

Small Steps towards

Poverty Reduction

**2014 Annual Review
of David Alward- Brian Gallant governments**



Common Front for Social Justice Inc.

December 2014 (Modified February 27, 2015)

Small Steps towards Poverty Reduction

2014 Annual Review of David Alward and Brian Gallant's government

Introduction

This year marks the 25th anniversary of the House of Commons adoption of an all-party resolution to end child poverty by the year 2000. It is also the 5th anniversary of the unanimous adoption by the New Brunswick Legislative Assembly of the *Overcoming Poverty Together, the New Brunswick Economic and Social Inclusion Plan*.

Today in New Brunswick, depending on the method used to measure poverty, the number of citizens living under the poverty line is still between 88,000 and 100,000. Child poverty in the province has moved from 19.8% in 1989 (the year Canada adopted the resolution to end child poverty) to 21.1% in 2012. (Campaign 2000, *Child Poverty, 25 years later: We Can Fix This*, 2014).

The cost of poverty

There is certainly a real deep financial cost to poverty, but more importantly, there is a human cost that even if it is sometime difficult to measure in dollars and cents is not less real.

How do we measure

- ✓ the worry of parents who are not able to properly feed themselves and their children and have to rely on food banks in order not to go to bed hungry?
- ✓ the anguish of living in inadequate housing?
- ✓ the desperation of knowing that you are sick because you are poor?
- ✓ the hopelessness of teenagers knowing they have a lot less chance of having a better life than their neighbour?
- ✓ the look of others because you are poor?

The unequal distribution of wealth

The Broadbent Institute released September 2014 a document (*Haves and Haves-Nots*), which makes evident the unequal distribution of wealth in our country.

*The top 10% of Canadians accounted for almost half (47.9%) of all wealth in 2012
In 2012, the bottom 30% of Canadians accounted for the less than 1% of all wealth; the bottom 50% combined controlled less than 6%*

*The median net worth of the **top 10% was, \$2,103,200** in 2012. It rose by \$620,600 (41.9%) since 2005. In contrast, the median net worth of **the bottom 10% was negative \$5,100 in 2012**, dropping more than 150% from negative (-) \$2,000 in 2005.*

As we can read, the wealth of citizens in the low 10% decreased dramatically while those in the top 10% has increased quite a bit and this even if the country has gone through a very rough economic time because of the 2008-09 recession.

Longevity – People living in poverty don’t live as long

A paper submitted on April 25th, 2013, to the House of Commons’ Standing Committee on Finance by the Canadian Medical Association, shows that individuals on low incomes are more frequently ill than those with high incomes. “Hundreds of research papers have confirmed that people in the lowest socio-economic groups carry the greatest burden of illness. In 2001, people in the neighbourhoods with the highest 20% income lived about three years longer than those in the poorest 20% neighbourhoods¹.”

Decrease in employment

In New Brunswick, the employment situation since the 2008 recession has deteriorated. From 2008 to November 2014, as shown in Table 1, the province lost 9,200 jobs. The unemployment rate has continued to rise, reaching 10.4 % at the end of 2013, the highest level in six years. The unemployment rate was 9.6% last November but we will have to wait at the end of this month to find out what is the annual rate, but the situation does not look good.

Table 1. Statistics on N.B.’s active population - men and women

Year	Employment (x 000)	Unemployed (x 000)	Unemployment Rate (%)
2008	359,1	33.5	8.5
2009	35.5	34.6	8.8
2010	356.1	36.4	9.3
2011	352.0	37.1	9.5
2012	351.4	40.0	10.2
2013	351.2	40.9	10.4
2014	349.9	37.1	9.6* November 2014

Source : Adapted from CANSIM Table 282-002-Labour force survey estimates (LFS), by sex and details age group annual, New Brunswick

Revenue

The Minimum wage worker in New Brunswick has presently the lowest hourly wage of all provinces. He or she is making presently \$20,800 if working full time (40 hours a week) full year. This situation will change ever so slightly next year (+ \$624) but we will remain in the lower half of the pack.

The poverty gap is the difference between the annual income a person or family receives and the amount of income the person or family would need to be over the poverty line (Market Basket Measure -MBM). Table 2 illustrates that at minimum wage, the single employable and the single person with disability are above the poverty line by (+) \$2,251, while the single parent with one child, the poverty gap is at -\$5,433. The worse off is the couple with two children (one income) has a poverty gap of - \$16,299.

