Pathways to Progress: Structural Solutions to Child Poverty

Summary

Written by Christa Freiler, Laurel Rothman and Pedro Barata

May 2004
Pathways to Progress: Structural Solutions to Address Child Poverty

Summary

Written by Christa Freiler, Laurel Rothman and Pedro Barata

May 2004

This document is a summary of Pathways to Progress: Structural Solutions to Address Child Poverty. For further information or to order copies ($20.00/copy), and/or to order other Campaign 2000 publications, please go to Campaign 2000 website at www.campaign2000.ca and fill out our Online Resource Order Form, or contact us at:

Liyu Guo, Campaign 2000
c/o Family Service Association of Toronto
355 Church St., Toronto, Ontario, M5B 1Z8
Telephone: (416) 595-9230, ext. 244
Fax: (416) 595-0242
E-mail: liyu@fsatboro.com
Web-site: www.campaign2000.ca

Campaign 2000 is a cross-Canada public education movement to build Canadian awareness and support for the 1989 all-party House of Commons resolution to end child poverty in Canada by the year 2000. Campaign 2000 began in 1991 out of concern about the lack of government progress in addressing child poverty. Campaign 2000 is non-partisan in urging all Canadian elected officials to keep their promise to Canada's children.

Also available in French (Disponible en français) under the title Les voies du progrès : solutions structurelles pour s'attaquer à la pauvreté infantile.

Publication: Campaign 2000, Toronto, ON
Photos: Courtesy of the United Way of Greater Toronto and Campaign 2000 file photos

Funding support for the preparation of this paper is provided by the Laidlaw Foundation. The views expressed herein are those of the Campaign 2000 Policy Working Group, the Steering Committee and the authors, and do not necessarily represent those of the Laidlaw Foundation.
Summary

Child poverty remains firmly entrenched in Canada. *Pathways to Progress: Structural Solutions to Address Child Poverty* challenges governments to work together on a social investment strategy that will forge pathways out of poverty for one million children today, and will secure pathways to the future for generations to come.

The Campaign 2000 policy options paper calls for the leadership and action of both the federal and provincial/territorial levels of government, and the involvement and participation of municipal governments, Aboriginal leaders, communities, voluntary sector organizations and citizens in implementing solutions.

For almost 30 years, Canada has maintained an average poverty rate of one child in six. This can be called the structural rate of child poverty. It is a constant pattern in the fabric of Canadian society, woven from the threads of social and economic inequality. It is undermining the current well-being and future prospects of one million children – and of Canada as a nation.

This country needs a comprehensive, multi-year plan, with firm funding commitments, to achieve substantial and sustained reduction and prevention of child poverty. Under a Social Investment Plan for Children and Families, governments should:

- increase availability of good jobs at living wages, raise minimum wages and provide better protection through Employment Insurance;
- create an effective child benefit system that provides enough income support to keep working parents, including single parents, out of poverty that is not clawed back from social assistance recipients;
- build a universally accessible system of quality early childhood education and care to support optimal early development of children and to enable parents to work or receive training;
- expand affordable housing significantly to end adult and family homelessness and enable parents to raise their children in healthy community environments; and,
- renew the national social safety net through the new Canada Social Transfer, with increased federal funding and improved accountability for provincially delivered social services, including social assistance.

A national plan, with targets and timetables, should be in place by the end of 2004 and implemented in the next five years. Policy development efforts and financial resources should also be aimed at:

- development of a collaborative Urban Aboriginal Strategy;
- investment in post-secondary education to reduce the burden of student fees;
- an agenda for inclusion of children with disabilities and their families.
Canada has the know-how and the wealth to make a meaningful, long-term reduction in the level and depth of child poverty and to prevent yet another generation of children from growing up in poverty. Some of the mechanisms are already in place, like the Canada Child Tax Benefit and the Affordable Housing Framework Agreement. It remains for governments to summon the resolve to do what needs to be done.

The ultimate goal for Canada should be to create environments where children can thrive – not merely survive. This means developing the talents, skills and capacities of children to benefit from and contribute to community life and to assume a range of social responsibilities. Poverty and income inequality are major barriers to the healthy development of children, to the cohesion of our communities, as well as to the social and economic well-being of Canada as a whole.

