Rampant inflation pushing Canada’s low-income workers even further into poverty

Omar Ali
3 November 2021

Inflation, which has accelerated dramatically across Canada in 2021, is gouging evermore deeply into workers’ real incomes, placing serious strain on their ability to make ends meet and even afford basic necessities.

At the same time, it is propelling ever broader layers of the working class into struggle against a cabal of ruthless employers, big business governments, and their junior partners in the trade unions, who have collaborated to enforce low and stagnant wages for more than three decades.

According to Statistics Canada, the past two months saw the biggest year-to-year increases in the Consumer Price Index in nearly 20 years. In August, Canada’s annual inflation rate reached 4.1 percent, higher than any month since 2003; but this was surpassed in September, when the year-to-year increase in prices jumped to 4.4 percent.

All the major categories used to calculate the consumer price index have posted significant gains, including energy (transportation and heating), housing and food.

September was also the first time since 2003 that the inflation rate exceeded the Bank of Canada’s official target range of 1-3 percent for six consecutive months. Among G7 countries, Canada’s inflation rate currently trails only that in the United States.

Inflation is impacting all sections of the working class. Low-income workers, the unemployed and those forced to survive on welfare are especially hard hit, as an even bigger share of their small incomes goes to food, housing and energy.

Statscan claims that food prices overall were 3.9 percent higher this September than in September 2020, but Dalhousie University’s Agri-Food Analytics Lab puts the increase at closer to 5 percent. Both agree, however, that meat prices have increased the most, with Statscan pegging the year-to-year increase in September at 9.5 percent. Beef prices were 13 percent higher and poultry 11 percent, while the cost of dairy products and eggs had increased 5.1 percent.

A recent Dalhousie Food Lab survey of more than 10,000 consumers found that two in five have changed their shopping habits due to food price increases and that nearly half have reduced their consumption of meat. Food Lab Director Sylvain Charlebois told the Canadian Press, “Every section of the grocery store is impacted by inflation—there’s not one single section that has not been impacted.”

Pandemic related supply-chain issues have combined with last summer’s catastrophic wildfires and droughts to disrupt the food supply and create a significant gap between the supply of goods and consumer demand.

Energy prices have also spiked. In many parts of the country, gasoline prices reached all-time highs in the run up to the early October Thanksgiving weekend. According to Natural Resources Canada, a litre of gas cost on average $1.45 in the first week of October, up more than 40 cents from last year.

Natural gas distributors have also hiked, or plan to hike, their prices, citing increases at the wellhead. Enbridge Gas says that costs are likely to increase for Ontarians who heat their homes with gas by approximately $7-$44 a year. Manitoba Hydro has said that households can expect an 8.7 percent increase in their energy costs.

Increased heating bills will also impact rents across Canada. Housing costs—both rents and housing prices—have risen so sharply in recent years that even the big business politicians were forced to concede that Canada faces a “housing crisis” while campaigning for the Sept. 20 federal election. The home replacement cost index, which is tied to the cost of purchasing new homes, increased 14.3 percent in the year ending August 2021.

The rising cost of living is pushing more and more workers and their families into dire financial straits. A recent Food Banks Canada survey found a large increase in foodbank visits throughout the pandemic. Its CEO, David Armour, told the media, “We're seeing high food prices, we're seeing high housing prices, we're seeing an anticipated pullback of government [aid] and we're seeing high unemployment continuing through the COVID pandemic.” He added that food banks are bracing for even greater demand in the coming months.

Last week, Food Banks Canada released its annual HungerCount Report, based on foodbank use in March 2021. It found that there were 1.3 million foodbank visits that month, a 20.3 percent increase from 2019, and the sharpest increase since the Great Recession triggered by the 2008 financial crisis. The increases were most pronounced in large cities like Toronto, where foodbanks reported that visits by first-time users appeared to outstrip repeat users.

