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COMMITTEE

ON

COMMUNITY SERVICES

Tuesday, November 6, 2012

Committee Room 1

Face of Poverty Consultation

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[Ms. Becky Kent was replaced by Mr. Brian Skabar.]

In Attendance:

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Legislative Committee Clerk

WITNESS

Face Of Poverty Consultation

Dr. Michael Bradfield,
Recording Secretary

HALIFAX, TUESDAY, NOVEMBER 6, 2012

STANDING COMMITTEE ON COMMUNITY SERVICES

9:00 A.M.

CHAIRMAN
Mr. Jim Morton

MR. CHAIRMAN: Good morning, everyone. I think we'll begin. This is the Standing Committee on Community Services. We're here today with witnesses from the Face of Poverty Consultation. Before we begin, let's have some introductions. I will start on my left with our Clerk.

[The committee members and witnesses introduced themselves.]

We are expecting a couple of other members to arrive. They will be here shortly. I think we should begin, because we have business to attend to.

There are a couple of things I'd like to do before we start with Dr. Bradfield. In the last couple of meetings I haven't mentioned our fire escape plan, but we have a number of visitors here. Let's hope we don't need it, but in the event of a fire alarm, it's important to know that beside the elevators there are two doors that exit the stairwells. You should take the stairwells to the main floor, and the gathering point, in the case of a fire alarm or an emergency, is in Parade Square, across Barrington Street. That's what you would do in the unlikely event that that should occur.

I'd also like to mention just as a preliminary remark that one of the people who attends this meeting regularly, Carolyn Earle, will be the recipient on November 13th of a Queen's Diamond Jubilee Medal, something that will be presented by Megan Leslie, the MP for Halifax. Carolyn is a regular visitor here, so it's a special treat for us to be able to say that that's happening. Congratulations.

Our usual format, as I think most people in this room understand, is to have our presenter present and then to have a period of questions and discussion. I'll begin with Michael Bradfield, who is the recording secretary with the Face of Poverty Consultation, to introduce yourself more fully and then move along from there.

DR. MICHAEL BRADFELD: I'm a retired professor of economics from Dalhousie. Since I'm retired, I'm working harder than ever, like most retirees, and having a ball. I've been active in church and community groups for 45 years. Anymore?

MR. CHAIRMAN: This is a point at which you might make a presentation, if you wish, so I'll leave the floor to you.

DR. BRADFIELD: Okay, thank you. The document has been circulated amongst you. I'll just quickly go through it. I'm not sure if you want to follow your own protocol of asking questions afterward, but I don't mind - having talked for 39 years - if people interrupt me or walk out of the room or fall asleep. So if you want to interrupt me during it, that's fine by me.

You are familiar because of Carolyn and Marilyn and Elizabeth Brown, and other people, who attended your meetings from the Face of Poverty that we are a multi-faith group. Not an ecumenical group, i.e., made up of Christian churches, but a multi-faith group with various other churches involved over time. We've presented briefs to provincial and federal committees, had meetings with MPs and MLAs, and hold public information meetings on various topics related to poverty. Basically what we are trying to do is keep the issue of poverty on the agenda, trying to fight it and get rid of that scourge.

As a group of consultation of faith groups it's interesting - as far as I know all the major faith groups have some sort of dictum such as the golden rule, "do unto others as you would have them do unto you", they all have something very similar in their scriptures or their documents, so that when we get a group of disparate faiths at our board, there's very seldom any question about the need for action. The question we discuss is what action is needed. So it's interesting and easy to operate a multi-faith group.

Our major concern is not just poverty but the fact that poverty and disparity in our society is getting worse over time. We feel that reflects a lot of issues, but often the economic and political institutions under which we all function. We recognize there is an individual responsibility for one's self, but we also recognize that we are contained and controlled in many ways by the institutions that we work within.

We see poverty as a systemic issue, that we have systems around this, economic/political/social, that affect how much we can do as individuals and, therefore, we need to have systemic change. Occasionally when we make that point to people, they say how can it be our systems are problematic because we have a lot of free systems? We have free markets, free education, and free Medicare - how are those systems constraining? I hate to tell you but you should know - since I'm an economist, I'm going to talk about the market first.

We don't have free markets in our systems; we have markets that in many cases are controlled by a very few firms. An interesting situation that has been in the public eye for about the last two months - economists usually figure three, four, or five firms can control a market if they have a big enough share - you have this situation in the international news about the LIBOR, the London Inter-Bank Overnight Rate, which is a system that sets interest rates. As you may know, even some Canadian banks are now under investigation for being involved in this rigging of interest rates, so that not only business interest rates

but mortgage rates and things that affect individuals are also affected by setting this one rate which then becomes the standard for all other rates.

Another market which is heavily manipulated that we in the Face of Poverty have worked on is the payday loans industry - the fast cash, whatever you want to call it. The payday loans industry was originally under the federal usury laws, which limit the interest you can charge to 60 per cent. The industry approached the federal government and said, will you relieve us of that legislation under the usury laws if we are legislated, regulated by the provinces? So the federal government exempted the payday loans industry on that basis. Nova Scotia was the first province to actually regulate the payday loans industry and we initially set a maximum rate of \$31 per \$100. Now when you say that to people, they say, wow, 31 per cent. But that's not 31 per cent. It's now been lowered to 25 per cent, so I'll use the 25 figure.

