

# **POVERTY PAPERS 4**

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## **Poverty in Canada and Saskatchewan in 2011: No Closer to the Truth**

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Garson Hunter Ph.D.

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## Preface

A central theme of this report is that economic recovery from the recessions of the early 1980s and 1990s, balanced budgets and debt reduction have not challenged poverty. An expanding economy and an emphasis on neo-liberal economics <sup>endnote 1</sup> have failed the poor and working poor.

As documented in a previous report<sup>1</sup>, Canada was reviewed in 2009 by the United Nations General Assembly, Human Rights Council, Eleventh Session, Universal Periodic Review.<sup>2</sup> Recommendation 17 of the UN review of Canada reads: “Develop a national strategy to eliminate poverty.” Canada had this response:

Canada does not accept recommendation 17 or the related recommendation from Ghana to develop a national strategy to eliminate poverty. Provinces and territories have jurisdiction in this area of social policy and have developed their own programs to address poverty. For example, four provinces have implemented poverty reduction strategies. The Government of Canada supports these measures, notably through benefits targeting children and seniors. These efforts are having a positive impact: low-income rates for seniors, women and children have fallen considerably in the past decade.

The veracity that there has been a considerable decrease in the poverty rates during the past decade for seniors, women and children was examined in the previous report and found not to be true. That report concluded, based upon data produced by the federal data agency (Statistics Canada), that:

Canada’s response to the United Nations Human Rights Council, Universal Periodic Review (March 2009) is not accurate. Canada’s benefits that are targeting children and seniors are not having a positive impact. The low-income rates for seniors, women and children have **not** fallen considerably in the past decade.

As with the previous report, this report adopts the Statistic Canada low income measure after-tax (LIM) to examine poverty. This is the same approach that the UN and the Organisation for Economic Co-operation and Development (OECD) take when measuring poverty. It is worth mentioning that both the UN and the OECD refer to this data as poverty, not ‘low income’. But then these organizations are not in the business of denying the existence of poverty. Additionally, reporting poverty data without context may mean little. Using the same measure as that used by the UN and the OECD allows us to see how Canada compares to other developed countries and how provinces perform in comparison.

This current report includes a section devoted to the considerable difficulties surrounding poverty measurement in Canada, especially in terms of understanding the “low income cut-off” (LICO) methodology. Another section of the report moves the discussion beyond poverty to

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<sup>1</sup> [Poverty among Seniors, Women, and Children, and Income Inequality in Canada and Saskatchewan](http://www.uregina.ca/socialwork/faculty-staff/FacultySites/HunterGarsonSite/2010%20Poverty%20Paper%204.pdf)  
<http://www.uregina.ca/socialwork/faculty-staff/FacultySites/HunterGarsonSite/2010%20Poverty%20Paper%204.pdf>

<sup>2</sup> United Nations General Assembly, Human Rights Council, Eleventh Session, Universal Periodic Review, A/HRC/11/17, 03 March 2009.

focus on inequality. Here, quintile data and the Gini coefficient are used to examine the unequal distribution of income in Saskatchewan and Canada and the growing gap between the rich and the rest of society.

The views expressed in this paper do not necessarily represent those of the Faculty of Social Work or the University of Regina.

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**Highlights for 2009**

- Canada's response to the United Nations Human Rights Council, Universal Periodic Review (March 2009) was not accurate and continues to be untrue. Canada's benefits that target children and seniors are not having a positive impact. What Canada referred to as 'low-income rates' (poverty) for seniors, women and children have **not** fallen considerably in the past decade. One year later, the situation has not improved.
- Using the international measure of poverty (Statistic Canada's Low Income after tax measure) and the latest 2009 data available from Statistics Canada, Canada's poverty rate is 13.3%<sup>3</sup> (4,337,000). This rate is unchanged from 2008.
- Saskatchewan's overall poverty rate is 11.7% (112,000 people), which is lower than the 2008 rate of 14.7% (139,000 people). These numbers are disappointing because the province is currently experiencing an economic bubble based on increasing revenue generated in the resource extraction areas of oil, gas and potash. According to the government of Saskatchewan's own *Enterprise Saskatchewan* press release, economic indicators have "soared" in the new Saskatchewan.<sup>endnote 2</sup>
- Canada's poverty rate for children under 18 years of age is 15% (1,006,000), virtually unchanged from the previous year.
- Saskatchewan's child poverty rate is 15.2% (33,000 children), a decrease from the previous year at 20.2% (43,000). Again, these numbers are disappointing given the current level of economic activity in the province.
- The poorest in Canada are children living in female lone-parent families. They experience a poverty rate of 37.2% (338,000).
- Saskatchewan's children who live in female lone-parent families have actually experienced an increase in their poverty rate. In 2008 this group had a poverty rate of 48.6% (15,000). In 2009 it increased to 52.4% (18,000).
- The 2009 national poverty rate among all unattached elderly is 26.1% (340,000). Saskatchewan's unattached elderly (male and female over 65) also face a high poverty rate at 30.5% (14,000).
- In 1998, the combined poverty rate in Canada for seniors who were living either unattached or attached was 5.9% (207,000) overall. For 2009, the combined poverty rate for seniors who were living either unattached or attached was 12% (533,000) overall.

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<sup>3</sup> Data gathered by author using data from a number of years including 2009, data which are produced by Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax.*

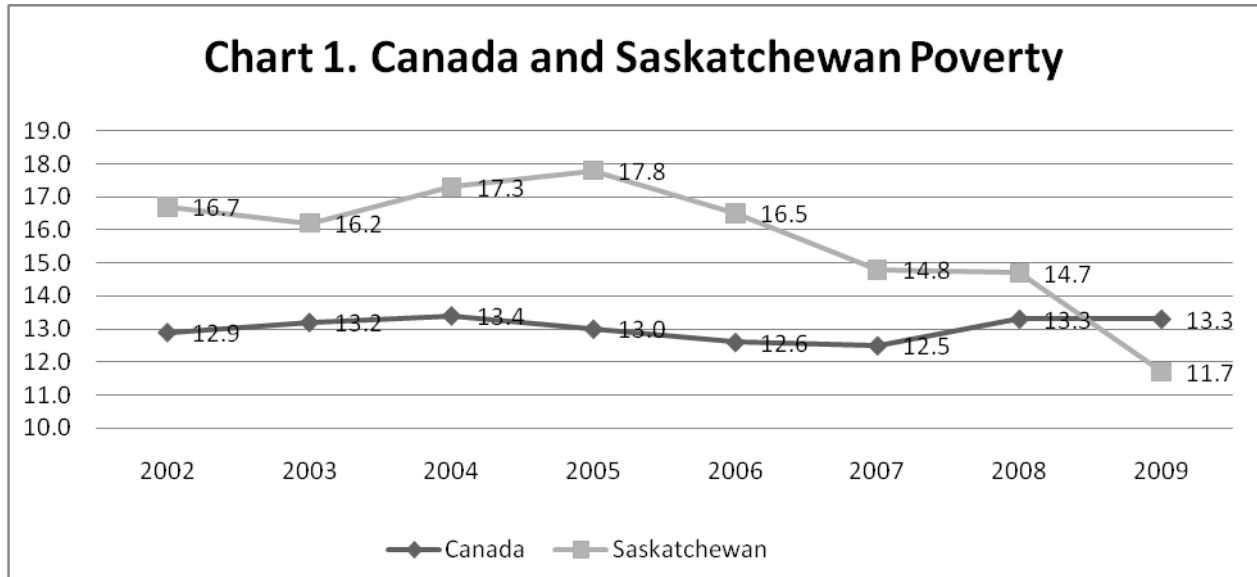
- For unattached elderly women in Saskatchewan, the poverty rate stands at 33% (11,000) - a considerable increase since 1998 when it was 10%. Similarly, since 1998, the poverty rate for elderly unattached women across Canada has increased from 12.7% to 28.9% (267,000).
- In 1997, the combined poverty rate in Saskatchewan for seniors who were living either unattached or attached was 4.5% (7,000). For 2009, the combined poverty rate for seniors who were living either unattached or attached was 13.5% (18,000) overall.
- Since 1976, the only category to increase their share of market income and total income is the top 20% of the income quintile. The other 80% have seen their share of market incomes and total incomes either stagnate or drop. This is a similar finding to income census data produced in the United States for 2007.
- The federal government, provincial governments and various advocacy reports continue to use different poverty measurements and unsupported poverty reduction strategies in response to the serious issue of poverty. These efforts serve to confuse the public and divert attention. For 2008, Statistics Canada eliminated the average dollar value that the poor fell below the various low-income cut-off values when examining depth of poverty, making it more difficult to examine this concept. Dollar values to raise people to poverty lines can no longer be produced from the data in its existing format as produced by Statistics Canada.

