



FACE OF POVERTY CONSULTATION
A Multifaith Coalition Working to Eliminate Poverty

Brief to the Standing Committee on Community Services
November 6, 2012
Presented by Dr. Michael Bradfield
Recording Secretary

The Face of Poverty Consultation works to increase awareness of poverty issues among our members and within our faith communities, as well as to promote policy and action by government that will improve conditions for those living in poverty. We draw membership and support from the following faith communities: Anglican, Baptist, Buddhist, Lutheran, Presbyterian, Quakers, Roman Catholic, Sonlife Church, United Church, and Unitarian Church.

Since 2000, we have met with area MPs and MLAs, presented briefs to the House of Commons Finance Committee, to the Nova Scotia Budget Consultations, and to other agencies. Our ongoing work involves organizing public information meetings and all-candidates meetings, and providing resource materials and speakers for worship services, outreach committees, community groups, and researchers. The Face of Poverty Consultation circulates bulletin inserts, project information, and petitions to our respective faith groups to keep them informed and involved.

We work with other anti-poverty groups such as the Community Coalition to End Poverty in Nova Scotia, the Affordable Energy Coalition, and KAIROS. We are currently working with unions to inform their members and the broader community about the high cost of payday loans and the need for tighter regulation. In addition, members of our Board work for or participate in faith-based and community groups, local and national, and thus maintain useful links in the community.

Our priority is to keep poverty on the political agenda until it is no longer a scourge for Nova Scotians and for all Canadians. The Face of Poverty Consultation has taken an active role in public issues such as a living minimum wage, higher Employment support and Income Assistance (ESIA) support levels, ending the ESIA claw-back on earnings, and the need for an effective poverty reduction strategy.

The Moral Imperative

Virtually all major faith groups have a common principle of respecting the needs of others, for instance as summarized by "The Golden Rule". Thus, there is a moral imperative to work for a society in which everyone has the possibility to achieve their full potential. Our Vision and Values statement says "We believe all persons must have the opportunity to live in the fullness of their dignity, goodness, and potential."

Our deliberations are not about whether action is appropriate but about the information necessary to take effective action. This requires analysis of problems, their causes, and their solutions – done as learners in solidarity with the marginalised, not as people who have decided what others need, or need to do. We try to be a voice for the excluded and exploited.

Practical Approaches

The Face of Poverty Consultation focuses on public education and politics because our society's large and worsening disparities in income and wealth reflect the economic and political institutions within which we all function. Yes, individuals must take responsibility for their actions, but we act within systems which control and constrain many while enabling and enriching a few.

Why do we see poverty as a systemic issue, when so much of our activity is within free structures – such as free education, free health care, and free markets?

The problem is that these are not free. Markets are not free in the economists' sense of no one having power to affect the price of a product or of labour. Our jobs and many of the goods we consume, even necessities, are affected by markets controlled by a few firms or agencies. The current scandal over banks manipulating the London Inter-Bank Overnight Rate (LIBOR) to push up interest rates – including mortgage rates – is just the most recent example of market control.

Another example of market manipulation is the payday loans industry. The payday loans were under federal jurisdiction and limited by usury laws to an interest rate of 60 %. They lobbied to be exempted from this, if they were regulated by provincial legislation. Nova Scotia was the first to regulate, under the Utility and Review Board. Payday loans average \$300 for under two weeks and the initial maximum was set at \$31 per \$100 lent; lowered following the 2010 hearings to \$25 per \$100. The industry in Nova Scotia is dominated by two firms and the president of one of them testified that a typical customer will renew the initial loan 4 times before paying off their loan, after about 3 months. That means the typical customer is paying $\$25 \times 5 = \125 per \$100, plus renewal fees and other charges, or a simple interest of 600 %! The Face of Poverty Consultation is working to educate the public on the high cost of these loans and to find low cost alternatives, an area that churches elsewhere have proved effective.

Education, even at the primary level, requires funds to access programs such as music and recreation which may be considered ancillary but are part of full inclusion and development. Similarly health care is generally available but many in our society cannot afford the quality of food, or housing, necessary for healthy development, let alone the financial burden of major health problems which are costly and may affect employability and income.

Moreover, programs intended to help people with insufficient income often perpetuate their situation. The 70 percent claw-back of ESIA support on earnings over \$300 a month is 50 percent higher than the marginal tax rate for the wealthiest Canadians and the claw-back generates a huge disincentive for someone with a chance to work part-time to get ahead. They incur extra expenses to work, yet lose most of the market income earned because of the claw-back. Similar issues arise with Employment Insurance in Canada. The Scandinavian nations provide much more realistic levels of support without the disincentives so often emphasised in government programs for the marginalised, programmes which are structured around punishment and distrust.

We know there is no free lunch - we “have to live within our means”. But what does this mean as a society?

Why is it that as a society we produce **twice as much, per person** as we did 40 years ago yet we are told we now cannot “afford” the level of social programs we could then?