At the last payday loans hearings in 2010, the president of The Cash Store - the biggest operation in Canada, and certainly by far and large the biggest operation in Nova Scotia - testified that their typical customer takes a loan for around \$300 - at \$31 a hundred then, now \$25 - and it usually lasts for three months and they do four renewals of the loan, okay? Every time they renew, they have to pay another - now under the new legislation - another \$25 dollars. So you renew five times at \$25 a hundred, over a three month period - there is a typo in my written thing, it says six per cent - that's 500 per cent rate of interest in what we call a simple rate of interest, no compounding over the period. So over one quarter of a year somebody has paid \$125 and probably more, because the payday loan companies charge you renewal fees, et cetera. So over a period of three months, you pay \$125 to borrow \$100.

We are trying to start a public education on the high cost of payday loans and I've had them circulate a document that is available from the federal government free and you may want to get some for your constituency offices or take them to schools where they are teaching interest rates and let the students work out the interest rate on payday loans. Some of the loans, actually, have cost people as much as 1,300 per cent a year. We are working with unions, and I'm meeting shortly with Dalhousie Student Union, to talk about programs for their members. This is an area of concern to us because despite what the industry says, they claim the average borrower makes \$57,000 a year, the experience that we've encountered is that the average borrower is someone who is poor and desperate to get some fast cash, so that is one of the areas we are working in.

Back to free institutions - education, for instance, is free except there are a lot of ancillary programs in education that low income people just cannot afford to take part in. My grandchildren are in music, soccer, basketball, et cetera. Poor kids can't afford to be in those programs, their parents just can't do that, so free education doesn't cover all the things that are necessary both for the development of the child, socially and otherwise, and just to give them a healthier lifestyle.

The other thing I cited in the brief is programs that are designed to help low income people often have a systemic bias against improving their lot. An outlandish example that we cite, that we've raised the issue over the years on, is the 70 per cent claw-back on ESIA payments. You can make up to \$300 a month but anything over that is taxed at 70 per cent, or clawed back at 70 per cent. If you are one of the wealthiest people in Canada, you are paying a top marginal tax bracket rate of about 45 per cent, so the 70 per cent that the poor are clawed back is a marginal tax rate, which is 50 per cent higher than the wealthiest people in Canada. That's unfair if not downright immoral.

There is a fair chunk of stuff in my brief about taxation and you'll say, but this isn't the finance committee, and the answer is no, but if you want to make a recommendation to the Department of Community Services, one of the answers that you're going to get back that they got back is we can't afford that, there is no money for it. This is one of those nice instances in economics where just one number blows the whole lid off of it. In the last 40 years in Nova Scotia, our per capita output production income has doubled, so the question is, when we are twice as rich as we were 40 years ago, why can we not afford more than we did 40 years ago as opposed to being told we have to cut back?

The answer to the question - a large part of the answer - is twofold. The first is this increase in disparity in incomes so that you have huge growth in the income of the top 10 per cent and even far stronger growth in the income of the top 1 per cent, and even more growth in the top one tenth of 1 per cent. One out of a thousand people has had their income go up by about 15 times what even the top 10 per cent got in growth, so there's been this huge disparity. The middle- and low-income people are just barely hanging on, and they are hanging on - relative to, say, 40 years ago - because you have more double-income families, as both spouses have to be out there working to maintain the standard of living, the real purchasing power they had 40 years ago. So the first issue is, there has been this huge skew in the distribution of income.

The second is there is a trend in taxes - which goes back, again, about 40 or 50 years - of lowering taxes for the wealthy. Now I've got two charts up here. The upper one shows different types of taxes. Most taxes are regressive - i.e., they bear more heavily on the poor than they do on the rich.

The income tax is the only progressive tax we have. We don't have an inheritance tax anymore, so the income tax is the only progressive tax we have. What has been happening is things like, most recently, the tax-free savings accounts, but even things like RRSPs are programs that only the wealthy can take advantage of. Therefore, you introduce a program and say, everybody can have this - everybody can have it, but only the rich can afford it.

What the bottom chart shows is that since 1990, the total tax load on the poorest 20 per cent of Canadians has gone up by about five percentage points, and the tax load on the richest 1 per cent of Canadians has gone down by about five percentage points. So when

people say we can't afford a program, like getting rid of the claw-back, then what they're saying is - and if you could see the chart; I don't think they've been distributed to you - the top 1 per cent now pay roughly the same, slightly lower, tax burden than the bottom 20 per cent, and then the middle class is above that. So when you're saying you can't afford something, we're saying we can't increase the taxes on the top 1 per cent by as much as we have increased the taxes on the bottom 20 per cent.

There is no outcry about how they couldn't afford that, but as soon as we talk about increasing taxes on the upper income levels, suddenly we can't afford to do that. So we are arguing that basically what somebody who says we can't afford it is saying is this: we can't afford economic justice. The Face of Poverty Consultation believes we can.

