

FIRST READING

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Becoming Poor



The Growing Gap Between Rich



SOCIAL PLANNING

ESPC Social Planning is published four times a year by the Edmonton Social Planning Council. The Council is an independent, non-profit organization, whose activities include social research, policy analysis and advocacy.

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Vision

A community where all people have a commitment social justice and shared responsibility as the foundation for community well-being.

Mission

Responding to the changing political and social environment, the Edmonton Social Planning Council will:

- Identify trends and emerging social issues.
- Create opportunities to debate and address social issues.
- Initiate and support community action through research, coordination and advocacy.

In October, the Centre for Social Justice released *The Growing Gap*, a report that documents increasing disparities between rich and poor in Canada. All major media ran the story, probably because *The Growing Gap* provided evidence that has Canada has changed. We haven't been imagining this. Canadian society has seen a fundamental shift.

We are no longer a country that considers the rights of *all* citizens, rich and poor. We no longer have strong social programs that prevent the freefall into poverty. We no longer have a tax system that redistributes wealth and protects middle and low-income earners.

In 1955, corporate tax contributions accounted for 25 per cent of federal revenue. By 1996, corporate taxes accounted for just 12 per cent. "Who's picking up the slack?" asks the Centre for Social Justice. "Between 1987 and 1989, the ten brackets of personal income tax rates were collapsed into three. The tax rate at the top was dropped, the tax rate at the bottom was increased."

In April 1996, the Canadian Health and Social Transfer (CHST) replaced the Canada Assistance Plan (CAP). CHST reduced "federal contributions to post-secondary education, public health and social assistance by \$7 billion." *The Growing Gap* also documents cuts to welfare in Ontario, Alberta, British Columbia and Quebec and shows that changes to the unemployment insurance program mean fewer unemployed receive any benefits.

In this issue of *First Reading*, we provide a short summary of *The Growing Gap*. In the article "Becoming Poor," we step outside the statistics and graphs and talk to three Edmontonians who were middle class and are now poor. We also look at some initiatives to define, measure—and perhaps address—the new poverty.

**In October, the
Centre for Social
Justice in
Toronto released
The Growing Gap,
a 120-page report
on income
disparity among
Canadians. Here
the centre
summarizes the
report's findings.**

LOOK around the world, and you will see example after example of nations conducting a risky social experiment of letting the market rule. However, not all societies have succumbed to these pressures—some resist having market principles determine their quality of life. This document examines the way 'letting the market rule' is destabilizing Canadian society.

It's about value

The starkest inequalities arise between corporate executives, who are granting themselves exorbitant pay increases, and their workers, who face the threat of wage rollbacks and job insecurity.

The top 10 CEOs in Canada each brought home more than \$10 million last year. On average, the top 100 CEOs saw a 56 per cent

increase in compensation last year. Wages are not keeping up with inflation. Many people have had their pay frozen during the 1990s, even unionized workers. Federal public servants have had one pay increase in the 1990s (three per cent in 1993).

People who work in unionized environments (such as those packing meat and making socks) are being pressured to take wage roll

Welfare rates, welfare eligibility and/or shelter allowances have been reduced in almost every province since 1995. Among executives in Canada, Robert Gratton (of Power Financial Corporation) received the highest compensation (salary, bonuses, other compensation, and realized stock options), bringing home \$27.4 million in 1997. His stock options (the long-term incentive, his company provided

him so he could do the best possible job) were cashed in at \$23.5 million. His salary alone was pegged at \$1,758,000. It would take 47 years for the average person to make that much, based on the current average annual earnings of a full-time, full-year worker. We are super-valuing a few, devaluing the many.

What the markets gave us: individual outcomes

Polarization of earnings among Canadians is on the rise, especially among men. Men under the age of 35 have seen a remarkable, perhaps unprecedented, erosion in what their work is worth compared to older age groups, and compared to what under-35ers were worth in 1980. Male workers under the age of 25 have seen the greatest decline. While about two-thirds of the employed labour force worked a full-time 35-40 hour a week job a generation ago, now only half the workers have such jobs.

About one in five jobs are part time (double the number from 20 years ago). And, in any

*Sixty per cent of
families with children
earn less than in 1981.*

labour market are casualized jobs—temporary, contract, irregular—which account for about 15 per cent of the stock of jobs. Self-employment accounted for half of all the new jobs created so far this decade.

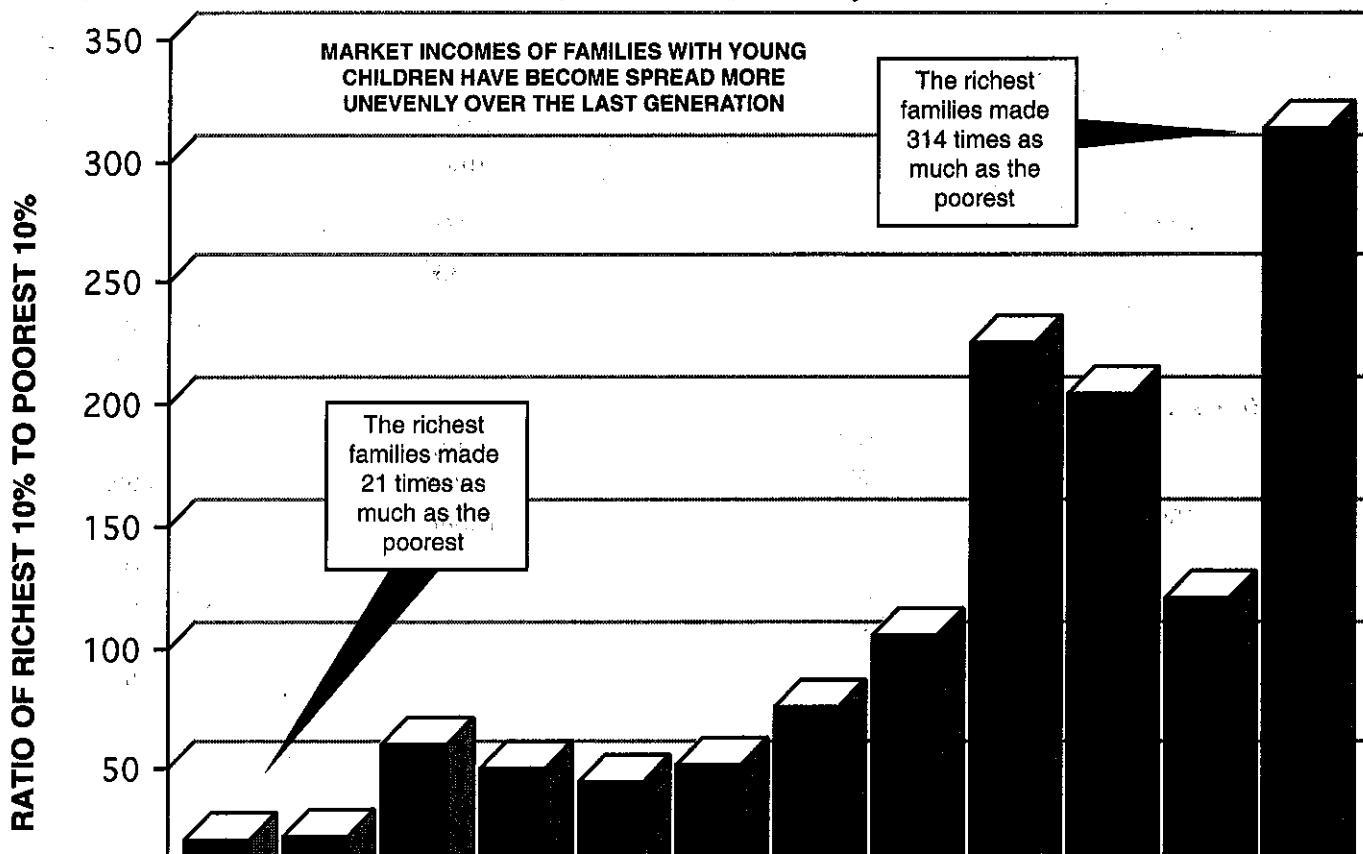
Time and money have both reinforced the trend towards a growing gap among men in what they can earn. That trend is much softer among women, because they are putting more time into the labour market than in the past, because they have increased their rate of higher learning, and because of the implementation of pay equity and em-

