

CANADA

Insecurity amid wealth



The Canadian economy continues to lead the OECD in many respects. The federal government, after a near-decade of surpluses, expects another surplus even larger than its own predictions. Employment is relatively high in spite of a crisis in manufacturing. Yet ordinary Canadians are worried, and with good reason. Their society is becoming more unequal by the day, and the public policies which combat inequality and sustain social security continue to be eroded.

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Canada's 'system' of social supports is a complex patchwork. Its origins extend to the 1920s (old age pensions for long-term residents 70 years and older). In 1965 Canada established a national pension scheme, the Canada Pension Plan, which built on a model established in the Quebec Pension Plan: universal, contributory, portable pensions with funds invested by the government. In 1966 the federal government picked up 50% of social assistance costs with the Canada Assistance Plan, which established national guarantees and the principle of a right to welfare assistance, and provided the poor with the legal right to challenge denial or reduction of benefits. This key element of rights recognition was abolished in 1996 and national standards and the concept of the right to welfare disappeared with it.

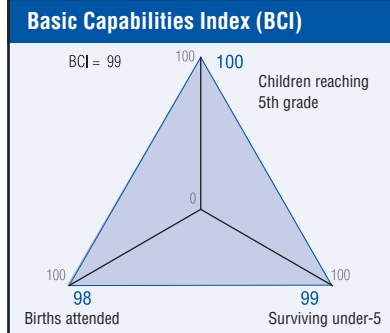
Canada has ratified the International Covenant on Economic, Social and Cultural Rights and was most recently reviewed by the ICESCR Committee in 2006. Canadian rights organizations and NGOs submitted detailed testimony on Canada's failure to fully implement the Covenant.

It is important to keep in mind that Canada is a federal state, in which jurisdiction in a number of areas essential to social policy is either almost exclusively provincial or shared between provincial and federal governments, while overall economic policy is orchestrated by the federal authorities. This division of jurisdiction, while it can lead to positive creativity at the provincial level, also often results in a confusion of regulations, frequently negative in its impact on basic security.

Working more, earning less

Inequality in Canada is on the rise. As documented in a study of Canadian families earlier this year, Social Watch's Armine Yalnizyan (2007) noted that "In 2004, the richest 10% of families earned 82 times more than the poorest 10% – almost triple the ratio of 1976, when they earned 31 times more. In after-tax terms the gap is at a 30-year high."

The issue touches many more than the defined 'poor'. Between 1976 and 1979, the bottom half of Canadians earned 27% of total earnings. Between 2001 and 2004, their share dropped to 20.5%, though they worked more. Up to 80% of families lost ground or stayed put compared to the previous generation, in



both earnings and after-tax terms. This is occurring despite the fact that 90% of Canadian families are working more – 200 hours a year more – than in 1996.

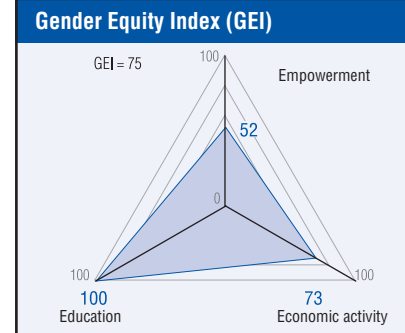
For the employed the reality is that average real wages (wages adjusted for inflation) *have not increased in more than 30 years*. The economy has grown 72% between 1975 and 2005 in real per capita terms. Labour productivity (in GDP per hour) grew 51%. Prior to 1975, real hourly wages grew steadily. Since 1975 they have stagnated. Thus the oft-repeated promise that "a rising sea/growing economy raises all boats" proves hollow.

There are some winners. For example, in the insurance, finance and real estate sectors, wages are up. There are also losers, such as transport sector workers who are losing ground.

This wage stagnation is a significant factor in explaining the growth in income disparity and insecurity in Canada. In terms of the overall economy, it is clear that some benefit, and benefit immensely. The share of corporate profits in the economy has been rising steadily, and is now at its highest point since 1961 – 33.68% of the economic pie, after taxes and some other factors are allowed for.

The federal government could innovate and lead in guaranteeing security for all. It had enjoyed *nine* successive budget surpluses as of 2006. Recently announced projections for 2007-2008 indicate a higher expected surplus than the government's initial projection of around CAD 3 billion.

Among Canadians there is a demonstrable majority (80%-plus in most cases) that favours government intervention to address the growing gap and eradicate poverty. What steps do people favour? Among the most popular are increasing the minimum wage, improving the tax system by clos-



ing tax loopholes on the wealthy and corporations, providing low tuition to increase access to higher education, subsidizing housing for those on lower incomes, and assuring accessible child care.

A sense of insecurity

In polling undertaken by the Canadian Centre for Policy Alternatives (part of Social Watch Canada) the majority of Canadians (65%) indicate that they are not benefiting from economic growth. Many state they are only "a pay cheque away from poverty" (CCPA, 2006).

Canadians believe that there is a widening gap, with no significant variation in the strength of that belief across income sectors. Some 65% believe that the richest Canadians are those benefiting from economic growth and prosperity. The continuation of these impressions erodes belief in the possibility of economic mobility.

