Brief Presented To the United Nations Special Rapporteur on the Right to Food

By Bruce Campbell, Executive Director, Canadian Centre for Policy Alternatives, May 7, 2012

Introduction:

This brief analyzes the impact of key measures in the 2012 federal budget on poverty and inequality, and by extension, on food insecurity in Canada.

The Canadian government has long been aware of the connection between poverty and food insecurity. Canada's *Fifth Progress Report on Food Security: In Response to the World Food Summit Plan of Action (2008)* said "Poverty is one of the leading factors that can impede access to sufficient safe and nutritious foods, and Canadians most vulnerable to food insecurity are those living in low income households, including a disproportionate number of single-parent mothers, people with chronic illness or disabilities, and Aboriginal persons. Government programming has direct implications for poverty reduction and, by extension, food security" [Canada, Agriculture and Agri-Food Canada: 2008].

The Canadian Community Health Survey (CCHS), Cycle 2.2, Nutrition (2004), published in May 2007, reported on progress in implementing the *Action Plan.* It noted overall 2.7 million Canadians or 8.8% of the population, lived in food insecure households in 2004. Rates of household food insecurity ranged from 8.1% in Saskatchewan to 14.6% in Nova Scotia.

A 2007 Health Canada report suggests that because food is often the most flexible budget item, those who do not have enough income to meet their basic needs are often forced to sacrifice their food to pay other bills. [Health Canada 2007].

The Context

This section a presents number of illustrative facts about Canada to provide context for the budget analysis to follow.

- Canada official unemployment rate is currently 7.2%, or 1,360,000 workers. However, Statistics Canada's broader definition of unemployment [including discouraged workers and involuntary part-time workers] bumps Canada's jobless to 11.3%, or 2.1 million (11.5%) workers. Add to this the hidden unemployed—calculated by comparing the employment/population rate at the outset of the recession to its current rate—the 500,000 plus workers who have exited Canada's work force since the recession began.

- Canada has one of the highest proportions of low-wage workers (20.5%)— that is, who earn less than two-thirds the median hourly wage — in the OECD. Only the United States has a higher proportion of low-wage workers.

- Poverty affects some 3,000,000 Canadians–more than 600,000 of whom are children–live in poverty. In First Nations families one in 4 children live in poverty.

- Historically low levels of income support and the growth of insecure low-paying jobs led an estimated 851,014 individuals to food banks across Canada in March 2011, an increase of 26% over the same month in 2008 before the recession hit.

- Canada is a very wealthy country—the 9th richest in the OECD—with a per capita GDP of $US 46,000.

- Inequality in Canada has been growing more rapidly than most industrialized countries since the mid-1990s.

- Over the last three decades only the richest 20% of households have experienced a significant increase in real income.

- The poorest 20% of Canadian families saw their share of the earnings pie drop from 4.5% from the late 1970s, to 2.6% in the early 2000s.

- The richest 10% of families saw their earnings share grow from 23% to 29.5% of the earnings pie.

- Growing inequality is being driven by extraordinary income gains of the richest 1%. The top 1% took almost one-third of the gains in national income from 1997-2007.

- Since the late 1970s, the richest 1% has almost doubled its share of total income; the richest 0.1% has almost tripled its share of total income; and the richest 0.01% has more than quintupled its share of income.

- Since 2000, taxes of the richest 1% have fallen in relation to the rest of the population to the point where the their overall tax rate is less as a proportion of income is lower than the tax rate of the poorest 10% of Canadians

- Since 2000, cuts to personal, sales and corporate taxes were such that tax revenues in 2011-12 would have been $48 billion higher than their actual level if the tax regime of a decade ago was still in place. Canada's tax/GDP ratio has fallen to 31% of GDP, and its now amongst the lowest third of OECD countries.

- Like other countries Canada's deficit increased significantly during the Great Recession, but even so, Canada has one of lowest deficit to GDP and debt to GDP ratios amongst industrialized countries. Moreover, the deficit has been shrinking steadily over the last three years, and would likely be balanced in the next 2-3 years.

