

# Summoned to Stewardship:

MAKE POVERTY REDUCTION A COLLECTIVE LEGACY



**CAMPAIGN 2000 POLICY PERSPECTIVES**

Prepared by Marvyn Novick

SEPTEMBER 2007

# **PREFACE**

## **Summoned to Stewardship: Make Poverty Reduction a Collective Legacy**

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September 2007

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.

The national and community partners of Campaign 2000 support the need for serious consideration and public discussion of the options promoted in this paper. However, the author assumes full professional responsibility for the details of the paper. For a complete listing of Campaign 2000 partners across the country, please refer to the back page for more details.

# PREFACE

## Summoned to Stewardship: Make Poverty Reduction a Collective Legacy

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Assistance and advice was provided by the following individuals and organizations, including members of the Campaign 2000 Policy Working Group and Steering Committee (in alphabetical order): Greg deGroot-Maggetti of Citizens for Public Justice; Sue Delanoy of Communities for Children: Saskatoon's Planning Council for a Child and Youth Friendly Community; Fiona Douglas of Social Policy Research Unit, University of Regina; Sid Frankel of University of Manitoba Faculty of Social Work and the Social Planning Council of Winnipeg; Martha Friendly of Child Care Research and Resource Unit; Alfred Gay of National Association of Friendship Centres; Michael Goldberg of First Call: BC Child and Youth Advocacy Coalition; Randall Hatfield of Human Development Council, New Brunswick; Wayne Helgason of the Social Planning Council of Winnipeg, Manitoba; Colin Hughes of the Children's Aid Society of Toronto; Andrew Jackson of Canadian Labour Congress; Jacquie Maund of Ontario Campaign 2000 and Family Service Association of Toronto; Adrienne Montani of First Call: BC Child and Youth Advocacy Coalition; Bill Moore-Kilgannon of Public Interest Alberta; Monica Lysack of Child Care Advocacy Association of Canada; Pauline Raven of Canadian Centre for Policy Alternatives, Nova Scotia; Penelope Rowe of Community Services Council, Newfoundland and Labrador; Simon Rosenblum of the Campaign Against Child Poverty; Tara Rudy of the Social Planning Council of Winnipeg, Manitoba; Helen Saravanamuttoo of Canadian Association of Social Workers; Darlene Scott of Community Services Council, Newfoundland and Labrador; & Rebecca Siggner of Social Planning and Research Council, British Columbia.

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# EXECUTIVE SUMMARY

There is abundant research on the destructive effects of poverty yet government actions in Canada to address child poverty have been erratic, with moments of bold sentiment followed by periods of limited initiative. The 1989 all-party commitment in the House of Commons to work for the elimination of child poverty by 2000 was promising, but was not realized, nor were goals and timetables ever proposed.

Poverty reduction has now become a focus of international attention. Campaign 2000 is calling upon the federal government and provinces to adopt targets and timetables for Canada. We propose provincial governments work with federal partners to realize minimum reductions of 25% in child poverty rates in the province by 2012, and minimum 50% reductions by 2017.

The call for concrete commitment and action to reduce child poverty should be viewed as an overarching non-partisan priority, much in the same way that addressing climate change is now embedded in the political culture of Canada. The cornerstone target 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 minimum 25% reduction target since one-third of all children in poverty live in families where a parent has worked full time, full year.

Poverty reduction is central to Canada's future. Canada is approaching its sesquicentennial in 2017. In the next decade we will be challenged to address the polarization and disparities that have emerged in Canada from weak domestic responses to globalization. Structural deficiencies that negatively affect the most vulnerable—women alone with children, Aboriginal peoples, recent immigrants and refugees—if entrenched in Canada will breed social instability and provoke patterns of civic disengagement.

Under far more difficult circumstances (e.g., high public debt, uncertain economic prospects) Canadians have invested in unemployment insurance, family allowances, adult vocational training, national family housing programs and hospital care insurance. If communities of inclusion and opportunity are what Canadians want, then we have to be willing to create a better balance between individual wealth and pooled wealth for common goals.

High levels of economic growth and prosperity have not led to reductions in structural levels of poverty in Canada. We have received false assurances that the best way to reduce poverty is through more prosperity yet the last 10 years of economic growth did not benefit the least advantaged. From 1995 to 2005, GDP per capita in Canada grew by 27% in real dollars. The highest 20% of families saw their after-tax incomes grow by more than 22%. The lowest 20% saw gains of 9%. The sources of poverty are structural, and solutions have to directly address living conditions. Powerful international evidence shows that poverty reduction is best pursued through collective political commitments, rather than relying on aggregate economic growth.

# EXECUTIVE SUMMARY

Living wage campaigns have grown in strength and introduced an ethical dimension to the labour market in Canada and the U.S. A society should assure anyone who works full year, full time a living standard beyond poverty. Decent living standards in 2007 dollars would require total disposable incomes in the following ranges for the following households:

- single adult - an income over \$15,000 a year (MISWAA, 2006)
- lone parent, one child - household incomes over \$20,000 a year
- couple, one child - household incomes over \$25,000 a year
- for additional children in lone parent and couple families add \$5,100 a year

When the political will exists countries can reduce poverty levels. The rate of child poverty in 2005 was the same as the rate in 1989 when the House of Commons voted to end child poverty by the year 2000. The first UNICEF report card on child poverty in OECD countries (2000) demonstrated that countries with the lowest child poverty rates allocated the highest proportion of their wealth to social expenditures even during periods of recession and rising unemployment. Four Nordic countries have the lowest rates of child poverty in the OECD, high levels of taxation as a percentage of GDP, and three of the countries [Finland, Sweden, and Denmark] are ranked among the top five in global competitiveness.

The national policy framework of Campaign 2000 for poverty reduction across Canada rests on four cornerstone principles. 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. This also includes providing a full child benefit of \$5,100 a year (2007 dollars) for each child in low income families and work tax credits of \$2,400 a year.
- B. The principle of a basic income system for persons with disabilities** - People with disabilities are more likely to live in poverty than other Canadians. Campaign 2000 supports setting disability benefits equal to the social security system for seniors.
- C. The principle of transitional support with decency and dignity** -- The historic tendency to divide people in poverty into “deserving” and “undeserving” is still with us. A poverty reduction strategy must establish just differentials between those with employment incomes and families with children whose parents are unavailable for employment due to temporary or extended difficulties.
- D. The principle of available and affordable essential resources** in four areas to protect family budgets and promote pathways to equal opportunities for all children. It is important to restore access to Employment Insurance [EI] eligibility and protection; provide continued access to prescription drug and dental

# EXECUTIVE SUMMARY

benefits; prevent the high costs of housing from draining the food budgets of low income families; and ensure universal access to high quality learning and care for all children during the early years.

The cornerstone target across Canada would be to assure every parent working full time, full year a living standard out of poverty.

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)
- Increase federal work tax credits to \$2,400 a year
- Establish a federal minimum wage of \$10 an hour (2007 dollars)
- Major federal investments in essential resources such as early learning and child care, social housing, and restoration of Employment Insurance eligibility.

Provinces would be expected to contribute in the following areas:

- Raise and index minimum wages to a poverty reduction standard of \$10 an hour (2007 dollars)
- Invest provincial revenue in affordable housing initiatives
- Invest provincial revenue in extended drug and dental coverage
- Invest provincial revenue in early learning and child care

The just differential target 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 initiatives in most provinces:

- Families to receive full child benefits of \$5,100 (2007 dollars) without clawbacks and rate reductions in social assistance payments
- Full indexation of social assistance rates in all provinces starting in 2008
- Annual increases to social assistance rates of 3% or more above inflation also starting in 2008

To restore the fiscal capacities of Canadians to invest in our country, all federal savings from lower public debt charges from now to 2012 should be directed towards investments in poverty reduction and other national priorities. Parliament should consider the adoption of a sunset clause for all general tax cuts implemented by the federal government since 2000.





# INTRODUCTION

“We believe that every child living in Canada must be endowed from birth with public assurances of the essential living requirements necessary to secure her/his well-being and to support the realization of her/his inherent worth as a person and as a member of Canadian society.”

Campaign 2000 Declaration  
Founding Statement of November 24, 1991

The presence and persistence of child poverty in Canada is a violation of democratic values on the inherent dignity and worth of each person. Life chances are shaped from the earliest moments of development. Children tend to thrive when the social conditions into which they are born nurture the development of their capacities and interests, and sustain them during inevitable contingencies of life. Children growing up under conditions of family poverty have fewer social advantages upon which they can rely. Food deficiencies, insecure housing, limited social resources, parents under stress, chronic health difficulties, and lower educational outcomes are the prevailing denials of equal opportunity bred by child poverty. They lead to what Kitchen et al (1991) called “unequal futures” for children as persons of today and adults of tomorrow.

Children cannot be held responsible for the social conditions of their birth. Proponents of facile virtue assume that most parents can find the extraordinary levels of resilience and support required to transcend oppressive social conditions of daily life. However, why should extraordinary resilience and support be required for basic survival? These should be the qualities that foster high levels of personal achievement and social contribution. From its inception, Campaign 2000 has viewed child poverty as a symptom of our collective neglect as Canadians to create a political culture of commitment for the well-being of all children and families across the country.