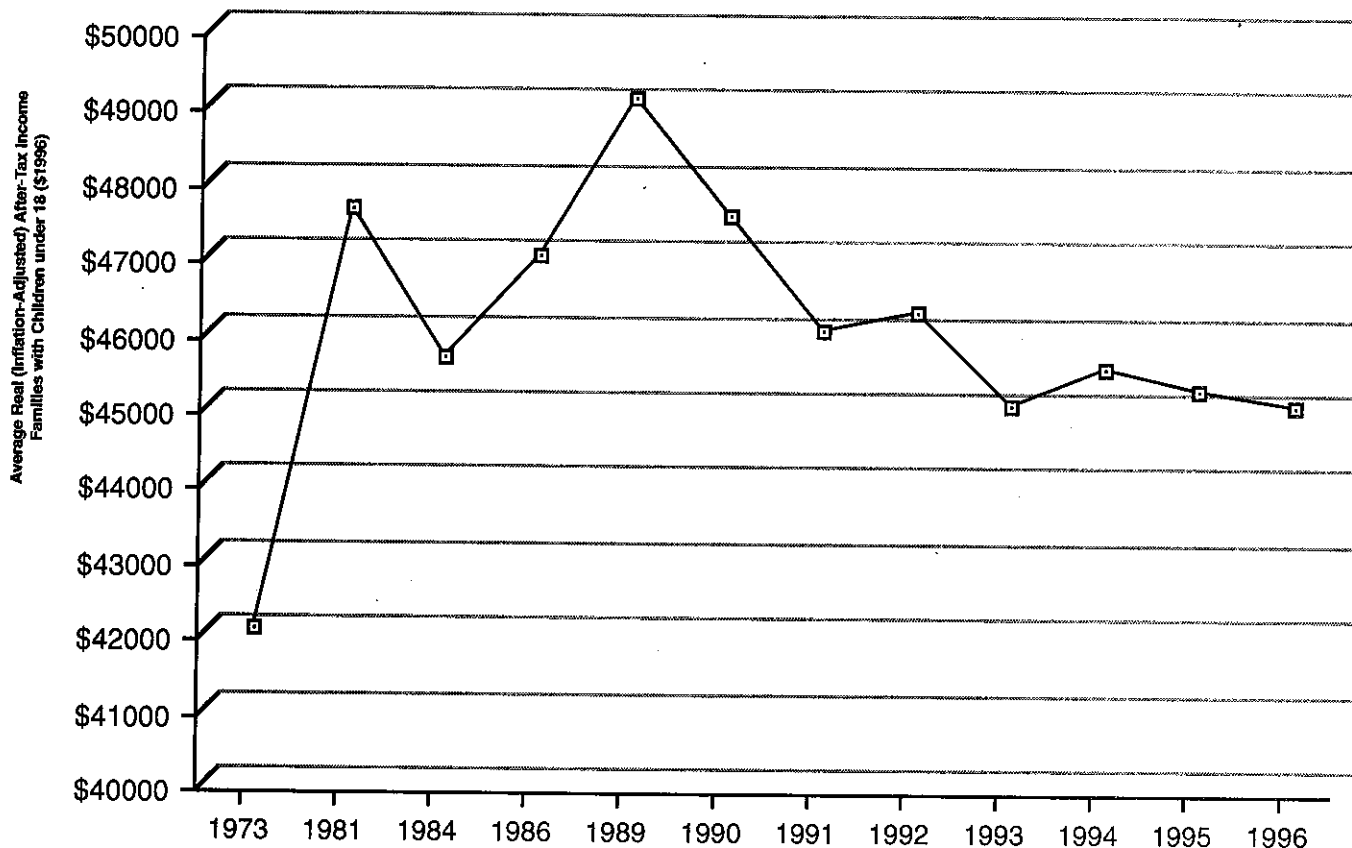
ployment equity statutes since 1980. Still the generalized phenomenon holds: prime-age, female workers doing better than their younger counterparts. There is an emerging fault line between those under and those over the age of 35.

What the markets gave us: family outcomes

Eighty-five per cent of Canadians live in some form of family, half of these are raising the next generation. This section looks at what has been happening to the basic build-

The Growing Gap,
Canada, 1973 to 1996, selected years





DISPOSABLE INCOMES OF FAMILIES RAISING YOUNG CHILDREN ARE LOWER TODAY THAN IN 1981. MOST FAMILIES WITH CHILDREN NOW HAVE TWO EARNERS.

ing blocks of society, families with children under the age of 18.

The rich are richer

In 1973, the richest 10 per cent of families with children under 18 made 21 times more than the poorest 10 per cent of Canadian families. In 1996, the richest 10 per cent of families made 314 times more than the poorest 10 per cent of Canadian families.

Shrinking middle class

In 1973, 60 per cent of families with children under 18 earned between \$24,500 and \$65,000 (in 1996 dollars). By 1996, that middle class shrunk: only 44 per cent of

earning the equivalent of between \$37,600 and \$56,000 in 1973 accounted for 40 per cent of the population. A generation later, only 27 per cent of the population found themselves in the middle.