- Thus, Canada has had more fiscal room than most countries to address the needs of its most vulnerable citizens.

Key Budgetary Measures

<u>Changes to unemployment insurance and the Temporary Foreign Workers Program (TWFP):</u>

Changes to the latter will now for the first time allow employers to pay skilled temporary foreign workers 15% less than the prevailing wage in a given sector. This will likely be applied to all categories of temporary foreign workers, depressing average wages across the board.

The number of temporary foreign workers in Canada has increased 50% since 2007–from 200,000 to over 300,000 workers in 2011, the highest number on record.

The purpose of the TFWP is allegedly to compensate for skills shortages. But the fastest growing category of temporary foreign workers is low skilled workers, whose numbers have grown ten-fold in just five years. These are not the seasonal fruit-and-vegetable pickers on which our nation also relies. These folks toil year-round at Tim Horton's, Canadian Tire, in our abattoirs, nursing homes, and hotels; workplaces where employers say they can't find Canadian workers willing to work at the offered wages.

The budget announced an accelerated process for hiring temporary foreign workers, allowing employers to effectively run the program by fast tracking applications from prospective immigrants with job offers. There are no substantial monitoring, compliance and enforcement measures in place to curb employer violations or abuses of employment standards, etc.

Employers claim that they cannot find Canadian workers currently on unemployment insurance to do the work. But they are not required to provide valid evidence of labour shortages.

An obvious solution would be to pay them more. But there is little incentive to increase wages when employers can access cheap labour from often desperate foreign workers.

The government's approach is to say that to prevent these jobs going to foreigners unemployed Canadians should accept lower wages. Employment insurance claimants will receive regular job postings related to their skills but also jobs in surrounding areas and across Canada, which would presumably include temporary foreign work openings.

The budget legislation anticipates increased enforcement with more onerous requirements for job search and restrictions on what is considered a "suitable" job offer. The Cabinet will now have the power to define the meaning of "suitable employment," overturning a power that has for 50 years been defined by the courts.

The Immigration Minister has suggested that unemployed workers who refuse to take low-wage jobs are in danger of having their Employment Insurance benefits cut off.

Remember as well that our unemployment insurance system (EI) has been weakened to the point that only 39% of officially unemployed workers have access to unemployment insurance benefits. Another 860,140 unemployed people are barred from EI benefits and have to rely on provincial welfare, or on their families.

Besides exerting downward pressure on average wages, The above changes to EI will reduce the proportion of the unemployed that have access to benefits even further.

The Federal government is also pursuing an aggressive anti-union policy. It recently intervened in the collective bargaining process to impose a settlement in several high profile cases. In the case of a public corporation, Canada Post, it imposed a wage settlement that was lower than what had been offered by the corporation itself.

It has very pointedly not intervened in several high profile private sector negotiations, notably when Caterpillar corporation demanded its Canadian employees take a 50% wage and benefit cut. When the workers refused, it closed down its London Ontario plant and shifted production to Indiana, a right-to-work state, where wages are $12.50 to $14.50 an hour—less than half the $35 an hour a skilled worker in Canada earns.

In the lockout of workers in Québec by Rio Tinto, the company is seeking increase the proportion of contractors in its workforce from 10.7% to 27%. These workers are paid half the wages of unionized workers.

The international research demonstrates that strong unions are a major factor in maintaining inequality and poverty at low levels. Union density in Canada has fallen to 29% of the work force, from 38% 20 years ago.

The above measures (as well the changes to the pension system below) are evidence of a government strategy to depress wages in both the public sector and private sectors.

<u>Changes to the pension system</u>

The 2012 budget sets the mold for eroding of Old Age Security (OAS) and the Guaranteed Income Supplement (GIS) for low income seniors, one of our most successful social programs. It raised the age of eligibility from 65 to 67, phased in beginning a decade from now.

The Canadian Labour Congress calculates that OAS-GIS currently reduces the poverty rate from 30% without them, to 12% with them, for seniors aged 65 and 66.