For the citizens on social assistance, even with their total income, the situation is a lot more drastic. The single employable person has a poverty gap of -\$11, 742. The person with

disability is not much better at -\$9,582. The single parent with one child would need \$9,464 and the couple with two children (one revenue) would need \$16,375 just to attain the poverty line.

**Table-2 Minimum Wage Worker and Social Assistance Recipient
New Brunswick – 2013**

40 hours Full time	Salary	Estimated 2013-MBM	Poverty Gap		2013 Total Welfare Income ¹	2013 Poverty Gap
Single Employable	\$20,800	\$18,549	+\$2,251		\$6,807	-\$11,742
Person with disability	\$20,800	\$18,549	+\$2,251		\$8,967	-\$9,582
Single parent, one child	\$20,800	\$26,233	-\$5,433		\$16,769	-\$9,464
Couple, Two children	\$20,800	\$37,099	-\$16,299		\$20,724	-\$16,375

¹Adapted from Table 3. *Welfare in Canada 2013*, Caledon Institute of Social Policy,

People don't earn enough to eat healthy foods

One statistic that hints at the fact that people living in poverty don't have enough to eat is the use of food banks. In this province, the number of people being helped by food banks had consistently risen from 15,638 (2008) to 19,590 (2014), but for the first time since the 2008 recession, there has been a slight decrease (399), but there are still 3,952 more men, women and children using food banks than in 2008 (Table 3).

The number of children under 18 still represents one third of users and their percentage has increased by 0.7% since last year. On the other hand, we note that the number of households that use food banks has decreased by 300 since 2013 and the percentage of social assistance user has also decreased by 6.1% compared to 2013.

Overall, there has been a very small improvement in a somewhat very dreary situation.

Table 3. Food Banks in New Brunswick - 2008 to 2014

Hunger Count - Highlights	2008	2009	2010	2011	2012	2013	2014	Difference 2008-2014
Persons receiving help from food banks	15 638	17 889	18 517	18 539	19 524	19 989	19,590	+ 3,952
Food bank users under the age of 18 (%)	33,2 %	33,8 %	34,3 %	34,4 %	32,0 %	33,2 %	33.9%	+0.7%
Households receiving help from food banks	7 060	7 710	8 440	8 160	8 975	9 376	9,076	+2,016
Social assistance recipients (%)	62.9%	60.0%	61.0%	65.6%	65.9%	69.3%	63.2%	+0.3%

The year of the two governments

Has 2014 changed anything in the situation of the thousands of women, men and children living in poverty?

Has the election of a Liberal government (September 2014) changed anything?

In this 2014 review, we will examine the performance of the Alward and Gallant governments in improving the condition of thousands of low-income workers, citizens who rely on social assistance for survival, as well as unemployed workers and senior citizens.

The Common Front has given each item assessed a score from 1 and 10; 10 being the highest score.

Summary of the scores obtained

The score represent the overall performance of the government under the Alward's Conservatives and Gallant's Liberals

1- Workers

a-Minimum Wage. Score - 5

b-Unemployment Insurance. Score - 3

c-Pay Equity. Score - 4

2- Social Assistance

a-Social assistance revenue. Score - 3

b-Poverty Reduction Plan. Score - 2

3- Economic situation of Seniors. Score - 3

4- Social Policies

a-NB Drug Plan. Score - 6

b- Housing. Score - 4

5- Professional Artists. Score - 8

6- Revenue

Income tax from individuals and corporations. Score - 4

1. Workers

a- Minimum Wage. Score - 5

In 2014, there are 28,000 workers at minimum wage in the province. Since 2012 when the minimum wage was last raised, workers have lost part of their purchasing power to inflation. The Alward government had no intention of raising it, and up to the December 2014 we remained the province with the lowest of all Canada.

In September 2014, the Liberals came in power and came through on their election promise. The minimum wage will be raised to \$10.30 an hour at the end of December 2014, placing us in the seventh position. It will continue to be raised until it reaches \$11.00 an hour in 2017 and then will follow the rate of inflation. It is good news.

