Poverty – A Short History

What is Poverty?

Concern about poverty has a long tradition. The Bible notes that "the poor will always be with us." Yet no consensus exists on what is, or how to measure, poverty.

The most learned perspective equates poverty with the inability to participate in society with dignity. According to classical economist Adam Smith "poverty is a lack of those necessities that the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." For the Nobel laureate Amartya Sen the poor "cannot participate adequately in communal activities, or be free of public shame from failure to satisfy conventions."

Attitudes towards the Poor and Social Services

Attitudes towards the poor are shaped by stereotypes, mollified by contemporary economic conditions but are important because they shape social support programs.

There has always been a distinction in the public's mind between the 'deserving poor', those unable to work due to age, disability, or sickness and the 'undeserving poor', able-bodied individuals without employment. The circumscribed compassion for the able-bodied belies suspicion that unemployment is due to laziness or drug/alcohol abuse.

These attitudes establish conflicting objectives for most social support programs. To provide the resources for a decent standard for those 'truly in need' while minimizing the opportunities for abuse by those who should be more self-reliant. Society has been much quicker to support the 'deserving poor' often without conditions. Support for the able bodied is much more circumspect, limited, residential, more likely to be 'in-kind' rather than cash and conditional on participation in make-work projects.

Governments create social welfare against a background of economic conditions, during very hard economic times (like the depression years of the 1930's) it was more difficult to see all the poor as lazy or drunkards, there was some incentive to develop government responses. In good times, it is easier to portray poor Canadians as authors of their own demise.

<u>Pre-Confederation</u>

Early legislation in British North-America reflected many of the practices of the British Isles. Much relief was provided by charitable and religious groups. England's Poor Law was not adopted in Upper Canada because it was thought impractical to impose a local tax on a principally agrarian non-monetary economy. But the Poor Laws were adopted more faithfully in New Brunswick and Nova Scotia. As well, support for the able bodied was thought unneeded because with the limitless opportunities in Canada, all able-bodied were thought capable of supporting themselves.

The Houses of Industry for 'unable to care for themselves' were run such that no one with any alternatives would enter. Where such houses were unavailable the poor could be jailed. Concern over abuse of the societies benevolence and encourage sloth sparked debates between proponents of "indoor relief", recipients would live-in like in Houses of Industry and outdoor relief, where recipients could stay in their own home.

Post World-War I Era

The support by governments of disabled soldiers and their wives and children together with widows and orphans led many to see the possibility of government playing a supportive role.

Initial public cash support, in their home, was provided to two of the most worthy groups; children without fathers and seniors. Mothers Allowance began for the support of single mothers and their children (whether divorced, disserted or widowed). At the same time the Old Age Security was introduced to the poor who were unreservedly deserving, seniors.

Also at this time some initial, yet very modest, minimum wage legislation was introduced.

1920s and 1930's

The great depression shaped attitudes toward the poor. Unemployment was no longer exclusive to 'others' presumed to be 'at fault'. In a non-agrarian economy unemployment could affect anyone. Also, safety values which operated during previous downturns were absent during the recession. Fewer unemployed could return to the family farm, or move to unsettled areas of the west or to the United States. These time included some expansion in other programs; blind persons allowance and federal cost sharing for welfare.

1930's and 1940's

The acceptance of public responsibility for social supports, opened the doors for a variety of programs in the decades of the 1940's to 1970's; Unemployment Insurance heralded some societal acceptance of the responsibility for unemployment. Unemployment insurance was created at the national level in 1941 in response to a recognition of the need for temporary support for those who had lost a position.

As well, the Family allowance (better known as the baby bonus) was noteworthy for being universal, entitlement was not based on need.

1950's, 1960's and 1970's

The Canada and Quebec Pension Plans were introduced in 1967 to provide a public pension based on contributions related to earnings throughout ones life time. These efforts later resulted in significant decline in poverty rates for seniors.

Federal provincial cost sharing expanded in the breadth and generosity of various programs with the Canada /Quebec Pension Plans; the Child Tax Benefit.

1980's and 1990's

As well, economic conditions affected income inequality; during the 1980s and 1990s the inequality in market income (the income earned by individuals before government supports) grew substantially. For much of this period increased social spending offset this trend so that relative poverty, measured using total income which included such government transfers as unemployment insurance and social assistance did not appreciably increase.

Certain changes in welfare policy for the late 1990s can be traced to changes in this cost sharing introduced by the Canada Health and Social Transfer in the 1995 federal budget. The previous practice under the Canada Assistance Plan of the federal government sharing half the cost of welfare was subject to conditions including that "provinces meet identified needs regardless of cause". This condition was dropped with the CHST. This meant that 'workfare' – making work a condition of social assistance - would no longer cost provinces their federal funds.

Going further, some provinces introduced in the early 1990's life-time-bans from welfare for those convicted of welfare fraud.

The support for families with children also underwent significant changes over the 1990s. The system was once made up of family allowance (the baby bonus) a universal and taxable payment to mothers, the child tax deduction and the child tax credit. Leading by the year 2000, to a Child Tax Benefit which increased support for low-income families who were free of welfare.

Setting a Poverty Line

Setting a poverty line and measuring trends over time is important for tracking social and economic progress and assessing the effectiveness of government programs. Poverty lines a living standard that social norms would find unacceptable. As such it is clearly a line that changes over time and place.

Regardless, there recurs a debate between absolute or relative concepts of poverty. The absolute approach argues that the poor are only those who can not purchase the basket of commodities required for survival. The relative approach sets a poverty line relative to the accepted norms of society. The debate is confused when many proponents of the absolute approach acknowledge that their line requires adjustment occasionally to meet with changing notions of what is minimally acceptable.

