Social Planning Network
of Ontario

POVERTY REDUCTION STRATEGY 2007
Summary

At its 2007 Spring Conference, the SPNO leadership agreed to undertake community public education campaigns on poverty reduction in the summer and fall of 2007.

CONTEXT:
The rate of child poverty in Canada was 11.7% in 2005 [LICO-AT}. This was the rate in 1989 when the House of the Commons voted to end child poverty by the year 2000. From 1995-2005, real wealth per capita grew by 27% in Canada. Yet, the rate of child poverty is no better than what it was in 1989.

There is growing international recognition that economic growth alone is insufficient to reduce poverty. Countries must make poverty reduction an explicit political priority. Nordic countries have demonstrated that it is possible to have low child poverty, higher taxes, and highly competitive and productive economies. The United Nations has called on rich countries to reduce child poverty in two stages. The United Kingdom has adopted multi-year targets and a timetable. Both Quebec and Newfoundland and Labrador have made poverty reduction explicit provincial priorities. It is critical that Ontario intensify its efforts since this province has become the child poverty centre of Canada, with 44% of all poor children in 2005.

GOAL:
The SPNO aims to promote public debate on how the Ontario and federal governments could jointly commit themselves to targets and timetables for the reduction of poverty within the province based on the national two stage strategy to be proposed by Campaign 2000 in September 2007. This would lead to:

1) A minimum 25% reduction in the child poverty rate by the year 2012; and
2) A minimum 50% reduction in the child poverty rate by the year 2017,
   [Canada's Sesquicentennial year, the 150th anniversary of Confederation].

The achievement of these goals would be measured by reductions in any and all of three well-established and widely accepted poverty indicators in Canada: (a) LICO-AT [Low Income Cut-Off-After Tax]; (b) LIM-AT [Low Income Measure-After Tax]; (c) MBM [Market Basket Measure].

PROPOSED POLICY FRAMEWORK:
Public education sessions will be advanced in communities across Ontario on four cornerstone principles in the national policy framework of Campaign 2000 for poverty reduction. These principles are:

A. The principle of sustaining employment - an assurance that any parent or adult working full-time, full-year for 30 hours or more a week (1500 hours a year) can have a living standard out of poverty.
B. The principle of a basic income system for persons with disabilities equivalent in benefits to the social security system for seniors.

C. The principle of transitional support with decency and dignity for families with children whose parents are unavailable for employment due to temporary or extended difficulties.
D. The principle of available and affordable essential resources to protect family budgets and promote pathways to equal opportunities for all children.

ARCHITECTURE OF POVERTY REDUCTION

What follows are brief outlines of each cornerstone principle.

A. Sustaining Employment

The goal of sustaining employment is the fundamental challenge of a poverty reduction strategy. Sustaining employment for families with children is built on the following elements.

1. Minimum wages that meet a poverty reduction standard.

This means a wage that enables a full time, full year adult earner to secure sufficient income form employment to live out of poverty. At present, campaigns are underway across Canada for a $10 an hour minimum wage. Based on an estimated 2007 LIM-AT for one adult, this would lead to a bare poverty line minimum of $15,000 a year for 1500 hours of employment. A minimum wage that meets a poverty reduction standard cannot remain a fixed amount in time. Annual indexing is required to reflect the cost of living. The Ontario minimum wage will rise to $10.25 in 2010. However, the Ontario minimum wage will have to reach $11.25 an hour in 2012 to have the same value as $10 in 2007.

2. A full child benefit of $5,100 a year (2007 dollars) for each child in low income families.

Differential wages are not paid for earners with dependents. A full child benefit is expected to provide a basic living income for children under 18. It is now ten years since the new child benefit system was introduced. On July 1, 2007 the basic amount for a first child will be $1,860 short of what is required to meet a poverty reduction standard. Closing this gap is essential to ensure that parents working full year, full time can have a living standard out of poverty. It will be necessary to reconcile or incorporate the federal Universal Child Care Benefit and provincial child benefit measures into the development of a full child benefit of $5,100 for all low income children in Canada. This can be pursued and resolved during the first five year period to 2012.

3. Work tax credits of $2,400 a year.

Work tax credits can protect the net incomes of earnings from higher minimum wages through compensating workers for income tax assessments and social insurance charges. They can also address fluctuations and deficiencies in labour market hours. The Toronto MISWAA report of May 2006 recommended a combination of $350 a month in adult and work benefits to assist low wage workers. Work tax credits of $200 a month would be a reasonable start.

B. A Basic Income System for Persons with Disabilities

Canadians with disabilities are often subject to ineffective and stigmatizing systems of income support. People with disabilities are more likely to live in poverty than other Canadians. Families of parents or children with disabilities are more likely to rely on social assistance as a primary source of income. The Council of Canadians with Disabilities [CCD] and the Canadian Association for Community Living [CACL] are exploring the development of basic income programs for persons with disabilities. The time has come to assure persons with disabilities of a guaranteed income system equivalent in adequacy and design to that afforded seniors.