Women and work

Families are increasingly having to rely on more than one income to get by. Two-thirds of mothers with children under three are in the labour force, compared to one third a generation ago. This reflects the overall trend among families: the dual earner family is now the norm in Canadian society. This trend is also happening in other countries too, but here most families are juggling two

Becoming poor

by Terese Brasen

“Poverty struck me quite quickly,” says Regina. It happened one winter almost four years ago. Her legs started to stiffen. She had trouble bending her knees. Then she started falling. The problem was osteoarthritis. From now on, she would be confined to a wheelchair.

The diagnosis came on May 29. By June 4, she had left her south side home and moved across the city to a wheelchair-accessible apartment in the north end. “It was the only apartment available in my price range.”

Regina sees life differently now from her wheelchair and subsidized Castledowns apartment. Her perspective is different from the one she enjoyed across town in her comfortable, middle class home. “We had a house in one of the better parts of

Millwoods,” she recalls. “I had \$1,000 a month to buy groceries.

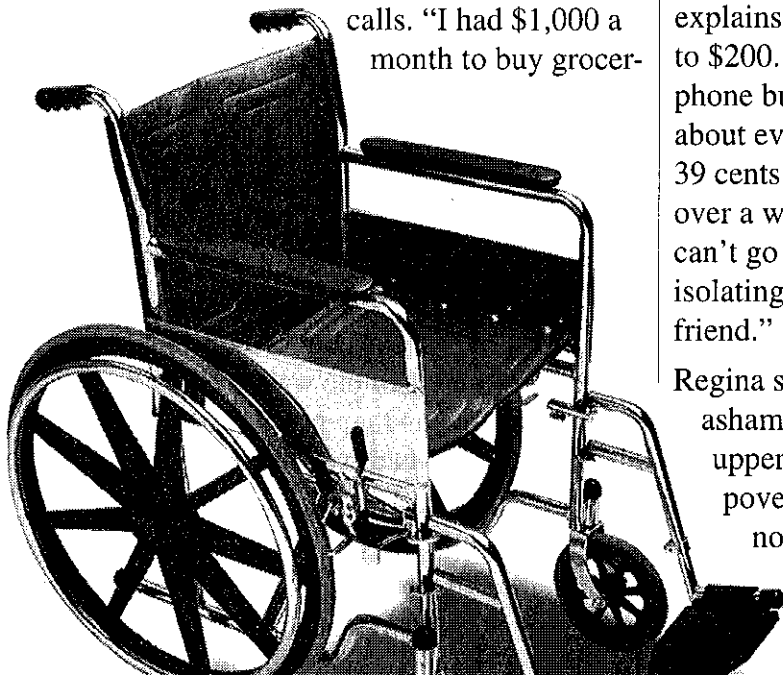
ies. We ate meat day, went out on weekends and evenings.”

Regina now lives on \$529 a month. Although Alberta Family and Social Services consid-

ers her unemployable with multiple barriers to employment, she does not qualify for Alberta Assured Income for the Severely Handicapped (AISH). She receives \$425 a month from the Canada Pension Plan (CPP)—a disability pension that will lower the amount of CPP she can receive when she turns 65. Supports for Independence (SFI) tops up CPP by \$104.

“My rent is \$120 because it’s subsidized,” explains Regina. “My utilities are from \$150 to \$200. I end up living on \$150. I have a phone but it comes out of my groceries. Just about everyday, I eat macaroni and cheese—39 cents at IGA. A pair of socks is \$4. That’s over a weeks worth of meals. In the winter, I can’t go anywhere without DATS. It’s very isolating. I can’t even go for coffee with a friend.”

Regina says her upbringing makes her ashamed of being poor. “My parents were upper middle class. I had no concept of poverty. I thought of poor children, but not poor adults. I thought all adults could work if they really wanted to. I now know there are thousands of reasons for not being



able to work. I remember fighting to keep Edmonton Housing out of our neighbourhood because it might bring property values down. Now I live in Edmonton Housing, or Capital Region Housing as it is now called."

Today, Regina insisted on meeting downtown, despite the \$3 she spent on bus fare there and back. The power company had just cut off her power, and she needed to pay the bill and get the lights back on. "Sometimes seeing people becomes more important than eating. And sometimes," she laughs, "they even feed you."

In 1973, 60 per cent of Canadian families with children under 18 earned between \$24,500 and \$65,000 (in 1996 dollars). By 1996, that middle class shrunk: only 44 per cent of families with dependent children made between \$24,500 and \$65,000. Sixteen per cent of Canadian families have moved out of the middle class. Like Regina, some are now seeing life from a different perspective—from the other side of the poverty line.

When Lorraine divorced her husband, she received a \$60,000 settlement.

"I moved back to Edmonton to be closer to my family," says Lorraine. "I was also looking for some support for my kids." But

Lorraine soon found the support wasn't there. Her parents took a tough love approach. They did not approve of her divorce and wanted no contact



Dress for less clothing exchange at We-Cope. Lorraine now works for We-Cope, the West End Community Outreach Project Edmonton, a non-profit society responsive to the needs of the poor.

payment on a condo. "I bought a home. I thought it was the kind of place my kids could come back to—bring the grandchildren." Lorraine decorated her condo with all the things she had accumulated over 16 years of marriage. "My husband was in the military, and when you're in the military you get free moving expenses. You can take everything with you, and my house had everything in it."

Lorraine had married young and, aside from part-time jobs at K-Mart, had never worked. Hoping to gain some marketable job skills, she enrolled in the social work program at Grant MacEwan. Today, she is two courses short of a diploma. She financed that education with student loans but couldn't make the money stretch all the way to end. "Now I have student loans I am paying back and I also owe Grant MacEwan money."

Lorraine had given up on Grant MacEwan and was working part time at Subway, when her daughter, then 25, agreed to move into her condo. "My daughter would help me out by moving into my condominium. I would

Lorraine received a \$60,000 settlement. She hit bottom when she ended up

by Michael Ponting and Macarie Stuhr,
Canada West Foundation

In Canada, the most hotly contested issue is how to measure poverty. Should the measure be relative or absolute? Relative poverty measures use a particular society's standard of living to set a poverty line. Those who fall below the line are in poverty, regardless of their quality of life or ability to meet their needs. Absolute poverty measures one's ability to meet certain needs. It sets a line, and people below that line are in poverty, regardless of their socioeconomic relationship to others.

Relative poverty measures look at poverty in its context or setting. A standard measure of relative poverty is half of the average annual income in a particular society. For example, if the average annual income is \$50,000, anyone who earns less than \$25,000 would be below the poverty line.

As Chris Sarlo has noted, relative poverty lines measure inequality, not poverty. Real growth in living standards does nothing, by itself, to reduce poverty. As long as everyone remains in the same relative position, there has been no reduction in the relative poverty, no matter how well off people become in absolute terms (Fraser Forum, June 1998, p. 27).