## Poverty Rates: Canada and Saskatchewan – the Data<sup>4</sup>

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<sup>4</sup> 2009 is the latest data available from Statistics Canada.

Chart 1 tracks the national and provincial poverty rates<sup>5</sup> since 2001. Poverty in both Canada and Saskatchewan remains high. This finding is consistent with the data on Canadian poverty reported by both the UN and the OECD.



Source: Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax.*

Using the international measure of poverty (low income measure after-tax – LIM), Canada’s 2009 overall poverty rate is 13.3% (4,337,000). Saskatchewan’s overall poverty rate is 11.7%<sup>6 7</sup> (112,000 people).

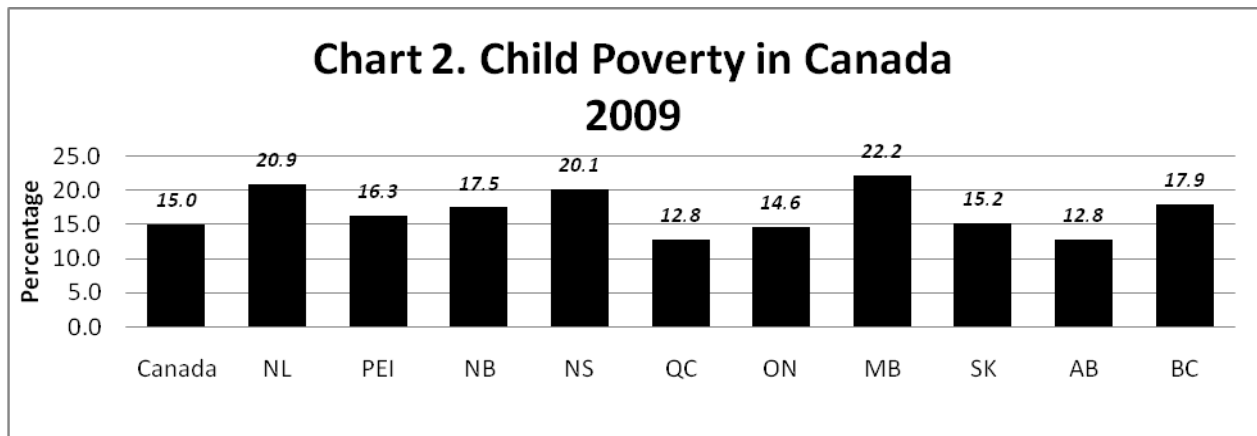
<sup>5</sup> Previously Statistics Canada provided two sets of measures in *Income Trends in Canada 1976 - 2006 13F0022XIE*. One set measured the ratio of “economic family” types (economic families or unattached individuals) in low income and the other measured the ratio of “persons” (or totals) in low income. Logically, the ratios for unattached individuals did not change across these two data measures, but the ratios for economic families could have dramatic differences. For example, if we look at the overall ratio of low income in Canada using the “persons in low income” measure the result is 14.5% for 2006 (families/unattached). If we use the “families in low income” measure the result is 19.5% for 2006 (families/unattached). The “persons” data set counts **each individual** in a family, and the “family” data counts **each family** as an individual economic unit. Beginning with the 2008 data, Statistics Canada ceased producing the “family” level data. In justifying this change Statistics Canada explains it is necessary “Because it is essential to portray the low income situation for the entire population, it is more appropriate to analyze individuals rather than families” *Survey of Labour and Income Dynamics: 2008 Survey Overview 75F0011X*.

<sup>6</sup> Statistics Canada produces data quality indicators based upon the coefficient of variation (CV) and number of observations. The letters and their interpretation are: a – excellent, b – very good, c – good, d – acceptable e – use with caution. In this report the reader can assume the data is acceptable and above if no CV is reported. Data that has a CV of use with caution will be identified by the author and noted with an ‘e’.

<sup>7</sup> Data gathered by author using data from Statistics Canada *CANSIM Table 202-0802*,

## Children Living in Poverty

The economic recovery from the early 1990 recession has neither benefited all people equally nor solved the serious problem of poverty. Especially troublesome is the continuing high rates of poverty among children in Saskatchewan and across Canada. As demonstrated in Chart 2, the percentage of children living in households below the poverty line has not been eliminated since 1989. The year 1989 is considered a significant date in Canada as that was when Canada's House of Commons unanimously resolved to eliminate child poverty by the year 2000. As the year 2000 recedes further into the past the significance of the year 2000 loses its relevance.



Source: Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax.*

Note: for Prince Edward Island and Newfoundland and Labrador the CV is 'e'.

To compare the veracity of data methodology, the results of Canada's LIM procedure produced by Statistics Canada are very close to the child poverty data produced by the OECD. For 2005 (the last year the OECD data are available), the OECD places Canada's child poverty (referred to as 'children in poor homes') at 15.1%.<sup>8</sup> This is very close to Statistics Canada's LIM of 15.7% for 2005. There is no reason to believe that the data would differ greatly between the LIM and the OECD poverty data for 2009.

In 2009, Canada's poverty rate for children under 18 years of age is 15% (1,006,000), and Saskatchewan's poverty rate is 15.2% (33,000 children).

According to *Enterprise Saskatchewan*, "Saskatchewan's economy is soaring...When you drive through the province's main streets and neighbourhoods, you see the impact of these numbers: new houses, new businesses, and people going to work at new jobs." Unfortunately, this is not the case for many families and children living in poverty in the province.

<sup>8</sup> *OECD StatExtract*, Child Well-Being, Children in poor homes, Data extracted on 17 Nov 2010 18:05 UTC (GMT).