Periodically, Campaign 2000 prepares discussion papers on policy proposals to address the social and collective dimensions of child poverty in Canada. These papers review recent domestic and international trends of significance, and outline strategic directions

for the cross Canada work of Campaign 2000. Since 1991, Campaign 2000 has released five discussion papers - Investing in the Next Generation (1994); Crossroads for Canada (1996); Mission for the Millennium (1997); Fundamentals First (1999); and Pathways to Progress (2004). Policy directions in these papers were built on proposals and perspectives from the Child Poverty Action Group [CPAG, 1986], one of the founding organizations of Campaign 2000.

Together these papers, along with annual report cards, have sustained national attention and helped shape a full and serious policy agenda on child poverty in Canada. The proposal for a comprehensive child benefit was first introduced by CPAG in 1986, was acknowledged

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**From its inception, Campaign 2000 has viewed child poverty as a symptom of our collective neglect as Canadians to create a political culture of commitment for the well-being of all children and families across the country.**

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# INTRODUCTION

and incorporated into the Ontario Transitions report (Ontario: SARC, 1988), and emerged as a credible national initiative after the 1996 Crossroads report. The Next Generation report of 1994 placed child poverty in a life cycle context, and linked the well-being of Canada's children with the well-being of Canada as a nation. The Mission paper (1997) was the first social policy report in Canada to call for major social investments in children and families within a framework of fiscal responsibility (no new deficits). Fundamentals First in 1999 called for strong human development policies in early learning and child care as an essential part of a strategy to address child poverty. The Pathways paper in 2004 called for a minimum wage of \$10 an hour by 2007 and addressed issues of declining federal fiscal capacities in light of persistent tax cuts.

A serious strategy to address child poverty cannot tinker at the margins, nor be hesitant to move beyond the comfort zones of federal and provincial officials. As with Medicare in recent times, and with climate change at present, the desire for poverty reduction must become embedded in the political culture of Canada. This paper outlines an urgent but achievable strategy for community review and public consideration. This means that expressions of concern and expectations for public initiatives must be heard in communities across the country. The stakes are high, but the opportunities to act are favourable. As the paper will outline, all the reasons for failing to act are receding in credibility. We are now at the national moment of either affirming social responsibility, or persisting in stark collective neglect without recourse to redeeming justifications.

# A TIME FOR COMMITMENT

“This House ... seek(s) to achieve the goal of eliminating poverty among Canadian children by the year 2000.”

House of Commons Resolution  
November 24, 1989

Government actions in Canada to address child poverty have been erratic, with moments of bold sentiments followed by periods of limited initiative. A promising moment came in 1989 with the all-party commitment in the House of Commons. This commitment was not realized, nor were goals and timetables ever proposed. A federal child benefit was introduced ten years ago, with no timetable for full implementation. A national children’s agenda was proposed by federal and provincial governments in 1999, without visible follow-up. Federal-provincial agreements on early learning and child care were signed in 2005 and then rescinded in 2006 by the current federal government.

It is difficult to make serious progress without joint commitments from both federal and provincial governments to set targets and timetables, mobilize public support, and secure necessary fiscal resources. Without visible political leadership and commitment, poverty will persist.

Poverty reduction has now become a focus of international and national attention. There is abundant research on the destructive impacts of poverty. This is one area where further studies are less urgent. A focus on poverty reduction seeks to secure explicit political commitments and strategies from governments to actually lower levels of poverty in their countries. We move from what we should do, to when and how it will really get done.

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**Poverty reduction has now become a focus of international and national attention**

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The United Nations has led the way in promoting poverty reduction in both less developed and more developed countries. UN poverty reduction initiatives started with the Millennium Declaration Goals to 2015 which seek to achieve 50% reductions in levels of destitution within developing countries. UNICEF (2005) has called for rich countries to adopt targets and timetables for the progressive reduction of child poverty. For countries with two digit levels of poverty such as Canada, the UN calls for a two stage process of poverty reduction. In stage one, two digit countries would lower their poverty levels to one digit that is below 10%. In the second stage, one digit countries would strive to lower their poverty rates to Nordic levels of 5% or less.

The most daring initiative within the OECD has come from the United Kingdom. In 1999, then Prime Minister Blair (strongly supported by current Prime Minister Brown as Exchequer Chancellor) committed the UK to a 25% reduction in child poverty by 2004, a 50% reduction by 2010, and to achieve the lowest levels of child poverty in the OECD by 2020. From 1999 to 2004, the UK succeeded in removing 600,000 children from living in poverty. While the target

# A TIME FOR COMMITMENT

was 700,000 fewer children in poverty, the UK achievement remains impressive and exemplary.

In Canada, both Quebec (2004) and Newfoundland & Labrador (2006) have introduced action plans for poverty reduction. Newfoundland & Labrador strengthened its commitment to poverty reduction with a resolution passed in the House of Assembly on May 30, 2007 committing Newfoundland & Labrador to become the province with the lowest poverty in Canada over the next ten years. In speaking to the resolution, the Government House Leader confirmed that a commitment to poverty reduction can be made from every major political tradition in Canada:

“ . . . we are a Conservative government, but we are very much a left-leaning Conservative government in many, many ways. I guess this here is why you would class most of us as red Tories - that being because we have a high social conscience. ”

This is a defining moment in Canada on whether there is the political resolve to act on poverty reduction. In Canada, we have a more complex challenge in mobilizing for poverty reduction. The United Kingdom and the Nordic countries are unitary states in which the central government has sovereign authority in all public domains. Canada is a federal union of shared sovereignty. 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. We need a majority of provinces from all regions of Canada to join Newfoundland & Labrador and Quebec as champions for poverty reduction.

The national partners of Campaign 2000 call on provinces and the federal government to jointly commit themselves to a two stage strategy of targets and timetables for the reduction of child poverty across Canada. 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.

The achievement of these goals would be measured by reductions in three well established and widely accepted indicators of poverty in Canada [see Appendix A]: (a) LICO-AT [Low Income Cut Off-After Tax]; (b) LIM-AT [Low Income Measure-After Tax]; (c) MBM [Market Basket Measure]. This approach is consistent with that taken by the Senate (2006) in its review of rural poverty. In this paper, we use LICO-AT for Canadian poverty data. This is the low income indicator used by Statistics Canada in public reports.

# MEETING THE CHALLENGE

There are three main contentions in the paper.

## A. Poverty reduction is central to the future of Canada

Canada is approaching the sesquicentennial of confederation in 2017. This will be another milestone in defining ourselves to each other and to the world. At the last milestone in 1967, Canada emerged as a dynamic modern country open to the world, in the process of affirming its linguistic and cultural heritage. Since 1967, Canada has evolved into a country of the world with people who have come from every continent to build a future together. The decade to 2017 will determine whether we redeem the promise of Canada as a global model of inclusion and opportunity or allow the disparities that have emerged to become permanent sources of social division.

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**The decade to 2017 will determine whether we redeem the promise of Canada as a global model of inclusion and opportunity ...**

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We should define the decade to 2017 as another period of social reconstruction for Canada similar in significance to the reconstruction which started in 1945 (Canada: White Paper, 1946), and continued to 1970. Reconstruction then addressed the legacies of the Depression, the challenges of demobilization from war, the need for major investments in public infrastructure for industrialization, and the development of social programs to support population growth and rapid urbanization.

Today we are challenged to address the polarization and disparities that have emerged in Canada from weak domestic responses to globalization. Canada is a country of cultural and racial diversity, a source of strength and pride. But diversity must be nourished in order to flourish. Child and family poverty eats away at the foundations of the country. Young people experience insufficiency and diminished opportunity, in families where parents are stretched to provide [Ottawa SPC, 2006a]. Structural deficiencies impact on the most vulnerable - women alone with children, Aboriginal peoples, recent immigrants and refugees (Heisz & McLeod, 2004).

The social fabric of communities and countries is quite fragile. States of proximity and trust take time to create, and can readily recede through neglect. If disparities become entrenched in Canada, there is a clear risk of a drift into a United States model of racially divided cities, in which fear and separation replace proximity and trust (Harris, 2007). These shifts are difficult to reverse once they set in. Disparity breeds social instability, which in turn provokes patterns of civic disengagement away from diversity into enclaves of affinity (Rutherford & Shah, 2006). The civic "we", still evident in many Canadian cities, is replaced by frightened withdrawals from "them".

Citizenship is more than claiming rights – the right to select and hold political leaders accountable, the right to dissent and free expression, the right to due process and equal treatment. Citizenship is also about stewardship, meeting social responsibilities to current

# MEETING THE CHALLENGE

members and future generations of Canadians. This is at the heart of the environmental agenda. It is central to the urgency of poverty reduction. We cannot allow social disparities to deepen, and our communities to become divided, without eventually changing the kind of Canada we create for ourselves and bestow on others.

This country addressed seniors' poverty in the sixties when there was public determination and political will to act collectively. Portions of proceeds from economic growth were democratically directed to income security, health, and related social programs which together built frameworks of decency and dignity for seniors. Communities in every part of the country became places of inclusion for older Canadians. The citizens of the sixties met their responsibilities to invest in the well-being of the vulnerable.

Richard Wilkinson (2005), a leading British researcher in population health, states that the central issue facing modern societies is the quality of social relations. He reports that the population health literature confirms what leading social thinkers of the early industrial era first contended.