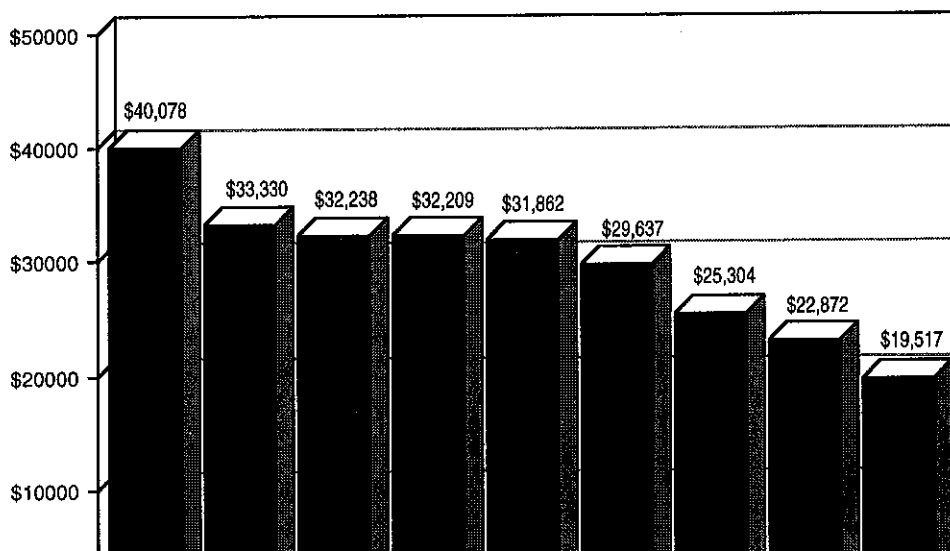
Absolute poverty measures assess whether an individual or family can meet basic

Continued page 10

The Edmonton Social Planning Council and the Canada West Foundation are starting a Cost-of-Living project which will look at the true cost of living and the social costs of poverty. This background article discusses some of the difficulties around defining and measuring poverty.

Poverty Lines for a Family of Four Living in a Large City, 1996

Source: National Council of Welfare Poverty Profile, 1996



The needs

Unless these needs are met, one's quality of life is unacceptable by Canadian standards, and one is not enjoying the benefits of Canadian society citizenship. Policy makers agree these needs are essential. However, there is a great deal of debate about the extent to which these needs should be met.

- Food and Water
- Shelter
- Health care
- Personal Care (soap, hairbrush, toothpaste, deodorant, feminine hygiene products, and regular bathing)
- Household Operations (table utensils, small kitchen appliances like can-openers, shower curtains, a clock and bed linen)
- Home furnishings (beds, a table to dine on, and major appliances like a stove and a washer)
- Basic Education
- Transportation
- Telephone
- Child care
- Work Resources (the material necessities required to find and maintain employment—appropriate clothing for interviews and work, access to job information, employment counseling, work equipment)
- Job Training
- Advanced Education
- Insurance
- Information Access
- Recreation

needs, regardless of the setting. Sometimes called the shopping basket approach, it looks at poverty across time and cultures, focusing on life's necessities with an agreed upon standard. Many argue that absolute measures are static and rigid, ignore the broader social context and could not possibly measure an ever-changing, complex social phenomenon such as poverty.

When defining poverty and setting a poverty line, another difficulty is the necessary assumptions. Decision-makers must determine precisely what each individual needs and how much each need would cost. We must also consider household size, geographic location, who leads the household, the difference between before and after tax income and shopping behaviours. Current public opinion on poverty and redistribution policies also impact public policy and the way the

The Canada West Foundation and Edmonton Social Planning Council are starting a Cost-of-Living which will look at the true cost of living and the social costs of poverty. The project will use a combination of relative and absolute techniques to define poverty. Simply put, poverty is the inability to meet one's basic needs, and this conception favours absolute measures. However, the resulting social inequality prevents the poor from participating in society to the possible detriment of society's health. This invites relative measures.

Poverty lines

The Government of Canada has stayed away from endorsing any concept of a poverty line. However, Statistics Canada does have a measurement called the Low Income Cut-Off (LICO) that many organizations and scholars use as a poverty line. The LICO lines (adjusted for family and community size) measure the percentage of income a household or individual must spend on food, shelter and clothing.

According to Statistics Canada statistician Jenny Podoluk, those who live below the line are in "straitsened circumstances." Though these lines change every year, they have recently hovered around the 55 per cent mark. Those below LICO spend more than 55 per cent of their take-home income on basic needs. Although many journalists and groups (including the National Council of Welfare) use LICO as poverty lines, Statistics Canada is adamant they should not be. LICO is a relative measure of inequality in Canada.

Unlike its Canadian counterpart, the IIS

Orshansky, the US Bureau of the Budget (now the Office of Management and the Budget) adopted an official poverty line in 1969, updated annually based on the consumer price index. Orshansky's lines are similar to LICO but stipulate that average families spend about one-third of after-tax income on food. Families that spend more are in poverty. The US poverty line has stood with minor modifications for nearly three decades, and is widely accepted in the US.

LICO and the US poverty lines do not address the need for social participation and societal health. Both focus on the micro level and do not consider the larger consequences for society. However, there have been some modest attempts to integrate social engagement needs into poverty lines.

The Metro Toronto Social Planning Council (MTSPC) asks a panel of experts what must be available to an individual or family if they are "to function socially at a minimal level, given the prevailing standards in the Community." (See the *Canadian Fact Book on Poverty* by Ross, Shillington and Lochhead, pgs. 18-19). The MTSPC has expert buyers cost the agreed upon items, then set a dollar amount poverty line for different household sizes. Those whose expendable income is lower than the line live in poverty.

The Montreal Diet Dispensary (MDD) uses a similar methodological approach to set its poverty line. The MDD is more clear in drawing a distinction between basic needs and the minimum adequate standard of living line. Basic needs are the amount of

Continued page 12—Defining



Food

Shelter

Clothing

According to the Canadian Policy Research Network's model for Canada, network building in a civil society depends on at least eight layers of social connections.

1. Personal resilience (a combination of inner strength, external help and learning from experience that allows people to handle adversity)
2. Family resilience (a family's sense of control, its shared goals and optimism)
3. Networks (neighbours, friends, people of the same ethnic origin, members of the same church group to whom individuals and families instinctively turn for advice and help)
4. The workplace (the sharing experiences that lead to friendship and solidarity)
5. Informal community activities (social and hockey clubs that serve as places to vent, get advice and look for new work)
6. Formal community organizations (charities and non-profit groups that help people build better communities and stronger personal networks)
7. The social safety net (citizens pay taxes and in turn are guaranteed education, health care and income support, if necessary)
8. Democratic institutions (allow citizens to have a role in creating public policy)



Communities often assume they have won the poverty battle when basic needs are met. They dismiss the poverty issue if individuals and families are not living on the streets or actively starving.

money required short-term for subsistence. The minimum adequate standard of living line—what a household needs in the long term—takes into account the need for social integration (Ross et al., p. 20).