Minimum Wages in Canada- 2014- 2015

	BC	AB	SASK	Man	ON	QC	NB	NS	PEI	NFL
2014	\$10.25	\$10.20	\$10.20	\$10,70	\$11.00	\$10,35	\$10,30	\$10.40	\$10.35	\$10.25
2015						\$10.55		\$10.60	\$10.50	\$10.50

Adapted from <http://www.gov.mb.ca/labour/labmgt/wages/minwage.html>

On the other hand, the Liberal government wants to get rid of the Minimum Wage Board that was making recommendation on raising the minimum wage. It wants to give the government, after consultations, the power to review it, each two years starting December 31, 2016. Right now, labour and employers have representatives on the Minimum Wage Board and citizens or organizations like the Common Front for Social Justice can appear and make presentations before the Board. With the disappearing of the Board, there will be a lack of representation and less democracy.

b- Unemployment and Employment Insurance. Score - 3

As Table 1 shows, the unemployment rate has steadily increased in the province since 2008. The federal government has in 2012 made drastic changes to the Employment Insurance Program and in 2013 the Alward government, in collaboration with the three other Atlantic Premiers, struck an EI Task Force to examine the impacts of these changes on the region. The report came out June 2014. Since then, there has been no mention of the recommendations of the report and we have not seen our government lobby the federal government for any changes. We feel that the issue is not a priority anymore for the provincial government.

c- Pay Equity. Score - 4

The application of *Pay Equity Act*, 2009 in the public sector is still lagging behind. The Act prescribed to complete the job evaluations by April 1, 2012 and begin the pay equity adjustments on that date. In reality, the Pay Equity exercise has been completed for a few job classes. The Crown Corporations and non-unionized public servants still have not started it.

Pay equity pilot projects are now completed in selected care-giving services mandated by the government and provided by the private sector: child care, home support, community residences and transition houses. However, the methodology that was used proved to be flawed and resulted in wages of approximately \$13 to \$14 an hour (\$14.80 to \$16.18 for community residence workers depending on whether or not they had supervision roles). A pay equity study led by economist Ruth Rose for the New Brunswick Coalition for Pay Equity showed that pay equity hourly rates would have been around \$19 to \$24 if proper methodology had been used.

In their election platform the Liberals said they will improve the methodology and require organizations with more than 50 employees to implement pay equity if they are doing business with government. The end results for women are likely to be minimal without legislation providing clear guidelines. The Liberals also promised to fully implement the *Pay Equity Act*, 2009 but there was no mention of pay equity in the Throne Speech.

2. People living on social assistance.

a- Social Assistance revenue. Score - 3

The National Council on Welfare which had been publishing up to date information on the situation of citizens living on welfare was axed by Stephen Harper. This information was crucial for organizations which were working on social issues. Fortunately, the Caledon Institute of Social Policy has decided to take up the challenge and we now have the latest statistics on assets, welfare incomes by years and poverty measures by provinces.

Table 2 has showned the poverty gap in 2013, meaning the money the four categories would need just to be at the poverty line, is very high for social assistance beneficiaries in our province. It is clear there is an urgent need for their income to be increased.

The Alward government has increased in 2013 the basic rate of social assistance by 4% and by another 3% in 2014, but did not include indexation to the cost of living. These new rates apply to nearly 20,000 households. If a 7% increase seems generous, it must be remembered that between 2008 and August 2013, the Consumer Price Index (CPI) rose by 8.9% in New Brunswick. These increases still leaves thousands of citizens with a buying power that is not keeping up with the rate of inflation.

It is to be noted that the increases do not apply to the single employable welfare beneficiaries in the Extended Benefits category.

The three percent rate increase in 2014 translates into an additional \$30.00 per month for most categories.

The troubling issue is that in the Liberal electoral platform and in our meeting with the new minister of Social Development, Cathy Rogers, no mention was made of any rate increases in the near future. This is not good news, because as we know the basic rate and the total revenue of the close to 40,000 citizens living on social assistance is already below the poverty line and will continue to be, if there are no increases.

b- NB Poverty Reduction Plan. Score - 2

The New Brunswick Poverty Reduction Plan is five-year old. Without having an evaluation of the success or non- success of the first five years, the Economic and Social Inclusion Corporation rushed the adoption of the 2014-2019 plan.