A Structural Problem

In 1973, 16.5% of children under 18 (1,183,700) lived in poverty and in 2001 the percentage was the 15.6% (1,071,000). There have been cyclical variations in between, reflecting economic recessions and recoveries, but the basic level of child poverty – one child in six – has hardly changed in almost three decades.

Child and family poverty is manifesting itself in growing community polarization, as the gap between the poorest and the wealthiest Canadians widens. Studies in population health have shown that countries with high levels of poverty and income inequality have lower levels of health and well-being for all citizens, not just those at the bottom.

Child and family poverty is a structural problem that exists because the economy creates inequalities in resources and opportunities. This means that the risks of poverty are systemic, not the result of demographic trends or the behaviour of parents. Unless the structural sources of child poverty are addressed, there will always be a new vulnerable group that ends up in poverty and replaces others for whom progress is being made. In the last two decades, for example, child poverty rates have been going down for young children with Canadian-born parents, but going up among children with immigrant parents.

The tenacity of child poverty over the past 30 years shows that economic growth by itself is not enough to solve the problem. Canada’s labour market does not guarantee a pathway out of poverty for families on low incomes. The income security system does not provide a solid income floor to protect economically vulnerable families from falling into poverty.

Canadian and international research is now showing that neither labour market strategies nor income programs alone can end child poverty. They must be tackled together.

Families need multiple pathways to be able to get out and stay out of poverty. Some families will need increased income support and stable, affordable housing. For others, the pathway is a good job with living wages, decent working conditions and benefits and high quality, reliable child care. All families must be part of safe, vibrant and inclusive communities with well-developed community infrastructure, such as public libraries, accessible recreation and cultural services and well-resourced public schools.
What International Research Tells Us

While child poverty looks like an intractable problem in Canada, the experience in other nations shows that it need not be so. Child poverty rates vary greatly among industrialized countries, from well below 5% in the Nordic countries to over 20% in the United States. Canada's rate of 15.7% puts this nation in the top five nations for child poverty with the U.S., Italy, U.K. and Australia.³

A country's level of wealth does not determine its level of child poverty, since the wealthiest nation, the U.S., consistently has the highest rate of child poverty. Countries with the lowest levels of child poverty have the highest rates of social investment. European nations have, over many years, developed family policies to support all families with children. Typically, programs were not introduced as anti-poverty programs; they were universal and well-funded, and resulted in preventing poverty among children. Countries like Canada, U.S. and Australia which have targeted benefits to low income families have had much less success in reducing child poverty.

UNICEF's Child Poverty in Rich Nations report in 2000 found a striking association between child poverty and low wages.⁴ What that means is that unemployment can be low, while child poverty rates are high, because working families are not making enough income to avoid poverty. Not working, however, puts families in even worse straits. Children in households with no working adult were found to be four times more likely to be poor than a child in a household with at least one working adult.

Canada stands out as a low wage country, second only to the U.S. among industrialized nations. One in four workers (1 in 3 women and 1 in 5 men) or two million adults are in low wage employment. Compare this to 1 in 20 in Sweden or 1 in 8 in Germany. A low wage is defined as less than two-thirds of the national median wage. In Canada, this is less than $10 an hour.⁵

International research shows that rates of collective bargaining and minimum wages levels are the two most significant factors contributing to the adequacy of wages. A report by the Caledon Institute of Social Policy found that minimum wages in Canada are lower in relation to current wages than they were 25 years ago and are lower than in most industrialized countries.⁶ Lone parents with one child, working for minimum wages, are able to rise above the poverty line in only three provinces – Quebec, Saskatchewan and B.C., primarily thanks to provincial child benefits and earnings supplements.

Gaps and Erosion in Social Security

In recent years, the income floor provided by Canada's income security system has sagged further. During the 1990s, Canada cut program spending from 16% of the GDP to below 12%, resulting in cutbacks and austerity measures that have affected most social programs.

