

The New Brunswick Common Front for Social Justice Inc. (CFSJ)



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**The role of the federal government in reducing poverty in
Canada: the vision of New Brunswick**

Presented to the Standing Committee on Human Resources,
Skills and Social Development and the Status
of Persons with Disabilities

May 12, 2009
Moncton, NB

The role of the federal government in reducing poverty in Canada: the vision of New Brunswick

The New Brunswick Common Front for Social Justice Inc. (CFSJ) is concerned about the persistent poverty in Canada and in New Brunswick (NB). A provincial initiative to reduce poverty was launched in October 2008. In November 2009, the Premier's forum will debate which options and which actions are to be taken to reduce poverty. At the national level, we applaud the steps taken by the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities. Indeed, a major government role is to ensure the welfare of all its citizens. When states or provincial governments give adequate social protection, the level of poverty diminishes.

The OECD reports that, during the last decade, Canada has had its greatest increase in poverty and has the largest income gap among wealthy developed countries. Part of the responsibility for this high rates of poverty in Canada falls back on a decision made by the federal government in 1995-1996. Reducing the national debt was the federal government's endeavour at the time. That is when transfers of funds to provinces for health and social services were cut by 2,832 billion dollars. Whereas in 1995-1996, the province of NB received \$767 million in transfers for health and social services, this amount was reduced to \$692 million in 1996-1997, a shortfall of \$75 million that was never adequately restored (Finance Minister, Dec. 1995: *Canada Health and Social Transfer*). In the area of social assistance, the federal government should revisit the Canada Assistance Plan (CAP), the program in place from 1967 to 1995. Under a reintroduction of the CAP, the NB government would be reimbursed by the federal government for 50% of its social assistance costs.

NB has a high rate of poverty. According to the 2006 census, 13.8% of the population lived in poverty. At the beginning of May 2009, there were 39,274 social assistance recipients. The provincial social assistance rates are the lowest in the country (See Annex A). Presently, a single employable person receives only \$294 per month; a person in the "Transitional Assistance" category receives \$537; a person with a disability, eligible for extended benefits, receives \$618 per month. These rates do not allow beneficiaries to live above the poverty line. Moreover, many NB workers are poor. In fact, approximately 12% of them earn less than \$8 per hour.

Poverty is a social problem with many facets. The following recommendations, brief but essential, deal with the following aspects:

- Minimum wage
- Employment insurance
- Child care
- Housing
- Support for seniors

- Pay equity

Minimum Wage

A person working full time during 52 weeks of the year should not have to live below the poverty line. At \$8.00 per hour, New Brunswick, along with British Columbia, have the lowest minimum wage of the country. This income does not allow minimum wage workers to live above the low income cut-off, set in 2007, at \$18,544 for an individual residing in a community of 30,000 to 99,999 inhabitants.

We recommend that the federal government establish, for all federal jurisprudence, a liveable wage, indexed to the cost of living.

Employment Insurance

More than 360,000 workers have lost their jobs in Canada between October 2008 and March 2009. In NB, thousands have lost their jobs in the forest industry when pulp mills in Bathurst, Miramichi and Dalhousie shut down.

Employment insurance (EI) exists to help out workers and their families while they are searching for a new job. But if one is applying for EI the first time, 910 hours are required. The number of weeks a person is able to receive EI depends on the area of residence and on the number of weeks in the workforce. The amount which EI pays out is 55% of the salary, with a maximum weekly benefit of \$447; this is 25% lower than what one was able to receive in 1996.

The EI program has accumulated a huge surplus of \$54 billion since all the cuts made in 1996-97. Yet, the current national average EI benefit is only \$335 per week.

We recommend that the federal government modify the employment insurance program so that:

- **Workers are able to receive regular benefits after 360 hours of work, no matter where they live or work in Canada.**
- **Benefits are increased to 60% of revenues, based on the best 12 weeks of the worker.**
- **The period for receiving employment insurance is increased to 50 weeks.**
- **A part of the employment insurance surplus is used on training and labour adjustment programs.**
- **The two-week waiting period is abolished¹.**

¹ <http://canadianlabour.ca/en/welcome>. 2009. Get Real! It's the Economy.

Child Care

Our youth represent the future of our communities and our country. In NB, in 2007, the number of licensed child care spaces could only have accommodated 14% of children aged 0-12 in the province. Moreover, in the same year in NB, the average monthly fee for child care for an infant was \$525. For preschoolers, the average fee was \$453; for school-age children, the average monthly fee was \$244². It is therefore very difficult to find a space in a licensed, quality child care establishment, and, for a lone parent that wishes to return to work, it is practically impossible to pay these fees.

We recommend that the federal government invest funds towards creating and maintaining a national, universally accessible, quality child care and education system.