One last point about finance: it's assumed that government programs cost money, and therefore, the question comes in - there's a very nice study by Pierre Fortin from Quebec, of the Quebec Educational Childcare Act, which is basically subsidizing daycare. What Fortin's work shows is that for every dollar of subsidy that is put into that program, it brings back \$1.05 in taxes to the Province of Quebec. It brings taxes to the federal government of 45 cents. For every dollar into the program the government is getting \$1.50 back.

What is the magic of that? Well, what they found was that if you put in a subsidized daycare, parents - primarily women - are now able to go out into the job market again. They pay taxes on their income, they spend their increased income, and that creates jobs for other people who pay taxes on that. Lo and behold, it just goes to show that you can do the right thing and it's also financially viable. So I think that's an interesting thing to remember when you're talking about programs, that programs for low-income people don't cost what they appear to cost, because there's a lot of tax return.

You're getting fidgety. Am I over my time?

MR. CHAIRMAN: Not at all, no.

DR. BRADFIELD: The last point, on Page 4 if you've actually got the document in front of us, sticking to this business about programs for the poor - some programs for the poor, but not many, are indexed to the cost of living. Many are partially indexed to the cost of living; some general programs are partially indexed to the cost of living. The point about that is that even if they're fully indexed to the cost of living, the standard index that is used is the Consumer Price Index. The Consumer Price Index is developed by taking an average basket of goods that people buy and then tracking the prices of that basket of goods over time.

The problem, not too big a point, is that the poor don't buy what the rest of us buy. They don't buy an average basket of goods, because they don't have the money to buy an average basket of goods, so economists have now developed this market base measure of the cost of living - and I give some data in here that from 2000 to 2009, for Nova Scotia, the

CPI, and I have two measures of CPI, the one excluding food and energy grew by 16.5 per cent over that period. For all goods in the CPI it's by 21.2 per cent, but for the market basket, the necessities, those things that the poor spend their money on, it grew by 32.5 per cent. So even if - and we seldom do fully index - you're indexing programs and support for the poor, and using the CPI they're falling behind.

So that's the presentation.

MR. CHAIRMAN: Thank you very much, Dr. Bradfield.

While you were speaking we had two additional members of the committee arrive and I wonder if they might introduce themselves, beginning with you, Ms. Raymond.

MS. MICHELE RAYMOND: I'm sorry to interrupt - Michele Raymond, and I represent Halifax Atlantic.

MR. BRIAN SKABAR: Brian Skabar, and I'm from Cumberland North.

MR. CHAIRMAN: I have begun to collect a speakers' list and I have one name on it at this moment - Ms. Regan.

MS. KELLY REGAN: I was actually reading your brief and then I just caught something that you said - you were talking about the subsidized daycare. If we came to you now and said what's the number-one thing that we could do that would help alleviate poverty in this province, would that be it or would it be something else, or can you not do anything in sort of isolation?

DR. BRADFIELD: That's frustrating because you're trying to get yourself into a loop.

MS. REGAN: Yes.

DR. BRADFIELD: You can't do anything until you do everything, and you can't do everything so you do nothing. The subsidized daycare I think would be a very significant thing but, obviously, bringing those ESIA rates up is also absolutely crucial. They're falling behind the Consumer Price Index, let alone the market basket measure, so .

..

MS. REGAN: Those would be the two things . . .

DR. BRADFIELD: At least. Yes, those would be good starters.

MS. REGAN: It was interesting to talk about the claw-back on those rates because we ran into a similar case where a woman was trying to access the emergency home repair

program, but because she was getting a child tax benefit, that put her over the income threshold - and we really didn't think that that should be included in that calculation.

DR. BRADFIELD: I'm trying to remember how far back it was - there was a campaign, in fact when the federal government improved some component of its assistance that cannot be then deducted from any provincial allowances. Then it's a transfer into the provincial government; it's not a transfer to the people who need it. So, yes, there are lots of issues like that where people - and that's aside from the 70 per cent claw-back on earnings. I know, I can remember a case of a carpenter who had a heart attack and was living in public housing. His doctor said he could work part-time and he said, what's the sense, not only do I lose my assistance, my public housing costs go up, so what he did was he did free work for everybody around him.

MS. REGAN: Thank you.

MR. CHAIRMAN: Mr. Skabar.

MR. BRIAN SKABAR: Just a minute ago when you were mentioning what was the one thing that we could do, particularly for people on income support or the working poor, the first thing that came to mind for me would be the non-insured health services, the medication and drugs and things like that - and, still, the whole stigma being on income support. I spent a good number of years in income support business and, my gosh, when somebody came home in a taxi, came from bingo, by golly the phones are ringing off the hook for two days; just to try to break that. But the example of the carpenter that you just mentioned, would the big thing be the 30 per cent - or the 70 per cent claw-back - so 30 per cent of your income support you get to keep.

DR. BRADFIELD: Except that then affects your public housing . . .

MR. SKABAR: But are medications taken care of? Has that been addressed?

