



Book Review: Poverty in Canada*

Thank you for the invitation to present at this session. The book we are discussing this evening is called *Poverty in Canada*. I would like to comment on three main strengths of this book. I will then turn to the areas that, in my view, represent its major weaknesses.

Major Strengths

i. The book focuses on poverty

It may sound odd to say that the strength of a book entitled *Poverty in Canada* is the fact that it focuses on poverty. What else would you expect?

But these days, it has been difficult to get traction on the problem of poverty. There is so much attention being paid to the issue of inequality (and its related concern, the decline of the middle class) that the poverty agenda has become lost in the shuffle. Of course, the two problems are intrinsically linked and you can't tackle inequality unless you have in place, or in

development, a robust strategy to reduce poverty.

Income inequality has made its way to the top of the public agenda – at least if published reports and media attention are any indication of its importance. There has been a steady stream of publications from think tanks throughout the country. The Standing Committee on Finance highlighted the various dimensions of income inequality in its December 2013 report.

Both the International Monetary Fund and the Organisation for Economic Co-operation and Development (OECD) have identified income inequality as one of the most serious problems facing developed nations. In 2014, the World Economic Forum cited the worsening wealth gap as the biggest risk facing the world.

I don't want to minimize the significance of income inequality. Its negative health, social and economic consequences have been well documented.

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It is a serious economic and social issue that potentially can destabilize entire nations. A broken social contract represents a real threat. When you play by the rules and they don't work (or they work for only a few), you have a recipe for social unrest.

But with all the focus on those at the top and the very top of the income scale, it is easy to lose sight of those living at the bottom rungs of the income ladder. Caledon strongly welcomes any report or book that draws attention to this serious problem in Canada.

ii. The book explores the social drivers of poverty

A second strength of this book is that it focuses on the social factors linked to poverty.

Most studies consider the economic determinants of poverty and its links to the paid labour market. They typically pay less attention to the equally important social dimensions that are significant drivers of low income.

The book describes four major sociological concepts that seek to explain poverty: the cultural perspective, situational perspective, stigma of poverty and social exclusion.

It points that the cultural perspective views poverty as a subculture with its own values and normative system. According to culturalists, society fails to provide the social, political and economic organization to low-income populations. People living in poverty do not participate in middle-class institutions such as social clubs, universities

and banks. Disengagement from these middle-class institutions alienates low-income individuals from mainstream society and they develop alternative institutions in response.

The situational perspective sees the traits of the culture of poverty as a reaction to surrounding conditions or environment. According to this theory, a unique culture does not lead to different behaviour. On the contrary, people living on low incomes believe in the values of the middle class but lack the means to realize them. The solution is not for people living on low incomes to alter their culture but rather for their surroundings to change in order to help them escape poverty.

A third approach evolved in response to critiques of the first two theories. The new framework became known as the stigma of poverty. Physical stigma results from physical defects or deformities. Tribal stigma is the result of the social perception about attributes such as race, nationality and religion. Weakness of individual character, linked to alcoholism, addiction and mental disorder, is another dimension of the stigma school of thought. All types of stigma interfere with 'normal interaction' with society.

Finally, many researchers believed that the nature and perception of poverty had changed to such an extent that a new concept was required. Social exclusion refers to the factors that prevent an individual from participating in the economic, social and political activities of a society. Labour market exclusion results from lack of opportunity to partake in the paid labour market. Credit market exclusion involves denial of access to credit based on low

income. Gender-related exclusion refers to persistent inequalities between men and women. There are also exclusions linked to access to health care and to healthy food.

At the Caledon Institute, we do not employ any theories of poverty as a framework for our own work. In fact, we worry that ‘theorizing’ about people living in poverty is a form of stigma in itself. We do, however, talk about the unique social factors that contribute to poverty. These include marital status, lack of social networks and racial discrimination.

iii. The book explores the significant differences among groups

A third positive aspect of this book is that it does not simply explore social factors *writ large*. It breaks down these social factors into the major groups that tend to experience disproportionately higher rates of poverty. The value of this approach is that it considers various dimensions of the problem unique to each group.