"Social relations are built on material foundations." [285]

"We need to create a public awareness of the fact that improvements in the quality of life now depend primarily on the nature of the social environment, which is best served by tackling the material foundations of social divisions, prejudice, and exclusion." [315-6]

We cannot continue to defer poverty reduction. If we wish to keep the global promise of Canada, then we must address the challenge of building material foundations for the social relations we want. As a society we must ensure that the material foundations are there for the healthy development of every child in every family and community across Canada.

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**Prior generations of adult Canadians met their social responsibilities to invest in the future of the country, sometimes under far more difficult circumstances.**

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Building the material foundations of inclusion and opportunity is the call to stewardship for this generation of adults. The political challenge we face is to generate a politics of passion and commitment in which we willingly pool our resources to invest in the promise of Canada. This means rejecting the deadbeat politics of ever more tax cuts that lures us away from the social responsibilities of stewardship. At the end of this joy ride lies a Canada of disparity and division.

Prior generations of adult Canadians met their social responsibilities to invest in the future of the country, sometimes under far more difficult circumstances. Canadians who had come through the ravages of the depression and the hardships of war invested in

unemployment insurance, family allowances, adult vocational training, national family housing programs, and hospital care insurance. This was at a time when public debts were

# MEETING THE CHALLENGE

high and economic prospects uncertain. But it was a period of intense commitment to Canada and solidarity among Canadians.

It is too easy for this generation of adults to evade the social responsibilities of stewardship through tacit consent to the inducements of tax cuts - savings on a new home, new furnishings, a new car (Canada: Finance, 2006a); money to buy children new shoes, new clothes, new computers, new hockey skates (Canada: Finance, 2007). This generation of adult Canadians has to reflect carefully on their priorities and values when the current federal Minister of Finance offers them perpetual annual tax cuts as a result of declining debt charges, with the following justification (12):

“Let me be clear. Every dollar saved from lower debt will mean lower interest payments, which will returned to Canadians through personal income tax reductions. More money staying in Canadians’ pockets and less money lost to interest payments. That’s our Canada.  
Mr. Speaker, I hear it at the hockey arena. I hear it at the coffee shops. I hear it from people on the street. Taxes in Canada are way too high.”

This is the year for Canadians to think hard about the Canada they want for themselves, their children, their neighbours, and for all Canadians. If communities of inclusion and opportunity are what Canadians want, then we have to be willing to create a better balance between money in our pockets and money we pool together for what we value in common. Let us be clear - taxes in Canada are NOT high by comparative and historical standards. During the past decade, there have been major cuts in federal and provincial income taxes for most Canadians.

The great challenges facing Canadians over the next decade are poverty reduction, extending opportunities for learning, rebuilding civic infrastructures, addressing climate change, and honouring commitments to Aboriginal peoples. Major public investments and redirections of private spending are essential in meeting these challenges. Claims that taxes are still too high, or that there is still significant waste in public spending, are in effect regrettable statements of withdrawal from the social responsibilities of stewardship.

Proponents of ever more tax cuts are prepared to roll the dice on the future of Canada. They are willing to wager that more money in their pockets today will not be at the expense of a better future for their children and grandchildren. These proponents have benefitted from the legacies of previous generations. They are however unwilling to maintain the chain of trust inherent in stewardship by replenishing and renewing the stock for succeeding generations.



# MEETING THE CHALLENGE

## **B. High levels of economic growth and prosperity have not led to reductions in structural levels of child poverty in Canada**

We have lived through a period of denial, deflection, and false assurances from influential voices and sectors in trying to generate strong public commitments for poverty reduction.

The messages have been that extensive poverty does not really exist [denial], that poverty is rooted in personal and community pathologies [deflection], or that the best way to reduce poverty is through more economic growth [false assurance].

Denial has been reflected in the use of 19th century subsistence measures to diminish the scale of poverty which exists. Subsistence is a morbidity measure to establish the bare minimums required to maintain “physical efficiency” (Townsend, 2006). This approach has been rejected by government authorities in the development of the new Market Basket Measure of poverty (Canada: FPT, 1999), and more recently in the Senate of Canada report on rural poverty (2006). Poverty is now widely accepted to mean a deficiency of resources which leads to both exclusion and deprivation. Denial can also include misleading Canadians with claims that poverty is being conquered when there are cyclical declines in poverty rates during periods of economic growth.

Deflection takes place when people experiencing poverty are deemed to be responsible for their situations, or deemed to be capable of resolving their situations through local efforts. The structural sources of insufficiency remain unaddressed. In 2001, around 60% of lone mothers in Canada were aged 35-49 (Myles et al, 2006); only 7% were under 25. Nearly 60% were divorced or separated. Around 50% had some postsecondary studies or were with university degrees. This is not a portrait of reckless behaviour or inherited dependencies. It essentially reflects deficient living conditions for women who never expected to be living alone with children. The sources of poverty are structural, and solutions have to directly address living conditions. Local programs to address poverty, while useful, are not substitutes for improvements in general living conditions (Ottawa SPC, 2006b).

The false assurance we received was that the best way to reduce poverty was through more prosperity. Economic growth would lead to employment and opportunity for all. Governments should move out of the way and allow market forces to do their job.

The early nineties were a period of recession. However, we have had sustained economic growth from the mid-nineties into the first five years of the current decade. From 1995 to 2005, GDP per capita in Canada grew by 27% in real dollars. In aggregate terms, this translates into nearly \$325 billion of real wealth added to the stock of Canada, enough wealth to meet public responsibilities as well as enhance private incomes.

In previous periods of strong economic growth, such as the sixties, there would have been a better balance in the public and private uses of wealth. This was the period when a social

# MEETING THE CHALLENGE

security system to reduce poverty among seniors was established. The federal government agreed to finance 50% of the costs of provincial income and support programs for people living in poverty through the Canada Assistance Plan. A national system of Medicare was introduced. All this took place within a three year period from 1966-1968.

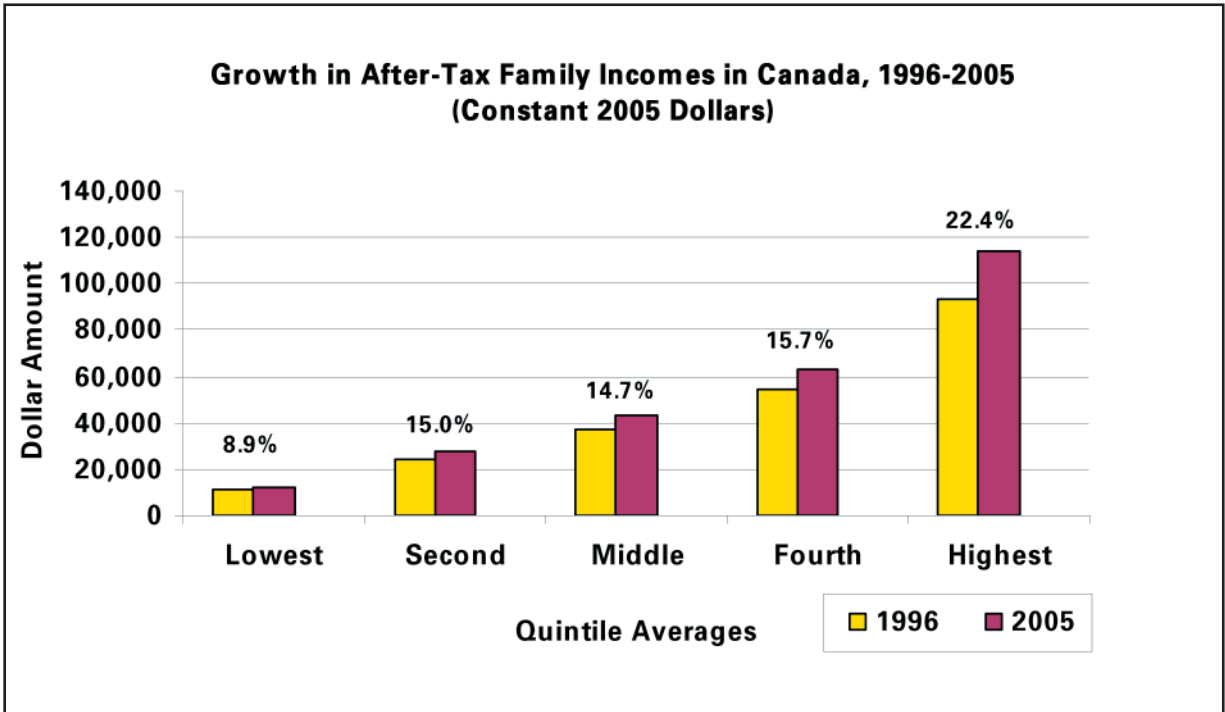
The uses of wealth from recent economic growth have been less encouraging. Figure 1 highlights the regressive distributions in after-tax family incomes from 1996-2005. There is an inverse relationship between disadvantage and relative gain. The highest 20% of families saw their after-tax incomes grow by more than 22%. The lowest 20% saw gains of 9%, or only two fifths of gains received by the most advantaged. Median income lone parent families headed by women saw gains of only 9% if they were employed and meager gains of 3% over ten years if they were without earnings.