The first plan had a number of specific actions with timetables while the second one has almost none. This is very visible when we analyse and compare the use of verbs in both documents. Where in the first plan, action-oriented verbs were used: eliminate, extend, raise, reform, invest, include, strengthen, advance; in the second document, softer verbs were used: foster, support (7 times) promote (9 time), consider, encourage, share. It is clear that the focus will not be action.

3. Economic situation of seniors. Score - 3

There are 138,240 citizens 65 years and older in New Brunswick, an increase of 38,135 since 2001. The proportion of men and women is almost equal.²

Since 2006, there has been a tripling of seniors 65 years and older who are in the labour force and employed. Those in full-time or part-time jobs almost doubled. It is not certain the reasons for this increase but certainly one of the explanations could be the increase in the cost of living and a lack of adequate pension when retiring.

Table- 5 Seniors 65 years and over in the labour force-New Brunswick. 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013
Labour force (x 1.000)	4.8	6.7	6.9	8.8	10.3	10.9	11.9	13.8
Employment (x 1.000)	4.6	6.4	6.6	8.3	9.7	10.3	10.8	12.4
Full-time employment (x1.000)	2.9	3.6	4.5	4.5	5.3	5.4	6.3	7.3
Part-time employment (x 1.000)	1.7	2.8	2.0	3.8	4.4	4.9	4.5	5.1

Adapted from CANSIM , Table 282-0002. Labour force estimates (LFS), by sex and detailed age group

<http://www5.statcan.gc.ca/cansim/a47>

There are quite a number of seniors in the province that are only receiving the Guaranteed Income Supplement. These seniors, if they are single, receive a maximum amount of \$563.74 monthly from the Old Age Pension Plan and a maximum of \$764.40 monthly from the Guaranteed Income Supplement Program, for a maximum total income of \$1, 328.14 per month or \$15,937.68 annually, which is below the poverty line.

(Old Age security payment amounts.

<http://www.servicecanada.gc.ca/eng/services/pensions/oas/payments/index.shtml>)

The Alward government has pushed hard to change pensions into a shared-risk plan which will make workers more prone to pension income fluctuation when they retire.

There is a need for more hours per residents and more beds in nursing homes to liberate more hospital beds occupied by seniors. Not much was done in this area. Since more and more citizens are seniors, there is a push for putting in place services, like home care, in order to help them stay in their homes as long as possible.

In 2014, the Alward government has invested monies to increase the hourly salaries of home support workers which increases their wage by 25 cents an hour and adds monies for training. It has also budgeted \$7.2 million for a Home First Strategy in order to give more care to seniors in their homes and communities. We consider this a step in the right direction even though we still await details as to the content of the strategy.

We hope the new Liberal government come out with the details as soon as possible.

4. Social Policies

a- New Brunswick Drug Plan. Score - 6

A high number of workers don't have a workplace drug plan for themselves and their family. The Economic and Social Inclusion Corporation had recommended to the Alward government the creation of a provincial insurance plan. The Alward government, in December 2013, brought forward a two-phase plan. The first phase which started May 1, 2014 was voluntary, but at the second phase, participation would as of April 1, 2015, become mandatory. The NB Drug Plan was put in place too fast, without public consultations and without the buy-in from employers, some of whom resist contributing to it.

The Common Front for Social Justice argued that the annual premium to be paid and the amount paid for each prescription would be too expensive for individual and family especially for those with low income. The Alward government promised there would be subsidies for low-income individuals and families and that the employers would contribute, but they never said what the subsidies would be and were not able to convince employers to contribute.

The new Liberal government decided this December to make major changes to the plan. The compulsory aspect of the plan is gone, the premiums have been lowered as well as the co-pay and the employers will not pay into it. There is supposed to be a comprehensive review with consultations with stakeholders to decide what the new plan will look like, but for all intent and purposes, the present plan seems dead. It will become a Catastrophic Drug Plan. The Common Front for Social Justice certainly wants to participate in the review.