C. Transitional Support with Decency and Dignity

For a poverty reduction strategy to succeed, the needs of parents and adults who have become unemployed or whose life circumstances limit their availability for employment must be addressed. The historic tendency to divide people in poverty into "deserving" and "undeserving" is still with us. The new designations are "active"/"passive", "self-reliant"/"dependent", and more recently the "welfare wall".

A poverty reduction strategy must establish **just differentials** between those with employment incomes and those without. It is accepted that people employed full time should have higher incomes than people who are unavailable for employment. It is understood that incomes for seniors are lower in retirement. However, differentials for seniors do not lead to destitution. In current approaches to workfare, subsistence incomes from employment lead to the creation of destitution differentials for families on social assistance (child benefit clawbacks, reductions in social assistance rates). It also has led to drastic reductions in eligibility for employment insurance which, in effect, coerces workers to remain in subsistent jobs.

We are proposing just income differentials of 20% between those employed full year, full time and those who are temporarily unavailable for employment. This means that higher assured incomes from full year, full time employment will make it possible to improve living standards for families on social assistance. The five year goal to 2012 would be to raise assured full year, full time employment incomes to 100% of the poverty benchmark. This would mean that family incomes on social assistance could be raised to 80% of the poverty benchmark. If by 2017 assured incomes from full year, full time employment were at 120% of the poverty benchmark, then families on social assistance would be assured a living standard out of poverty. This should be the ten year goal of a poverty reduction strategy.

D. Available and Affordable Essential Resources

Four areas of complementary support must accompany a poverty reduction strategy.

- It is important to restore access to Employment Insurance [EI] eligibility and protection. Unemployment insurance was intended to protect workers from falling into poverty during periods of wage loss. The Canadian Labour Congress has proposed that access to EI would be assured with 360 hours of work, benefit levels would be based on the best 12 weeks of earnings, and benefit rates would increase to 60% of average earnings.

- The well being of workers and their families depends upon continued access to prescription drug and dental benefits. Public programs must assure full coverage for all workers.

- Programs must be developed that prevent the high costs of housing from draining the food budgets of low income families. Higher family incomes from poverty reduction strategies can be quickly eroded if we do not contain high housing costs. There is an urgent need to build more social housing in Ontario. We need to examine what Nordic countries do to protect families from high shelter costs.

- A human development approach to poverty would create universal access to high quality learning and care for all children during the early years. This approach is consistent with the United Nations' definition of poverty as both exclusion and deprivation.

THE FIRST FIVE YEAR PERIOD

Meeting the 2012 targets will establish the credibility of Canada wide commitments to poverty reduction. We should create tight targets for 2012, rather than an extended shopping list.

Poverty reduction in Canada must be a joint commitment of both provinces and the federal government. Ottawa must provide leadership, but provincial champions are essential. Ontario must become a strong contributor to poverty reduction strategies along with Quebec and Newfoundland and Labrador.

The cornerstone target in Ontario and across Canada would be to assure every parent working full time, full year a living standard out of poverty. This in itself would meet the 25% reduction target, since one-third of all children in poverty live in families where a parent has worked full time, full year.

To achieve this goal would require the following initiatives from the federal government:

- Increase the NCBS to create a full child benefit of $5,100 (2007 dollars) / cost $5B
- Increase federal work tax credits to $2,400 a year / cost $2.5 B
- Establish a federal minimum wage of $10 an hour (2007 dollars)
- Restoration of Employment Insurance eligibility and support at poverty prevention levels.

Ontario would be expected to contribute in the following areas:

- Index the minimum wage to a poverty reduction standard of $10 an hour (2007 dollars)
- Invest Ontario revenue in affordable housing initiatives
- Invest Ontario revenue in extended drug and dental coverage
- Invest Ontario revenue in early learning and child care

The just differential target in Ontario and across Canada would be to reduce the depth of poverty for families with children on social assistance to at least 80% of the poverty benchmark.

To achieve this goal would require the following Ontario initiatives:

- Families to receive full child benefits of $5,100 (2007 dollars) without clawbacks and rate reductions
- Fully indexed social assistance rates starting in 2008
- Annual increases to social assistance rates of 3% above inflation also starting in 2008

WHAT COMMUNITIES CAN DO

Local communities can contribute to poverty reduction in three important ways:

1. Inform all candidates for provincial and federal office in their area that they expect "poverty reduction" to be cited as one of three or four major priorities in their campaign literature and in free time political broadcasts. This message can also be conveyed to provincial and federal party leaders.
2. Develop local initiatives that support poverty reduction in areas such as affordable housing, good jobs, local mobility, extended health support, family nutrition, early development, youth mentoring.
3. Conduct public education events with key sectors on why poverty reduction is important to the quality of life and economic well being of the entire community.

July 2007