These two groups make a significant gesture toward recognizing the importance of social participation. However, they do not go far enough. One of Canada's best-known poverty scholars, Sarlo, includes both basic needs and

concept of a poverty line. Sarlo calculates his poverty line by "costing the list of basic needs for families of various sizes." (See Fraser Forum. Special Issues bulletin: Poverty in Canada-1994, p. 17.) He assumes consumers can budget, spend wisely and take advantage of sale prices, particularly on clothing. As such, his poverty line, which includes basic necessities—food, shelter, clothing, household furnishings, etc.—is very low.

Sarlo recognizes that living slightly above the poverty line is not a comfortable position. He therefore establishes a social comfort line at twice his poverty line, and refers to those living between his two lines as the near poor. These people can meet their basic needs and, as such, are not in poverty. They have a few social amenities, but still

or poor?

A government working group has developed a Market Basket Measure of poverty, and the Edmonton Social Planning Council has received a copy of the group's report: *Construction of a Preliminary Market Basket Measure of Poverty*. According to the Market Basket Measure, the incidence of poverty in Canada is 12 per cent. The incidence in Alberta is 9.2 per cent.

The federal government created the National Child Benefit to help prevent and reduce child poverty. The Social Services ministers working on the benefit created a working group to develop a new measure that could track improvements in child poverty.

The ministers did not feel the existing measures (including Statistics Canada's Low Income Cut-off or LICO) were useful. According to the report, the ministers wanted a credible, easy-to-understand measure sensitive to geographic differences. The measure should reflect changes in costs, not changes in income.

The working group felt a Market Basket Measure (MBM) would meet all those criteria. The MBM differs from LICO because it relies on more data. It also calculates a poverty line for different size cities in different provinces. The working group says the MBM captures geographic differences in shelter costs better than other measures. Under LICO, standards do not vary from city to city. All areas with over 500,000 would have the same standard.

Harvey Krahn, with the University of Alberta's Department of Sociology, says this new approach to measuring poverty has some advantages. "The methodology is sound, as good as you can do with the available data."

However, Krahn questions why the Social Services ministers were so keen to develop a new poverty line. The report says the ministers wanted to help prevent and reduce child poverty but felt they needed a consensus on how to measure poverty.

"This measure addresses the methodological concerns of LICO," says Krahn, "but also

**From a report by the
Federal/Provincial/
Territorial Working
Group on Social
Development
Research and
Information.**

.....
**INCIDENCE OF POVERTY/LOW INCOME LICOs,
LIMs, MBMs 1996 - ALL PERSONS**

PROVINCE	LICO PRE-TAX	LIM POST-TAX	MBM
Canada	17.8	11.2	12.0
Newfoundland	20.6	19.8	17.8
Prince Edward Island	12.8	10.8	9.6
Nova Scotia	17.7	15.3	14.9
New Brunswick	17.6	14.6	12.0
Quebec	21.3	13.0	10.8
Ontario	15.6	8.7	12.5
Manitoba	18.5	11.1	11.1
Saskatchewan	17.2	13.6	12.1
Alberta	17.9	11.3	9.2

comes in reporting a lower incidence of poverty—which appears to be what the Social Services ministers wanted. The really important question is, what are the public policy implications of discovering that poverty varies more across provinces than we might have thought and that there are perhaps fewer poor people than we might have thought? 'Will we have to cut back further on social services or restructure federal transfer payments?'"

The Market Basket Measure— Highlights from the report

The MBM shows how much income the average family of four would need to stay

above the poverty line—how much net income after deductions. The necessary deductions include income tax, payroll taxes (Employment Insurance and Pension Plan contributions), child support payments by non-custodial parents, child care expenses for children 14 and under, and health care costs (dental, prescription drugs, vision care and aids for persons with disabilities).

Constructing the Market Basket Measure

The report develops a preliminary MBM, describes the rationale for each measure and cites some of the strengths and weaknesses of each measure.

Reference family

The MBM uses a reference family of two adults and two children because, according to the report, this is still the most common family type.

Step 1: Constructing the Threshold

The MBM uses food, clothing, shelter and a single aggregate for all other expenditures. It then establishes a threshold or standard for each expenditure.

Food. The standard for the reference family (the average family of four) is between \$6,202 and \$7,302 a year.

Clothing. The standard for the average family of four is



The average family of four must spend between \$6,202 and

source Readings

Richer and Poorer: The Structure of Inequality in Canada

by Anton L. Allahar and James E. Côté
James Lorimer & Company Publishers, 1998
172 pp., \$19./95

Richer and Poorer

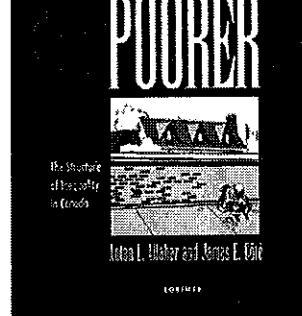
The National Anti-Poverty Organization went to Geneva in November to dispute the United Nations' ranking of Canada as the country with the highest standard of living in the world.

In the wake of massive natural disasters in Central America, violent political unrest in Indonesia and Malaysia, and the declaration of total financial collapse in Columbia, why do people like NAPO think we have it so bad in Canada?

Allahar and Côté are the co-authors of *Richer and Poorer: The Structure of Inequality in Canada*. They write, "Even if the poor in Canada might be considered comfortable by the standards of another country, the fact remains that they live in Canada, and so must be seen relative to other Canadians." The failure to do so creates of an ever widening income gap between the rich and the poor.

Allahar and Côté point out that in Canada, 63.7 per cent of Canadians work for wages, but fail to see themselves as working class. This is "largely because advanced capitalist societies maintain a clear separation between manual and mental work and esteem the latter more highly, and also because the terms working class and lower class (with all their negative connotations) are often used synonymously."

They go on to argue that in Canada the dominant ideology is liberal and places the onus for social advancement on the individual's shoulders.



and to imply that behaviour is somehow determined or structured by "invisible" class forces is held to be a denial of the basic freedoms and openness that are hallmarks of the system. This is why, in the public mind, class-based explanations of behaviour are generally resisted.

The liberal ideology appeals to all of us. We all want to be mistresses of our own fate. Yet individualism rewards the elite while punishing the poorest Canadians. The poor live in materially deprived conditions, with the nagging belief they are somehow responsible for their own victimization.

Allahar and Côté write that the Canadian establishment has long used race, ethnicity and culture to divert us from deep class divisions. Canada is nominally a culture of immigrants. Yet, income levels in Canada remain strongly tied to how closely we conform to the image or myth of the "typical" white, middle class Canadian male. In Canada, individual members of minority cultures must leave their ethnic roots to ascend the Canadian social hierarchy.

Gender inequality in Canada decreases the quality of life for both women and men, and, in Allahar and Côté's view, "is good for contemporary capitalism."