When poverty numbers are cited in Canada, they typically are presented as overall averages for the country. Other large categories, such as gender and age, are rarely broken down by smaller groups. But when you look at population subsets, you see that certain groups – visible minorities, Aboriginal Canadians and persons with disabilities – face disproportionately higher rates of poverty. The book devotes a chapter to each of these groups and examines the relevant literature regarding the unique barriers they face. Understanding these factors enables the formulation of appropriate policy responses.

Some of the *drivers of poverty*, such as racism and discrimination in hiring practices, are common to several groups including Aboriginal Canadians, members of visible minorities and persons with disabilities. And some of the *poverty remedies*, such as improved literacy proficiency, educational attainment and skills training, apply across the board to all the identified groups.

But while there are generic interventions, there are also solutions specific to each group. Relevant policy actions can be taken only with a solid understanding of these factors.

Take, for example, new Canadians. In the first few years of their arrival, immigrants experience higher than average unemployment, and many face serious underemployment relative to their knowledge and skills. Differences between minority groups and other Canadians often persist even with parity in educational and occupational levels. While foreign-trained workers are often better educated than native-born Canadians, many have a difficult time finding work in the areas in which they are trained. Some of the barriers to economic success for recent immigrants include inadequate work-related language training and lack of contacts to help link them to opportunities in the paid labour market.

The chapter on Aboriginal Canadians describes the wide-ranging discrimination that members of this group face. Many live with the burden of mental health problems rooted in maltreatment in residential schools. Perhaps the most critical problem is the low level of educational attainment and failure to complete high school. Mentorship programs

and business councils are being developed in the country to help lift the barriers faced by young Aboriginal Canadians. *MentorNation* is a special initiative supporting Aboriginal entrepreneurship and self-sufficiency. A custom online platform will connect First Nations entrepreneurs with successful business leaders and provide access to ongoing dialogue and resource materials.

The chapter on elderly poverty describes the unique factors that contribute to low income among this group. The main problems relate to living alone, widowhood and loss of social role due to lack of employment and health problems. Marital status is a key factor and widowhood, in particular, adversely affects women's income. The author points out that there are significant variations among the elderly. Different people may face vastly diverse circumstances depending on their family, their caregivers and the informal supports to which they have access.

There is a chapter on women in poverty. The book notes that we used to talk about the feminization of poverty and there are still big wage gaps between men and women. But the recession of 2008-09 affected men far more than women. Male-dominated industries, such as construction, manufacturing and resource industries, were hit particularly hard.

We have also started to see women attaining higher levels of education and representing large proportions of university faculties in formerly male-dominated professions, such as law and medicine. Women are also now gaining access to full Canada Pension Plan benefits for which they were not previously eligible in their own right

when they were minimally (or not at all) engaged in the paid labour market. From a sociological perspective, the large movement of women into the paid labour market has really shifted the poverty landscape.

Unfortunately, poverty is a motherhood issue – literally. Bearing children is an important factor in making women vulnerable to low income, especially if they are raising children on their own. Marital status is another major factor. Separation and divorce typically produce a decline in the income of mothers and their children. Not only do they lose the income of the (usually) higher-earning husband. Support payments to the mother and children generally do not make up for the lost income of the ex-spouse and are sometimes in default. Mothers' earnings are often diminished by their inability to work because of the children's need for care.

A wide range of special measures has been put in place to raise educational attainment and skills for persons with disabilities. In the past, it was difficult for most to acquire an education because of inaccessible premises and procedures that were not especially welcoming to students with disabilities, particularly those with learning disabilities. Persons with disabilities may require accommodation of the physical workplace or of work schedules. They may need technical aids, special equipment or accessible transportation.

The description of these multiple factors gives a sense of the complexity of poverty. So many drivers are at play and there is typically a combination of often interrelated factors responsible for the poverty of any specific family type or group.

Major Weaknesses

i. The book casts poverty primarily as a social problem

Ironically, the major strength of this book – its focus on the social factors of poverty – is also its key weakness. Poverty is fuelled by strong forces that are rooted deeply in the economy, labour market and society.

Most Canadians rely on employment as their chief source of income. Bouts of unemployment and underemployment, not surprisingly, raise the risk of falling below the low income line. When unemployment rises, as it did in the recessions of the past few decades, more widespread and deeper low income is sure to follow.