The answer is two-fold:

1. The growth in real purchasing power has gone primarily to the upper 20 %; in the last 20 years, to the upper 5 %. Thus income disparities have increased. (In the U.S.; according to the Congressional Budget Office (CBO), between the years 2003 – 2005, \$400 billion in pre-tax dollars was shifted from the bottom 95 percent to the top 5 percent, costing the bottom 95 percent households \$3,660 each. While there was a drop in inequality for a short time after the stock market crash as a result of depleted stock portfolios, it has again accelerated. Since 2010, the top 1% has captured 93 percent of income gains) .

2. Taxes in Canada fell from 1990 to 2005, by two percentage points for people in the middle but by three percentage points for the top 5 percent. And taxes rose for the poorest 20 percent of Canadians by five percentage points so that they are paying roughly the same proportion of their income for taxes of all kinds as the wealthiest one percent. It is no wonder that many live in desperation while others live in decadence.ⁱ

Of course, the argument is that it is necessary to cut taxes to the wealthy and their corporations to stimulate the economy and create jobs and higher incomes. This has not workedⁱⁱ for most of us even though income tax rates in the upper brackets are lower than they have been in decades!

We believe that our governments can afford to provide better services for all if the tax system truly reflects a just sharing of taxes. A progressive tax system means taxes rise as one’s capacity to pay rises. The only part of tax system which is progressive is the income tax and there are loopholes in it through which the wealthy can drive a Brinks truck.

Some forms of income receive special treatment, such as capital gains and stock options, only 50 percent of which needs to be reported as taxable income. Indeed, even the structure of the income tax system has limited progressivity with upper brackets getting larger and the jump in the tax rate smaller.

Those who claim we cannot afford higher taxes are saying that the wealthy cannot afford a tax increase of the magnitude of that imposed on the poorest Canadians since 1990, or that the wealthy cannot afford to pay the same level of taxes as people in the middle tax brackets. They are saying we cannot afford justice.

Moreover, not all government programs add to the debt. In Quebec, the introduction of subsidised day care freed up women to rejoin the work force. Thus, they had more income to spend and this stimulated other jobs. The increases in incomes also meant increased taxes. For each dollar spent subsidising day care, the Quebec government received an additional \$1.05 in tax revenue – and the Federal government raised another \$0.45.ⁱⁱⁱ

Finally, while being told “we **all** have to tighten our belts”, we see perverse policies which provide subsidies to some of the wealthiest families and corporations in Canada, and massive expenditures on weapons while cutting back on education, the environment, and health care.

It is claimed that some policies protect the poor because support is, at least partially, indexed to the cost of living, usually the consumer price index, the CPI. However, even complete indexation does not prevent the purchasing power of the poor from falling because the CPI is based on average levels of consumption for an average basket of goods. But the poor do not, cannot, consume a basket of goods similar to the rest of us. Economists recognise this and advocate indexing social programs to a Market Based Measure (MBM) of expenditures as a better measure than the CPI.

While the CPI is based on a group of goods purchased by the typical Canadian household, the MBM is based on a group of goods considered necessities (e.g., food, clothing, shelter, transportation). Because they spend a greater proportion of their incomes on necessities, the growth of the MBM is a truer reflection of the increase in costs facing the poor. From 2000 to 2009, for Nova Scotia, the CPI (excluding food and energy) grew by 16.5%, the CPI (all items) grew by 21.2%, but the MBM (for Halifax) grew by 32.5% or 50 percent faster than the higher of the CPI estimates.

Government budgets should be based on sustainability, both social and environmental. To the extent that we base them on financial sustainability, we must focus on a taxation system which is both fair and effective. Community services should not be a residual item but a primary concern reflecting a priority in helping the marginalised first. It is the voice of the poor which must be heard.

In this context, it is instructive to read the New Testament, Letter of James, ch. 2, vs. 1 – 10: “Show no partiality...For if a man with gold rings and in fine clothing comes into your assembly, and a poor man in shabby clothing also comes in, and you pay attention to the one who wears the fine clothing...have you not made distinctions among yourselves and become judges with evil thoughts?...If you show partiality, you commit sin”

To view our website, please go to <http://users.eastlink.ca/~lutheranchurch/Poverty.html>

ⁱ Lee, Marc. 2005. *Eroding Tax Fairness: Tax Incidence in Canada, 1990 to 2005*. Ottawa: Canadian Centre for Policy Alternatives. retrieved at policyalternatives.ca/sites/default/files/uploads/publications/_Office_Pubs/2007/Eroding_Tax_Fairness_web.pdf

ⁱⁱ Shome, Parthasarathi, 1993. "The Taxation of High-Income Earners", International Monetary Fund, *Papers on Policy Analysis and Assessment*, No. 93/19.

ⁱⁱⁱ Pierre Fortin, Luc Godbout, Suzie St-Cerny, “Economic Consequences of Quebec’s Educational Childcare Policy,” presentation to Early Years Economics Forum, June 22, 2011, Toronto, ON. http://www.oise.utoronto.ca/atkinson/UserFiles/File/EarlyLearningEconomicForum_Fortin.pdf