Their discussion focuses on historical trends that put women in (or pulled them out of) the workforce when it served the profit and productivity interests of the ruling classes. The early 20th century saw a mass movement from agri-

to their financial, social and political detriment:

[T]he new role of "housewife" put the burden of maintaining the domestic unit (now a unit of consumption rather than production) almost entirely on women. Accordingly, their status fell dramatically, as they were left out of the production process, which was recognized as contributing *directly* [their italics] to the collective wealth.

While there have been many gains for women over the last 100 years, Allahar and Côté point out that gains in education and employment opportunities were initiated by the public sector and are vulnerable to the whims of capitalism:

[I]t was the Canadian government, not corporations, that sponsored this investment in women's "human capital" (marketable skills), yet corporations benefit from trained labour paid for by taxpayers. Unfortunately, these gains for women come at a time when the corporate world is reorganizing itself and demanding even higher credentials for access to most corporate jobs. Thus, even though women now bring greater human capital with them to the labour force, the ante has been raised for everyone, so the returns may be less in the long run.

At the same time, men's wages have fallen. The sexes are pitted against each other and a few are left to question governments' and corporations' interest in maintaining a gendered wage gap.

(How low can men's wages fall? Probably until they reach the level of women's wages.)

Having previously written *Generation on Hold: Coming of Age in the Late Twentieth Century*, Allahar and Côté make their strongest argument for the urgent need to identify and rectify class injustices in Canada in their chapter on youth.

The authors state up front that the chapter is both a précis and update of *Generation on Hold*, but its stark analysis of just how far young people are behind the eight-ball to be no less disturbing.

Comparing change in average income by age, Allahar and Côté found that over the last 10 years, income levels for Canadians over 45 (in 1994) stayed the same, while persons over 65, greatly increased their income level. People 25 to 34 saw a drop, particularly if they were single. But the incomes of Canadians under the age of 25 saw decreases in income of **over 25 per cent**.

Under heavy lobbying by corporate capital interests, governments have impoverished the young: "In the mid-1970s, the minimum wage would put a person about 40 per cent *above* the official poverty line; now it puts a person 30 per cent *below* that line [their italics]."

The divide between rich and poor may only be metaphorical compared to the natural disasters that strike poor nations around the world. But the devastation to individuals, specific groups of people and the ideal of an egalitarian society are just as real.

Change in Average Income, 1981-1991,
Adjusting for Inflation, by Age (%)

Age cohort							
	<25	25-34	35-44	45-54	55-64	>65	All ages
Families	-20.7	-4.9	0	6.1	4.3	14.9	3.5
Unattached individuals	-21.7	-13.2	-8.4	3.8	4.8	12.4	-0.8

live in uncomfortable circumstances, where money is a problem. It is not until an individual or family lives above the social comfort line, Sarlo posits, that they can live comfortably—but not necessarily affluently.

By including amenities beyond basic needs, Sarlo recognizes people need more than just basic needs.

However, his lines focus too exclusively on the material aspects of living in an impoverished state. They neglect the impact that social participation has on society.

Basic needs are crucial to any concept of poverty. No Canadian unable to meet minimal basic needs, relative to the Canadian standard of living, can adequately participate in society. To engage in and contribute to society, one must also have both civil and economic participation needs met.

Interlocking Spheres of Activity

Societal participation needs are the resources required to be a functioning member of society. Despite the definition's straightforward appearance, difficulties arise immediately. The phrase

History of poverty lines

Abraham Maslow (1908-1970) created a hierarchical pyramid of needs and suggested that to be self-actualized, one must move through levels of the pyramid towards the top, satisfying the needs on one level before advancing into the next. Taken a different way, before one can achieve happiness and fully participate in society, one's basic needs must be looked after.

In his article "The Basic Needs Approach: Overcoming the Poverty of Homo oeconomicus," Van B. Weigel criticized the hierarchical model, saying that "the hierarchical distinction between material and non-material needs is often overdrawn." We must take care of physiological necessities before addressing other concerns, but the tendency to overemphasize physical needs implies that people living in poverty have no essential needs other than food and shelter. To imply that social needs are not essential strips people of qualities which in part define humanity.

In Great Britain in the early 20th century, Seebohm Rowntree developed a "primary" poverty line he believed was insufficient for a satisfactory lifestyle: "A family living upon the scale allowed for in this estimate must never spend a penny on railway fare or omnibus... must never purchase a halfpenny newspaper or spend a penny to buy a ticket for a popular concert. They must write no letters to absent children, for they cannot afford to pay the postage ... The mother must never buy any pretty clothes for herself or for her children...."

Rowntree addressed issues relevant today: transportation, information,

needs of labour, poverty line, which attempted to delineate the minimal expenditures necessary for a participatory social lifestyle in Great Britain. (See Veit-Wilson, "Muddle or Mendacity? The Beveridge Committee and the Poverty Line" in *Journal of Social Policy*, 1992, p. 270.)

At a later date, P.H. Chombart de Lauwe discussed the difference between needs of necessity and needs of obligation. Needs of necessity refer to basic needs. Needs of obligation refer to requirements "arising out of social obligations, the demands of living in a society." In addition, Chombart de Lauwe introduced the concept of marginalization to the study of poverty. In terms of poverty, "[m]arginalization implies that one loses more and more one's command over circumstances, over one's own fate. If this process sets in, the risks of becoming poor (materially or socially) obviously increases."

In 1970, S. M. Miller and Pamela A. Roby addressed the idea that poverty was more an issue of inequality, not just financial deprivation. According to this line of thought, an individual is living in poverty when "their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities."

In his 1979 book and subsequent articles, Peter Townsend goes into some detail about the theory of relative deprivation. People are in a state of relative deprivation if they are unable to obtain the resources "which allow them to play the roles, participate in the relationships and follow the customs which are

society” is subjective. It carries connotations but no clear, objective measure. When exactly does a person reach an adequate level of functioning? And societal participation is always in relation to one’s society. The standard changes when one examines different societies.

Communities often assume they have won the poverty battle when basic needs are met. They dismiss the poverty issue if individuals and families are not living on the streets or actively starving. However, the resources to meet basic needs are not enough to allow families to take part in the larger society, secure employment or function effectively in the society’s civil aspects. Basic needs resources may prevent a family from starving or living on the streets, but they will not provide the opportunity to move out of risk and into a more secure social and

economic position.

Social participation needs direct our attention to the broad constituency of poverty. They remind us that the elderly, those with long-term disabilities and the working poor all have social participation needs. If these needs are not met, society may be the loser.

One factor alone cannot measure adequate participation. Employment alone is not an acceptable measure, nor is participating in the political sphere or taking part in the information freeway. All bypass all economic activity, and most would agree that some measure of financial status is necessary in a measure of societal functioning.