But unemployment is not the only feature of the economy that contributes to poverty. The labour market itself is a prime driver of low income. More than half of low-income households in Canada are working poor. They work full time in the labour market but do not earn enough money to lift them out of poverty.

The problem is due partly to the growth of ‘nonstandard’ work, which includes part-time, seasonal and temporary work. There has been a corresponding erosion of middle-wage employment, including middle management positions and well-paid, blue-collar jobs in traditional industries, such as manufacturing and transportation. Hence the current concern about the demise of the middle class.

Globalization has seen the movement of many manufacturing jobs offshore. These were jobs that typically came with higher salaries, associated benefits and some

stability – at least in the past. They comprised the backbone of the middle class, which has been hollowed out not only in Canada but throughout much of the developed world as well.

Technological advances are another major contributor to the growing divide of the labour market into so-called good jobs and bad jobs – with high-skilled, high-paying jobs at one of the spectrum and less-skilled, lower-paying jobs at the other. These developments mean that greater educational attainment and technological competence are required in order to qualify for better jobs.

Jobs in the middle of the occupational wage distribution experienced declining shares of total employment. A related problem is the drop in union coverage since the mid-1980s, which has also contributed to rising wage inequality especially among men.

Granted, the purpose of this book was to focus on the social dimensions of poverty and it did not intend to focus on the economic aspects. But the author could have made that clear in a few paragraphs – or perhaps a brief introduction? Instead, these factors are discussed in a chapter on the working poor.

It is essential to set out the economic drivers as part of the overarching context even though these may not be the focus of the book. Otherwise, a vital message is missed: The entire population is vulnerable to poverty as a result of cyclical economic and structural labour market factors.

In fact, there is one statement in the book that is incorrect: “Unlike in many

developing countries, in developed countries such as Canada poverty is not a problem of the population at large. Instead, it is restricted to people within specific demographic groups, such as certain ethnic groups, the elderly, single mothers, and recent immigrants” (p.12).

All Canadians are potentially vulnerable to poverty as a result of economic factors. In addition, certain groups of Canadians face disproportionately higher rates of poverty primarily because of the social factors discussed in this book.

ii. The book misses some important concepts

This book was published in 2012. I know that there is a time lag between the completion of an academic book and its publication. However, there are some significant bodies of thought around poverty that have been discussed now for many years.

The identified evidence, while wide-ranging, missed many of the key studies or researchers and organizations currently active in the poverty field. Don't get me wrong – I am not arguing against theoretical approaches or objective empirical evidence. But there appears to be a big chunk of relevant missing references, which then narrows the range of proposed policy options.

There is an emerging body of work, for example, on the racialization of poverty by Professor Grace-Edward Galabuzi at Ryerson University that is not discussed here. Similarly, the work on Aboriginal Canadians is not sufficiently recent – e.g., Caledon reports that have documented the

problem of low educational attainment of Aboriginal students and have proposed various solutions.

Economics Professor Miles Corak at the University of Ottawa has published important work on intergenerational mobility on Canada and the US. His research has explored the educational, earnings and social dimensions of mobility.

There is no reference to the burgeoning international literature on the social determinants of health that understands low income as a driver of poor health which, in turn, affects the capacity to learn and to earn a living. Much of this important literature is Canadian.

Another social factor linked to poverty is that it is becoming more urbanized. The book devotes an entire chapter to regional poverty in Canada. It notes that regional variations, not surprisingly, are linked to differences in provincial economies, with natural resources playing a major role. It allocates just over one page to urban poverty. Yet this issue has become a major concern in the country, particularly because we have become, for all intents and purposes, an “urban nation” (to quote the title of a book by Alan Broadbent).

The number of low-income Canadians living in Census Metropolitan Areas has grown considerably. City cores have the highest concentrations of urban low income, accounting for close to two-thirds of the CMA's low-income residents but just over half of the total population. This trend reflects, in part, the higher risk of low income among non-permanent residents, recent immigrants, Aboriginal peoples, visible minorities and persons with

disabilities living in cities. There is an important demographic component to this phenomenon.

