Canada: two “good news” studies conceal growing economic hardship

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Two studies recently released by Statistics Canada (StatsCan) have been touted as evidence that the lot of working people is improving. Such a claim is entirely unwarranted.

The assault on the working class, which Canadian capital launched in the early 1980s and intensified with the coming to power of the Mulroney Tory government in 1984, has continued to widen and deepen during the 11 years of Liberal rule. Although, in rhetoric, the Mulroney Tories were closer to the Thatcher and Reagan regimes, it is the Liberals under Jean Chretien and Paul Martin who have presided over the biggest social spending cuts in Canadian history and who implemented a five-year, $100 billion program of corporate and personal income tax cuts skewed to the benefit of the well-to-do. The steep cuts the Liberals have made to unemployment insurance benefits and eligibility have been complimented at the provincial level by reductions in welfare benefits and the implementation of workfare.

In particular, the media has held up the study “Social Assistance Use: Trends in incidence, entry and exit rates,” as good news. The study shows that the number of persons receiving welfare or social assistance fell sharply between 1994 and 2000 after a rapid increase in the early years of the decade. In 1994, at the end of a “double-dip” recession that began in 1989, 3.1 million people or more than 10 percent of the country’s total population drew welfare benefits at some time during the course of the year. In 2000, there were less than 2 million welfare cases. The most dramatic change was experienced by single mothers: in 1995, one-half of all single mothers in Canada were receiving social assistance; by 2000 the percentage had fallen to one-third.

The latter half of the 1990s were years of relatively rapid economic growth in Canada, but the unemployment rate remained above 9 percent until 1998. In 1999 it hovered around 7 percent.

The authors of the study admit that they made no attempt to determine the extent to which the fall in the number of people receiving social assistance was due to improved economic conditions and to what extent it was the result of the brutal changes made to provincially administered welfare programs. They simply note that “Eligibility rules were tightened, especially for new entrants, benefit levels were cut, snitch lines were introduced and other rules and procedural changes were adopted.” They also observe that the average real value of social assistance benefits fell sharply during this period. Whereas in 1985, welfare benefits were equal to 40 percent of StatsCan’s official Low Income Cut Off, by 2000 they reached only 30 percent of the Low Income Cut Off or poverty line.

As a result of the reduced number of welfare recipients and cuts in benefits—in 1995 the Ontario Tories cut welfare benefits by 21 percent—the total of all welfare payments in Canada fell from $14.3 billion in 1994 to $10.4 billion in 2001.

Not surprisingly, the corporate media with the *National Post* in the lead were quick to tout the study as proof that welfare “reform” had worked. The concentrations of homeless in Toronto and other big Canadian cities tell a very different story. In the name of ending welfare “dependence,” the most vulnerable in society have been made totally dependent on the vicissitudes of the capitalist market and transformed into a ready pool of cheap labor.

The other StatsCan study shows that over the past two decades young workers have borne much of the brunt of the drive to slash labor costs. Dryly titled “A Longitudinal Analysis of Earnings Change in Canada,” the study traced the earned income of 10 percent of the Canadian population from the years 1982 through 1999.

One consequence of the focus on earnings—as opposed to total income—is that the picture the report paints of economic conditions is incomplete, especially at the extreme ends of the spectrum. In relation to the most impoverished workers, the focus on earnings means that the results do not reflect the impact of the grievous cuts to welfare, unemployment benefits and other social programs that were carried out by successive governments at both the federal and provincial level. At the same time, the results do not reflect the income that the most well-off would have received from stock dividends, bond interest, rents and profits, etc.

The start and end dates of the study also have the effect of downplaying, if not masking, the deeper economic trends. In 1982, the Canadian economy was at the bottom of a deep slump, while 1999 represented the bounce back from the prolonged recession of the early 1990s.

Nonetheless, the study does contain some interesting findings. For instance, among male workers, the period in question saw a marked polarization of earnings. Between 1982 and 1999, the number of male workers receiving either less than a quarter of median earnings or more than twice median earnings increased by 2.9 percentage points (for an increase of 10.4 percent).

By contrast, during the same period, the percentage of women earning more than the median income (which remained in the range of C$25,000-27,000) increased by 14.7 points. The report notes that this is not just a reflection of increasing gender equity, as no account was taken of the increasing hours worked by women. Another report issued earlier this year pointed to a dramatic increase in the number of families with two wage earners. According to a report by the Vanier Institute of the Family, a record high of 83 percent of two-parent families had two or more earners by 2001. It is thus hardly surprising that some women are earning more money.

The most significant result is the decline in the earnings of entry-level workers, defined as those 20-24 years of age. Among entry-level female workers, the percentage receiving less than half of median earnings went from 44.1 percent in 1982 to 58.6 percent in 1999. During the same period, the percentage of entry-level male workers receiving less than half of median earnings rose from 36.9 percent to 45.1 percent. In both these cases, there was an accompanying reduction in the percentage of entry-level workers receiving a middle income.

In a related analysis, the report divides the workers into separate “cohorts” according to the year in which they entered the workforce, then tracks the earnings levels of these groups. The report refers to an earlier study which had shown that, in contrast with previous post-Second World War generations, recent younger workers have face decreased prospects of improving their incomes over time. Like this earlier study, the newer study concludes that on entering the labor force young people are starting off at lower earning levels. Unlike the earlier study, however, the “Longitudinal Analysis” shows newer workers going on to experience a rapid increase in their earning levels.

The authors concede that these results are somewhat less than definitive, given that the most recent workers have not yet made it to their “prime” working age. This concession doesn’t stop them, however, from suggesting that the postwar trend in terms of a rapid rise in earnings for workers as they gain experience is reasserting itself and even that the current generation of younger workers is likely to be rewarded more for accumulated years of work experience than preceding generations.

Not only do the study’s authors base their claims on findings from the last years of a speculative stock boom; their study—as they themselves point out in the context of the rising earnings of women—takes no account of the number of hours worked and/or effective wage rates.

Under the combined impact of the state assault on social programs, including student aid, and the unions’ acquiescence before employer demands for wage cuts and downsizing, increasing numbers of young people are being compelled to increase their earnings by any means possible, including working long hours and two or even three jobs.