table 202-0802 - Persons in low-income families, annual, CANSIM (database); and Statistics Canada. Table 202-0804 - Persons in low-income, by economic family type, annual, CANSIM (database).

**52** Notably, at \$4 billion, and with approximately four million people in Canada living below the poverty line, this transfer represents about \$1,000 per low-income person, which the AFB would transfer to the provinces for them to improve the lives of people in poverty.

**53** Statistics Canada. Social Policy Simulation Database and Model. Ottawa.

**54** Employers who have been officially certified as paying the living wage for families as calculated by living-wage campaigns across Canada. For background, see Richards, Tim et al. (2008). *Working for a Living Wage*. Vancouver: Canadian Centre for Policy Alternatives. Also see <http://livingwagecanada.ca/>.



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