DR. BRADFIELD: I don't know; I haven't gone into that kind of detail.

MR. SKABAR: Basically that was my question. I would have thought that to be the first thing - again for the working poor and people on income support that when the job opportunity does happen along and they can't afford to take the job because they couldn't afford their medication after that.

DR. BRADFIELD: There are all kinds of disincentives built in. Compared to the Scandinavian countries and Germany, their programs are based on the sense that the community should support everyone. Our programs are based on the assumption that people are trying to cheat us out of something, so we have built in all these disincentives into the programs. Of course, the irony is - the Europeans, the north Europeans, Scandinavians and Germans have much better economic performance despite that they are

much more generous. Quite frankly, when I hear people talk about the generosity of employment insurance or the generosity of welfare - this is not generous. This is punitive.

MR. CHAIRMAN: Thank you. Mr. Bain.

MR. KEITH BAIN: Thank you for your presentation this morning. Just a couple of questions, I guess. Your group is mostly - am I correct in saying – focused on poverty within the HRM?

DR. BRADFIELD: We are an HRM group. We've worked with other groups like Feed My Lambs in the Valley and Cape Breton, but to get people out to a meeting they've got to be HRM. The various diocese - the Anglican diocese, for instance, has a representative on our board so that when we do something, say, make up a bulletin insert, it gets distributed throughout the diocese, so we do have a wider impact than just the province. We had a petition - I think it was on the claw-back - where we got about 3,000 petitions and a lot of them came from Cape Breton.

MR. BAIN: Basically that was where I was going with my question as to whether or not there will be consultation with other groups like in rural Nova Scotia. Thank you for answering that.

Last week, we had the 2012 HungerCount released and it showed a sharp increase in the number of people who use food banks, and the reliance on food banks is ever increasing. Have you seen that in your work as well?

DR. BRADFIELD: As a board, dealing with the systemic issues, the founders of the group decided that we needed an anti-poverty group, which was based on changing the systems that cause poverty rather than dealing directly with people. There are people on our board who do deal directly with people, but as a group we don't provide food or anything such as that. We have an annual budget of about \$600 so that we are not directly involved in delivering service. We are focused on public education, policy change.

MR. BAIN: But like everyone else, I'm sure you're hearing the use of food banks is definitely on the rise.

DR. BRADFIELD: Yes, and again, when you cite the statistics of how much wealthier we are, it's a tragedy that food banks should be one of the growth industries in a country which is getting progressively - not getting progressively, but it's getting regressively wealthier; using "progressive" in the wrong way.

MR. BAIN: You mentioned the Poverty Reduction Strategy. Has your group been consulted or been asked for recommendations by the government towards implementing and going forward with the strategy?

DR. BRADFIELD: The legislation which set up the task force on the Poverty Reduction Strategy included a representative from the Face on that task force. Alasdair Sinclair served on that task force. We have made recommendations, for instance, to the first province-wide budget consultation that the budget has to include a major increase in funding for a poverty reduction strategy, so yes we have made recommendations with respect to that.

MR. BAIN: Have you seen any since you made that recommendation, have you seen any efforts by the government?

DR. BRADFIELD: Well there have been some efforts. We've talked about a few things, which would be high on one's list to do, but when the government talks about increasing ESIA pay rates, they are talking about \$350 a month when you need \$300 a month. We have never dealt with that question in a group but my personal answer would be that what the province has done with respect to poverty reduction has been insignificant but that's a personal thing because, as I say, we've never dealt with that particular question.

MR. BAIN: Thank you.

MR. CHAIRMAN: Thank you Mr. Bain. I'm going to go to Ms. Casey at this point.

HON. KAREN CASEY: Thank you and thank you for your presentation and your perspective both from the board and from you personally. I don't think there is anyone who would disagree that there is no one answer, no one action that will be able to get us where we want to be. You've talked about a number of things and it's hard to identify the priority. When you presented at budget presentations and on the task force, and so on, were you able to present a whole host of actions that might come together to get us where we want to be?

DR. BRADFIELD: Only indirectly in so far as we were represented on the Poverty Reduction Working Group. Often what we do is take a particular instance like the minimum wage or the claw-back and concentrate on that because we find if you present too big a package - first of all the argument we can't afford it appears stronger, and second it then defuses the discussion. Whereas if you look at the 70 per cent claw-back, as I say, when you compare that to the marginal tax rate of the wealthiest Canadians at about 45 per cent, then you've got to say that's just plain wrong.

But if you have the claw-back rolled into, the minimum wage rolled into ESI rates, et cetera, it gets lost so we have tended, as a strategy, to focus on a single issue at a time. Now, our budget proposal for the province had about five recommendations in it but quite frankly I can't remember, I suspect that claw-back, the things that we'd already discussed as a group and dealt with, go into the package.

MS. CASEY: If I could - just one follow-up. I understand you have to focus on some of the smaller pieces but my concern is that the people to whom you are speaking

need to understand that those are just small pieces of a big picture and sometimes when you present the big picture and then break it down it does help others understand, so that was the basis for my question.

DR. BRADFELD: Point taken.