Another survey on affordability, conducted by BDO Debt Solutions, found that 43 percent of respondents saw an increase in their debt during the pandemic. Of these, 70 percent reported that their new debt is making their quality of life worse, as inflation is undercutting the ability of Canadians to save and make repayments. Indicating the extent to which substantial numbers of workers have survived during the pandemic on the margins, the survey found that 29 percent of respondents accessed government benefits. Of these, 76 percent described the benefits as very important or essential in maintaining their quality of life.

Last month's decision by Prime Minister Justin Trudeau and his Liberal government to end the Canada Recovery Benefit (CRB) is the culmination of a more than yearlong drive on the part of corporate Canada and their political representatives to prematurely declare the pandemic over as part of their profits-before-lives back-to-work drive. Fully 800,000 people still relied on the CRB when it was scrapped, with just two days' notice.

The Trudeau government's goal is to force workers back into low-wage, dangerous jobs. Canada added a further 157,100 jobs in September, raising the total number employed to about where it stood when the pandemic began. Wage growth has been anemic, at only 1.7 percent on a year-to-year basis in September. This falls well short of the rate of inflation, meaning that workers are experiencing significant real-terms pay cuts.

By contrast, Canada's financial oligarchy has never had it so good. The country's 48 billionaires increased their wealth by $78 billion during the first year of the pandemic, and lavish bonuses continue to be paid out to top executives. Amid the unseemly squabble at telecommunications giant Rogers, the *Globe and Mail* reported last Thursday that had the company's principal shareholder succeeded in firing CEO Joe Natale he would have been offered a severance and post-firing consultation package of $200 million!

The social and political consequences of the impoverishment of vast swathes of workers on the one hand, and the unrestrained enrichment of a corrupt and selfish oligarchy on the other, cannot be overestimated. A wave of militant strikes has swept the United States and Canada over the past six months, including workers in mining, manufacturing, food processing, auto, and auto parts suppliers. On Tuesday, over 10,000 workers at US agricultural equipment manufacturer John Deere voted down a rotten union-backed contract and are continuing their three-week strike for wage increases and an end to the hated, multi-tier wage system. In New Brunswick, 22,000 of Canada's lowest-paid public sector workers enter the seventh day of their strike today for wage increases after 15 years of real wage cuts.

This upsurge of workers' struggles has been marked by an increasingly open and widespread rebellion against the pro-capitalist trade unions, which since the 1980s have done so much to enforce "wage restraint" and slash worker rights in the interests of big business.

This reality was on full display Tuesday, when Jerry Dias, the president of Canada's largest private sector union, Unifor, joined hard-right Ontario Premier Doug Ford at a press conference to champion Ford's increase of the provincial minimum wage to a meagre $15 per hour—three years after Ford rolled back a planned increase to $15, as part of a volley of anti-worker measures.

Tuesday's "increase," which will only take in effect in January, amounts to a mere 65 cents. It will not even bring Ontario's minimum wage close to a living wage. According to a report released by the Ontario Living Wage Network Monday, workers in Toronto must earn $22.08 per hour just to afford basic necessities. These necessities include housing, food, clothing, transportation, childcare, medical care, and recreational activities. Figures for other Ontario regions included $19.80 for the Peel Region, which comprises much of Toronto's western suburbs, and $20.75 for workers in the adjacent Halton Region. Even in Sault Ste. Marie, the region with the lowest cost of living, a basic lifestyle requires an hourly wage of $16.20.

The fear that persistent inflation combined with low wages and precarious employment could prompt a social explosion is clearly felt within the ruling elite. Asked in early October during an American Council on Foreign Relations forum whether inflation was really transitory as the Federal Reserve has maintained, Bank of Canada Governor Tiff Macklem joked nervously, "It's the job of central banks to say it is." However, in a press release last week, the Bank of Canada was forced to concede that high inflation will persist longer than it had thought and that interest rate hikes will soon be needed to curb it. This will drive up the cost of consumer debt, one of the chief mechanisms working people have used to offset stagnant and declining real wages.