We were told throughout the nineties that major public investments in poverty reduction would have to await the elimination of federal deficits. By the end of the nineties, deficits were eliminated but public investments then gave way to major tax cuts. The objectives were to stimulate economic growth, and to provide general tax relief to Canadians who had "sacrificed" for deficit reduction. Table 1 highlights the regressive impacts of tax cuts in 2000 projected to 2004. A single adult with \$125,000 annual income and no children was projected to receive cash benefits 2.5 times higher than a two earner family with \$60,000 income and two children, and 7.5 times higher than a single parent with \$10,000 income and one child.

Higher cash benefits from tax cuts were defended as progressive since it was claimed that advantaged earners received lower percentage increases relative to those with lower incomes. People, however, buy goods with cash - not with percentages. More cash leads to greater advantages for the most advantaged. One might also ask why very advantaged single adults required any tax cut benefits. Old Age Security payments are fully withdrawn from single senior adults above \$100,000 a year. Rationales of targeting to need which govern many income security payments are suddenly suspended when it comes to the distributions of tax cuts.

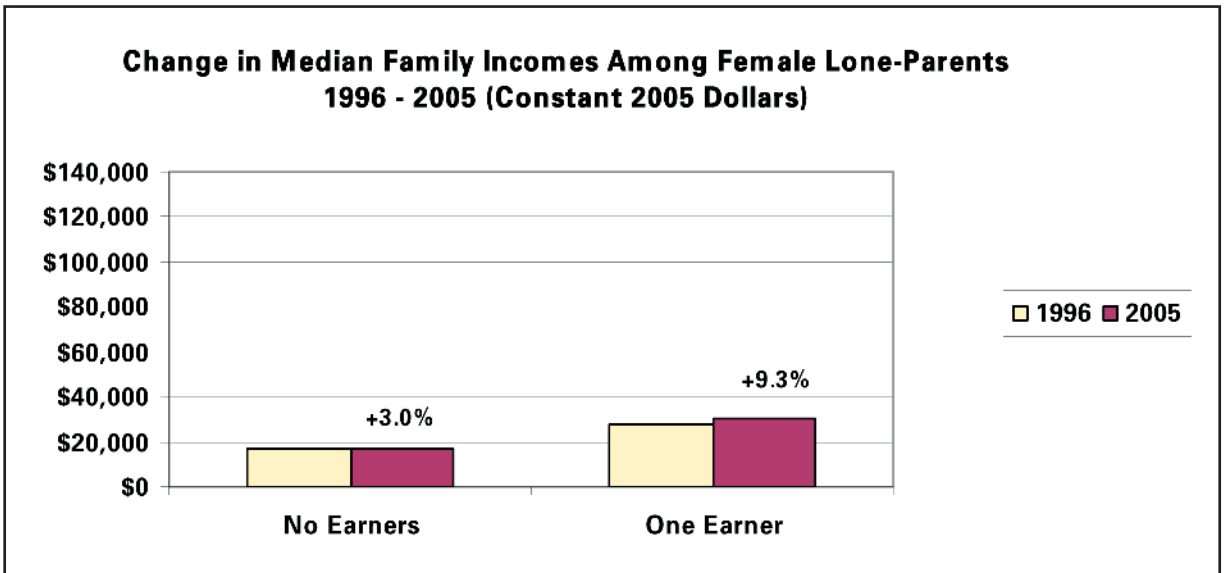
# MEETING THE CHALLENGE

Figure 1 (A)



Source: Statistics Canada. (2007). Income in Canada. Catalogue 75-202-XIE

Figure 1 (B)



Source: Statistics Canada. (2007). Income in Canada. Catalogue 75-202-XIE

# MEETING THE CHALLENGE

Table 1

Federal Tax Measures 2000: Projected Increases in Tax Benefits  
From February 2000 to April 2004

	<b>SINGLE PARENT ONE CHILD @ \$10,000</b>	<b>TWO EARNERS TWO CHILDREN @ \$60,000</b>	<b>SINGLE ADULT NO CHILDREN @ \$125,000</b>
<b>Rate reduction on higher earners: 29% to 26%</b>	Nil	Nil	\$1,314
<b>5% surtax on higher earners eliminated</b>	Nil	Nil	\$753
<b>Middle rate reduction: 26% to 22%</b>	Nil	\$40	\$1,470
<b>Tax brackets raised to \$35,000 and \$70,000</b>	Nil	\$541	\$909
<b>Bottom rate reduction: 17% to 16%</b>	Nil	\$290	\$209
<b>Personal exemption increase to \$8,000</b>	Nil	\$278	\$146
<b>Enhanced Canada Child Tax Benefit</b>	\$567	\$789	Nil
<b>Other Indexation</b>	\$66	Nil	Nil
<b>TOTAL TAX BENEFITS</b>	<b>\$633</b>	<b>\$1,939</b>	<b>\$4,801</b>

Source: Canada Department of Finance. (2000). Economic Statement and Budget Update.

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In the same ten year period from 1995-2005 when the most advantaged saw the greatest gains in after tax family incomes, and advantaged single adults received large cash benefits through tax cuts, lone parents with one child supported by social assistance experienced major reductions in total family income (see Figure 2). In Ontario where GDP per capita grew by 27% in real dollars, lone parents on social assistance saw their real family incomes decline by 26%. Real incomes of these parents dropped by 17% in British Columbia, 14% in Nova Scotia, and 10% in Saskatchewan.

At the same time as new national programs such as the child benefit were being introduced to address child poverty, provinces reduced social assistance payments to these same families. The value of social assistance payments declined in the absence of indexation. Minimum wages were allowed to stagnate with the justification that labour costs had to be restrained in order to protect existing jobs, and attract investments for new jobs. Incomes of families on social assistance could not improve lest incentives to seek out low paying jobs would diminish. This is the logic that underlies contentions about the “welfare wall”. It is a cruel logic that protects low wage labour markets which keep families in poverty when they are employed, and severely punishes families on social assistance when they are unavailable for employment.

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**The tragedy of the last ten years is that high levels of economic growth did not benefit the least advantaged.**

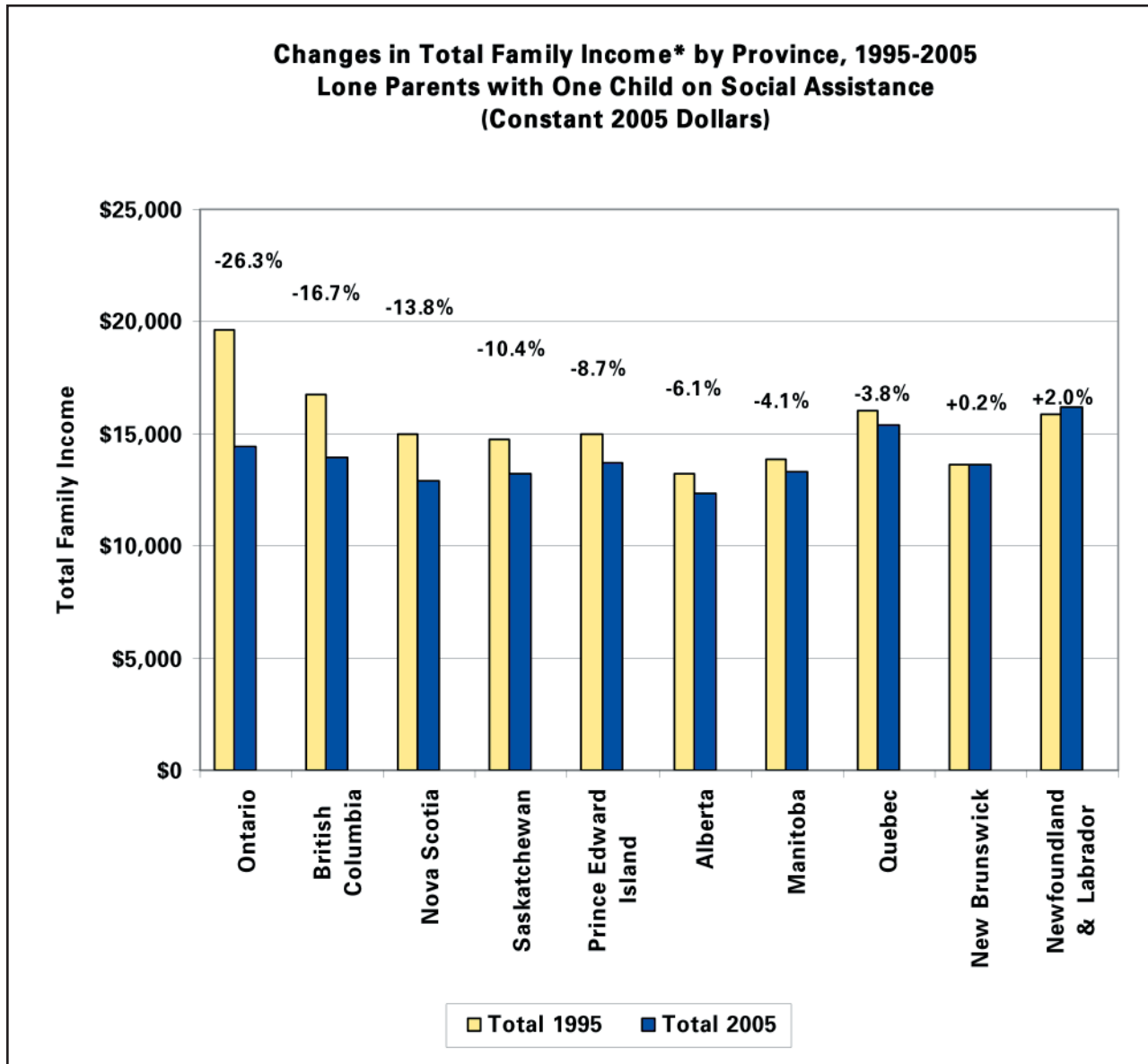
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The tragedy of the last ten years is that high levels of economic growth did not benefit the least advantaged. General tax cuts increased income disparities, and depleted fiscal capacities for public investments in poverty reduction and other pressing public priorities. One third of all children living in poverty have a parent who worked full year, full time (Campaign 2000, 2006).