Pension expert Michael Wolfson calculates that if this measure were brought in immediately roughly 700,000 seniors would suffer reduced incomes. The number of seniors below the poverty line would increase from 50,000 to 120,000— a more than doubling of Canada's seniors' poverty rate.

For women between the ages of 65 and 69, Old Age Security (OAS) together with the Guaranteed Income Supplement (GIS) make up about 38% of their total income. For men of the same age, it's 26%. OAS & GIS provide 70% of the income of seniors with individual incomes of less than $15,000 per year.

It should be noted that one in 4 persons aged 65 to 70 is still working; 40% of working seniors over 65 are self-employed half of whom receive less than $5000 per year. One in 3 working seniors are low-wage (defined as earning less than two thirds of the median hourly wage). It would take many hours in low-wage jobs or from self-employment to replace this benefit.

Many seniors are not able to keep working because of poor health. They will under the new rules, have to depend on the much lower provincial welfare benefits for an extra two years.

As the president of the Canadian Medical Association, Dr. John Haggie said: "cutting old age security targets the most vulnerable citizens in our society. It means that many seniors will have to choose between healing, eating and paying for their prescriptions in that case they'll forfeit the drugs."

By contrast, the government has in place costly retirement savings plans which disproportionately benefit upper income groups. Further more, it has committed—once the budget is balanced, likely in two years—to double the allowable amount that can be put into tax-free savings accounts (TFSAs), from $5,000 to $10,000. This is a tax shelter for affluent Canadians that will reduce even further the taxes they pay.

The government will also bring in its promised family income tax splitting scheme. According to our calculations, the richest 10 per cent of Canadian families will get almost a third of the total benefit from this tax splitting deal. And Canada's wealthiest one per cent will get approximately 100 times more of the benefit than Canada's struggling families.

Housing

Among the one-third of Canadians living in private rental housing, nearly all are low and moderate-income households. Rising rents and falling vacancy rates have put increasing strains on household budgets. An estimated 1 million Canadian households live in substandard housing.

The private sector isn't doing much in the way of new rental housing and government funding of social housing is stagnating. So with this growing shortfall in supply combined with eroding affordability and substandard housing conditions, this adds up to a perfect storm in Canada's housing system.

The Wellesley Institute in its "Precarious housing in Canada" report has noted: "people's ability to find and afford good quality housing is crucial to their overall health and well-being, and is a telling index of the state of the country's social infrastructure. Lack of access to affordable and adequate housing is a pressing problem, and precarious housing contributes to poorer health from many which leads to a pervasive but avoidable health inequalities."

Unlike virtually all other developed countries, Canada has no national housing strategy. In the 2011-12 fiscal year, spending estimates record a $1.2 billion cut to national housing funding including a cut of more than 90% in federal low-income housing repair program and the federal affordable housing initiative for new homes.

The government agency, Canada Mortgage and Housing Corporation (CMHC) estimates that its main housing funding budget will be cut from a high of $3 billion in 2010 to $1.7 billion in 2015 a drop of 43%. The number of low and moderate income households assisted under federal housing programs will be cut by 85,500, from 626,300 in 2007 to 540,800 by 2015.

The federal government has frozen funding for its national homelessness initiative at 1999 levels.

Eliminating Policy Capacity

The federal government has taken steps to greatly reduce the policy capacity, both within and arms-length from, government.

The 2012 budget cut the Statistics Canada budget by $34 million, resulting in layoff notices for almost half the staff in addition to the elimination of the Aboriginal Statistical Agency. Previously the government eliminated the compulsory long-form census, which is the central policy tool for analyzing the nature of poverty and inequality in Canada.

The Canada Food Inspection Agency has also seen disproportionate cuts, approximately 7% of its staff was to be eliminated due to pre-2012 cuts. In the 2012 Federal Budget, it was asked to take another 8% cut in its spending over and above previous cuts.

Cuts the policy capacity of the various government departments from Human Resources and Skills Development (HRSDC), to Health, Agriculture, and Environment, etc. (their full extent is just becoming known) are severe.