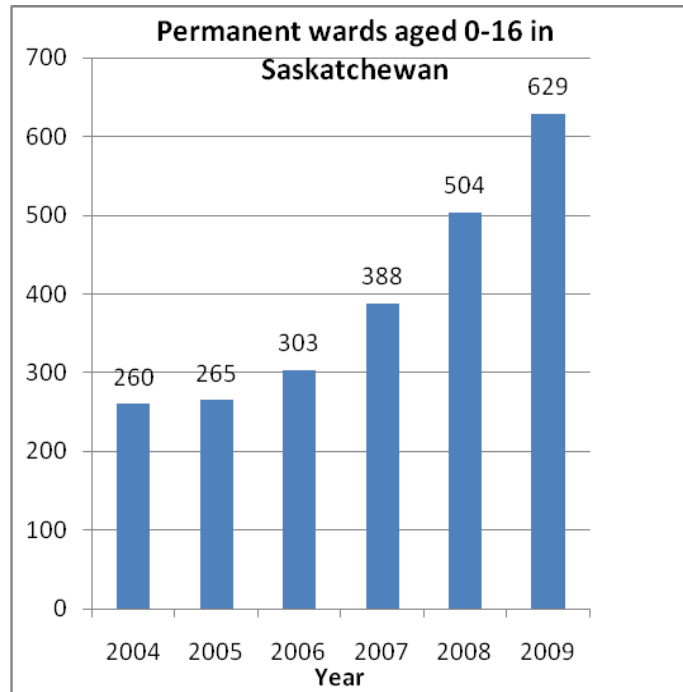


Some of that poverty is having a serious impact on the strained child welfare system. In November 2010, Saskatchewan's Child Welfare Review Panel<sup>9</sup> found that:

The importance of the socio-economic determinates in effecting child welfare policy in Saskatchewan cannot and should not be understated. Changing the child welfare system without increasing efforts and commitments to reducing health disparities and undertaking policies to improve socio-economic status for those sections of the population that are falling below the norm is likely to result in more of the same: more children being taken into care.

And there has been a dramatic increase in the number of permanent wards in the province of Saskatchewan since the Saskatchewan Party formed the government in late 2007. As can be seen in Chart 3, there has been a startling 68% increase in the number of children who have become permanent wards.

**Chart 3: Increase in Permanent Wards in Saskatchewan**



Source: Saskatchewan Child Welfare Review Panel Report from data produced from the Ministry of Social Services Client Index (ACI) data.

<sup>9</sup> Saskatchewan Child Welfare Review Panel. (December 2010). *For the good of our children and youth: A new vision, a new direction.*

<http://saskchildwelfarereview.ca/>

It is up to the Saskatchewan Party to explain the huge increase in permanent wards since taking office. Economic growth without corresponding social spending would appear to be the most likely explanation.

Amnesty International's publication, *Canada: Amnesty International Submission to the UN Universal Periodic Review: Fourth session of the UPR Working Group of the Human Rights Council, February 2009*<sup>10</sup>, echoes the findings of the Child Welfare Review Panel, with a specific focus on First Nations children. The report states: "Three times the number of Indigenous children are now in state care than during the residential school era." Amnesty International offers a reason for the removal of children from their families: "In most cases it is not because of abuse, but neglect often due to poverty."

The Child Welfare Review Panel recommended that all levels of government acknowledge that "...poverty-related conditions drive child neglect and other social problems. Make significant improvements to the income support, affordable housing, and disability service systems used by Saskatchewan families."

Also to be considered is that Saskatchewan's urban centres face severe housing problems and social assistance rates insufficient to meet housing costs.<sup>endnote 3</sup> Accelerated economic growth without corresponding social supports increases the divide between those who benefit from the growth and those it harms.

## Women Living in Poverty

Table 1 compares poverty rates of various categories of women across Canada from 1998 to 2009. Table 2 shows the results for Saskatchewan.

**Table 1. Female Poverty in Canada in Various Categories 2009-1998**

	2009	1998
<b>Females, 18-64 years</b>	13.6% (1,485,000)	14.3% (1,354,000)
<b>Unattached females</b>	29.3% (711,000)	25.6% (507,000)
<b>Unattached elderly females</b>	28.9% (267,000)	12.7% (99,000)

Source: Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax.*

<sup>10</sup> *Canada: Amnesty International Submission to the UN Universal Periodic Review: Fourth session of the UPR Working Group of the Human Rights Council, February 2009.*  
<http://www.amnesty.org/en/library/asset/AMR20/004/2008/en/137e83bf-9073-11dd-b16f-6118895def38/amr200042008en.html>

**Table 2. Female Poverty in Saskatchewan in Various Categories 2009-1998**

	2009	1998
<b>Females, 18-64 years</b>	10.9% (33,000)	17.5% (50,000)
<b>Unattached females</b>	30.3% (23,000)	26.8% (18,000)
<b>Unattached elderly females</b>	33% (11,000)	10% (3,000)

Source: Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax*. Unattached elderly females for 1998 data have a CV of 'e'

The various groups of people in our society, especially those who are particularly susceptible to poverty (i.e., seniors, women and children – those groups the Government of Canada identified to the UN as having improved poverty rates because of "supported measures through benefits") are not in fact experiencing less poverty. The poverty conditions for these vulnerable groups are not improving.

Of note is that unattached elderly women in Saskatchewan have a poverty rate of 33%. In 1998 the rate stood at 10%. Across Canada, the poverty rate for this group of women has also seen an increase since 1998 - from 12.7% to 28.9%.

Other points of note:

- Female lone-parent families with children face high levels of poverty. In Canada, the rate was 37.2% (338,000) in 2009 compared to 50.4% (493,000) in 1998. For Saskatchewan in 2009 the rate was 52.4% (18,000)<sup>11</sup> and in 1998 the rate was 47.3% (22,000).
- Unattached individuals under 65 years of age in Canada face a high rate of poverty at 27.1% (25.5% males and 29.5% females). In Saskatchewan the data for unattached individuals under 65 years are 25.5% (23.8% males [cv 'e'] and 28.1% females).
- Saskatchewan's unattached elderly (male and female over 65) also face a high poverty rate at 30.5% (14,000). The national rate among all unattached elderly is 26.1% (340,000).

<sup>11</sup> Only for the count data and not the percentages, all Saskatchewan data for persons under 18 years in female lone-parent families have a CV of 'e'.

## Seniors

Canada did not accept recommendation 17 of United Nations General Assembly, Human Rights Council, Eleventh Session, Universal Periodic Review, A/HRC/11/17, 03 March 2009. In responding to that recommendation, Canada stated that benefits targeting children and seniors have had a positive impact during the past decade on the low-income rates for seniors, women and children. As evidenced in the data presented in this paper, the response respecting the state of children and women is not accurate. Let's look at the situation of seniors in Saskatchewan and Canada in more depth.

In terms of economic security for older Canadians, how do seniors fare if our national standard of living for seniors is a benchmark of 'modest' if 'frugal' comfort? Research indicates that poor seniors are almost entirely dependent upon government transfers to survive. These transfers "...account for over 90 percent of total income for men, women and couples classified as poor."<sup>12</sup> But what percentage of seniors is classified as poor and how many seniors does that percentage represent? Is it just a small fraction or is poverty a major challenge for many seniors in Canada? What do the data contain?

For 2009, unattached individuals classified as "elderly persons" have a poverty rate of 30.5% (14,000) in Saskatchewan, and 26.1% (340,000) in Canada.<sup>13</sup> In 1998 in Saskatchewan, the poverty rate was 8.7% (4,000) for unattached individuals classified as "elderly persons." For Canada in 1998 the percentage was 12% (127,000). This means that *in Saskatchewan the poverty rate for unattached seniors has increased 250% (from 4,000 to 14,000) between 1998 and 2008*. For Canada the poverty rate for unattached seniors has increased 168% (from 127,000 to 340,000).

Although Statistics Canada *CANSIM* data does not provide **totals** from which the percentages and counts are derived, it is simple enough to calculate those totals using the percentages and counts provided. For 2009 in Saskatchewan, 14,000 (30.5%) poor unattached seniors is out of a total of 45,902 unattached seniors. For Canada, 361,000 (28%) poor unattached seniors is out of a total of 1,289,286 unattached seniors nationwide. (Saskatchewan's 1998 unattached senior total is equal to 45,997 and Canada's 1998 unattached senior total is equal to 1,058,333).