Changes to Employment Insurance (EI) eligibility rules mean that low income workers who lose their jobs are unlikely to qualify for benefits. While extension of parental leave benefits from six months to one year, announced in 2001, was welcome, many parents are excluded either because they do not qualify for EI or the family cannot live on the partial wage replacement that is provided.
The Canada Child Tax Benefit, including the National Child Benefit Supplement, represents a major step forward in building the foundation of a system that recognizes the costs of raising children. The persistence of deep and widespread child poverty – in the face of the child benefit – speaks to its current inadequacy to do the job. The lesson is clear: we will get as much out of this program as we are willing to put in.

For families depending on social assistance to feed, clothe and house their children, the situation is bleak. No province has welfare rates for families that come close to the poverty line. In the majority of provinces, these families are excluded from the benefits of the National Child Benefit Supplement because their provincial governments claw the benefit back to spend on other children’s programs. Moreover, with the termination of the Canada Assistance Plan (CAP) in 1995, the door was opened to the erosion of essential protections for social assistance recipients.

Housing gives children both shelter and a social environment. Particularly in Canada’s largest cities, affordable housing is a major problem for low income families. A pattern of concentrated poverty is growing in urban areas. The slight improvement in rental vacancy rates recently is deceptive. In Ontario, for example, there were about 22,000 vacant rental units in 2003, while more than 100,000 households were on social housing waiting lists in the Greater Toronto Area. Why? Because rents have risen so high in the private market, available units are simply out of reach.

The federal government has committed, under the Affordable Housing Framework Agreement with the provinces/territories, to raise its investment to $1 billion by 2008. It will help, but it will not make a substantial dent in the problem.

The Human Development Challenge

Canada has not moved decisively to create the human development programs that are necessary to support healthy, well-developed children who have strong chances for academic success, long-term health and independence. Investments in the early years of childhood and throughout the formative years of young people’s development and learning are not anti-poverty initiatives per se. But they help to create the pathways out of poverty for economically vulnerable parents and children.

Canada’s current early childhood education and care (ECEC) system is not a system at all. There is no coherent public policy. Only kindergarten for five-year-olds, usually part-day, is universal, and the main ECEC programs – kindergarten, nursery school and child care – are not integrated. Across the country, provincial spending per child for regulated child care ranged from $91 in Nova Scotia to $980 in Quebec. The supply of regulated child care is grossly inadequate, except in Quebec. The effectiveness of the $4 billion that is spent by federal and provincial/territorial governments combined is reduced by the absence of a clear policy framework.

In 2003 and again in 2004, the federal government made a significant commitment with provincial/territorial governments (except Quebec, which is implementing its own universal program) to move forward under a Multilateral Framework for Early Learning and Child Care. A nation-wide, universal, high-quality ECEC system is long overdue. Sufficient funding and policy mechanisms are necessary to move from commitments to implementation.
A strong human development strategy should support educational opportunities for children and young people through to post-secondary studies. The 2004 federal budget took some welcome steps to make post-secondary education more accessible to children of low income families. But many students are still burdened with crippling debt from student loans. The escalation of tuition fees, which have skyrocketed since 1990, must be halted, and some fees should be rolled back.

A Social Investment Plan for Children and Families

Campaign 2000 expects the government of Canada to create a Social Investment Plan for children and families by December 2004. The plan should be a guide for comprehensive action within the next five years. The plan should include timelines for implementation, measurable targets, and the required funding strategies.

We know that provincial/territorial governments have a critical role to play in such areas as raising the minimum wage, creating a system of early childhood education and care, and provision of affordable housing. We know that municipalities can and want to play a larger role in turning back the tide of poverty and social inequality that is undermining civic life in Canada’s major cities. Other community leaders and voluntary sector organizations also have important roles to play in rebuilding Canada’s social infrastructure.

We also recognize that the major fiscal levers rest in the hands of the federal government. Solving the structural issues that perpetuate high levels of child poverty is a challenge for all of Canada. It requires a pan-Canadian response. Citizens are tired of hearing that solutions are not possible because of the lack of inter-governmental cooperation. No government supports child poverty. The national government must come to the table with appropriate funding strategies, but other levels of government and communities must play their part too.

Campaign 2000 makes recommendations for major initiatives under each of the five core elements of a Social Investment Plan.