At its heart the debate isn't about absolute or relative poverty but whether the adjustments to a poverty line for community standards should be automatic, as under relative measures, or ad-hoc and discretionary, as with absolute measures.

Identification of the Poor

A Canadian pioneer in the measurement of poverty was Herbert Ames' whose research concerned a square mile of downtown Montreal in 1896. He conducted a survey on employment income and living conditions in part to dispel assumptions about the root causes of poverty. He concluded that "want of employment was believed to be the cause of distress in as many cases as sickness, intemperance and shiftlessness combined."

Ames set a poverty line of $5 per week for a family; he estimated the families below this level comprised about 12% of the population surveyed.

The debate over the meaning of poverty has not come to a conclusion.

Until 1992, the only poverty lines in common use in Canada were relative lines. They included Statistics Canada's Low-Income Cut-Off, the Senate and CCSD poverty lines which both set a line related to the income of typical Canadian families.

The Low-Income Cut-Off (LICO) was developed and published by Statistics Canada. It has been used since as the most commonly used measure of poverty. Statistics Canada does not sanction the interpretation of LICOs as measures of poverty but instead measures of 'straightened circumstances'.

The LICO sets a cut-off at the income level where, on average, families are spending 20% more on necessities than the average families does.

Other relative measures of poverty include the CCSD line and the Senate line. The Low-Income Measure is roughly half of the median income and the same as the United Nations measure used for ranking developed countries. These are not widely used within Canada.

Use of the LICO grew contentious during the 1990s. Some objected because they rejected the notion of a relative poverty measure and others because it did not adequately account for differences in the cost of living between cities (thus, overstating poverty in some cities and understating it in others).

There were some local poverty lines like the Market Basket developed by the Social Planning Council of Metropolitan-Toronto but again are not widely used.

The Fraser Institute introduced their ‘basic needs’ measure in 1992 arguing that poverty as understood by the public related solely to basic needs. True to the ‘Basic Needs’ nature of this line, it includes funds for shelter, food and clothing but excludes books, magazines, toys or a television. By this measure only about 8% of Canadians are poor.

In the late 1990’s, the provincial ministers of social services asked federal officials to develop a Market Basket Measure which would better account for regional differences. At the time of this writing, the measure is about to be published but two factors are causing concern amongst anti-poverty groups. First, officials were directed to index the poverty over time for changes in prices not living standards. Second, the composition of the market basket would be reviewed by experts but would ultimately subject to the approval of the provincial ministers. Ultimately, assessing the adequacy of welfare benefits will be difficult because the same provincial ministers who set welfare rates will also control the government endorsed poverty line.

With these new poverty measures, Canada has moved in ten short years from the LICO being the poverty measure of choice to having a few new contenders, supported by conservative voices, now additional absolute measures of poverty; the Fraser Institute’s ‘Basic Needs’ measure and the federal government’s Market Basket Measure.

Trends in Poverty

The trends and poverty rates in the section below are based on the Low-Income Cut-Off (before Income Taxes) published by Statistics Canada. This is the poverty measure which has been most often used by those conducting research in this field. Unless stated otherwise the poverty data below is for 1997 and comes from the most recent edition of The Canadian Fact-Book on Poverty.

The overall poverty rate measured in this fashion has remained remarkably constant over recent decades, at 16% of persons in 1973 to 18% in 1997. Since the LICO is a relative measure of poverty it increases with typical living standards. This constant trend implies that while the absolute standard of living of the poor may have improved, no progress has been made in addressing the gap between the poor and the rest of society.

While the overall rate of poverty may be relatively constant, the composition of the poor has changed dramatically.

Young Single People

The average earnings of young people have been falling adjusted for inflation. Their poverty rate reflects this trend in increasing 39% in 1981 for single people under 25 to 61% in 1997. For those aged 25-34 the rate increased from 18% to 31% in the same time period.

Aboriginal persons

The living conditions of Canada’s aboriginal persons are usually far below Canadian norms and often mimic third world conditions. Poverty lines using money income cloud the measurement here because they ignore the non-monetary income (hunting, fishing or trapping) of many aboriginals. Regardless, the poverty rate of aboriginals at about 43% in 1995 far exceeds the 19% for non-aboriginals.

Persons with disabilities

Persons with disabilities are disadvantaged by much higher unemployment rates. Income supports for those persons with disabilities without other means tends to modelled on welfare albeit at slightly higher benefit levels. The poverty rate for persons with disabilities is 31% in 1995 compared to 18% for other Canadians.

Women

The poverty rate of women tends to be high when they are not in a family and not pooling their income with a man. Under age 65, single women have higher poverty rates than men, 41% compared to 35%. Female lone parents have the highest poverty rate of all family types at 56% in 1997.

Child Poverty

Child poverty (actually, children in poor families) remains a particular concern to Canadians because children are unambiguously not to blame for their situation. Also, raising children in poverty limits their career opportunities hampering the Canada’s economic future. Child poverty increased from 964,000 (or 15%) in 1981 to 1.4 million (or 20%) in 1997 mostly because of the increasing poverty rate of working age families, and the increasing numbers of female lone parent families. This was despite a 1989 unanimous House of Commons resolution to eliminate child poverty by the year 2000.

Seniors

Seniors are no longer the largest share of poor Canadians. Their overall poverty rate declined from 41% in 1973 to 24% in 1997. Despite some improvement, the poverty rate for unattached seniors remains very high at 45%; and higher still at 49% for unmarried female seniors.

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