Canada: Deepening poverty and economic insecurity for working families

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A recently released report from the Vanier Institute of the Family documents what is apparent to most families in Canada that have struggled over the past decade to make ends meet: their ranks are swelling and their situation is worsening. According to the Institute's fifth annual report on "The Current State of Canadian Family Finances," a record number of families are "Living on the Edge"—that is, on the precipice of poverty.

Much of the analysis in the "Family Finances" report is based on data Statistics Canada collects for federal government but that is seldom brought together. Released in February, the report shows that while the economy has expanded rapidly over the past 15 years and the incomes of the rich and well-to-do have swelled, ordinary Canadians have experienced a decline in real hourly wages—a decline that has been offset only by working longer hours, drawing down savings and going ever deeper into debt

"What has been good for the economy," states the report, "has not been as good for the majority of households." Among the principal changes in social life over the past decade is that "A growing number of households are now 'living on the edge' brought about by the triple reality of shrinking real hourly wages, the continued growth in household spending and rising debt loads."

The report suggests that the mounting debt-loads are financially unsupportable in the long run and that the increasing workload is producing major stresses on family life.

"The decline in real hourly earnings," declares the report's author, Roger Sauvé, "has pushed more people into the labour market. This is especially so for families with children. By 2001, some 83 percent of married couples with children had two or more earners...a new record high. The percentage of female lone-parent families with at least one earner soared to 82 percent...another record high. It seems that parents take the costs and responsibilities of raising children very seriously. In the process we may have created 'workaholic' families where more and more adults, and in many instances the youth, are in the paid workforce. Increasingly, the choice between working at a paid job or not doing so is driven by financial necessity...the financial 'edge' is just too close."

While the 25-page report points to the increasing hardships falling on working people due to the decline in the real value of hourly wages, as well as the real value of welfare benefits and of the minimum wages set by the federal and provincial governments, it makes no criticisms of government policies or big business. Utterly ignored is the drive by corporate Canada and the entire political establishment, from the Conservatives to the social-democrats of the NDP, to boost profits and investment by attacking the social position of the working class through union busting, contracting out, social spending cuts and changes to fiscal policy aimed at rewarding the well-to-do. The report thus presents the increasing hardships facing working people as the outcome of amorphous and mysterious market forces, not the class struggle.

Anything else would, frankly, have been surprising given the nature of the Vanier Institute. Founded by former Governor-General Georges Vanier and his wife, Pauline, in the mid-1960s, the Institute is a charitable organization dedicated to promoting policies for the "well-being of Canada's families."

Nevertheless, the report makes some significant points.

It warns, for example, that a key factor driving the economic recovery of the past decade has been rising consumer debt: “Household spending has, in fact, helped keep the economy growing during the last few years. But, this economic growth has come at a high price.

“Hourly earnings are shrinking. A record number of people are now employed. The personal savings rate has now fallen to an all-time low. Debt has now risen to an all-time high. Bankruptcies remain at near-record highs. Over the last few years, only the top fifth of families have seen their share of the total income pie increase. The other 80 percent of families have seen their shares shrink or have merely held on to what they had. Many of these families have already fallen off the ‘edge.’ The biggest losers have been the poorest 40% of families.”

At the outset of the report, Sauvé points out that although incomes may have risen slightly and official poverty rates declined in some areas, such figures “mask some fundamental problems that families and households are experiencing today or will confront tomorrow.” Measured in constant 2001 dollars, average hourly earnings that rose slightly during the 1990s have fallen sharply—more than 3 percent—over the past four years. In addition, “more family members are now holding down paid jobs and more of them are working longer hours.”

It should be noted in examining reports of this sort that the numbers used are based on ‘averages’ that often obscure the growth of extremes at either end of the income scale. It is to the author’s credit that, while necessarily relying on such statistics, he attempts to give a more truthful picture of the real impact of recent changes on working families. Although not explicit until near the end of the report, he there states that “References to percentages, poverty rates and low-income cut-offs tend to soften the reality of poverty. Behind all of these numbers and measures are real people who are suffering real hardships.”

This characterization is substantiated with figures showing that since 1989, when 2.7 million Canadians were deemed to be living in poverty, that number grew to over 3.1 million by 2001.The statistics show that although there has been some decline in the numbers of poor children in recent years, there has been a marked increase in the number of adults living in poverty. Many of these are the “working poor,” people struggling in minimum-wage or near-minimum-wage jobs.

The author raises a critical question over how economic health is measured as it affects working families. “GNP growth tells us nothing about the extent of economic and social security.... [T]he growth of household incomes was not anywhere near as robust as GNP growth, and was fuelled by a growth in jobs rather than by a growth in real wages. In other words, working families have mainly increased their incomes by working longer hours.”

Alongside the increasing hardship faced by workers is the growth of wealth at the upper end of the income scale. Throughout the last decade and a half, government income transfers through social programs and other measures fell sharply as a proportion of national income while corporate profits grew at the expense of wages and salaries. “In 1989, the average after government transfer and income tax incomes of the richest 20 percent of families was 4.8 times the average income of the poorest percent of families. This rose to a new high of 5.5 times by 2001.”

Answers?

If the strength of this report is the focus it brings to contrasts between overall economic growth and the declining fortunes of working families, its greatest weakness is in offering any remedy to growing economic insecurity and deepening social polarization. Aside from warnings that the situation is growing more dire, the author apparently sees no way out of the situation other than to advise the working poor to spend less and save more. This is hollow counsel to those whom Sauvé admits have increasingly narrow choices.

The growth of new technologies and the rise in productive capacity are in fact pregnant with progressive possibilities. The means exist to provide a decent standard of living to all and reduce the work-burden for individuals and families, but for that to be realized economic life must be radically reorganized under a workers’ government that would make the meeting of social needs, not the accumulation of individual profit, the animating economic principle.