More Good Jobs at Living Wages

We recommend that provincial/territorial governments and the federal government raise the minimum wage under their jurisdictions to a living wage of $10 an hour by the end of 2007, beginning with a raise to $8 by the end of 2005 and to $9 by the end of 2006.

Most Canadians are affected by the minimum wages set by provincial governments, but federally-regulated workers constitute 12% of the labour force. Federal action would set a precedent for other governments. This initiative would create a living wage standard that would create the following conditions:

- It would enable adults without children with full-time earnings to earn wages that would lift them out of poverty.
• It would enable individuals or couples with children to avoid or escape poverty through a combination of full-time earnings and child benefits.

We recommend that a federal-provincial Living Wage Commission be established by the fall of 2004, with a reporting deadline of December 31, 2005. The Commission would have the mandate to study and make recommendations on a range of issues affecting wages, hours of work, benefits, collective bargaining and barriers to employment of recent immigrants to Canada.

More specifically, the Commission should examine and make recommendations on:

• strategies to generate jobs at living wages;
• strategies to ensure workers job opportunities with sufficient hours to get out of poverty;
• introduction of extended health and dental benefits, with the goals of:
  • ensuring portability for people on social assistance making the transition into employment;
  • ensuring ongoing benefits for people currently in low wage employment;
• enhancing access/removing barriers to collective bargaining;
• addressing labour market barriers faced by recent immigrants to Canada, which result in conditions of unemployment, underemployment and other disadvantages. This includes attention to the issue of access to trades and professions and opportunities for training, upgrading and jobs at living wages.

We recommend that the federal government restore eligibility for Employment Insurance (EI) by introducing a uniform 360-hour qualifying requirement, and extend the EI benefit period to one year to protect all earners, including low income parents, when the economy is in recession.

A uniform 360-hour qualifying requirement is intended to ensure that laid-off workers and part-time workers are able to qualify for EI®. An extended benefit period of one full year of protection when unemployment reaches recession levels reflects the realities of the labour market and would help to prevent workers and their families from cycling in and out of poverty with changing economic cycles.

We recommend that a federal-provincial Labour Market Strategy for People with Disabilities be developed that recognizes the need for a specific disability-supports strategy as one step in an overall labour market strategy.

Such a strategy should actively promote inclusive training, education, and work environments with improved supports for workers with disabilities. Without such a strategy, Canada will continue to waste the knowledge, talents and resourcefulness of adults with disabilities who could and should be participating in the labour market.

We recommend that the federal government explore, with provincial/territorial and municipal leaders, the introduction of living wage ordinances to leverage the creation of good jobs through contracts with employers.
Workers covered by living wage ordinances would include those employed in businesses that have a contract with government. The rationale is that governments should not contract with or subsidize employers who pay poverty-level wages. In the U.S., 116 cities and counties have living wage policies.

**An Effective Child Benefit System**

We recommend that the federal government:

- consolidate the current child benefits into a single program in the first year of implementation of the Social Investment Plan; and
- raise the child benefit to a maximum of $4,900 (in 2005 dollars) per child by 2007.

Consolidation of benefits will eliminate the current practice of clawing back the federal benefit from families receiving provincial social assistance and will create a comprehensive child benefit system for Canada. We have made some important progress toward a child benefit of $4,900. The National Child Benefit will reach $3,243 by 2007, which is 64% of what is required. The enhanced child benefit of $4,900 (in 2005 dollars) combined with full-time work at a living wage of $10.00 an hour will help prevent a lone parent and child from falling into poverty.

The Government of Canada currently spends $8 billion annually on the Canada Child Tax Benefit. Therefore, an additional $10 billion in annual federal expenditures is required.

We recommend a three-year phase-in of new investments to reach the target of an additional $10 billion for the Canada Child Tax Benefit as follows: $4 billion in 2005, with $3 billion annual enhancements in each of the next year two years (2006 and 2007).

**A Universally Accessible System of Quality Early Childhood Education and Care**

We recommend that the federal government, working with the provinces/territories and community experts, take leadership in developing a comprehensive system of early childhood education and care for Canadian families. This process must begin with long-term goals, legislative and policy frameworks, and clear objectives, targets and timetables to guide implementation over the next decade.