Poverty rates for attached seniors are much less due to economies of scale - two people sharing expenses can live more "frugally" but in "comfort" than one person. For 2009 Saskatchewan's attached seniors had a poverty rate of 4.6%<sup>14</sup> (4,000) for "elderly persons in economic families"<sup>15</sup> Canada's rate of poverty for attached seniors was 5.5% (172,000) for 2009. The 2009 totals for

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<sup>12</sup> Ernie Lightman, *Social Policy in Canada* (Toronto: Oxford University Press, 2003), 155.

<sup>13</sup> Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax*.

<sup>14</sup> Saskatchewan LIM for elderly persons in economic families all has a CV of 'e'.

<sup>15</sup> Statistics Canada *CANSIM Table 202-0802, persons in low income families, annual, low income measure after tax*.

Saskatchewan are 86,957 elderly persons living attached and for Canada 3,127,273. The 1998 data for Saskatchewan are not reliable and therefore not reported by Statistics Canada. Using 1997 data for Saskatchewan, the percentage is 2.9% (3,000) for attached seniors who were poor, out of a total of 103,448 attached seniors. For Canada the rate in 1998 was 3.3% (80,000) poor attached seniors out of a total of 2,424,242 attached seniors.

Put in context, for Saskatchewan in 1997 there were 4,000 (7.5% out of 53,333 total) unattached seniors who were poor and 3,000 (2.9% out of 103,448 total) attached seniors who were poor. That is a total of 7,000 seniors who were poor, out of a combined total of 156,781 seniors both unattached and attached. That works out to a poverty rate of 4.5% overall. For Saskatchewan in 2009 there were 14,000 (30.5% out of 45,902 total) unattached seniors who were poor and 4,000 (4.6% out of 86,957 total) attached seniors who were poor. That is a total of 18,000 poor seniors out of a combined total of 132,859 seniors both unattached and attached. That works out to a poverty rate of 13.5% overall - a dramatic increase from 4.5% in 1997.

For Canada in 1998 there were 127,000 (12% out of 1,058,333 total) unattached seniors who were poor and 80,000 (3.3% out of 2,424,242 total) attached seniors who were poor. That is a total of 207,000 poor seniors out of a combined total of 3,482,575 seniors both unattached and attached. That works out to a poverty rate of 5.9% overall. For Canada in 2009 there were 361,000 (28% out of 1,289,286 total) unattached seniors who were poor and 172,000 (5.5% out of 3,127,273 total) attached seniors who were poor. That is a total of 533,000 seniors poor in total out of a combined total of 4,416,559 seniors both unattached and attached. That works out to a poverty rate of 12% overall, another dramatic increase from 5.9% in 1998.

In sum,

- In 1998, the combined poverty rate in Canada among seniors either unattached or attached was 5.9% (207,000). For 2009, the combined poverty rate for seniors who either unattached or attached was 12% (533,000) overall.
- In 1997, the combined poverty rate in Saskatchewan for unattached or attached seniors was 4.5% (7,000) overall. For 2009, the combined poverty rate for seniors who were living either unattached or attached is 13.5% (18,000) overall.
- Saskatchewan's unattached elderly (male and female over 65) face a high poverty rate at 30.5% (14,000). The national rate among all unattached elderly is 26.1% (340,000).

## Income Distribution and Inequality

Although not a measure of poverty, the Gini coefficient can be used to examine income distribution in a society. The Gini coefficient<sup>16</sup> is calculated using cumulative percentages. For example, under a situation of perfect equality, the bottom 20% of all families would control 20% of income and the bottom 50% would control an equal 50% of the cumulative income. The Gini score depicts the size of the gap between this ideal and the actual cumulative distribution of income. A Gini coefficient measures inequality with a value between 0 and 1, where 0 corresponds with perfect equality (everyone has the same income) and 1 corresponds with perfect inequality (one has all the income and everyone else has zero income). The Gini index is the Gini coefficient expressed in percentage form, and is equal to the Gini coefficient multiplied by 100. While most developed European nations tend to have Gini coefficients between 0.24 and 0.36, the United States has been above 0.4 over the last two decades, indicating greater income inequality than in most of Europe. The Gini coefficient can also be used to indicate how the distribution of income has changed within a country over time. Hence, it is possible to see if inequality is increasing or decreasing. Gini coefficient values usually range between 0.2 – 20% (low inequality) to values of 0.5 – 50% (high inequality).<sup>17</sup> Changes in income inequality take place very slowly and a change in one percentage point is considered significant.<sup>18</sup>

Table 3 suggests no significant change in either market income inequality (income from wages and salaries) or total income inequality (all income, including government transfers) from 1998 to 2009. The percentage of market income shared by the rich and low-income earners has not changed significantly in the past decade and continues to exhibit a high level of income inequality. Things improve somewhat when we consider total income, including income transfers from social programs. Social transfers of money have a significant impact (changes greater than 1%) on income inequality. For instance, Saskatchewan’s market income inequality in 2009 is 49.7%, while the total income inequality index registers 41.9%. This difference represents a 15.7% decline in inequality.

**Table 3. Gini Coefficients of Income Inequality in Saskatchewan and Canada 1998-2009**

	Market Income Saskatchewan	Total Income Saskatchewan	Market Income Canada	Total Income Canada
<b>1998</b>	.518	.410	.523	.427
<b>2008</b>	.497	.419	.511	.432
<b>2009</b>	.497	.419	.515	.430

Source: Statistics Canada *CANSIM Modified Table 202-0705, Gini coefficients of market, total and after-tax income, by economic family type, annual (number)*.

<sup>16</sup> The following explanation is from Garson Hunter, & Fiona Douglas, *November 2005 Report Card on Child Poverty in Saskatchewan* (University of Regina: Social Policy Research Unit).

<sup>17</sup> Abdual Rashid, “Family Income Inequality, 1975-1995.” (*Statistics Canada*, Catalogue no. 75-001-XPE, 1998)

14.

<sup>18</sup> Ibid.

The lesson is clear: although social spending does not eliminate inequality, it has a significant impact on reducing the income inequality that exists when income is derived solely from the market place. Also it should be noted that the current economic growth that Saskatchewan is experiencing is doing nothing to decrease income inequality.

Another concept related to income inequality is the share of income divided into quintiles. The concept of income inequality is most apparent in the United States after that country's census data for 2009 indicated the largest disparity ever.

Picking up an Associated Press story, the *Huffington Post* reports:

The top-earning 20 percent of Americans – those making more than \$100,000 each year – received 49.4 percent of all income generated in the U.S., compared with the 3.4 percent made by the bottom 20 percent of earners, those who fell below the poverty line, according to the new figures. That ratio of 14.5-to-1 was an increase from 13.6 in 2008 and nearly double a low of 7.69 in 1968<sup>19</sup>.

The article notes that this is before tax data and although not specified the data must be referring to the concept of Total income. So, how does Canada perform in income inequality?

Using the income concept of Total income,<sup>20</sup> including the transfers for social programs and therefore similar to the income definition used in the US census report, data for Saskatchewan and Canada are available from 1976 to 2009 (Table 3). The **Total income** ratio in Saskatchewan between the top 20% and the lowest 20% of income earners for 2009 is 10.65%. In 1976 the ratio for Saskatchewan was 11.41%. The **Total income** ratio in Canada between the top 20% and the lowest 20% of income earners for 2009 is 11.24%. In 1976 the ratio for Canada was 10.24%.