Inequality yields many related expectations. Canadians believe the growing gap will feed an increase in crime, although crime rates have been largely in decline in recent years. They believe it erodes community solidarity which has been an important part of 'being Canadian', that society is becoming increasingly characterized by greed. They worry about their children living less well than they have done. Canadians see a more unequal society as a society more like that of the United States.

Clouds on the horizon

Perhaps the most serious threats to Canada's ability to assure greater social or human security to its people come from the commitment of some of its governments to increasing the privileges of those powers, particularly in the corporate sector, while

reducing the ability – some would call it democratic sovereignty – of governments themselves.

The North American Free Trade Agreement (NAFTA) has acted as a 'chill' on further government intervention, while reinforcing unequal income distribution. Chief among current processes is the 'Security and Prosperity Partnership' between Canada, the United States and Mexico. This executive-led process includes a myriad of trinational administrative committees working on deregulation and 'harmonization' of practices, as well as a large agenda of security and surveillance measures affecting the movement of people, border supervision and prioritizing the movement of goods and international trade. Canadian federal officials asked by a parliamentary committee if they could cite any specific example of where a higher Canadian standard had been accepted by the other two countries were unable to do so. This 'NAFTA-plus' approach institutionalizes processes which have encouraged the growing gap in the last decades, rather than addressing them.

A provincial level initiative, the so-called Trade, Investment and Labour Mobility (TILMA) accord between British Columbia and Alberta, extends corporate privilege by allowing private interests to sue for up to CAD 5 million for any alleged violation by provincial governments, publicly owned corporations, school boards or municipal governments. The sort of policy which could be questioned would be, for example, the 'buy local' policy of a provincial crown (government-owned) corporation, related to its own development strategy. Adjudication would be by commercial tribunals, rather than Canadian courts. As a key academic expert noted, "unrestricted private access to the dispute mechanisms... would make almost any provincial and municipal programme subject to attack" (Helliwell, 2007). This move is an intrusive extension of corporate privileges created by NAFTA (Chapter 11). It has been rejected by the government of the province of Saskatchewan, but is under consideration by others.

Who benefits?

The government has guaranteed that the middle class in Canada, unlike that in the United Kingdom and the Netherlands, has not declined. Canada, like Norway, has seen a growth in the middle class segment of the population, from 33% to 37% over the two decades prior to 2000. The essential component, rather than levels of employment, age, working women, etc., is government policy: tax breaks for retirement savings, public medical care insurance, tax breaks for first home purchase and much more.

Are these carefully orchestrated 'tax and spend' policies, focused on the middle class, also helping the poor? According to the OECD, Canada dedicates 64% of spending to the middle-class four tenths of the population and a paltry 22% to the poorest three tenths.¹

The ideological affection for continuing tax cuts, voiced by leading members of the current federal government, conflicts with the evidence that it is a more activist tax and spend approach which has

kept Canada a competitive and agile economy and kept a significant sector of the population relatively comfortable. Tax cuts will not assist extension of the helpful elements of income policy to help lift the poorest out of poverty.

Continuing elements of social security

Decent work at a decent wage: Employment is relatively high currently, with a declining domestic labour pool and the likelihood of increased dependence on immigration and an expanding interest in guest workers, whose temporary status lacks the guarantees which union protection could provide. The quality of work has shown no improvement, and the proportion of people in precarious employment has not been reduced.

One of the key guarantees is that of minimum wage levels in both federal and provincial sectors of the labour market. There are currently positive signs that several provinces are increasing minimum wages (although not necessarily to poverty line incomes), in part due to active public campaigning by the labour movement and allied organizations.

Unemployment insurance: Canada's unemployment insurance programme was conceived in the lee of the Great Depression as a contributory plan in which the government backed working people in providing guarantees against sudden or catastrophic loss of wage income. In 1996, Unemployment Insurance was changed to Employment Insurance, and the resulting changes in eligibility rules have led to dramatic reductions in coverage, from 82.9% of unemployed Canadians in 1989 to 43.5% in 2004. The most seriously affected include new immigrants, recent entrants to the labour market, youth and non-standard workers. Women have fallen further behind men as the gender gap trebled between 1996 and 2004.

Child care: The Liberal federal government in power prior to 2006 introduced Early Learning and Child Care Agreements with the provinces, subsidizing an expansion of high-quality child care provision. The Conservative government which took its place ended those agreements and introduced the so-called Universal Child Care Benefit, which offers much reduced funds (a flat payment of CAD 100 for every child under the age of six provided to all families, including those that do not need it) and no guarantees that the funds will be used for public child care. Thus the promise of a nationally available, quality public child care system has been deferred once more.

Health care: Canada's universal, portable, public health insurance system is the envy of many neighbours, and a number of social movements seek its expansion into dental, optical and pharmaceutical insurance. It is under constant attack by advocates of private insurance, renewed since a Supreme Court decision struck down the prohibition of private insurance alternatives in Quebec. While the federal government has responsibility for enforcing guarantees in the Canada Health Act, it has proven very timid about doing so.