There also is evidence of increasing concentration of low income in certain urban neighbourhoods – known now as *Poverty by Postal Code*. This is another new development that is not picked up in the book although the author does make brief mention of “ethnic enclaves” in the chapter on ethnic poverty and one fleeting reference to a United Way Toronto study (its evocative name is not mentioned).

Poverty by Postal Code details the dramatic increase in the number of poor Toronto neighbourhoods. It shows that the city now has many more concentrated areas of poverty than it did 20 years ago. The rise in neighbourhood poverty is alarming for two reasons. First, the consequences of living in a poor neighbourhood are significant – and long – for children and youth, newcomers to the country and the entire community. Second, poor neighbourhoods can spiral into further decline and can cause increases in crime and abandonment by both residents and businesses.

Growing up in a poor and marginalized community may affect the life chances of children and youth. But neighbourhood effects are not considered in this book, which focuses solely upon the characteristics of population sub-groups. It leaves out a big part of the story – the impact of place.

Again, a book can explore only so much and poverty is a large and complex problem. But given the date of publication, this geography domain could have been flagged as a vital component of the social dimensions of poverty.

iii. The book is weak on policy prescriptions

It is helpful to have an assessment of the unique factors that face different groups. In fact, it is essential to understand these diverse drivers of poverty in order to formulate effective policy responses.

But it is in the area of policy prescriptions that the book is weak. Obviously, its purpose was not to put forward policy options. Yet it does propose policy recommendations in certain areas. If steps are taken to venture into that domain, they need to be up-to-date and correct.

There is a chapter on child poverty and how it can link to a life of disadvantage. The book asks what we can do about this problem, and talks about minimum wage and labour market solutions. It makes no reference to possible improvements to the Canada Child Tax Benefit, which plays a significant role in reducing child poverty in this country. That program was introduced in 1993 – nine years prior to the publication of this book.

The Canada Child Tax Benefit is composed of two parts: a base amount and a supplement. The base Child Tax Benefit serves almost all – nine in ten – families. The annual maximum base is \$1,446 per child (\$120.50 a month) for July 2014 to June 2015. It is calculated on the basis of net income and number of children.

The second component, the National Child Benefit Supplement (NCBS), sits on top of the base Canada Child Tax Benefit and provides an additional benefit to low- and modest-income families. Like the base, the NCBS is income-tested, though more steeply. Maximum annual payments are \$2,241 for the first child, \$1,982 for the

second child and \$1,886 for the third and each additional child for July 2014 to June 2015.

The two benefits combined (i.e., the base Child Tax Benefit and the National Child Benefit Supplement) mean that a low-income family with one child and net income less than \$25,584 receives a maximum \$3,687 per year for July 2014-June 2015. Caledon has recommended that the *base* Canada Child Tax Benefit be raised so that the combined payments reach a total maximum \$5,600 per child. Our proposal would deliver an increase in child benefits not just to low-income families but also to the modest- and middle-income majority of families.

The Canada Child Tax Benefit offers a number of advantages. It is a non-stigmatizing and progressive program, paying benefits that decline as incomes increase. It pays the same amount to all families with the same income, regardless of the sources of that income, the province or territory in which they live or their type of family.

Caledon's proposed increase would cost about \$5 billion more than the current system. This investment could be phased in over time, as has been the case for previous enhancements to the Canada Child Tax Benefit. We have recommended that the money come through axing two child-related benefits that the government introduced in 2006: the Universal Child Care Benefit and the non-refundable child tax credit.

Despite its title, the Universal Child Care Benefit is not tied to use of child care. Families can spend it however they wish. Even if used for this purpose, its \$1,200 per

year (less after federal and provincial/territorial income taxes) buys little in the way of child care. Moreover, both programs are poorly designed because they serve well-off families and not just low- and middle-income families. In fact, the non-refundable child tax credit provides little, if anything, to poor families.

Perhaps most important is that the Universal Child Care Benefit and non-refundable child tax credit replaced the early childhood development agreements that the federal and provincial/territorial governments had signed to invest jointly in a wide range of early childhood development initiatives, including high-quality, affordable child care. The latter has proven essential to support the labour participation of lower-income families, especially single-parent mothers who, as noted in this book, are vulnerable workers. The Organisation for Economic Co-operation and Development (OECD) has argued that accessible and affordable child care is a smart investment in a competitive economy.