Little progress has been made in addressing child poverty by relying on economic growth, low wages, low taxes, and punitive social assistance policies. The rate of child poverty in 2005 was 11.7% [LICO-AT]. This was the rate in 1989 when the House of Commons voted to end child poverty by the year 2000 (see Figure 3). There are always cyclical variations in poverty levels during periods of economic growth and decline. The policy challenge is to have permanently lower levels of poverty during all phases of the economic cycle, that is lower structural rates of poverty.

# MEETING THE CHALLENGE

Figure 2

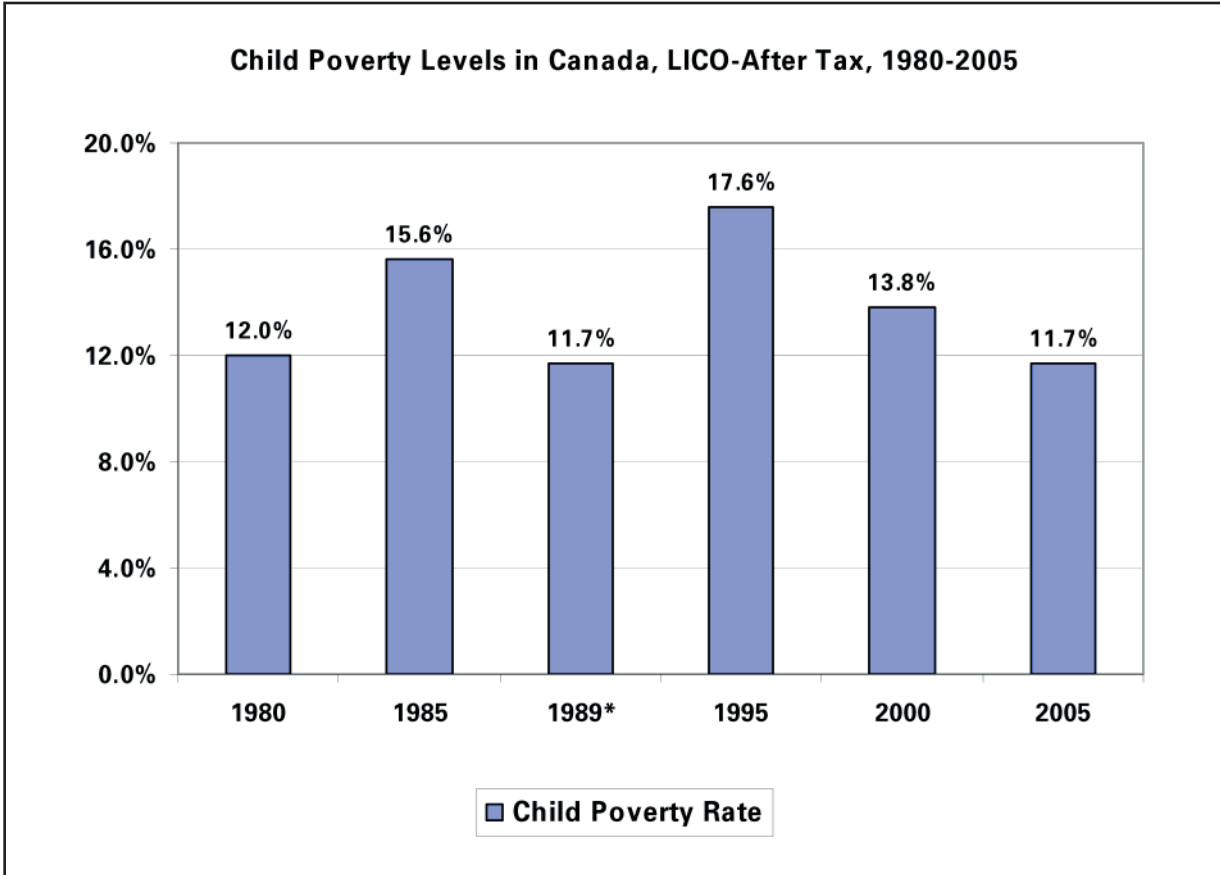


\* Includes all provincial and federal transfer benefits

Source: National Council of Welfare. (2006). Welfare Incomes 2005.

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Figure 3



\* Note: 1989 was the year when the all party House of Commons resolution to end child poverty was passed.

Sources: National Council of Welfare. (2006). Poverty Profile, 2002 and 2003. Statistics Canada. (2007). Income in Canada. Catalogue 75-202-XIE

Fortunately, another way is possible. Powerful international evidence now makes clear that poverty reduction is best pursued through collective political commitments, rather than relying on aggregate economic growth. The credibility of neo-liberal approaches to poverty reduction and social well-being are being eroded. Yesterday’s wisdom has become today’s folly.

We are entering a period of promise. Countries now have options in how they address social conditions. This means that values can once again shape public priorities. If Canadians are determined to make poverty reduction a collective legacy, then this can be the path we pursue to 2017.

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## C. Countries can reduce levels of child poverty where the political will exists

“The reality is that states with higher minimum wages have not seen ill effects. This has been shown both in rigorous econometric studies and in assessments of broad economic indicators . . . While the findings of economists on the minimum wage are certainly not unanimous, the weight of opinion has clearly been moving toward a belief that the minimum wage improves the lives of low-wage workers without adverse consequences. ”

Economic Policy Institute, Washington DC  
Briefing Paper on Minimum Wage Trends  
October 24, 2006

“High taxes are problematic when the money collected is not directed to efficiency-enhancing activities or is otherwise misused in some way in what the IMF [International Monetary Fund] calls, perhaps euphemistically, ‘unproductive expenditures’. If, however, the high tax rates generate resources that are then used to deliver world-class educational establishments, an effective social safety net, and a highly motivated and skilled labour force, then competitiveness is boosted, not undermined. ”

Augusto Lopez-Claros, Chief Economist of the World Economic Forum  
Interview on Findings of the Global Competitiveness Report 2005-2006  
September 28, 2005

The low wage and low tax imperatives that have dominated public policy for more than two decades are finally being challenged. Both imperatives rest on what are believed to be self-evident propositions. Industrialized countries must lower labour costs and reduce the revenue claims of governments to attract finance and human capital, both of which are increasingly mobile and tend to locate wherever the best conditions can be found.

Competitive advantage is generally understood as minimizing costs and maximizing returns. Thus enterprises without unions are to be preferred. Contingent employment and contracting out are deemed to be more rational strategies than fixed complements of workers with seniority and benefits. Innovative professionals seek the highest levels of private income and the lowest rates of taxation in determining where they and their families will locate.

All self-evident contentions are eventually subject to the light of evidence. In recent years, policy research has become more comprehensive. With the advent of information technologies, capacities for reviewing and disseminating research findings have advanced. Cross national social and economic outcomes are regularly monitored and reported. The citations above on minimum wages from the Economic Policy Institute (EPI), and on higher taxation by the chief economist at the World Economic Forum, are both examples of evidence-based policy contentions.



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An important moment occurred in debates on minimum wages when economists limited their reliance on econometric models and went out into the world to see what actually happened when minimum wages were raised. The EPI summary of United States research highlights recent findings that state increases to minimum wages did not lead to job losses. In the United Kingdom, a Low Pay Commission comprised of one-third business, labour, and academic experts reports annually on labour market trends. In a recent report (2006: 22), the commission offers the following assessment:

“ . . . since the introduction of the minimum wage (in 1999), there has been a growth of over 10 per cent in the number of jobs in both retail and hospitality. There is no strong evidence in the labour market to support the contention that recent increases in the minimum wage have had a detrimental effect on the number of jobs. ”

A major outgrowth of research findings on minimum wage increases has been to strengthen living wage campaigns in communities within Canada and across the United States. The living wage has introduced an ethical dimension to the labour market. A society should assure anyone who works full year, full time a living standard beyond poverty. This means that enterprises should meet social as well as economic tests to be considered viable.

The social test of an enterprise is the ability to pay a living wage. The economic tests are the ability to recover costs, generate a surplus, and increasingly to conduct all activities in a manner consistent with environmental sustainability. Enterprises should be expected to meet both social and economic tests of viability. If enterprises cannot meet both tests, they should fail. Under conditions of prospective effective demand, open markets will always generate more proficient entrepreneurs and managers who can find innovative ways to meet both tests.