Pensions: An aging population together with more precarious work lives with less secure benefits make the public system more important than ever, but there are strong pressures to convert what is essentially a pool for public investment into a high exposure to risk in the stock market.

Housing: A national housing policy and national initiatives to assure affordable housing have virtually disappeared from the federal government agenda.

Access for the poor and First Nations: Recent government actions have shut down assistance for recourse to the courts in defence of rights, essential for the poor, women and marginalized groups. The current federal government struck down a broad accord with First Nations without yet replacing it with anything as comprehensive. A decade without Canada Assistance Plan guarantees has left many segments of the poor and marginalized with eroded security.

Moving forward?

Twelve years after the Copenhagen Summit on Social Development, Canada lacks a national strategy for eradicating poverty. Even Parliament, which more than a decade ago pledged to end child poverty, has failed miserably to implement its 'commitment'. Early in 2007 the National Council of Welfare, a quasi-official advisory body, called for a joint federal/provincial strategy for Canada.

The most recent federal budget (March 2007) initiates a Working Income Tax Benefit (WITB) designed to encourage those venturing from welfare support to working income. The working poor may be minimum wage earners, and those earning more than the minimum but still below official poverty lines.

If the objective of the new tax benefit was to get working families out of poverty, it stumbles partway there. It phases out below the poverty line, and the need to coordinate the federal initiative with existing provincial programmes will take lengthy negotiation and a good deal of confusion meantime.

Nevertheless, as one key policy group commented, "WITB has economic as well as social justice purposes that must be taken into account in any evaluation or cost-benefit analysis. It should help reduce welfare caseloads – to some extent – and resulting costs. More Canadians working will translate into increased consumer spending and tax revenues. At a time of growing labour shortages, it is all the more important to help make work pay better for low-earning workers and keep them from falling into the welfare net where they might no longer participate in the labour force at all." (Battle *et al.*, 2007)

Quebec has implemented a 'comprehensive' strategy to combat poverty and social exclusion, including increases in the minimum wage, housing with attention to people with disabilities, work premiums and additions to social assistance. The latter have been indexed to inflation.

Newfoundland, after extensive community consultation, has recently announced perhaps the most comprehensive package of policies designed to explicitly reduce poverty, including specific attention to the needs of First Nations. Included in its objectives are increased disability support, increased availability of affordable housing, increased income support levels, support for skills development, income support for youth and strengthened public early learning and child care systems.

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¹ These findings are based on OECD figures and on the study "The Decline of the Middle Class: An International Perspective" by Monmouth University professor Steven Pressman, as outlined by Saunders (2007).

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The Ontario provincial government recently introduced an Ontario Child Benefit.

It is not yet possible to tell whether the Newfoundland and Quebec initiatives will lead either to a cross-country provincial competition at raising the bar of social support and/or to a national anti-poverty strategy.

When Canada appeared before the ICESCR Committee in 2006, the Committee expressed particular concern that amid such a prosperous country, 11.2% of Canadians remained in poverty, including many First Nations, immigrants, women, single mothers and disabled Canadians. Clearly Canada had continued to fail to fulfil its obligations to adequacy of social supports.

Most worrying was the Committee's assessment that Canadian governments treated rights such as the right to adequate social assistance and the right to adequate health care as "principles and programmatic objectives rather than legal obligations." It noted that enforcement mechanisms for these rights were lacking and that governments argue before courts against Covenant rights among those protected by the Constitution's Charter of Rights and Freedoms.

The Committee underlined many of the reforms which Canadian groups have long sought including: social assistance at levels adequate for a decent standard of living, increases in minimum wages, assured access to employment insurance benefits and measures addressing food insecurity, hunger, homelessness and inadequate housing (NAPO, 2006).

A national anti-poverty strategy might embody these steps. Twelve years after Copenhagen, Canadians still await it. ■

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FRANCE

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In March 2007, the Conference on Social Security in Health in Developing Countries took place in Paris. This event, which was organized as a French initiative, developed on the reflections of the eight wealthiest countries in the world (G8) from St. Petersburg in 2006 which called for "an acceleration in international discussions on the practical approaches that permit public, private and community based health insurance coverage in developing countries." We hope that this French initiative is a first step towards rebalancing multilateral and bilateral aid in the health sector, and the benefit of the reinforcement of French actions in the improvement of health systems. ■

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The National Food Policy of 1980 built on the need for prudent and focused land reform policy as a requisite for achieving a food-secure nation. Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, the Household Food Security and Nutrition Policy of 1988, as well as the National Development Plan 1984-1988, all recognized the need to limit the misuse of land. Through Sessional Paper No. 1 of 1986, the government expressed its intention to establish a National Land Commission to review land tenure, land-use practices and legislation. This came to naught.

The government came to recognize that although food may be available nationally, it may not be accessible at the household level (GoK, 1988).² Many factors were acknowledged to be responsible for this situation, not least among them the fact that a significant proportion of the Kenyan population is malnourished as a consequence of inequalities in the distribution of land resources, income inequalities, seasonal food shortages and lack of education and awareness.

² See also Sessional Paper No. 1 of 1986.