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<sup>19</sup> Hope Yen, "Income gap widens: Census finds record gap between the rich and the poor." (*The Huffington Post*, September 28, 2010). [http://www.huffingtonpost.com/2010/09/28/income-gap-widens-census-\\_n\\_741386.html](http://www.huffingtonpost.com/2010/09/28/income-gap-widens-census-_n_741386.html) (accessed October 08, 2010)

<sup>20</sup> Total income refers to income from all sources including government transfers and before deduction of federal and provincial income taxes. Statistics Canada *CANSIM Table 202-0705, Market, total and after-tax income, by economic family type and income quintiles, 2008 constant dollars, annual*.

**Table 3. 'Total Income' Inequality in Saskatchewan and Canada 2009-1976**

	Total Income Saskatchewan – 2009	Total Income Saskatchewan - 1976	Total Income Canada - 2009	Total Income Canada - 1976
<b>Lowest quintile</b>	4.3	3.9	4.2	4.2
<b>Second quintile</b>	9.6	9.6	9.6	10.6
<b>Third quintile</b>	15.7	16.9	15.4	17.4
<b>Fourth quintile</b>	24.6	25.0	23.7	24.7
<b>Highest quintile</b>	45.8	44.5	47.2	43.0

Statistics Canada *CANSIM Table 202-0701, Market, total and after-tax income, by economic family type and income quintiles, 2008 constant dollars, annual.*

When we consider only market income<sup>21</sup> before taxes, the data for Saskatchewan and Canada are revealing (Table 4). In 1976 the lowest income quintile (bottom 20%) in Saskatchewan received 1.1% of market income; the top income quintile (top 20%) received 47.4%. This is a ratio of 43 to 1. In 2009, the lowest income quintile (bottom 20%) received 1.2% of market income while the top income quintile (top 20%) received 50.5%. This is an astonishing ratio of 42 to 1 – a ratio that has barely changed during the past 33 years.

In Canada for 1976 the lowest income quintile (bottom 20%) received 1.4% of market income while the top income quintile (top 20%) received 45.8%. This is a ratio of 32.7 to 1. In 2009, the lowest income quintile (bottom 20%) received 1.1% of market income while the top income quintile (top 20%) received 52.4% - again, an astonishing ratio of 47.6 to 1.

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<sup>21</sup> Market income is the sum of earnings (from employment and net self-employment), net investment income, private retirement income, and other items under income. It is also called income before taxes and transfers. Statistics Canada *CANSIM Table 202-0705, Market, total and after-tax income, by economic family type and income quintiles, 2008 constant dollars, annual.*



**Table 4. 'Market Income' Inequality in Saskatchewan and Canada 2009-1976**

	Market Income Saskatchewan - 2009	Market Income Saskatchewan - 1976	Market Income Canada - 2009	Market Income Canada - 1976
<b>Lowest quintile</b>	1.2	1.1	1.1	1.4
<b>Second quintile</b>	7.3	7.9	7.2	9.5
<b>Third quintile</b>	15.5	17.4	14.7	17.6
<b>Fourth quintile</b>	25.6	26.2	24.7	25.7
<b>Highest quintile</b>	50.5	47.4	52.4	45.8

Statistics Canada *CANSIM Table 202-0701, Market, total and after-tax income, by economic family type and income quintiles, 2008 constant dollars, annual.*

Since 1976, the top 20% of income earners have increased their share of Market income and Total income, including Total income after tax. The other 80% of the population has remained relatively stagnant or has experienced a decrease in income. The upward redistribution of income would no doubt be more extreme if the top five percent or top one percent of income earners were to be examined. Moreover, this report only examines income. The related concept of wealth (i.e., property, stocks, bonds, securities, investments etc.) is not included in this analysis.<sup>22</sup>

## Lessons

Poverty is not an accident or an oversight on the part of politicians and the wealthy class. To quote Marlene Weber in summarizing the work of Susan George:<sup>23</sup>

Poverty is profitable. It is lucrative for, among others, the employer of cheap labour, the landlord who thrives on welfare cheques, and the price-fixer who controls food distribution. If poverty were not profitable, in a world glutted with food, there would be no reason to starve people<sup>24</sup>.

Or as Dennis Raphael writes, when describing Wright's<sup>25</sup> concept of social inequality:

<sup>22</sup> For an examination of wealth distribution in Canada see Steve Kerstetter, *Rags & Riches: Wealth Inequality in Canada* (Canadian Centre for Policy Alternatives, December 2002).

<sup>23</sup> Susan George, *How the Other Half Dies: The Real Reasons for World Hunger* (New York: Penguin, 1976).

<sup>24</sup> Marlene Weber, *Food For Thought* (Toronto: Coach House Press, 1992), 13.

<sup>25</sup> Erik Wright, "The Class Analysis of Poverty" In E. O. Wright (Ed.), *Interrogating Inequality* (New York: Verso, 1994).

Poverty is profitable because it suppresses wages, thereby increasing profits, pits the employed against the unemployed, and makes the likelihood of working class organization and action less likely. Poverty also serves as a potent reminder to those who are not poor of what awaits if offered employment is not taken up<sup>26</sup>.

For an aggressive, neo-liberal capitalist economic system to increase profits, financial and productive value must be increasingly expropriated for the owners of business.

If the modern welfare state of the past 60 odd years were designed to eliminate poverty it would have done so by now. Calls from Canadian liberal advocacy groups, such as the Canadian Centre for Policy Alternatives (CCPA), Campaign 2000 and the Canadian Council for Social Development (CCSD), for governments to reduce poverty within an economic system of advanced monopoly-finance capitalism are nothing short of irrational and are driven either by a naïve or opportunist understanding of the interplay between politics and economics.

In a recent article at the *Make Poverty History*<sup>27</sup> website titled, “Newfoundland Takes the Lead in Poverty Reduction,” it is claimed that Newfoundland was able to reduce its child poverty levels in half, from 12.2% in 2006 to 6.5% in 2007 since introducing a poverty reduction action plan. The source for the data quoted in this article is the Newfoundland government.<sup>28</sup> In fairness, the Newfoundland government is citing its child poverty rate from 2003 to 2007, not from 2006 as the article suggests. However, the Newfoundland and Labrador government quote figures using the LICO after-tax.<sup>29</sup> Using the Statistics Canada’s *CANSIM* data, the LICO after-tax child poverty rate was 16.1% in 2003 and 6.2% in 2007. For 2009, the child poverty rate in Newfoundland rose to 9.3% using LICO after-tax. Therefore the government’s anti-poverty measures must now be increasing poverty. Looking at data year by year rather than looking for trends over time leads to erroneous conclusions. Using the international applied UN measure of poverty, the LIM after-tax child poverty rate for Newfoundland and Labrador is 24.7% in 2003 and 20.9% in 2009.

Again, in explaining its refusal to accept the UN recommendation that Canada develop a national strategy to eliminate poverty, Canada stated: “... four provinces have implemented poverty reduction strategies. The Government of Canada supports these measures, notably through benefits targeting children and seniors. These efforts are having a positive impact: low-income rates for seniors, women and children have fallen considerably in the past decade.”

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<sup>26</sup> Dennis Raphael, *Poverty and Policy in Canada: Implications for Health and Quality of Life* (Toronto: Canadian Scholar’s Press Inc., 2007), 96.

<sup>27</sup> <http://www.makepovertyhistory.ca/> (accessed October 08, 2010).

<sup>28</sup> “Empowering People, Engaging Community, Enabling Success: First Progress Report on the Government of Newfoundland and Labrador’s Poverty Reduction Strategy” (*Government of Newfoundland and Labrador*, Department of Human Resources, Labour and Employment, December 2009), <http://www.hrle.gov.nl.ca/hrle/publications/poverty/PRSPProgressReport.pdf> (accessed October 08, 2010).