MR. CHAIRMAN: Thank you Ms. Casey. Ms. Raymond.

MS. MICHELE RAYMOND: Thank you very much. I apologize for arriving late and I know you have an enormous package of things to deal with and, certainly, it's really concerning when one sees that income disparity is rising in Canada faster in the last 20 years than in almost any other western country. It has, in fact, slowed in the United States while it has continued to rise, up until the last year or two, in Canada.

I guess I should say I have had the experience of living in one place for almost all of my life, which is just outside of the city of Halifax, but I have watched that area become urbanized. There are two things that I would say and I would like to ask you about in the end. In the increasing urbanization one finds that there is, with densification and various policies, things that have been publically accessible or almost commonly accessible become more and more difficult for people to use. The area where I grew up was one where people were still, in fact, keeping animals, ducks, raising eggs, fishing and doing their thing up until probably 15 years ago. Zoning regulations and so on have increasingly prohibited that. At the same time you have some of the forms of recreation that would be done outdoors with volunteer leaders and so on have become progressively more expensive because of insurance concerns.

One sees park land increasingly constrained, and access to what one would consider to be public facilities and so on. At the same time there are a lot of pressures and loss of services that have been bringing people into these more urban areas, where there is less and less access. I heard a really scary statistic the other day - it's true that it was applied to the United States, but the average child of 12 years old in the United States today spends close to seven hours watching television or a computer, a little bit more than an hour texting, and four minutes playing outdoors, which is a really, really frightening thing. There are a lot of things contributing to that - the inexpensive recreation and development abilities and education abilities which have been lost.

We also see that people are increasingly concerned in Canada. In the lower-income groups, they are increasingly concerned about their access to health care - and that's not even medications, but their access to health care, which suggests that there are other things mitigating this. Of course, we know that's a function. Nutrition, obviously, is compromised, and it's more and more difficult. I watch people fishing and it's usually more likely to be immigrant populations who are just plain not willing to be chased off the shoreline where they are fishing, and people are less and less willing to see them do that.

What I really am concerned about - I mean, we're seeing the closing-in of this. We're also seeing reporting of hazard being an increasingly difficult process, and hazard in housing and so on. There are more and more layers that people have to go through to get those complaints registered and dealt with. Of course, as you are probably well aware, there is a considerable shortage of housing at the lower-income end.

As people have to make up for those losses of outdoor recreation or the ability to produce food, the communication vectors - I'm finding people are spending close to \$100 - \$150 a month nowadays even on just access to what I'm afraid we used to call poverty television, which isn't available now except at cost, and the Internet connections, which are assumed to be basic to communication, to access to services, to education, and \$150 a month is one heck of a lot.

Has the group been able to develop any kind of a model for assigning value to the loss of access to facilities that were formerly either free or public?

DR. BRADFIELD: We have no paid staff. Some of that analysis is at least implicit in GPI work, some of the stuff that they have done, but as a group, no, we do not have the research capacity to get into that except where a member of our group has an interest in an area and goes after it. Then it's brought to us, and we may do something.

MS. RAYMOND: So in the same sense that you see stagnated income, you don't really know too much about what else has been lost outside of that.

DR. BRADFIELD: Well, for instance, one of the larger pictures of support has been calling for a telephone to be part of the basic budget, recognizing that if you don't have a telephone, it's very difficult to get a job because they have no place to call you. You see that now in terms of excluding people from the democratic process, where if you're switching over to telephone or on-line voting, then there's a big chunk of low-income people who don't have access to either one of those. The federal government has cut out the CAP Program, et cetera, so it's clear that life is getting harder and harder to deal with, that the support levels aren't growing with the shift in technology, which is increasing our costs. As you say, \$150 a month is probably not unusual, if you're getting \$750 a month for food, clothing, and shelter.

MS. RAYMOND: Okay, thank you. I'll look at GPI.

MR. CHAIRMAN: Thank you, Ms. Raymond. Mr. Burrill.

MR. GARY BURRILL: I just wanted to go back and think a bit about what you were saying about the ESIA claw-back, I thought that was a very important campaign that the Face had. I thought it was an important thing to focus on and I thought it was an important thing when the adjustments were made to it, I think in the 2011 budget. I'm just going by memory about those adjustments but I think I'm right that the threshold, before

the claw-back kicked in, was doubled - if it's not doubled, it's pretty close to double - at some considerable public expense. You're not saying, are you, that you thought that was an insignificant change?

DR. BRADFIELD: Relative to the need, I would say it's an insignificant change. Again, that's a personal opinion, we haven't parsed it at our meetings but when you consider that the original of it was \$115, it was doubled to \$300, okay, that gives you an extra \$150 a month before the claw-back kicks in but if you're making minimum wage, that's 15 hours of work more that you can get in a month, before the claw-back kicks in.

If you compare it, as I did, to the upper marginal tax rate, it's still extreme - extremely low. It's an extremely low amount of money and end up net with the 70 per cent claw-back. Why should the poor pay a higher marginal tax rate than the rich?