The first UNICEF report card on child poverty in OECD countries (2000) introduced some important contentions that have grown in significance in recent years. Countries with the lowest child poverty rates allocated the highest proportion of their wealth to social expenditures. The Nordic countries of Denmark, Norway, Sweden, and Finland had low child poverty rates around 5% even during periods of recession and rising unemployment. These countries focused on preparing people for employment and then supported them in employment through redistributive income programs. The political culture of the Nordic countries was strongly supportive of family-focused social policies and egalitarian social entitlements. High investments in family policies meant high social expenditures and high tax levels. UNICEF (2000: 8) observed that “. . . the continued affluence of the Nordic countries argues against claims that high taxes must greatly hinder economic growth.”

The Nordic social model provides a promising divergence from the low wage, low tax approach that has made growth with disparity seem inevitable. In recent years, this model has come to be acclaimed as a paradigm shift that generates strong economic performance

# MEETING THE CHALLENGE

with an active public sector that invests in social equity ( Brooks & Hwong, 2006; Lindert, 2004; Sachs, 2006; Taylor, 2005; WEF, 2006).

Table 2 compares rates of child poverty in OECD countries with levels of taxation and global ranking in economic competitiveness. Four Nordic countries have the lowest rates of child poverty in the OECD, high levels of taxation as a percentage of GDP, and three of the countries [Finland, Sweden, and Denmark] are ranked among the top five in global competitiveness. The United States, in contrast, has the highest level of child poverty among large industrialized countries in the OECD. Poverty is not reduced by having the largest amount of national wealth, but by how countries make use of the wealth they have.

Table 3 responds to the frequently made contention that Canada is constrained from having higher tax levels by its proximity to the United States. Small Nordic countries must contend with the economic presence of Germany in Europe. Note that the spread in personal income taxation is greater between Denmark/Sweden/Finland and Germany than between Canada and the United States. As well, there are interesting differences among the Nordic countries in the tax mix they pursue. Use of personal income taxes is considerably higher in Denmark. Reliance on employer contributions to social security is much higher in Sweden and Finland. Clearly, there are national options in approaches to taxation.

Arrival of the Nordic model offers political hope. In the era of globalization, industrialized countries can decide what kind of societies they wish to be. If a country wants to commit its will and resources to work for the elimination of child poverty, it can begin the journey immediately. The evidence is there. The policy barriers that have deferred and deterred public actions on poverty can start to be removed. We need not await ever higher levels of economic growth, pursue ever more general tax cuts, tolerate subsistent wages, keep social assistance payments at destitution levels, strip workers of access to unemployment benefits, suppress the formation of unions in low wage sectors, fail to invest in social housing, rescind agreements on early learning and child care, ignore commitments to Aboriginal peoples, neglect families and adults with disabilities. All that is awaited are citizens and political leaders with the determination to start the journey together.

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**Arrival of the Nordic model offers political hope. In the era of globalization, industrialized countries can decide what kind of societies they wish to be.**

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Table 2: Comparative Levels of Child Poverty

Fiscal and Economic Dimensions

OECD Countries

<b>COUNTRY</b>	<b>CHILD POVERTY RATE BELOW 50% MEDIAN UNICEF 2005</b>	<b>TOTAL TAXES % OF GDP2004</b>	<b>COMPETITIVENESS GLOBAL RANK WEF 2006</b>
<b>Denmark</b>	2.1	48.8	4
<b>Finland</b>	2.8	44.2	2
<b>Norway</b>	3.4	44.0	12
<b>Sweden</b>	4.2	50.4	3
<b>Switzerland</b>	6.8	29.2	1
<b>France</b>	7.5	43.4	18
<b>Belgium</b>	7.7	45.0	20
<b>Netherlands</b>	9.8	37.5	9
<b>Germany</b>	10.2	34.7	8
<b>Austria</b>	10.2	42.6	17
<b>Japan</b>	14.3	26.4	7
<b>Australia</b>	14.7	31.2	19
<b>Canada</b>	14.9	33.5	16
<b>United Kingdom</b>	15.4	36.0	10
<b>Ireland</b>	15.7	30.1	21
<b>Italy</b>	16.6	41.1	42
<b>United States</b>	21.9	25.5	6

Sources: UNICEF. (2005). Child Poverty in Rich Nations.

OECD. (2006). Revenue Statistics 1965-2005.

WEF [World Economic Forum]. (2006). Global Competitiveness Report 2006-2007.

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Table 3: Comparative Tax Revenue Sources  
Smaller and Large OECD Countries  
% of GDP, 2004

Countries	INCOME TAXATION		SOCIAL SECURITY PAYMENTS	
	Personal	Corporate	Employees	Employers
<b>North America</b>				
Canada	11.7	3.4	2.1	2.9
=====				
United States	8.9	2.2	3	3.4
<b>Europe</b>				
Denmark	24.7	3.2	1.1	0
Finland	13.5	3.6	2.1	9
Norway	10.4	10	3.2	5.7
Sweden	15.8	3.2	2.8	11.3
Switzerland	10.2	2.5	3.3	3.2
=====				
Germany	7.9	1.6	6.1	6.9

Source: Compiled from data in - OECD. (2006). Revenue Statistics 1965-2005.

## COMMENTS

a) Smaller countries in Europe with high globally ranked economies all have larger levels of personal and corporate income taxation than Germany which is a dominant centre of production and trade in Europe.

b) The spread in personal income taxation as a % of GDP between Canada and the United States [1.30] is smaller than the spread between Denmark and Germany [3.13], Sweden and Germany [2.00], Finland and Germany [1.71].

c) The spread in corporate income taxation as a % of GDP between Canada and the United States [1.55] is smaller than the spread between Finland and Germany [2.25], Denmark and Sweden to Germany [2.00]. As well, Canada is at the low end of employer contributions to social security payments.

# APPROACHES TO POVERTY REDUCTION

“Most fundamentally, the report urges all OECD governments to establish credible targets and timetables for the progressive reduction of child poverty. For most of those countries, a realistic target would be to bring child poverty rates below 10 per cent. For the six nations that have already achieved this, the next aim might be to emulate the Nordic countries in bringing child poverty below 5 per cent. ”

Report Card on Child Poverty in Rich Countries  
UNICEF 2005

“Tackling poverty and promoting equality of opportunity lie at the heart of our approach to government; they define our policy agenda and drive our vision for the future. In 1999 we set an historic target of eradicating child poverty in Britain within a generation, by 2020.”

UK Prime Minister Tony Blair  
Progress Report on Tackling Poverty  
March 2006

Campaign 2000 is proposing that Canada accept the UNICEF challenge and adopt the United Kingdom approach of a multi-year staged strategy for major reductions in child poverty over the next decade. The UNICEF report sets achievable targets. The UK approach makes the eradication of child poverty a fundamental commitment to core values of equal opportunity, and a driving vision for the future of Britain.

The UK initiative is structured in three stages:

- a 25% reduction in child poverty by 2004 (largely achieved);
- a 50% reduction in child poverty levels by 2010 (in progress);
- reductions of UK child poverty by 2020 to among the lowest two or three countries in the OECD, which would mean child poverty rates below 5% (UK: DWP, 2003).

We are calling upon provinces and the federal government to adopt targets and timetables for Canada, similar to the UK approach. Initially, committed provinces would adopt bilateral statements of joint intent with the federal government to work together to realize by 2012 minimum reductions of 25% in child poverty rates in that province, and minimum 50% reductions in child poverty rates by 2017.

Poverty reduction measures initiated by the federal government would benefit all children and families in Canada living in poverty. However, the ability to effectively pursue targets and timetables requires active provincial commitment and initiative. It would be desirable if by the end of 2008 all provinces had adopted joint statements of intent with the federal government, either individually or collectively.

# APPROACHES TO POVERTY REDUCTION

Residents in provinces reticent to pursue targets and timetables would have to engage provincial representatives from all major parties to review this reticence. Similarly, if Canada's current federal government was unwilling to work with provinces on targets and timetables, this should lead to engagements with federal representatives of all major parties to review this reticence.

The cross Canada partners of Campaign 2000 are of the firm conviction that commitments to targets and timetables for poverty reduction can be supported by all major political traditions across Canada. The call for concrete commitment and action to reduce child poverty should be viewed as an overarching non-partisan priority, much in the same way that addressing climate change is now embedded in the political culture of Canada.

It should be noted that UK poverty reduction initiatives are supported by all parties in the UK parliament. What we are calling for is that the historic spirit of the all party resolution in 1989 be finally succeeded by all party resolve in 2007 to effectively pursue and realize the commitment made to Canada's children nearly two decades ago.

To clarify what adoption of targets and timetables would mean in the Canadian context, we will pursue the following illustration. In 2005, the LICO-AT child poverty rate for Canada stood at 11.7% .

- A minimum 25% reduction in the 2005 rate should lead to child poverty rates below 8.5% in 2012. This would meet the UNICEF recommendation that countries with two digit rates seek as a first step to lower their rate to one digit;
- A minimum 50% reduction in the 2005 rate should lead to child poverty rates below 6% in 2017. This would move Canada towards Nordic levels as recommended by UNICEF. We could then pursue joining the UK and Nordic countries in having the lowest rates for child poverty in the OECD.