Support for seniors

During the past three decades, poverty among seniors has greatly diminished in Canada but nevertheless, it still persists. In 2005, approximately 7% of seniors lived in a situation of poverty. The proportion was greater if we were talking about elderly women and widows.

The amount which many seniors receive as Canada Pension Plan (CPP) is not enough. Since its beginnings in 1966, CPP was designed to replace no more than 25% of the average industrial wage. In 2009, the maximum monthly benefit for individuals at age 65 is \$ 908.75, which represents only 60 % of the low income cut-off. CPP pensions ought to represent 50 % of the average industrial salary. This can be done by increasing the yearly maximum pensionable earnings that is presently \$ 46,300 and also by increasing the CPP contributions that would be phased over a period of seven years.

A person aged 65 or more who has no other income besides the Old Age Security Pension (OAS) falls below the low income cut-off. The OAS should be increased by 15% in order to lift seniors above the low income cut-off established by Statistics Canada. To finance this improvement, the federal government should add \$1.2 billion each year to the OAS. Should the federal government reverse its decision to cut taxes, as announced in the 2009 Federal Budget, it would save 1.9 billion dollars in one year.

We recommend that the Canada Pension Plan be gradually increased until it reaches 50% of the average industrial salary. We also recommend that the Old Age Security Pension be increased by 15%.

² Conseil consultatif sur la condition de la femme au Nouveau-Brunswick (2008). *Bulletin 2008 de la situation de la femme au Nouveau-Brunswick*, p.38.

Housing

Housing is a basic need for all, young and old. Decent housing is particularly essential for the healthy development of children. The demand for public and subsidized housing overwhelms its supply. In NB in 2008, there were 4,200 people on the provincial waiting list for subsidized housing³.

Many public housing programs in NB are partially funded by the federal government, including the Rental and Rooming House Program, the Rental Conversion Program, the Shelter Enhancement Program, etc.⁴ To bridge the gap between the supply and demand of affordable adequate housing, the federal government must make greater investments into quality affordable housing.

We recommend that the federal government transfers to the provinces the funds necessary to meet the needs in the area of affordable, adequate housing.

Pay Equity

Women are particularly vulnerable to poverty. Pay equity is a question of social justice. When we speak of poverty reduction, the issue of pay equity is an important one to consider. In NB, in 2008, men earned an average hourly wage of \$19.16 while women earned, on average, \$16.46. The wage gap between men and women was therefore \$2.70, or 14.1% less for women.

We recommend the adoption of federal pay equity legislation in the public sector and in all that is federal jurisprudence, as an incentive leading to the adoption of provincial pay equity legislations in the public and private sectors.

Conclusion

Poverty is not a coincidence. It is mainly caused by inequitable policies. Armine Yalnizyan, senior economist at the Canadian Centre for Policy Analysis wrote in May 2009 “Tax cuts and smaller governments are now part of the problem, not the solution. When public policy fails to balance the needs of the powerless against the appetite of the powerful, the promise of democracy is shaken. The ideal of a government of the people, by the people, for the people starts to look like government of the elite, by the elite, for the elite. Such a system may last for a time, but its days are numbered.”⁵

³ L’Acadie Nouvelle. 2008, 12 décembre, p. 4. Les logements locatifs en demande.

⁴ Ministère du Développement social (2008). *Rapport Annuel*, pp. 21-27.

⁵ Yalnizyan, Armine. 2009. Shaping a future for everyone: Income inequality not sustainable economically for any of us. *Economic Crisis Monitor*, May Supplement, pp. 15-17.

In summary, the CFSJ urges the federal government to reinstate the Canada Assistance Plan, which was in place from 1967 to 1995. If the Canada Assistance Plan was reintroduced, the NB government would be reimbursed by the federal government for 50% of its social assistance costs.

We also ask the federal government to take a stand on a liveable minimum wage. The federal government needs to improve the employment insurance program, to create and maintain a national, quality child care service, to increase the amount of support allotted to seniors, to provide the funding necessary to provinces for the creation of affordable, adequate housing and to recommend the adoption of a pay equity law in all federal jurisprudence.

Recommendations made to the federal government

- 1. Establish, in all the federal jurisprudence sectors, a minimum living wage, indexed to the cost of living.**
- 2. Modify the employment insurance program so that :**
 - a. Workers are able to receive regular benefits with 360 hours of work, regardless of where they live or work in Canada.**
 - b. The benefits are increased to 60% of wages, based on the best 12 weeks of the worker.**
 - c. The period to receive employment insurance is increased to 50 weeks.**
 - d. A part of the employment insurance surplus is used for better training and labour adjustment programs.**
 - e. The two-week waiting period before accessing employment insurance is abolished.**
- 3. Invest funds into creating and maintaining a national and universally accessible quality child care system.**
- 4. Gradually increase the Canada Pension Plan until it represents 50% of the average industrial wage. Also increase Old Age Security pension for seniors by 15%.**
- 5. Transfer to provinces the funds necessary to meet the needs in the area of affordable adequate housing.**
- 6. Adopt pay equity legislation in the public sector and in all federal jurisprudence sector.**