MR. BURRILL: Yes, that's true, although I think it's also true that those who campaigned for so long, quite rightly, for an amelioration of the claw-back provisions, should be proud about the long-term success of that program, that a pretty significant change was made. I mean the marginal tax rate now from \$150 to \$300 is zero. I think it's probably true that had there not been some sense of public moral outrage about that and if that fire hadn't been kept burning through the years, that wouldn't have happened.

DR. BRADFIELD: Of course one is appreciative for the change but I don't think, in the light of all the other things that are going on, that that's a huge factor.

MR. BURRILL: I wanted to think, too, with you a bit more about - I really appreciate your connecting of public finance questions with poverty thinking questions. You're right, the two belong totally together. When we think about the progressivity of a provincial income tax system, it is a case that a pretty dramatic change was made in Nova Scotia in 2010 with the increase in income tax for those earning over \$150,000 a year. I think it's true that until the changes of the new Quebec Government, this made us the most progressive provincial income tax jurisdiction, at least in the upper brackets that way. Do you think that's a significant accomplishment or am I overstating it?

DR. BRADFIELD: I guess I'd say it's below my expectations. Also, at the same time as we increased the tax rate at the upper level, there's an intermediate level there around \$90,000 that had the surcharge removed. It's not obvious to me that that should have been done - maybe I should rephrase that - it's obvious to me that it shouldn't have been done. So we gained a little, we lost a little, but compared to the 2 per cent increase in the sales tax, it's small. The 2 per cent increase in the sales tax is huge because of the regressivity of the sales tax, when you could have raised the same money by some adjustments in the income tax brackets and done it progressively.

I don't know that the fact we have the most progressive income tax - and general tax system because of the income tax - is something to be proud of. I don't think it's going to scare anybody away who might come to Nova Scotia if we were to make it more

progressive, which is what we're advocating. If somebody wants to come and is thinking about coming to Halifax or to Nova Scotia and they say, they've just raised the rate on the top bracket by 5 percentage points, I'm not going to go, I'd rather go down there if they only raised the sales tax by 2 percentage points.

Quite frankly, the economic studies of people's decisions is that people are rational in the sense that they say to themselves, what's the tax rate I'm going to be paying in that province? What do I get for it? Corporations and individuals both make that decision, and if what you get is better education, better housing, less disparity - one of the interesting things, on a different track, is that those countries with the most egalitarian income distribution have a much higher life expectancy for the poor, but also for the rich, because the rich aren't worried about what the poor are looking at them for, whatever the reason is. There are a whole lot of things going on.

MR. CHAIRMAN: Thank you. Mr. Orrell.

MR. EDDIE ORRELL: You just talked about the 2 per cent raise in the HST. We know our electricity costs have gone up and the cost of food has gone up. How has this impacted the number of people who are living in poverty?

DR. BRADFIELD: As I said, the goods that the poor - the low-income people - buy have risen much faster in price than what the average Canadian buys. Therefore, they're going to suffer more. I'm trying to think of specific items, but the aggregate data show very clearly that the poor have recently suffered much more from inflation than the rest of us.

MR. ORRELL: With no progress on the Poverty Reduction Strategy, does that compound that again?

DR. BRADFIELD: Without something to compensate on the other side, yes, they're being squeezed harder and harder. If you get into the business on the education side of things, for instance, where less and less is provided by school boards to the students and more by the parents, that's just squeezed from every angle for everything they want to do.

MR. ORRELL: One last quick question. We talk about the working poor. Besides the increases in electricity costs and HST, are there other contributing factors that keep them as working poor, maybe as compared to someone rising through the ranks?

DR. BRADFIELD: There are a lot of factors in the current economic climate, where I suspect the data come out long after the fact. As an economist, I rely on gut instinct very often, but what you're encountering for people is they've been cut back from full time to part time, or from part time to less part time. You have changes in EI, which are going to affect people who are already marginalized because of the nature of their part-time seasonal work. You have mills closing, et cetera, so you have a lot of factors coming, and the poor - the first point is, the majority of the poor are the working poor.

Secondly, the poor kind of have a toehold in the market place and a toehold in the economy, and usually - maybe a fingerhold; I'm saying toehold - I know the difference - "fingerhold" would be better, because when tough times come along they're the first fingers to get stepped on. It's women, they're poor - it's women who are poor, single women, female-headed households, et cetera, and two steps forward and three steps back in tough times.

MR. ORRELL: Just one more?

MR. CHAIRMAN: Yes, go ahead.

MR. ORRELL: You talked about the systems that needed change in order for the overall picture to change - what would you say would be the two most important systems that we could change that would make the biggest difference?

DR. BRADFIELD: Okay, well, that allows me to ride three other horses.

As the chart over here shows, the sales tax is one of the most regressive of the taxes that we have, so that the Face of Poverty, along with other groups, have suggested, okay, the property tax is also very regressive. The income tax is the only progressive tax, so what we need to do is shift more of our tax base over to the income tax. So we've cited various things, one that I didn't mention in my overview - capital gains and stock options are only taxed at a 50 per cent rate because you only have to declare half of them as taxable income.