<sup>29</sup> The LICO after-tax data for Newfoundland and Labrador has a CV of ‘e’.

The Canadian provinces which have poverty reduction plans include Quebec in 2002, Newfoundland and Labrador in 2006, Nova Scotia in 2007, New Brunswick in 2008 and Ontario in 2009. However, the advocacy for poverty reduction plans by liberal anti-poverty organizations in Canada needs to be tempered by reality, for these groups confuse the menu for the meal. It is not enough for governments to disguise their ongoing neo-liberal social programming assault on Canadian programs such as the Canada Social Transfer, Employment Insurance and benefits for seniors as poverty reduction initiatives. The plans produced by governments need to be critically reviewed for the probable implications the policy shifts will have for the poor. That is the rational response to government programmes.

In advancing a program of poverty reduction for Canada, advocacy groups have made much ado about the success of poverty reduction programs in the United Kingdom and Ireland<sup>30 31</sup> These groups are at the forefront in promoting Canadian government documents such as the December 2009 report titled “In from the Margins: A Call to Action on Poverty, Housing and Homelessness”<sup>32</sup> prepared by the Standing Senate Committee on Social Affairs and led by Liberal Senator Art Eggleton and deputy chair Conservative Senator Hugh Segal. There has also been vigorous promotion of the November 2010 report from the House of Commons Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (HUMA) titled “Federal poverty reduction plan: Working in partnership towards reducing poverty in Canada.”<sup>33 34</sup> Why the advice of skepticism regarding the knee jerk support for poverty reduction plans produced such as those listed and poverty reduction plans currently adopted by various provincial governments in Canada? Well, the United Kingdom and Ireland never did reduce their poverty levels to any acceptable level.

Advocacy groups advancing a poverty reduction agenda for Canada relied upon OECD 2006 data<sup>35</sup> as justification for Canada adopting a poverty reduction agenda. However, a 2008 OECD

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<sup>30</sup> Laurie Monsebraaten, “Europe’s anti-poverty efforts put us to shame” (The Toronto Star, October 04, 2008). <http://www.thestar.com/article/510758> (accessed November 12, 2010).

<sup>31</sup> Marvyn Novick, “Summoned to Stewardship: Make Poverty Reduction a Collective Legacy” (*Campaign 2000 Policy Perspectives*, September, 2007). [http://www.fsatoronto.com/policy/summoned\\_to\\_stewardship.pdf](http://www.fsatoronto.com/policy/summoned_to_stewardship.pdf) (accessed November 12, 2010).

<sup>32</sup> <http://www.parl.gc.ca/40/2/parlbus/commbus/senate/com-e/citi-e/rep-e/rep02dec09-e.pdf> (accessed on November 12, 2010).

<sup>33</sup> <http://www2.parl.gc.ca/HousePublications/Publication.aspx?...> (accessed November 19, 2010).

<sup>34</sup> Having explained how Ireland and the UK put Canada’s poverty record to shame in her October 2008 news report, Toronto Star reporter Laurie Monsebraaten had more recent misinformation about poverty in Canada to give us in her article about the HUMA report where she writes “Seniors’ poverty has dropped by half since the 1960s to less than 6 per cent today. Meanwhile, child poverty has dropped by 38 per cent since the late 1990s. Without the National Child Benefit, child poverty would be about 15 per cent today, the report notes. If Ottawa hiked the benefit to \$5,000, Canada’s child poverty rate would drop from 9.9 per cent to 8.3 per cent, the report says.” Laurie Monsebraaten, “Ottawa needs plan to fight poverty” (The Toronto Star, November 17, 2010). As documented in this report, seniors and children have not seen a reduction in their levels of poverty. The National Child Benefit was not a new program with new funding; rather it was a continuation of the previous Working Income Supplement (WIS) program introduced in 1993.

<sup>35</sup> “Summoned to Stewardship: Make Poverty Reduction a Collective Legacy” (*Campaign 2000 Policy Perspectives*, September, 2007), 13-14.

report<sup>36</sup> contained disappointing data for the Canadian poverty reduction crowd. This report noted Ireland's significant increase in income poverty (1/2 the median income adjusted for family size) from the mid 1980s through the mid 2000s (OECD, 2008, Table 11.1). The OECD placed Ireland's poverty rate for people of working age at the same level as Canada's: 12 percent. For Ireland this was an increase of 3.3 percent from 1995 (OECD, 2008, Table 5.1).

The OECD also noted Ireland's child poverty rate of 16 percent, an increase of 2.3 percent from the mid 1990s. Canada was identified as having a child poverty rate of 15 percent, an increase of 2.2 percent (Table 5.2). For the UK, the OECD noted: a child poverty rate of 10 percent (a decrease of 3.6 percent since the mid 1990s); a poverty rate of 10 percent among people of working age (a 0.3 percent decrease since the mid 1990s); and a small increase in income poverty from the mid 1980s through the mid 2000s. The report stated: "The number of children living in poverty fell from 14% to 10% between the mid-1990s and 2005-- the second largest fall (behind Italy) over this period. Even so, child poverty rates are still above the levels recorded in the mid-1980s (7-8%) and mid-1970s (5%)."

### **What is the lesson for Canada?**

On November 11, 2010 the British Broadcasting Corporation (BBC) announced that the UK coalition government with support of the Labour party was introducing the biggest welfare shake up since the 1940s.<sup>37</sup> The new programme called "Universal Credit: welfare that works,"<sup>38</sup> will provide a universal benefit to replace work related benefits. According to the BBC article, "The new system will mostly be administered through the internet, with people expected to make claims online and check their payments like they would an online bank account - even though an estimated 1.5 million unemployed people do not currently have internet access." The universal benefit will consolidate the existing 30 or more work-related benefits - including jobseeker's allowance, housing benefit, child tax credit, working tax credit, income support and employment support allowance - into a single universal payment.

The BBC also noted: "There will be tougher penalties for people fit to work but unwilling to do so. A sliding scale of sanctions will see those refusing work on three occasions having their benefits taken away for three months." The Unite trade union is warning the coalition's reforms would create "a US-style 'soup kitchen' culture."

Gone from the BBC story is any mention of poverty reduction. The programme is now about the poor taking a job at standards provided by the employer. Work Secretary Iain Duncan Smith, the coalition minister introducing the White Paper, is quoted in the following excerpt:

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<sup>36</sup> "Growing Unequal? Income Distribution and Poverty in OECD Countries" (OECD, October 2008). [http://www.oecd.org/document/4/0,3343,en\\_2649\\_33933\\_41460917\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/4/0,3343,en_2649_33933_41460917_1_1_1_1,00.html) (accessed November 12, 2010)

<sup>37</sup> Benefits system overhaul 'to make work pay' (BBC, November 11, 2010). <http://www.bbc.co.uk/news/uk-politics-11728546> (accessed November 12, 2010)

<sup>38</sup> <http://www.official-documents.gov.uk/document/cm79/7957/7957.asp> (accessed November 12, 2010).

Ahead of his Commons statement he told reporters during a visit to a centre for homeless men in North London that creating jobs was "vital" but tackling the culture of worklessness was more important, as the country could not afford for it to continue.

"In prosperous times this dependency culture would be unsustainable but today it's a national crisis," said Mr. Duncan Smith.

