

Number one?

ARMINE YALNIZYAN



Since the United Nations started producing the Human Development Index (HDI) in 1990, Canada has held the number one spot of 175 countries almost continuously. But averages do not tell the whole story. Devolution of services to subsidiary levels of government, downloading social responsibilities to those least able to pay, and rising income inequality mean that basic social needs – shelter, food and safe water – are in jeopardy for a growing number of people.

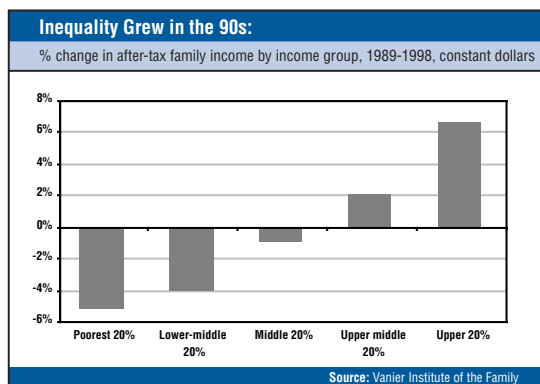
Over the course of the 1990s the economy grew by more than 25%. After seven years of “recovery”, economic growth surged forward to rates last seen in the early 1970s. Unemployment rates are the lowest they have been since the mid 1970s, and interest rates remain low despite falling unemployment. The economic pie is 2.5 times bigger than it was in the mid 1970s, in inflation-adjusted terms.

Under these conditions, life should be better for everyone in the country. Indeed, this is the central message of structural adjustment, delivered to nations around the world: if the appropriate measures to strengthen the private sector are taken, the economy will flourish and prosperity will accrue to all.

Thriving economy and more poverty

Yet in Canada, even as the economy flourishes, there are more poor people and they are worse off than a decade ago.¹ Though average family earnings have finally nudged past the benchmark set in 1989, two facts remain troublesome. The meager 1.7% increase was accomplished by more family members working or family members working longer hours, but at the same pay. Real hourly earnings have not increased since 1994.²

Secondly the majority of families saw a decline in after-tax incomes over the decade. Almost five million families, comprising the bottom 60% of Canadian families, saw their incomes shrink. The poorest families saw their after-tax incomes shrink the most (by over 5%), so that by 1998 the poorest 20% of families had average incomes of CAD 17,662 (USD 11,447). Meanwhile, the richest families saw a 7% increase over the decade, with the average income of the richest 20% of families rising to CAD 96,175 (USD 62,451) in 1998.³



Changes in the labour market and the public services

The over-arching trend of the decade was “downsizing” in public and private enterprises. The task involved three processes: identifying core functions, outsourcing production and hiring temporary staff for peak-demand. In the case of the public sector, significant “core” functions have been privatized or simply left undone.

As a result, two new trends appeared in labour markets in the 1990s: self-employment (the source of over 58% of the “new” jobs created between 1990 and 1998),⁴ and the proliferation of temporary employment. Seasonal, contractual, term and casual jobs grew by 25% between 1997 and 2000 and now account for over 14% of all jobs in the labour market.⁵

Aggressive federal and provincial initiatives to reduce costs have reduced the scope and depth of public supports and services. This has affected people at the bottom of the income spectrum more dramatically than the top, but over time more and more citizens are feeling the impacts of these changes. In 1990, 74% of unemployed persons received unemployment insurance benefits. In 1997, the figure was only 36%.⁶ Virtually every province also cut some category of social assistance between 1989 and 1999.⁷ Women have been hardest hit by the changed rules.

Downloading the debt-burden

The war on the deficit permitted senior levels of government to balance their books, achieve surpluses and reduce their debt to GDP ratios. In his last budget speech, the Minister of Finance proudly announced that the size of the federal government is now smaller than it has been in the past 50 years (relative to the GDP). At the provincial level, virtually all the provinces have balanced their books and are on their way to eliminating their debts. Provincial governments have also expressed continued commitment to reducing the size of government.

1 See especially: Garnet Picot, Rene Morissette and John Myles, “Low-Income Intensity During the 1990s: the role of economic growth, employment earnings and social transfers”, p. 16. Presented at: *Linkages Between Economic Growth and Inequality* in Ottawa, Canada on January 26-27, 2001, organized by the Institute for Research on Public Policy and the Centre for the Study of Living Standards.

2 Vanier Institute of the Family, *The Current State of Canadian Family Finances*, Ottawa, February 2001.

3 *Ibid.*

4 Statistics Canada, *The Daily*, January 20, 2000.

5 Statistics Canada, cited in Heather Royce-Roll, “Temporary workers swelling employment ranks”, *The Toronto Star*, February 25, 2001, page B1.

6 Canadian Labour Congress, *Left Out In the Cold: the end of UI for Canadian Workers*. Ottawa, 1997, p. 14.

7 National Council of Welfare, *Welfare Incomes, 1999*. Ottawa, 2000, Table 5, pp. 33-36.

Municipal governments and major institutions such as hospitals, to the contrary, have seen their deficits and debts accumulate. For example, the country's biggest city, Toronto, had an outstanding net debt level of CAD 1.0 billion (USD 649 million) at the end of 1999. This is projected to rise to CAD 2.1 billion (USD 1.36 billion) by 2004.⁸

Furthermore, with higher costs for basic services and stagnant wages, household debt is increasing. The Vanier Institute of the Family documented in its February 2001 report that the total amount of debt of the average household was 113% of after-tax income in 1999, up from 90% in 1989.