We do not anticipate a mature, universal system will be place across Canada within five years, but we do expect that the developmental work described above will be done in five years and that the system will have expanded and improved, with the support of additional federal funding. In a decade, we expect that the universal system to be fully implemented and mature. The cost of a mature universal system of ECEC for children aged 0-6 has been estimated at up to $12 billion. Additional steps must be taken for children aged 6-12. We propose a significant multi-year increase in expenditures to increase supply of services and improve affordability.
We recommend that the federal government annually increase its allocation to early childhood education and care services to $6 billion by 2008 with the goal of increasing the supply of services and improving affordability for families.

**Significant Expansion of Affordable Housing**

Some steps have been taken to address the housing crisis. For example, the federal government has made a commitment under the Affordable Housing Framework Agreement to increase its investment to a total of $1 billion by 2008. However, not only is more funding needed, but action on existing commitments has been stalled by federal-provincial/territorial disagreement over cost-sharing.

We recommend that 25,000 new affordable housing units be built every year for the next five years. The federal and provincial/territorial governments must break the logjam around existing commitments and take immediate action to increase supply.

We recommend that the federal government commit at least $2 billion in each of the next five years to meet the pressing need for affordable housing.

**A Renewed National Social Safety Net: Canada Social Transfer**

The federal government has formed the Canada Social Transfer (CST) and the Canada Health Transfer from the Canada Social and Health Transfer (CHST). As the CST is currently conceived, it lumps funding for post-secondary education with funding for social assistance and social services, making it nothing more than a residual block fund left over after the creation of the health transfer.

The new CST can be a driver of policy and funding mechanisms to promote social inclusion in Canada. The keys to the success of the CST in shaping social policy across Canada lie in:

- clarity of purpose and transparency in the allocation of federal transfers to different programs;
- sufficient, sustainable and predictable federal transfers and clear accountability mechanisms for how federal funds are spent; and
- enforceable principles for a Canadian social safety net.

On the grounds of transparency and accountability alone, the funding streams in the former block-fund CHST should be separated. In addition, these programs represent different types of national social investment mechanisms:

- life-cycle entitlements for all families and children to address common conditions, aspirations and needs; and
- basic assurances to address vulnerabilities and particular circumstances that may result from illness, disability, or dislocation.
We recommend that the federal government establish clearly demarcated funding mechanisms for each of the areas of health, post-secondary education, early childhood education and care, social assistance and social services, and housing.

Federal transfers for life-cycle transitions, such as post-secondary education expenses and early learning and child care, support crucial pillars of Canada’s human development agenda which should be funded separately as universal entitlements.

The Canada Social Transfer should focus federal contributions on social assistance programs and social services. These programs form part of the basic assurances to help ensure stability, predictability and security for families and individuals.

The rebuilding of Canada’s social services requires enhanced federal investments in the CST. While health care transfers have increased since 1995, funding for post-secondary education and social services remains well below 1992-93 levels. DeGroot-Maggetti (2003) estimates that while cash transfers for health have increased by $1.29 billion, transfers for post-secondary education and social services have declined by $1.86 billion and $3.35 billion, respectively.

We recommend that the federal government begin to rebuild transfers for social assistance and social services, and negotiate a new funding formula with the provinces/territories that provides sufficient, stable and predictable funding and recognizes regional economic variations.

Social assistance should be the social safety net program of last resort. Campaign 2000 continues to argue that it should never be the primary source of income for families with children. But those who rely on social assistance now must be assured of adequacy and fairness.

We recommend that substantive and enforceable principles for social assistance be established to ensure that this social safety net program of last resort provides adequate income support and is available to all low income Canadians who are without other means of support. All applicants and recipients must be guaranteed the right of appeal.

Strengthening Social Policy Foundations

To strengthen social policy foundations, policy development efforts and financial resources should also be dedicated to the following three priority areas.