A second example is the fact that the book devotes an entire chapter to the working poor. It concludes by saying that policies that promote inclusion of the working poor in the social and economic mainstream would be ideal to tackle working poverty. Again, it makes no reference to the fact that Canada has a major earnings supplementation program known as the Working Income Tax Benefit.

Introduced in the 2007 federal Budget, the Working Income Tax Benefit (WITB) is intended for poor individuals and households engaged in the paid labour market. It supplements low *earnings*, unlike the Canada Child Tax Benefit that

supplements low *income* regardless of source.

While promising in theory, the Working Income Tax Benefit in its first year delivered a meagre payment of up to just a maximum \$500 annually for single workers and \$1,000 for single parents and couples. In addition, the initial design of the program was targeted so far down the income scale that it excluded many of the working poor.

Caledon praised the federal government's announcement of this initiative and advised it to boost the WITB by increasing its amount and extending it higher up the earnings scale in order to assist more working poor Canadians. Ottawa responded in 2009 by enhancing the benefit by a substantial 85 percent for singles and 68 percent for families, and expanding its reach.

However, the Working Income Tax Benefit in 2014 still sits in at a modest maximum \$998 for a single worker per year (\$1,813 for a family) and cuts out at a low net income of \$17,985 (\$27,736 for a family). Even with the 2009 increase, the benefit still excludes almost all single, minimum wage workers.

This measure needs a healthy, multi-year injection of funds before it can become a major weapon in the war on poverty and inequality. But at least a solid foundation is in place. Caledon has called for the federal government to build the Working Income Tax Benefit into a much more powerful instrument, both in terms of increasing benefits and extending the program higher up the income scale.

But tackling poverty is more than just bolstering low income. There needs to be a

range of proactive measures that involve a human capital agenda. The book does make reference to these interventions in its various chapters.

Early learning and child care: There is a large evidence base, much of it drawn from work in Canada, which speaks to the value of investing in the early years for positive social and economic outcomes later in life.

Basic education and high school completion: Canada performs well overall in terms of the scores. But we still face significant problems with respect to certain populations, notably Aboriginal students who face high rates of non-completion of high school. Close to 60 percent of First Nations on reserve residents ages 20 to 24 did not complete high school or obtained an alternative diploma or certificate. The 2014 Budget announcement of an agreement (now withdrawn) between Ottawa and the Assembly of First Nations on a framework for a new *First Nations Control of First Nations Education Act* was a real breakthrough.

Literacy and numeracy: Even the completion of high school does not guarantee literacy and numeracy proficiency so there is a need for ongoing upgrades. This is particularly important for new Canadians.

Basic IT skills: There are many older workers staying on in the labour market and who may now have to remain longer in view of pension insecurities, a trend to older retirement age and market fluctuations.

Work-based skills training (customized training): This approach

involves matching training to labour market needs. It has been employed to train low-skilled Canadians to work in hospitality or non-health-related care at home. But work-based skills training has also been taking place in fields requiring higher skills, such as oil and gas exploration, biotechnology and laser technology.

Investments in human capital education, training and skill formation represent the primary policy lever for tackling poverty over the long term. They are the major way to improve market income and thereby reduce both poverty and inequality. But they may take some time to effect. In the meantime, there are several important measures currently in place in the country that can reduce poverty dramatically and make a substantial difference in the lives of millions of Canadians.

Conclusion

My review on this book is mixed. It contributes to our knowledge by focusing upon the many and varied social factors that drive poverty and that account for its disproportionately higher rates among certain sub-groups within the population.

At the same time, there are major weaknesses to this book. It does not adequately explain at the outset the

components of the economic context – notably, the crucial links to economic cycles and labour market restructuring. It fails to make reference to several important concepts, such as place-based notions of poverty, which have emerged in the poverty landscape in recent years. Third, the book is particularly lacking when it comes to identifying and calling for improvements to key policy measures already in place.

Bottom line: *Poverty in Canada* needs significant improvement. It should be seen as only one building block in what needs to be a far more broad and solid foundation of evidence in order to truly understand poverty in Canada. Thank you.

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