Beyond figures

In the midst of economic prosperity, devolution of services to subsidiary levels of government, downloading social responsibilities to those least able to pay, and rising income inequality mean that basic social needs – shelter, food and safe water – are in jeopardy for a growing number of people.

In November 1998, the mayors of Canada's largest cities passed a resolution declaring that *homelessness has become a national disaster*. Not since the Great Depression of the 1930s have local governments been so overwhelmed by need, as more and more households in large urban centres feel the economic squeeze.

The Canadian Mortgage and Housing Corporation indicated that in 1996, 1.7 million renter households in Canada had serious housing problems. These households had average incomes of CAD 14,600 (USD 9,480) with many paying 40 - 55% of their income on housing. One-fifth to one-third of renter households were in this position depending on the province. The number of such vulnerable households rose by more than one-third between 1991 and 1996.⁹

The estimated price tag for affordable housing proposals could run as high as CAD 2 billion (USD 1.3 billion) annually for the next 10 years.¹⁰ Given the growth in the economy and surplus budgets for the foreseeable future, the lack of a federal housing policy in a winter country like Canada is unfathomable.

About 727,000 people in Canada received emergency groceries from a food bank during the month of March 2000, almost double the 1989 figure. Almost half of all food bank users are children.¹¹ There are at least 615 food banks with an additional 2,213 agencies helping the hungry across the country. Seventy-seven new food banks opened in Canada within the past five years. In March 2000, for the first time, some banks turned people away empty-handed.¹² Food bank workers indicate there are a growing number of people who have no income and more working poor are using the food banks. With higher food, fuel and housing costs, the choice is starkly between paying the rent and eating.

Prior to 2000, Canada appeared to have virtually no problems regarding water safety and sanitation, but this is no longer the case. Water safety became a national concern following the Walkerton, Ontario tragedy, where seven people died and 2,300 were seriously ill after contamination of the community's drinking water in May 2000.¹³ The circumstances involved are alarmingly similar in many communities across the country: higher intensity farming; more industrial pollution; fewer inspections; aging and under-maintained water and sewage system; and reductions in infrastructure investment. Tentative steps are being taken in the direction of a new National Municipal Wastewater Effluents Strategy, but no funding has been announced for such an initiative.

Tax cuts, the first option

For the years 2000-2001, the federal surplus will be between CAD 12 billion and CAD 16 billion (USD 7.8 billion and USD 10.4 billion). Estimates over the five-year horizon place the accumulated surplus at CAD 193 billion (USD 125.3 billion),¹⁴ more than enough to re-invest in the basic human development of Canadian citizens. Instead, the largest and firmest commitment in the last budget was CAD 100 billion (USD 64.9 billion) in income tax cuts over the next five years. Several provincial governments are also in a surplus position and also responding with tax cuts.

Tax cuts are the number one public policy option proposed by the political and business elites alike. This position flies directly in the face of what Canadians say they want in poll after poll - better health care, cleaner environment, safer water, and something done about child poverty. Lower taxes hardly registers on lists of citizen demands.

Rising prosperity has not reduced inequality in Canada or increased economic security, nor delivered an improved quality of life for its citizens. On the contrary, even the most basic elements of human development – access to shelter, food and safe water – are tenuous for an increasing number of Canadians.

In 1998, the UN Committee on Economic, Social and Cultural Rights roundly criticized Canada for abandoning national welfare standards. The world's nations are increasingly looking to one another to see what is working and what is not. Of those nations who have more, more is expected. Canada is wealthy beyond most peoples' imaginations and a supposed beacon for human development. International observers and concerned Canadians would do well to ask, and ask forcefully, why Canada is not doing more. ■

Canadian Consortium for International Social Development (CCISD)
ccisd@ccs.carleton.ca>

8 City of Toronto Fiscal Outlook 2000.

9 Federation of Canadian Municipalities, *A Call for Action*. Ottawa, June 1999.

10 Tim Loughheed, "Homing In – Housing campaign heats up as Parliament returns to work", *CHRA Newsletter* (Canadian Housing and Renewal Association). Ottawa, Fall 2000.

11 Beth Wilson and Carly Steinman, *HungerCount 2000*, The Canadian Association of Food Banks Annual Survey of Emergency Food Programs. Toronto, October 2000.

12 *Ibid.*

13 Robert Benzie, "Walkerton tragedy won't prevent cuts to civil service, Harris says", *National Post*, February 23, 2001, p. A8.

14 Armine Yalnizyan, *What Would They Do With the Surplus? A Dollars and Sense Analysis of the Parties' Election Promises*, Canadian Centre for Policy Alternatives. Ottawa, November 2000. Apart from the tax cuts, there is a CAD 21 billion (USD 13.6 billion) agreement to restoring health care funding to 1994 levels, before the current government gutted financing for these programs. In terms of net new spending, the big government initiative is a series of pledges to invest in innovations (research and development, information technologies, high tech learning) for a cumulative total of about CAD 5 billion (USD 3.2 billion) over five years.