A Collaborative Urban Aboriginal Strategy

Development of this strategy must recognize the unique historic circumstances of Aboriginal people and the fact that more than half of the Aboriginal population now live in cities. The most recent federal budget doubled investment in its Urban Aboriginal Strategy to $50 million. But this initiative has not reached the cities with significant Aboriginal populations. We recommend a “collaborative” strategy development process that involves Aboriginal communities in priority-setting and in delivery of services.
We recommend that a collaborative Urban Aboriginal Strategy be developed by the federal and provincial/territorial governments together with urban Aboriginal communities. Under the Canada Social Transfer, governments should agree to commit financial support to community-based, off-reserve Aboriginal services that would be planned and delivered by Aboriginal agencies.

Supporting Post-Secondary Education

The most recent federal budget acknowledged that high tuition fees are a barrier to post-secondary education for low income students. Grants for first-year students in need of support are welcome. But Canada also needs investment through the provinces to freeze or reduce high tuition fees and relieve the massive debt loads of students from low or modest income families.

We recommend that the federal government commit to national investments through the provinces to freeze and lower tuition fees for post-secondary studies across Canada. Federal/provincial/territorial governments should improve access to post-secondary education by increasing the student financial aid package and allocating a higher proportion of aid to needs-based grants.

Including Children with Disabilities

An agenda for inclusion of children with disabilities and their families should address the following issues: access to needed programs and supports; the disproportionate poverty rate among these children; the disproportionate numbers in the child welfare system; the prevalence of abuse; specific needs of Aboriginal children; economic security for families; and participation in community life.

We recommend that the federal government, with the provinces and Aboriginal leaders, develop an agenda of inclusion for children with disabilities and their families to ensure their full participation and engagement in all aspects of community life.
Recovering and Protecting Public Revenue to Invest in Families and Children

Campaign 2000 continues to maintain that there should be protected resources for social investments in children and families. A commitment of at least 1.5% of GDP, which is approximately $18 billion, would provide a solid base on which to develop our proposals for good jobs at living wages, an effective child benefit, a universal early childhood education and care system and expansion of affordable housing.

Campaign 2000 joins other groups in calling on the federal government to make more accurate projections of its ongoing revenue base, which has consistently been higher than projected. We believe it is reasonable to increase annual revenue projections by a minimum of $5 billion. A significant portion of these revenues should be directed to the reduction of child poverty. The remaining revenue required to finance Campaign 2000’s major initiatives will need to come from new sources.

To begin to restore government’s fiscal capacity, after years of tax cutting (in particular, the $100 billion in tax cuts over five years announced in the 2000 budget), the federal government should desist from further general tax cuts. Instead of channelling billions of dollars in fiscal year-end surpluses to pay down the country’s financial debt every year, budget surplus should be put to work addressing the social and community infrastructure deficits that are undermining Canada’s future.

Campaign 2000’s proposals are reasonable and realistic. Compared to 13 other OECD countries in 2002, Canada’s total tax revenue as a percentage of GDP was lower than 11 of them. There is clearly room to do more. A broad mix of revenue strategies is open to the federal government.

We recommend a broad mix of strategies including new revenue sources to secure reliable, ongoing funding for investments in children and families. First steps include:

- no further general tax cuts; and
- the creation and sustaining of a National Community Infrastructure Fund for affordable housing, the capital costs of expanding early childhood education and care, and other social and physical infrastructure needs.

Other options to be considered and explored include:

- new income tax rates to restore equity to the system;
- designated surcharges on income tax for human development investments;
- modest increases in consumption taxes with corresponding enhanced credits for lower income earners.
Conclusion

Campaign 2000 has been monitoring progress on this important issue since Parliament passed an all-party resolution in 1989 to work to end child poverty. As Canada approaches the 15th anniversary of that resolution, progress is stalled. Governments seem reluctant to grapple with the structural issues of child poverty. They have not faced up to the reality that inaction guarantees a diminished future not only for low income families and children, but for all Canadians.

There is no simple or low-cost solution to ending child poverty. Downpayments on the necessary social investments are no longer enough. We require full payment to honour Canada’s longstanding commitment to end child poverty. As Finance Minister Ralph Goodale said in his 2004 budget speech: “A nation as blessed as ours should always aim higher and reach further.”

Endnotes