Annex A

Welfare Incomes, 2007⁶

Table 1.2-b: ESTIMATED 2007 ANNUAL WELFARE INCOMES BY TYPE OF HOUSEHOLD							
*	Column 1 Basic Social Assistance (SA)	Column 2 Additional SA Program Benefits	Column 3 Federal Child Tax Benefit ¹	Column 4 Provincial Child Benefit	Column 5 Federal GST Credit ²	Column 6 Provincial Tax Credits	Total Income
NEWFOUNDLAND AND LABRADOR^{3,4}							
1	\$7,860	\$1,200			\$248	\$40	\$9,348
2	\$7,860	\$2,700			\$278	\$40	\$10,878
3 ^{5A}	\$12,171	\$1,200	\$4,435	\$289	\$593	\$100	\$18,788
4 ^{5A}	\$12,675	\$1,200	\$6,244	\$628	\$716	\$200	\$21,662
PRINCE EDWARD ISLAND							
1 ⁷	\$6,342				\$235		\$6,577
2 ⁸	\$8,382				\$241		\$8,623
3 ^{9,10}	\$10,754		\$4,435		\$593		\$15,781
4 ^{9,10}	\$15,597	\$350 ¹¹	\$6,244		\$716		\$22,906
NOVA SCOTIA¹²							
1	\$6,012				\$235		\$6,247
2	\$8,832				\$256		\$9,088
3 ^{13,14}	\$9,252		\$4,435	\$445	\$593		\$14,725
4 ^{13,14}	\$12,264	\$150 ¹⁵	\$6,244	\$1,090	\$716		\$20,464
NEW BRUNSWICK^{16, 17, 18}							
1	\$3,339				\$235		\$3,574
2 ¹⁹	\$7,038	\$1,000			\$237		\$8,275
3 ^{20,21}	\$9,213	\$960	\$4,435	\$250	\$593		\$15,451
4 ^{20,21}	\$10,329	\$1,060	\$6,244	\$500	\$716		\$18,849
QUEBEC^{22, 23}							
1 ²⁴	\$6,865				\$235		\$7,099
2 ²⁵	\$10,225				\$275		\$10,500
3 ^{24, 27, 28}	\$8,257	\$960 ²⁴	\$4,435	\$2,823	\$593		\$17,068
4 ^{27, 28}	\$10,635	\$1,159 ²⁴	\$6,244	\$3,136	\$716		\$21,890
ONTARIO^{29, 30}							
1	\$6,587				\$235	\$382	\$7,204
2	\$11,768				\$312	\$302	\$12,382
3 ^{31,32}	\$10,654	\$111	\$4,435	\$250	\$593	\$397	\$16,439
4 ^{31,32}	\$12,645	\$429	\$6,244	\$500	\$716	\$524	\$21,058
MANITOBA^{33, 34}							
1	\$5,592				\$235		\$5,827
2	\$7,397	\$1,380			\$249		\$9,026
3 ³⁵	\$9,636		\$4,435		\$593		\$14,664
4 ³⁵	\$14,057	\$160	\$6,244		\$716		\$21,177
SASKATCHEWAN^{36, 37, 38, 39}							
1	\$8,765	\$0			\$240	\$101	\$9,105
2 ⁴⁰	\$8,570	\$840			\$257	\$105	\$9,772
3 ^{41,42}	\$11,307	\$0	\$4,435	\$0	\$593	\$210	\$16,545
4 ^{41,43}	\$15,001	\$215	\$6,244	\$0	\$716	\$368	\$22,544
ALBERTA^{44, 45}							
1	\$4,824				\$235		\$5,059
2 ⁴⁶	\$7,266	\$936			\$238		\$8,440
2-b	\$12,450				\$312		\$12,762
3 ⁴⁷	\$8,784		\$4,327		\$593		\$13,703
4 ⁴⁷	\$12,996	\$275	\$6,332		\$716		\$20,319
BRITISH COLUMBIA^{48, 49}							
1	\$7,020	\$35			\$235	\$75	\$7,365
2	\$10,727	\$35			\$288	\$75	\$11,125
3 ^{50,51}	\$11,047	\$80	\$4,435	\$0	\$593	\$75	\$16,230
4 ^{50,51}	\$12,883	\$290	\$6,244	\$0	\$716	\$150	\$20,283

1 = Single Employable / 2 = Person with a Disability / 3 = Lone Parent, One Child / 4 = Couple, Two Children

⁶ National Council of Welfare (2008). *Welfare Incomes, 2006 and 2007*, Vol. #128, pp.23-24.