Consequently, the state will supplement low wages through the universal programme. Canada has many similar programmes already in place to support people who are employed by low-wage employers. In Saskatchewan they go by the names of the Saskatchewan Employment Supplement (SES) and the Family Health Benefits (FHB) and are provided by the Ministry of Social Services.<sup>39</sup>

While finding resources to wage wars of aggression in poor countries and to bail out financial markets, the resources needed to support unemployed workers and those unable to work pale in comparison. The destruction of the modern welfare state in the UK should give pause to advocate for any universal benefit scheme in Canada.

During reactionary times in an environment of aggressive capitalism, it is unrealistic to view the state as a catalyst for greater social equality. Unfortunately in Saskatchewan and Canada, with a few exceptions, there is currently little to distinguish between the autonomous grassroots movements and the sponsored organizations that form the non-profit industrial complex.<sup>40</sup> As observed globally in the context of World Social Forums, development of grassroots autonomous progressive social movements

... at the very least can challenge the Left's discernable shift towards purely elitist strategies – pushing legislative policy, gaining elections in swing states [municipal, provincial and federal elections in Canada to elect NDP/Green candidates] winning over commercial media – practices which eclipse the mass strategy of gradually building the base of opposition over time, of truly investing in “change from below”<sup>41</sup>.

In conclusion, based on the data in this paper, Canada's response to the United Nations Human Rights Council, Universal Periodic Review (March 2009) is not accurate. Canada's benefits that target children and seniors are not having a positive impact. The low-income rates for seniors, women and children have **not** fallen considerably in the past decade. The same reality exists in the province of Saskatchewan.

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<sup>39</sup> For much more on these programmes and how they are funded see “A Question of Prosperity: Poverty in Saskatchewan” *Poverty Profiles 1* (Regina, Saskatchewan: Social Policy Research Unit (SPR), University of Regina, June 2008).

<sup>40</sup> For a history of the development of the phrase, “non-profit industrial complex”, defined in terms of the functions non-profits serve in advancing neo-liberal agendas of the state see; Incite! Women of Color Against Violence, *The Revolution Will Not be Funded; Beyond the Non-profit Industrial Complex* (Cambridge, Mass: South End Press, 2007).

<sup>41</sup> Ibid, 225.

## Poverty Measurement Methodology

This report on poverty emphasizes the internationally used UN measure of poverty - what Statistics Canada refers to as the Low Income Measure after tax (LIM-AT). The UN measure of poverty is based on one-half of any country's median income after tax adjusted for family size.<sup>42</sup> In the past Canada's LIM used a different procedure of adjusting for family size thus creating problems with direct comparison.

For 2008, Statistics Canada changed its equivalence factor to adjust for family size and adopted the UN method, noting: "In order to ensure international consistency and to facilitate the calculation of adjusted family income, a new scale will now be used. From now on, adjusted family income will be obtained by dividing family income by the square root of the number of members in a family."<sup>43</sup> This is a welcome change as the author of this report has had to generate this data from the raw files in the past.

LIM is different from the Statistics Canada Low Income Cut-Off (LICO) measure. LICO is a Canada-specific measure of poverty that is not used anywhere else in the world. However, the adoption of LIM in Canada has not occurred, for the rather obvious reason that it paints a different picture of inequality in Canadian society than the LICO. The LICO method can be easily manipulated depending upon the use of before-tax or after-tax income. Data based upon the use of averages can be highly skewed if there are extreme values, which is the case when using data regarding income and expenditures for cost of living. Using the before-tax methodology with after-tax income renders the data results inaccurate. LICO was developed for the use of before tax income; LICO plus 20 points was not developed for after tax income calculations. If after-tax income is used with LICO methodology, then the methodology should be adjusted in some manner to represent the change in the income variable. However, no adjustment is made by Statistics Canada when it uses the before-tax and after-tax income variables with LICO. They are different variables measuring different concepts of income and need to be utilized as such.

For example, the government of Newfoundland and Labrador recently criticized the LIM measure of poverty while glossing over the serious problems of LICOs and in particular the LICO after-tax that they employ. The Government of Newfoundland cautions against the use of the LIM measure because "...[LIMs] are the same in all parts of the country and, thus, do not reflect the reality of higher costs of living in large cities and lower costs in rural areas."<sup>44</sup> However, LICOs are the same all over the country. Statistics Canada takes the average expenditures for food, clothing and shelter from the Canadian average and applies that figure to all of Canada. Both LICO and LIM adjust for family size, however only LICO adjusts income

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<sup>42</sup> *Child Poverty in Rich Countries 2005*. Innocenti Report Cards, 6. Florence: UNICEF Innocenti Research Centre, p. 33.

<sup>43</sup> *Survey of Labour and Income Dynamics: 2008 Survey Overview 75F0011X*.

<sup>44</sup> "Reducing Poverty: An Action Plan for Newfoundland and Labrador", (*Government of Newfoundland and Labrador*, June 2006), 40.

levels downward depending upon its five classifications of geographical areas; ‘rural areas’, ‘less than 30,000’, ‘30,000 – 99,999’, ‘100,000 – 499,999’ and ‘500,000 and larger’. Therein lies a major concern with the LICO methodology: it is based upon average expenditures and averages are dramatically influenced by extreme low and high values. Median values, especially when dealing with skewed data such as income, are preferred because they are not influenced in the same way by extreme values in the fashion of averages. That is partially why median values are used by the UN and the OECD for poverty measurement. No other country in the world uses LICOs. For the government of Newfoundland using the LICO after-tax is quite advantageous politically because the LICO after-tax poverty rate for Newfoundland for 2008 is 9.1%. With the LICO before-tax, the same demographic is 14.8%<sup>45</sup> and using LIM after-tax the result is 21.6%.

Those who use LICOs need to justify why a measure that considers average household expenditures for three necessities, food, shelter and clothing is superior to the international standard. There is no *prima facie* evidence that LICO is a superior measure to the accepted international standard.<sup>46</sup>

Unlike the Canada-only LICO,<sup>47</sup> the UN measure offers a standard measurement for comparing poverty rates throughout Canada and internationally. In the past this author has referred to “duelling poverty lines” among the LICO before tax, the LICO after tax, the Market Basket Measure (MBM) and the LIM after tax. Until an accepted poverty measure is adopted, the Canadian public will continue to be confused. The issue of poverty measurement is particularly important at this time. Of some concern is Canada’s response to the UN review in which it appears that: “The Government of Canada also commits to giving greater prominence to the market basket measure [MBM] as one of the tools to measure low income.” Serious limitations of the MBM measure are presented in the Hunter and Miazdyck book chapter mentioned in footnote forty-four.

## Depth of Poverty

The average low-income gap (depth of poverty) data cannot be reported in actual dollars as in the past. For the 2008 data, Statistics Canada changed the measure of this concept to reflect a percentage of a given income cut-off. Statistics Canada now provides the aggregate low-income gap as a percentage of income representing the sum of the gap of all persons in low income, divided by the sum of the income of all persons, where the gap is the difference between the low

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<sup>45</sup> For more on why LICO after-tax is less than LICO before-tax, and the serious methodological error when adopting the LICO after-tax measure, see the material at the end of this paper.

<sup>46</sup> There are three measures of LIM; one-half the median income adjusted for family size, 40 per cent the median, 50 per cent the median and 60 per cent of the median income. 50 per cent is the most commonly reported standard.