The 2012 budget abolished the National Council of Welfare. Established in 1969 by an act of parliament, the Council is the only federal agency with a mandate devoted exclusively to improving the lives of low income Canadians. Among its publications is *Welfare Income*s, which is the single most of authoritative of source on the subject in Canada; it is used extensively both inside and outside government. Over the years, its reports covered issues from child poverty to pensions to the justice system to childcare.

Previous budgets eliminated several arms-length social and labour market policy research institutes. Two of the most respected institutes—the *Canadian Policy Research Networks* (CPRN) and the *Canadian Council on Social Development* (CCSD— which did important research on poverty, have been forced to close.

The government has signaled, with these cuts that it does not value independent evidence-based policy research and advice. It prefers to make policy based on ideological priorities.

Women's equality

Public sector cuts will likely disproportionally affect women, both as employees and as users of public services. Women will be disproportionately affected by the changes to the retirement system and the unemployment insurance system.

Women are far more likely to work part-time, and still have a wage ratio of about 71-74% when compared to men with the same level of education. While half of men still work a standard 40-hour week, women are more likely to work 30-39 hours, even if they are employed full-time. This means it takes longer for most women to qualify for unemployment insurance (EI); and when they do qualify, their benefits are lower.

In almost all the reports on household food security, lone parent mothers seem to be the most disadvantaged. CCHS 2.2, for example, noted the prevalence of food insecurity at 24.9% among households headed by a female lone parent in 2004 [Health Canada 2007].

The government's fall 2008 economic statement withdrew the statutory right of women employed in the federal public service to take a pay equity claim to the Federal Human Rights Commission. This measure was also included in the 2009 federal budget, which provided for the enactment of the *Public Sector Equitable Compensation Act.* This Act provides that any union encouraging or assisting workers to file a pay equity complaint against an employer will be subject to a fine of $50,000.

The government's 2006 budget cut funding to Status of Women Canada (SWC) by 37%, causing the closure of 12 of its 16 regional offices; and redrafted SWC funding criteria so that advocacy groups and women's service providers such as rape crisis centres have become ineligible for funding. The spillover effects of these changes have led to funding cuts and/or closures to many organizations including: Canadian Research Institute for the Advancement of Women, Womenspace, the Centre for Equality Rights in Accommodation, Child Care Advocacy Association of Canada, the New Brunswick Coalition for Pay Equity, le Conseil d'intervention pour l'accès des femmes au travail, the Ontario Association of Interval and Transition Houses, Réseau des tables régionales de groupes de femmes du Québec, and Action travail des femmes. National Association of Women, the Native Women's Association of Canada's Sisters in Spirit database project.

Internal government departmental capacity to evaluate programs and policies through a gendered lens has been eviscerated.

The combined effects of the Conservative government's funding cuts have been reflected in international gender equality rankings. In 2004, the World Economic Forum gender gap index had ranked Canada in seventh place, but in 2009, Canada had dropped to 25th on the list of countries in terms of their gender equality records.

<u>Conclusion:</u>

Canada is one of the wealthiest countries on earth. It has high and growing levels of inequality, poverty and food insecurity; a high proportion of low wage workers and a high level of precarious employment. Canada has serious unemployment problem, far more so than the official figures suggest; and the social safety net has been shredded.

Massive tax cuts have disproportionally benefited the wealthiest. Canada has become a low tax jurisdiction.

Since the crisis hit in 2008, the Conservative government, far from taking measures to reduce poverty and food insecurity, has brought in policies that are making the situation worse.

This brief focuses on several key policy changes in the 2012 budget, notably to unemployment insurance; to the Temporary Foreign Workers Program; to the pension system. These changes will increase poverty levels for low income seniors, force unemployed workers into low wage jobs, and increase hardship and insecurity for the most vulnerable members of our society.

This government has abdicated its responsibility to reduce poverty and food insecurity, for example ensuring the implementation of Canada's obligations under the UN Charter and Covenants, as well as in areas where it has jurisdictional responsibility, notably aboriginal communities.

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