To overcome the difficulties with a single measure, our model represents three interlocking spheres of activity. The model

assumes all human needs are interrelated and to some extent mutually dependent on each other.

As opposed to classifying different types of needs as separate and distinctive, we want to erase, or at least blur, the boundaries between the categories. In this way, we can capture all elements of societal participation, including basic needs, finances and social endeavours.

Basic needs—physical necessities such as food, clothing and shelter. It is essential to deal with basic



Network building in a civil society depends on at least eight layers of social connections. One of those layers involves neighbours, friends, people of the same ethnic origin, members of

resources may be a precondition to effective participation in other aspects of society.

Economic activity—

employment, other sources of income, and financial expenditure.

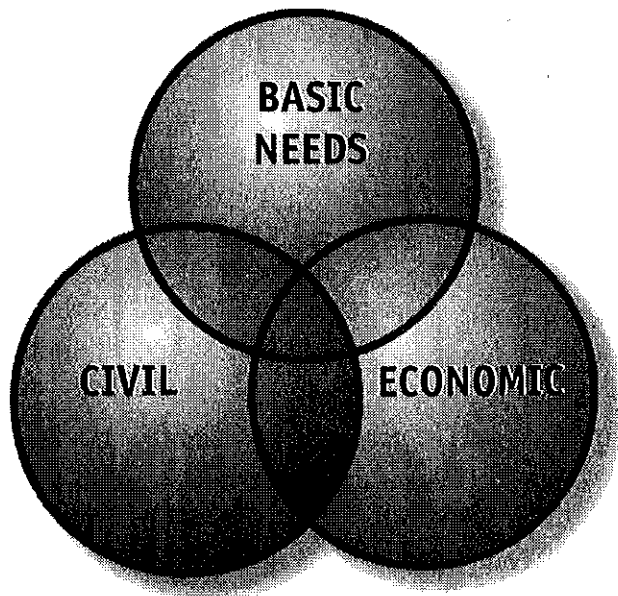
Civil activity —

political participation, participation in recreational activities such as sports teams or ceramic classes, involvement with religious groups, volunteer work, basic education, various clubs and organizations, newspapers, internet chat-groups, and a multitude of other social bodies and relationships.

As the overlapping spheres suggest, basic, economic and civil needs are closely intertwined and not independent of each other. For instance, basic needs are necessary to participate in economic and civil aspects of society.

It is virtually impossible to avoid any one sphere. Everyone has basic needs, and everyone participates to some extent in the economic sphere, if only as a consumer. Although participation in any special sphere can be limited, most individuals are involved extensively in all sets of activity.

Because the three spheres are interdependent, this study will not limit its measure of poverty to any one sphere. It will see poverty as the inability to meet needs in



needs, where to draw the borders and how much to overlap the spheres is very debatable and depends on society's conceptions at a particular point in time. For example, are work-clothes a basic or economic need, or both?

Although most would agree we must participate in society to be connected, many disagree on how much connectedness is necessary. Some feel a telephone is adequate. Others feel more is needed, such as having access to an e-mail account. For this reason, we have not assigned places on the diagram for each need, or determined how the sets should be positioned, leaving these tasks instead to the public policy makers.

Benefits of Societal Participation Resources

Societal participation needs are the resources one needs to function in all three spheres. Most agree increased participation in the economic sector lowers poverty. However, opinions diverge around the process.

One school of thought is that social assistance encourages dependency and discourages people from re-entering the workforce. Why should people work if they

maintains that providing only basic needs encourages those who can to get jobs.

Unfortunately, this school of thought locks the poor into poverty. Denying people access to the resources needed to participate in society will not stimulate economic participation or lower poverty.

By its very definition, basic needs are only the minimum resources needed to live in Canada. However, to enter the work-world, certain unessential resources (such as good clothes for an interview) are necessary. Without these resources, the chances of securing employment are low. Without a job, people have no choice but to stay in the situation where basic needs are provided for.

The YWCA of Calgary Social Issues Committee describes low-income families as "trapped in the vice between low wages and unemployment and inadequate support in areas such as child care, housing, adult education and training." (See the YWCA's, *The Price of Poverty*, An Impact Paper, p. 7).

Similarly, the Coalition for Responsible Social Planning notes that people on social assistance struggle to maintain the minimum of basic needs and can't afford "bus fare, interview clothes, tools, or work boots." (See

The Price of Poverty, p. 11.)

Societal health may largely depend on the strength of social connections between people, formed by interactions between the individual and the community. If the connections are weak, people may be without support networks to rely on in times of difficulty. Strong social connections often help stop an individual's or family's descent into poverty.

In addition, the physical health of individuals is affected by areas related to civil culture. Health status is profoundly influenced by resilience (coping skills) and by the individuals' sense of control over their lives. People living in poverty "die sooner and make much heavier use of the health care systems than people in higher income groups." (See *The Price of Poverty*, p. 4.)

In the long run, it is likely that a strong civil community would decrease the costs of health care. A strong civil society promotes independence from the state,

strengthens the economic and political situation of a community, and increases the overall well-being and health of citizens. ■



between \$2,107 and \$2,264 annually. In 1991, the Social Planning Council of Metropolitan Toronto released budget guidelines, including a budget guide for clothes. To create a standard for decent clothing and footwear (including shoe repair and dry cleaning costs), the working group inflated the 1991 budget guidelines to 1996 levels, then took 75 per cent of that budget.

Shelter. The standard for adequate shelter for the average family of four is between \$4,356 and \$10,704 annually. To arrive at the standard, the working group uses an October 1996 Canada Mortgage and Housing Corporation survey of rental apartments in towns and cities with more than 10,000 persons. The range (from \$4,356 to \$10,704) reflects the wide variation in rents across Canada. Since the range in costs is so great, the working group calculated a population-weighted median rent. The median would be \$8,328.

Other. This category includes personal care, household needs, furniture, telephone, public transportation, reading, recreation, entertainment and school supplies.

In the mid-1980s, social planning agencies in five Canadian centres (Montreal, Hamilton, Toronto, Winnipeg and Edmonton) determined the cost of these other necessities. The data showed that other necessities cost about 60 per cent of the cost of food and clothing. To find a Market Basket standard for Other, the working group then multiplied the cost of food and clothing in each province by 1.6.

Step 2: Pricing by geographic location

The working group priced food and shelter in each province. The cost of clothing as-

reflect geographic differences, the working group allowed the costs to vary, according to changes in the Consumer Price Index in each province.

To check its results, the working group compared the results to Statistics Canada's. Since Statistics Canada and the working group found a similar spread in costs, from high to low, the group concludes that its results are "realistic."

In October 1996, Statistics Canada compared prices in different cities and found food prices in St. John's (the most expensive city) were 111 per cent higher than in Edmonton (the least expensive city). The working group found a similar spread in costs: food costs in the most expensive city were 118 per cent higher than in Edmonton. However, to the working group, Vancouver (not St. John's) had the highest food prices.