<sup>47</sup> Although Statistics Canada states that the LICO measures low-income and not poverty, publications by the developer of the LICO measure do not support this assertion. For more on the history of LICO and a detailed analysis of LICO methodology with before- and after-tax income, and the MBM see, Garson Hunter & Dionne Miazdyck, “Current Issues Surrounding Poverty and Welfare Programming in Canada.” In Raymond Blake & Jeffery Keshen (Eds.), *Social Fabric or Patchwork Quilt: The Development of Social Policy in Canada* (Peterborough, Ontario: Broadview Press, 2006), 383-418.

income threshold and the income. The type of income used for this report is Total after-tax income. In Saskatchewan the aggregate low income gap as a percentage of income for 2009 is 1.6% and 2.0% in 1998. For Canada, the comparable figures are 1.6% for 2009 and 1.6% for 1998.

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## Endnotes

<sup>1</sup> Many readers may not be familiar with the concept of neo-liberalism. For one definition please see Garson Hunter's chapter on child poverty in *Canadian Social Policy* (5<sup>th</sup> edition) to be published by Wilfrid Laurier University Press in February 2012:

Since the mid 1970s the social and economic agenda of right wing 'think tanks' advocating an agenda of neo-liberalism have come to dominate discussions of economic and social policy. Adapting to the Canadian context the main features of neo-liberalism identified by Wacquant (2009a) the following highlights its most salient features:

- Economic deregulation – promoting ‘the market’ as the optimal device not only for economic transactions but for the organizing of a whole range of human activities including the private provision of core public goods including food, education, health care, housing, labour regulation, safety and environmental protections.
- Welfare state devolution – the intensification of the recommodification of marginal workers towards desocialized labour (removal of ideas of a living wage, job security, work benefits, pensions, labour laws, full employment) with international variants of workfare within a quasi-contractual relationship between the state and lower-class recipients treated not as citizens but as clients required to display behavioural obligations as conditions for state aid. In Canada, the extension of marginal governmental aid to lower-class working families not normally receiving aid exhibiting vastly extended surveillance<sup>1</sup> of portions of the lower class that has not traditionally received welfare benefits (eg. CCTB and the numerous provincial programs delivered in partnership with the NCB. In Saskatchewan such programs go by the names of Saskatchewan Employment Supplement, Family Health Benefits and Saskatchewan rental Housing Supplement.).
- Mantra of individual responsibility (personal identity moulded upon the ideal of the private entrepreneur) in an environment of widened competition to meet basic human needs; while the same environment exhibits widespread evasion of corporate liability and lack of state accountability in it's performance of social and economic obligations.
- Expansive, intrusive and proactive penal apparatus – which contains the disorders and disarray generated by diffuse social insecurity and deepening inequality. Disciplinary supervision of the postindustrial workers, which reassert the authority of the state and dampens the questioning of the legitimacy of elected officials and the political order. (p. 307)

Although government programs for the poor concentrate on lack of employment skills (e.g., how to look for work, resumes, personal behaviours at work) or work discipline (e.g., poor who have lost the skills of work such as being on time, being rested for work, proper work deportment) or lack of moral responsibility among the poor, the structural and cyclical nature of unemployment and poverty are not easy to ignore. The market bubbles of expansion and contraction in the economy as well as wages requires attention if the issue of child poverty is going to be addressed in a serious manner using government social security programs. However Wacquant (2009b) argues that with the ascendancy of neo-liberalism from the mid 1970s, there has occurred a growing linkage between workfare in the welfare state and prisonfare in the carceral state which fulfills three main interrelated function; 1) Incarceration serves to physically neutralize and warehouse the supernumerary fractions of the lowest rung of the



working class and in particular the dispossessed members of stigmatized groups, 2) Discipline of desocialized wage work among those in the working class and the declining and insecure strata of the middle class, by raising the costs of strategies of escape or resistance within the illegal sectors of the street economy, 3) For the upper class and society as a whole, the penal institution serves the symbolic mission of reaffirming the authority of the state (pp. xvi-xvii). It should be no surprise that a major feature of the governing Canadian federal Conservative party platform for re-election in 2011 was for vastly increased expenditures on prisons along with truth in sentencing and mandatory minimum legislation during a period of declining crime rates. Intensified Canadian carceral policy is similar to changes in carceral policies other countries that had developed modern welfare states including the United States (which led the neo-liberalism campaign) subsequently adopted by the United Kingdom, France, Germany, and now Canada.

Wacquant, L. (2009a). *Prisons of poverty*. Minneapolis, MN: University of Minnesota Press.

Wacquant, L. (2009b). *Punishing the poor: The neoliberal government of social insecurity*. Durham, SC: Duke University Press.

<sup>2</sup> According to the government of Saskatchewan's own Enterprise Saskatchewan, "Saskatchewan's economy is soaring..." The report goes on to state:

- Private sector investment in Saskatchewan increased by 46.8 per cent.
- Building permits issued have increased by 66.7 per cent and urban housing starts are up 14.5 per cent.
- New motor vehicle sales have increased by 13.8 per cent.
- Retail sales have increased 24.9 per cent.
- New incorporations have increased by 30.8 per cent while business bankruptcies have decreased by 53.8 per cent.
- Average employment has increased by 5.1 per cent.
- Real GDP growth has risen by 5.4 per cent.

October 3, 2011 — ECONOMIC INDICATORS SOAR IN THE NEW SASKATCHEWAN  
<http://www.enterprisesaskatchewan.ca/Default.aspx?DN=6a78041c-fe57-4189-b704-fde50902ed67>.

<sup>3</sup> The National Council of Welfare publication, *Welfare Incomes 2009 Saskatchewan*, states that the province has the second highest welfare rates in Canada in almost every category except single person with a disability. Further, the National Council of Welfare also produces a more detailed publication, *Welfare Incomes 2009 Winter 2010 / Volume #129*, showing Saskatchewan as having among the highest welfare rates in Canada:

<http://www.ncw.gc.ca/1.3bd.2t.1ilshtml@-fra.jsp?lid=350&fid=10>

<http://www.ncw.gc.ca/1.3bd.2t.1ils@-eng.jsp?lid=331>

However both NCW publications have calculated the provincial welfare rates in Saskatchewan incorrectly thereby producing higher welfare rates than the province issues.

Footnote #41 of the detailed publication states: "Saskatchewan pays actual utility costs. Amounts used are based on averages for the different household types during the 2009 calendar year for both TEA [Transitional Employment Allowance] and SAP [Saskatchewan Assistance Plan]."

The province of Saskatchewan does not pay actual utility costs for recipients of the TEA program. The Saskatchewan government website displays a detailed schedule of flat rated utility payments within the TEA program:

<http://www.socialservices.gov.sk.ca/tea>

The only actual utility payments issued for TEA recipients in the province of Saskatchewan are those [mostly northern and remote recipients] who heat their housing with alternate heat sources. 'Section 11.2 Utilities' of the TEA Policy Manual states:

For oil, propane and wood used for heating, the actual costs of the alternate fuel and delivery are provided to clients receiving a General Living Allowance. Actual costs are verified by a statement or bill. A monthly utility allowance is not provided. (See Chapter 7.5) Where more than one adult is living in the accommodation, the fuel cost will be divided equally among the adults living in the accommodation.

oil, propane and wood used for heating, the actual costs of the alternate fuel and delivery are provided to clients receiving a General Living Allowance. Actual costs are verified by a statement or bill. A monthly utility allowance is not provided. (See Chapter 7.5) Where more than one adult is living in the accommodation, the fuel cost will be divided equally among the adults living in the accommodation.

All other recipients of the TEA program (the vast majority) receive flat rated utility payments, not actual utility costs. Stating that Saskatchewan pays actual utility costs is misleading and results in inflated welfare payment schedules. The National Council of Welfare has been contacted about this matter and it is hoped it will be corrected in future estimates and publications.