Meeting these poverty reduction goals would be a major achievement for Canada. If we commit, we should succeed. Coming close would not be good enough. This is why we propose minimum 25% and 50% reduction targets. To ensure that we reach the minimum targets, it will be necessary to plan for reductions significantly above 25% and 50%. The investment and effort required to build a reserve margin into the targets is readily achievable. It is the political commitment and will which must first be forged. The act of significantly lowering child poverty levels would spare multitudes of children the hardship of spending critical portions of their lives in deprivation and exclusion. We would not only remove existing children from poverty, but create foundations to prevent future groups of children from falling into poverty. It has not been possible to develop firm projections, but we could anticipate that over a ten year period more than a million children would be spared the scourge of poverty if the targets to 2017 were met. What a legacy and gift this would be to the youngest residents of Canada on the 150th birthday of the country.

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**The act of significantly lowering child poverty levels would spare multitudes of children the hardship of spending critical portions of their lives in deprivation and exclusion.**

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# APPROACHES TO POVERTY REDUCTION

## Proposed Policy Framework

It is our contention that this is an achievable mission. We are defining poverty reduction to mean the creation of decent living conditions for every Canadian adult and child through an appropriate mix of employment and income support as circumstances require. Poverty reduction strategies should finally lead to the elimination of homelessness and the use of food banks across Canada.

Based on updated low income levels from 2005 (Statistics Canada, 2006a), we estimate that living standards out of poverty in 2007 dollars would require total disposable incomes in the following ranges for the following households:

- single adult - an income over \$15,000 a year (also cited by MISWAA, 2006)
- lone parent, one child - household incomes over \$20,000 a year
- couple, one child - household incomes over \$25,000 a year
- for additional children in lone parent and couple families add \$5,100 a year

The national policy framework of Campaign 2000 for poverty reduction across Canada rests on four cornerstone principles. 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

Too often during the nineties insertion into the labour market became an end in itself. Social assistance poverty was replaced by labour market poverty. Reduced accessibility to employment insurance and social assistance stripped low income parents and adults of

# APPROACHES TO POVERTY REDUCTION

social protection to avoid exploitation. These of course were all cast as measures to promote self-sufficiency, and avoid passivity and dependence. However, coercion into unprotected and exploitative labour is not a road to self-sufficiency.

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.

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**The goal of sustaining employment is the fundamental challenge of a poverty reduction strategy.**

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## **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 from 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. For example, Ontario will be raising its minimum wage 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. In the United Kingdom, creating a fully adequate child benefit supplement has been identified as a priority for poverty reduction (Hirsch, 2006). It is now ten years since the new child benefit system was introduced. On July 1, 2007 the maximum amount for a first child will be \$3,240, \$1,860 short of the \$5,100 (2007 dollars) that is required to meet a poverty reduction standard. Closing the child benefit gap is essential to ensure that parents working full year, full time can have a living standard for their children 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 derived 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. Jackson



# APPROACHES TO POVERTY REDUCTION

(2005) contends that tax credit measures can be useful, but should not become the centerpiece of a new strategy.

The introduction of work tax credits must take place together with raises in minimum wages to poverty reduction levels. If not, then work tax credits become subsidies to employers paying poverty wages. These subsidies would then provide unfair market advantages to less responsible employers over proficient employers who pay poverty reduction wages. In the UK, tax credits are part of a poverty reduction strategy that has seen minimum wages grow by nearly 50% since 1999 to over \$11.75 Canadian in 2007 [third highest in the OECD].

The Toronto MISWAA (Modernizing Income Security for Working Age Adults) 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**

This is a critical area of ongoing concern to Campaign 2000 partners. We are aware that 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.

Campaign 2000 supports MISWAA recommendation 4 (2006: 33) “ . . . to set disability benefits at the same levels received by senior citizens who have no other source of income.” 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”. Pejorative images of passivity and dependence conceal compelling circumstances which make parents unavailable for employment due to difficult life situations. Single parents on social assistance in Toronto reported the following life difficulties as obstacles to work (2004: 8):

# APPROACHES TO POVERTY REDUCTION

- 41% cited chronic poor health of children
- 41% cited their own chronic poor health
- 37% cited physical or mental health issues
- 32% cited the need to care for other family members
- 30% cited personal experience of violence and abuse

The denigration of family support through social assistance, and the reduction of social assistance payments and rates to families, punishes parents and children living through illness and violation.

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 subsistence-level 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.

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**We are proposing just income differentials of 20% between those employed full year, full time and those who are temporarily unavailable for employment.**

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## 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 (CLC, 2005) 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.

# APPROACHES TO POVERTY REDUCTION

- 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 effective poverty reduction strategies can be quickly eroded if we do not contain high housing costs for families in poverty. There are a number of established positions in Canada on the need to invest in the construction of social housing units. We should also examine housing support policies in low child poverty Nordic countries to see what other kinds of initiatives might be instructive.
- A human development approach to poverty reduction would ensure universal access to opportunities for high quality learning and care for all children during the early years. This approach to poverty reduction reflects the United Nations (UNDP 1998, 1997) definition of human poverty as both deprivation and exclusion.

## 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 & Labrador.

The cornerstone target 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 minimum 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)
- Increase federal work tax credits to \$2,400 a year
- Establish a federal minimum wage of \$10 an hour (2007 dollars)
- Major federal investments in essential resources such as early learning and child care, social housing, and restoration of Employment Insurance eligibility.

# APPROACHES TO POVERTY REDUCTION

Provinces would be expected to contribute in the following areas:

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

The just differential target 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 initiatives in most provinces:

- Families to receive full child benefits of \$5,100 (2007 dollars) without clawbacks and rate reductions in social assistance payments
- Full indexation of social assistance rates in all provinces starting in 2008
- Annual increases to social assistance rates of 3% or more above inflation also starting in 2008

## Public Finance

“ . . . we need to think harder about where money will come from to continue improving redistribution to lower-income families. A debate about ending child poverty therefore also requires a debate about taxation.”

Report on Ending Child Poverty in the UK  
Rowntree Foundation (Hirsch, 2006: 64)

We must restore the fiscal capacities to invest in the Canada we want. Two areas should be explored.

**1. The national partners of Campaign 2000 are of the firm conviction that all federal savings from lower public debt charges from now to 2012 be directed towards investments in poverty reduction and other national priorities.** Those who have argued that high levels of public debt are a burden for future generations of children should now delight that the savings in public charges from debt reduction would become an asset to promote opportunities for this generation of children. Public debt charges are projected to decline from 2.3% of GDP in 2007-08 to 1.9% of GDP in 2011-12 (Canada: Finance, 2006b). This will provide the federal government with savings of \$7 billion in 2011-12 for priority public investments.

**2. Parliament should consider the adoption of a sunset clause for all general tax cuts implemented by the federal government since 2000.** Each general tax cut would require review and renewal or revision by 2010. The time has come for public justification of tax cuts through evaluation and evidence, as is routinely expected with public spending.

# APPROACHES TO POVERTY REDUCTION

## Prospects for Poverty Reduction to 2012

There are two sources of promise evident today that provincial and federal commitments to poverty reduction can reach 2012 targets.

### **A. Figure 4 highlights changes in levels of child poverty within provinces from 2000 to 2005.**

Both Quebec and Newfoundland & Labrador, provinces that have adopted action plans on poverty, have registered 40% declines in poverty rates over five years. In 2004, Quebec acted on commitments made in 2002 with investments of \$2.5 billion for poverty reduction measures over five years. Major initiatives included: a) the immediate introduction of a universal Child Assistance measure providing \$2,000 annual support on top of federal child benefits for the first child in a low-income family, and \$1,000-\$1,500 for each additional child; and b) a new work premium (similar to a work tax credit) which can add \$2,000 or more a year to the incomes of families earning between \$10,000 and \$20,000 a year (Quebec: Government, 2004).