What does this mean for the deal with Medavie, the company which is administering the plan, and has a five years agreement with the province? Will we again pay enormous sums for work cancelled and deals made on the fast?

b- Housing. Score - 4

Social housing in this province is at risk, especially since annual federal subsidies for that sector will be entirely eliminated by 2034. This last April, the provincial government and the government of Canada announced an additional \$78 million over five years in order to give more access to affordable housing to individuals and families. This funding will be an extension of the Investment in Affordable Housing agreement, part of the federal government investment of \$1.25 billion over five-years.³ The new money is for new construction, rental subsidies, repairs and to help persons with disabilities and seniors live independently.

Documents from the Department of Social Development show that there is a shortage of social housing in the province; 6,240 are on either a waiting or demand list. We will have to wait to see how the money is spent but we are somewhat worried by the fact that social housing was not a priority in the Liberal election platform.

5. Professional artists. Score - 8

Since 2006, the moneys allocated to arts and culture remained almost the same.

In the last year, the government carried out many initiatives aimed at improving the situation for artists. First, the government increased by 30%, or three million dollars, the budget for arts, culture, and heritage. The new government committed to continue the work started by the previous government by increasing by two million dollars the 2015 budget.

In June 2014, the government adopted a new cultural policy for the province. The policy includes concrete measures for improving the socioeconomic conditions of artists as well as their work environment.

In July 2014, the Premier's Task Force on the Status of the Artist held its first meeting. The task force's mandate is to identify measures or legislation to lower the socioeconomic risks New Brunswick artists may encounter.

Moreover, the government adopted a Linguistic and Cultural Development Policy for the French schools. The policy gives artists and art a big role in the education of young Acadians.

6. Revenue.

Income tax for individuals and corporations. Score - 4

In 2014, the Alward government has not increased the individual income tax to the 2008 rate as the Common Front for Social Justice recommended.

The new Liberal government had nothing in their electoral platform for income tax increases for individuals but this December they made good on two measures the Common Front had lobbied for.

One is the return to the 2012 provincial rates for property taxes for business which will generate \$30 million in revenue. The other is to add two new individual tax level (21 % for income \$150,000 to \$250,000 and 25.75 % for those over \$250,000). We applaud this measure.

However, the Liberal government is not looking at raising the NB corporate tax (presently 12%) to the level of the other Atlantic Provinces which are between 14% and 16%, as was recommended by the Common Front for Social Justice. This increase would have brought more revenue to the government and enable it to pay for much needed public programs.

On the small business front, the Liberal government has caved in to the small business sector lobby and has reduced their income tax from 4.5% to four per cent and the decrease will continue until it attains 2.5% in 2018. They have also exempted small business from paying into the NB Drug Plan.

Decreasing by half the small businesses tax is not a good plan. Small businesses, like individuals and other business have to pay their fair share of taxes if we are to afford public programs for all citizens, including this province`s small business owners.

Conclusion

The Common Front for Social Justice recognizes that the David Alward and the new Gallant government have taken some actions that will be helpful to people living in poverty. The increase in basic rates and changes to social assistance, the increases in the minimum wage, the non-compulsory nature of the NB Drug Plan, the funding for seniors and for social housing, as well as increases in tax for rich individuals.

These are all positive small steps in the right direction.

However, our review clearly shows there is still a long way to go to significantly reduce poverty in the province. We are worried by the direction the Poverty Reduction Plan is taking and the fact that poverty was not mentioned at all in the Speech from the Throne. We are also worried by the increasing influence the small business lobby had on the Alward government and seems to have on the Gallant government.

We understand the province`s difficult economic situation, but the fight against poverty has to be considered as a social investment, just like investments being made in the private sector. These investments will result in positive human and economic benefits, notably through cost reduction in our health care, our justice system, and a more productive population.

Common Front for Social Justice Inc.
Pauline Richard- co-chair: 227-7175
Linda McCaustlin – co-chair : 855-7046
Jean-Claude Basque –provincial coordinator : 875-4232

References

¹ Canadian Medical Association. (2013). "Submission on Motion 315 (Income Inequality)". <http://www.cma.ca/multimedia/CMA/Content/Images/Inside_cma/Submissions/2013/Income-inequality-Brief_en.pdf>.

²(<http://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/esi/PopulationBySelectedAgeGroups-PopulationSelonCertainsGroupesDages.pdf>)

³<http://www.cmhc.ca/en/corp/nero/nere/2014/2014-04-28-0930.cfm>