Statistics Canada found clothing costs in St. John's 108 per cent higher than in Edmonton. Again, the working group found a similar spread in costs, although it attributed highest and lowest costs to different cities. In Vancouver (the most expensive city) clothing costs were 107 per cent higher than in Montreal (the least expensive city).

Step 3: Adjusting for family configuration

In most households with more than one person, individual members benefit from economies of scale. They share their dwelling and the cost of food, utilities and other necessities.

Equivalence scales measure the degree to which households benefit from economies of scale and allow us to compare the stand-

used Statistics Canada's Low Income Measure (LIM) and the Quebec scale, a scale that Jean Bernier and Pierre Lanctot developed for the Quebec Department of Income Security.

Weaknesses

Food. The report says three aspects of the food basket need attention. First, the Nutritious Food Basket is from 1989 and does not reflect changes in nutritional knowledge. Second, the last Statistics Canada survey was in 1995. Third, the group calculated the cost of food in each province's largest city, then assumed that this was the cost of food everywhere in that province. However, "rural food prices, particularly in remote and northern communities, are likely to be higher and vary more widely than in urban centres."

Clothing. "There is clearly a need to improve this aspect of the MBM, which is based on less plausible assumptions than those for food and shelter," writes the working group. The food standard is based on a Toronto clothing budget and "the arbitrary assumption of 75 per cent of that budget." Here, the report calls for "appropriate experts to examine several issues relating to the composition of the basket."

Shelter. One area for improvement would be to collect rural shelter costs.

Other. The working group proposes pricing a series of agreed-upon categories, for example personal care, transportation and entertainment. However, it would be difficult to arrive at a consensus on the appropriate categories. This step would also in-

involved significant data collection.

Timing. On the income side, measuring how many people in each area have enough money to survive, Statistics Canada data is a problem. "Since incomes for any given year are collected in March/April of the following year, they are not available prior to the end of the following year. Therefore 1996 data is collected in March/April 1997 and publications based on these data begin to appear by the end of 1997."

Income definition. According to the working group, this is the area that requires most improvement. To properly compare income thresholds, better data is needed on:

- child care expenditures
- child support expenditures
- medically necessary health expenditures
- work expenses (persons with disabilities, extraordinary tool or transport expenses)
- social insurance contribution.

"The inclusion of these data," writes the working group, "would, of course, increase the incidence of poverty measured by the MBM."

The Social Services ministers working on the National Child Benefit wanted a credible, easy-to-understand measure sensitive to geographic differences. The ministers did not feel the existing measures (including Statistics Canada's Low Income Cut-off or LICO) were useful. Still, the new MBM relies largely on Statistics Canada data—data that is inevitably several years old. Data from 1996, for example, would not capture the current housing crises in Calgary and Grande Prairie. ■

expensive. After she moved in, my daughter contacted my parents. They advised her to move out. That left me with the apartment and condominium.” Lorraine’s parents have since bought her daughter a home.

In retrospect, Lorraine says, “I guess I should have had some financial advice.”

She sold the condominium, worked part time and lived off the proceeds for a few years.”

Lorraine hit bottom when she ended up homeless, living at the old downtown YWCA. “I still remember the look on my daughter’s face when I told her I had to apply for social assistance.”

Donna is almost 60. Four years ago, after 40 years in the workforce, she began developing health problems. “I am just worn out,” she says. Donna was never wealthy but she always had enough. Until December 1995 when she declared bankruptcy and applied for social assistance, she owned her own home.

“I had to sell the house and live off the proceeds, which I thought was kind of

stupid, because my mortgage payments were actually lower than the rent. So right away, they put me in a worse situation.”

Donna now lives on \$401 a month. Her rent is \$189. Car insurance is \$76 a month. Then there’s gas and power. “I usually pay everything first then go without food. I can always get food some place. When my daughter

is in town, she brings over a load of groceries she says is going to go bad. And my church has always helped her out a lot.”

For Donna, becoming poor has meant relying on charity, and that’s scary because charity has

limits. “Even at church, you get tired of asking. Everybody really likes to help. It makes them feel good for the first while. But as soon as you ask more than two or three times, you starting getting this look like, aren’t you going to get a job. They get tired of having to give all the time.”

Becoming poor has also meant letting go of all her negative attitudes toward the poor. “Welfare bums,” she smirks, suggesting that her understanding of poverty is now much more sophisticated. ■

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The Growing Gap—Continued from page 6
part-time work.

Stable family incomes?

The chief way Canadians have stabilized their family incomes has been to increase the hours of paid work provided by the family unit. But we may be approaching a saturation point, where—among those who are getting the jobs—there simply aren't more hours to be worked. This household strategy for offsetting market forces may have run its course. Increasingly, even a second income isn't enough. Real (inflation-adjusted) average family market incomes are lower today than they were in 1981. Sixty per cent of families with children were earning less than in 1981.

What our governments gave us

Given the kind of disparities the market has generated, Canadian society has experienced a remarkable stability in the distribution of income until only two or three years ago. The reason? Government programs of income support and government provisions of public, or common, goods.

In 1989, the average market income of families in the bottom 10 per cent of society was around \$4,000. By 1996, the average had fallen to less than \$500 a year. That is because the number of families without any earners has grown dramatically over the last generation. In 1973, about two-thirds of the poorest families had at least some earnings. Today three-quarters of the poorest families have no earner. Without government programs, those at the bottom would have experienced a free-fall into destitution.

Between 1981 and 1996 the earned incomes of the poorest 20 per cent of households with dependent children was cut in half, from \$12,000

brought the poor family's after tax income up to \$16,600. This is lower than it was in 1980 (\$17,700 in 1996 dollars).

The role of the transfer system (income supports from government) and tax system has provided remarkable stability in the distribution of incomes over the last generation. This stability is deteriorating dramatically and rapidly: since 1994, the ratio of after-tax income between richest and poorest families has escalated to the highest point since 1973. The fastest change has been in the last year for which we have data, between 1995 and 1996.

Recent government decisions to cut back transfer payments and scale back the provision of public goods have hit the poorest families—and our country's youth—hardest. Governments have told us we can grow our way to equity, that the market will produce results that make everyone better off, but it's becoming evident that inequality is growing in Canada despite economic growth. However, this is not happening everywhere in the world.

Growing inequality is not a natural by-product of the forces of globalization. It is a by-product of choices that are made: what will be produced in an economy, through what means; how will this influence the distribution of resources (including money incomes); how much will these outcomes be mediated? Governments clearly have a role to play in society, by both setting the rules by which the market plays and by mediating the fall-outs from the market. Though there will always be a gap between rich and poor, we can choose how large we let it get, and how fast we let it grow. We can choose what kind of a world we create. ■