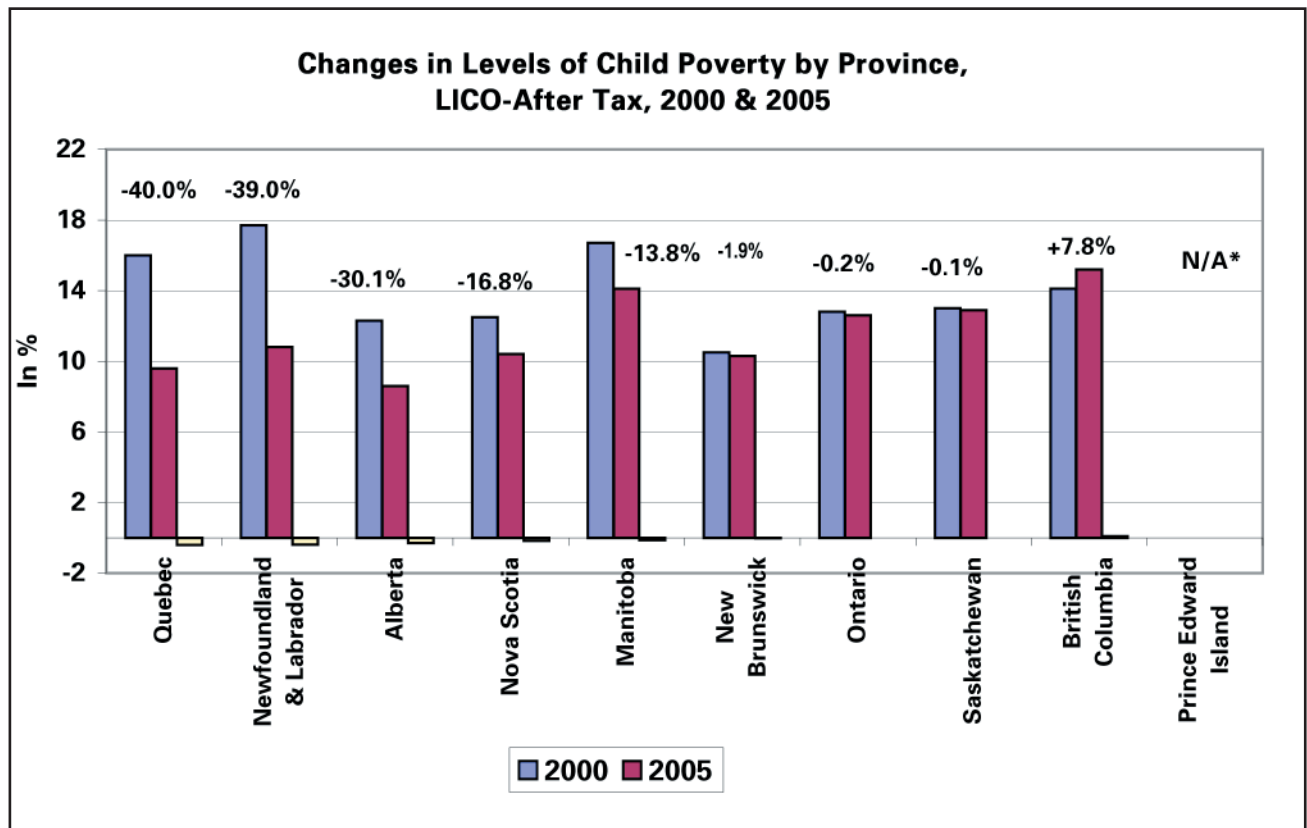
In the case of Newfoundland & Labrador, the decline was from the highest provincial rate of child poverty in 2000. Poverty reduction has been a core commitment of the Newfoundland & Labrador government elected in 2003. The province is pursuing a long-term and integrated approach with investments and initiatives across a range of significant areas (Newfoundland & Labrador, 2007/2006). Included are immediate and scheduled increases to minimum wages; indexation and increases to social assistance rates; a 25% increase in the number of children with access to subsidized child care; and, expanded prescription drug coverage for low income earners.

Other provinces are beginning to address elements of a poverty reduction agenda. Ontario introduced multi-year phase-ins of minimum wage increases and a provincial child benefit for low income family earners. Since 1999, minimum wages in Manitoba have increased annually at a rate higher than inflation. The province also fully ended child benefit clawbacks to families on social assistance. Alberta recently announced that effective in 2008 the annual provincial minimum wage will be indexed to the percentage growth in average weekly pay. Efforts have been made in the Nova Scotia legislature to develop all-party support for a poverty reduction strategy in the province. In British Columbia, there are strong community-based initiatives for the \$10 minimum wage, and for significant improvements in social assistance support.

The achievements in Quebec and Newfoundland & Labrador, and the growing momentum in other provinces, suggest that poverty reduction can become a defining mission across Canada.

# APPROACHES TO POVERTY REDUCTION

Figure 4



\* Note: Samples are too small for comparative inclusion

Source: Statistics Canada. (2007). Income in Canada. Catalogue 75-202-XIE

# APPROACHES TO POVERTY REDUCTION

**B. In June 2007, Campaign 2000 commissioned a simulation on the prospective impacts on child poverty rates in 2007 of a \$5,100 child benefit paid to all children in low income families across Canada [see note below].** The simulation estimated the following impacts:

- a decline of 37% in the child poverty rate based on the LICO-AT poverty indicator
- a decline of 31% in the child poverty rate based on the LIM-AT poverty indicator

The declines in family poverty only start to occur when disposable family incomes are above \$20,000. This suggests the importance of building solid foundations for family incomes through access to full year, full time wages at poverty reduction levels (minimum \$10 an hour, 2007 dollars). The simulation estimated that it would cost around \$5 billion (2007 dollars) to create a full child benefit of \$5,100 through increases to the current National Child Benefit Supplement [NCBS].

When the simulation added a \$2,400 work tax credit to the \$5,100 child benefit, the added poverty reduction impacts from adding the \$2,400 work tax credit were marginal:

- a further decline of only 3% in the child poverty rate based on the LICO-AT poverty indicator
- a further decline of only 4% in the child poverty rate based on the LIM-AT poverty indicator.

The work tax credit adopted for the simulation was based on the more generous model proposed by the previous federal government in 2005 (Canada: Finance, 2005), rather than the work credit measure with higher reduction rates introduced in 2007 by the current federal government. Both models are directed to all adult earners, and not just parents. In the simulation, only 25% of the work tax credits flowed to families with children. Recipient families received average benefits around \$1,400-\$1,500. This measure might have higher poverty reduction impacts for single adults, or alternatively turn out to be a measure with significant poverty reduction impacts only at higher tax credit levels. It should be remembered that work tax credits are directed to the earner, and are not sensitive to the number of children in the family unit.

A full child benefit of \$5,100 through increases to the NCBS is clearly a highly cost effective approach to meeting poverty reduction targets for 2012.

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Note: This analysis is based on the Statistics Canada Social Policy Stimulation Database and Model. The calculations underlying the simulation results were prepared by Andrew Mitchell, based upon assumptions submitted by Campaign 2000. The responsibility for the use and interpretation of these data is entirely that of the authors.

# APPROACHES TO POVERTY REDUCTION

## Prospects for Meeting 2017 Targets

Major improvements in the quality of labour market experiences are required to pursue a minimum 50% reduction in child poverty levels by 2017. This means increased opportunities for sustaining employment – more access to full year, full time jobs (minimum 1500 hours a year); and, wage levels at low ends of the labour market when combined with a full child benefit and work tax credits enable family earners to reach 120% of poverty benchmarks . If the principle of a 20% differential for support to families on social assistance were adopted (as proposed earlier), then the total income of families on social assistance would reach 100% of poverty benchmarks, thereby lifting families out of poverty.

These are not easy measures. The will to pursue these directions requires that governments address serious deficiencies in labour market structures and practices. Important moral shifts in public attitudes to families and adults living through difficult life circumstances will be necessary. For the pathways to 2017 to be achievable, work on addressing structural deficiencies and public attitudes must begin during the current period to 2012.

The evidence of what has to be transcended is before us today.

- Workers in non-standard jobs with lower unionization rates have more unstable work hours and higher incidences of low income (Heisz & LaRochelle-Cote, 2006).
- Despite rising educational attainment, most low earners have not seen their chances to escape low earnings improve in the 1980s and 1990s (Morissette & Picot, 2005).
- During the last decade, the working poor experienced more volatile attachments to the labour market with significant fluctuations in work hours (Fleury & Fortin, 2006).

The struggle for poverty reduction to 2017 and beyond will require the adoption of good job strategies, better access of workers to collective representation and protection, more socially cohesive distributions of incomes, and restored fiscal capacities for public investment in essential common goods. The new international evidence is that strong economies are best generated and sustained in socially just societies. Productivity and care are not rival paths, but core foundations in societies of shared prosperity and well-being.

Broad social alliances, acting locally and connecting within provinces and across the country, can be vanguards in addressing the structural and attitudinal dimensions of poverty reduction. This is where the political culture that sustains the universal and inclusive ethic of Canada is to be found. It is here that Medicare has been protected, where there are strong commitments to public education, where struggles for human dignity are pursued, and where there is firm insistence on addressing climate change.



# APPROACHES TO POVERTY REDUCTION

This then is another formative moment in the evolution of Canada. The legacies of stewardship come from meeting social responsibilities before crisis and erosion emerge. By their actions now, this generation of adults will determine the kind of country we create for ourselves and bestow upon our successors.

# Appendix A -- Poverty Indicators

Canada does not have an official poverty line as do the United Nations, the European Union, and the United States. What we have are measures that have come to be accepted and used as indicators of poverty. Indicators point to what is very likely to exist.

Canada has five poverty indicators: LICO-AT, LICO-BT, LIM-AT, LIM-BT, and MBM. Each indicator points to a different dimension of poverty. Statistics Canada uses LICO-AT as its low income indicator.

## **LICO [Low Income Cut Off]**

- an indicator of relative income hardship
- identifies those families who must spend more than 20 percentage points of their income above the proportion spent by average families on food, shelter, and clothing
- periodically surveys average expenditures of Canadian families
- country specific; five settlement population measures [urban, rural]
- original poverty indicator in Canada; most extensive source of historical data and trends.

## **LIM [Low Income Measure]**

- an indicator of relative income deficiency
- identifies those families with incomes below 50% of median income for their household size
- establishes the LIM for a single adult; then applies equivalency scales for household size
- allows for cross-national comparisons; below 50% LIM is UNDP income poverty measure; below 60% LIM is European Union poverty measure

## **MBM [Market Basket Measure]**

- an indicator of absolute income deficiency
- identifies two parent families with two children without sufficient income to buy a basket of expert determined essential goods and services; income deficiencies in other households are determined through LIM equivalency scales
- community measures; baskets are locally priced

## **AT [After Tax]**

- basically a consumption indicator
- points to those households with insufficient income from all sources to meet family requirements

## **BT [Before Tax]**

- basically an earnings indicator
- identifies those households where income from earnings and public transfers is insufficient to meet both family requirements and pay income taxes and social insurance contributions



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