I have from the August 25th paper, a copy in The ChronicleHerald, an article which is in every Saturday night's paper by John DeMont, where Chris Huskilton, president and chief executive officer of Emera - whom I don't think is underpaid - on a certain date, he filed his purchases of exercising stock options. He bought 172,900 common shares at \$19.88 and another 163,800 at \$20.32. Within a couple of days he sold off almost the same amount of shares at between \$34.51 and \$34.62 - so about \$15 a share gained by exercising his option when the prices are high in the market, dropping them, he cleared a cool \$4.8 million on those transactions and he paid taxes on only half of it. I think that should be changed.

MR. CHAIRMAN: Ms. Regan.

MS. REGAN: Earlier one of my colleagues questioned you about the change from full-time employment to part-time employment and whether that was having an effect on food bank usage. I realize you're not right in there at the food banks, but it does seem to me that if we have jobs that are shifting from full-time positions, even at minimum wage, and then they're shifting to part-time, I don't understand how people can make ends meet.

DR. BRADFIELD: I've worked with poverty groups for 45 years and it infuriates me to be told that the poor don't know how to budget. If you don't know how to budget and

you're poor, you starve. And the other one that gets me is the people who have this image of, oh, well, they're on welfare, they're at home drinking and watching TV.

There's a thing called consumer expenditure data which shows what we spend our money on by income class, and when I looked up the data last time, the bottom 20 per cent, which I consider basically the low-income people, spent something like, I think it was 3 per cent of their income on alcohol and entertainment. The middle class, which has five times the income of the poor, spend about 8 per cent on those items. So they've got five times as much to spend and they're spending more than twice as much on it. So I've got to find out where the poor are buying their booze because you can't get drunk on what they're spending on booze.

We have these mythologies about the poor and it just infuriates me that people can cite these things as, you know, well, everybody knows sort of thing, these stereotypes - hey, go down and spend a day with them and see how they have to scrimp and cut corners. It's not a life that people choose.

MS. REGAN: In your brochure from November 2011, your group identified six goals for a Poverty Reduction Strategy framework. So I'm just wondering if you walk through those goals you could tell us where we are as a province in terms of achieving those goals - you know, what we're doing and what the government could do to achieve them.

The first one would be universal access and coordination of government services.

DR. BRADFIELD: Well I guess I would go the Poverty Reduction Strategy for that. The Poverty Reduction Strategy brought together a variety of departments to bring forward a reduction in the strategy and since then it has separated again. So I'd say accessibility with coordination - I don't think it is happening. Again, since we are a democratic organization, and you're asking me things that we haven't talked about specifically, I'm giving you my opinion.

MS. REGAN: I understand.

Empowerment for all Nova Scotians to participate fully in society.

DR. BRADFIELD: Not there.

MS. REGAN: Entitlement to a liveable income and just employment practices.

DR. BRADFIELD: Not there.

MS. REGAN: Comprehensive accessible and universal child care and early childhood development programs.

DR. BRADFIELD: Minimal progress.

MS. REGAN: In terms of early childhood development programs, have we seen anything happen over the last while?

DR. BRADFIELD: The number of spaces has been increased. But relative to the need, very little.

MS. REGAN: Educational opportunities for all Nova Scotians.

DR. BRADFIELD: There have been some improvements, but not at the Primary level where it is most crucial, as far as I know.

MS. REGAN: I remember when Halifax County Board cut Primary back to half days; this would have been when my second daughter, who is now 22, was in Primary. She came out and she couldn't read. Well, we made it a priority to get her into a program that would help her to read but all I kept thinking about at that time was, well I can do that but there are kids in her class who can't. So you worry about the effect of that and what that means for a lifetime of learning because we know if they are not at grade level by Grade 3, that's a big problem.

Finally, societal understanding of poverty issues.

DR. BRADFIELD: I think we have made progress in that one. For instance, The ChronicleHerald has, for the last several years, run front-page articles about either programs or about individuals. CBC and other media have presented programs about people living in poverty, so I think the public appreciation of the causes of poverty and the implications of poverty is greatly enhanced.

To my mind, and from our activities, the big problem is when you go and talk to the Department of Finance and they say we can't afford - then I have to say, who can't afford it? You're telling me the rich can't afford to pay the taxes that the rest of us do.

MS. REGAN: To that issue, there was an incident, not this past summer but I believe it was the summer before, where we had a government minister talking about - basically perpetuating the myths around poverty, that people were getting hot tubs and things like that through ESIA supports. I found that disturbing especially when it turned out there were no hot tubs that actually came through that, it was something else. To me, that was poor-bashing and I had a big problem with that.

DR. BRADFIELD: They're an easy target and that goes back to the Face of Poverty. The poor are very often faceless and marginalized and voiceless, and we feel as - we're not all middle class, we have a few first-voice people on our board. But most of us

are middle class, working in middle class institutions, who have a responsibility to be more aware and to be more active.

MS. REGAN: Thank you.

MR. CHAIRMAN: Thank you Ms. Regan. We'll go to Ms. Casey and then to Mr. Burrill.

MS. CASEY: Thank you and this is just a quick question and probably will get a quick response. It's to you as an economist from me as an educator. Anything that I have read about the connection of the two would suggest that one of the best places a government could invest is in education. I guess I'd like to hear your comment. Is that something that you would agree with?

DR. BRADFIELD: Oh, definitely. The studies all show a very high rate of return to education, from Primary or pre-Primary on up. The problem for some Ministers of Finance is that it doesn't pay off the next year.

MS. CASEY: Thank you. My next question, if I could have a Part B - we know that in this province we have severely slashed funding to public education. We downloaded a lot of costs, and some parents are having to pick up those costs. Because we're talking about poverty, we know that some parents want to do that and they can't, so in the absence of Johnny bringing a healthy snack to school, we have teachers who are bringing food and providing meals, and we have communities that are coming in and doing breakfast programs and all those kinds of things.

My concern is that as long as we continue to cut funding to public education, we will continue to create more need in those communities for people who can't afford it. I just want to be clear that what I'm interpreting from economists' statements is true, that that is one of the best places for a return on investment, and unfortunately, we're not getting that return. Thank you.

MR. CHAIRMAN: Mr. Burrill.

MR. BURRILL: In my own church tradition, the United Church, for many years the church took the position that poverty was a solvable problem and that the solution was a guaranteed annual income. Often it's responded to as, well, you know, it's a lot more complicated than that, public policy has many different facets, and so on. My own view is that this long-held view of the United Church is correct, but I'm interested in what you think about it. Do you think a floor-income program, which would essentially do for those under 65 what we did half a century ago for those over 65, could put us in the situation where we actually could eliminate poverty?

DR. BRADFIELD: I would fully advocate a guaranteed annual income, a floor-income. The irony is that both left- and right-wing economists agree on that. However, I am realistic enough to know that some of the overhang from past poverty still creates major problems for families, even if they have adequate income, so that simply providing the income and not providing other opportunities for training et cetera would not be enough. But we are wealthy enough to afford to do both, if we wish to. It's a financial problem. It's not a capacity problem.

MR. BURRILL: I was talking about anti-poverty policy within the Nova Scotia Government with one of the candidates for the federal NDP leadership earlier this year, who said to me, well, of course, provinces in Canada don't have the levers to make significant progress on this matter. The levers of policy that are able to make dramatic advances on this are all federal in our country. It was shocking that he thought this.

I wonder, just in a general way, what your reaction is to that. Do you think that it would be possible within the provincial jurisdiction to make dramatic enough progress on this that poverty could be eliminated?

DR. BRADFIELD: I agree that the ideal would be a federal government involvement. Let's look at taxation. It would be much better for the federal government to change the federal tax Act to raise income tax, to add income tax brackets and raise bracket rates than for provinces to do it individually, because then you get into inter-jurisdictional competition between provinces to not do it.

If you want a progressive tax base, it can be done far more effectively at the federal level. My general proposition is you raise as much money as you can from an income tax, which is federally operated, and you deal most effectively with issues by having the provinces either spend the money, or in the case of, say, a guaranteed income, individuals spend the money.

Not that there isn't a lot of government money that has to be spent to deal with poverty, but in the absence of an activist federal government, then we can't stand by and say, oh well, we missed that boat. We get our row boats out and we row our little hearts out. Again, to cite the studies, people across Canada - 60 to 70 per cent; in the Atlantic provinces, 70 to 75 per cent - say we would be willing to pay higher taxes to have better health care, better education, higher assistance levels. I don't think they're distinguishing between federal and provincial, so if the feds won't do it, then I think it's on us to do it.

MR. CHAIRMAN: Thank you, Mr. Burrill. I don't have anyone else on my speaker's list and I'm looking around the room to see if anyone else wishes to be recognized.

In that case, Dr. Bradfield, would you be interested in making any kind of summary comments?

DR. BRADFIELD: I think I've talked too much now. (Laughter) Karen wanted a short answer, I heard that a while ago.

MS. CASEY: And you gave the right one.

MR. CHAIRMAN: I would like to thank you for being here and all of our guests for being here as well today, and I would like to thank members of the committee for some good questions and comments and for contributing to a thoughtful discussion of a very important issue. Maybe in terms of your goal - number six from your brochure - there is a better understanding of the complexity and the entrenched nature of poverty issues in our community, in our province and in our country, and perhaps in our world. So thank you very much.

DR. BRADFIELD: Thank you for inviting us and thank you for your questions. Hopefully we can work together.

MR. CHAIRMAN: We have just one other item on our agenda, which is the date of our next meeting. It's scheduled for December 4th where we will, in a related way, have a discussion with the Affordable Housing Association of Nova Scotia. I guess the actual time of that meeting on December 4th will be organized by whether the House is in session or not, something that is not totally possible to predict at this moment.

If the House is in session, we'll be meeting at 9:00 a.m. I guess if it isn't, we might meet at a later point, but I would suggest that we will use a timeline of a week in advance of December 4th to determine what time the meeting is so that we're not having problems with actual scheduling both for our witness and ourselves. Is that an acceptable arrangement?

Thank you very much everyone. The meeting is adjourned.

[The committee adjourned at 10:08 a.m.]