

# Thinking About Poverty

## Part 3: Helping the Poor — A Critical Analysis of Poverty Policy in Canada

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## ESSAY 3

# Helping the Poor: A Critical Analysis of Poverty Policy in Canada

*By Christopher Sarlo*

### Executive summary

This paper is a critical analysis of formal policies and programs designed to help people who live in poverty. It is really important for readers to understand that this paper does not propose alternatives (that comes in the final essay in this series) nor does it endorse any existing policies. It is simply evaluative. The focus of this essay is on government policies and programs and specifically those that intentionally target the poor. The question we repeatedly ask here is whether government help is really helping. While redistributive programs no doubt bump some households up over the poverty line, which will reduce measured poverty, is that the solution to poverty? Or do we want the same thing for the poor that we want for ourselves? Namely, a strong, independent life and the personal satisfaction that we are contributing, participating members of our community—on both the production and consumption side of the economic equation.

The OAS grant, originally means-tested and provided to low-income seniors over 70, was changed over the years to be a universal demogrant for seniors over 65 but with a clawback at a relatively high income level. Since most of the OAS grant funds go to non-poor seniors, it can no longer be considered as targeted to the poor. However, under the OAS administrative umbrella, we have the Guaranteed Income Supplement (GIS) for seniors and the Spouses Allowance (SPA) for spouses of GIS recipients. These are definitely targeted to low-income seniors based on the previous year's income tax return. So that part of the OAS program would clearly bump a number of senior households up over the poverty line and thereby reduce measured poverty. But that is only 24 percent of the overall OAS expenditures. The bulk of OAS, the OAS grant itself, mainly goes to non-poor senior households. Regrettably, the data is not there to determine to

what extent the OAS grant is predominantly a shuffling of monies between middle-income households.

One concern with the GIS and SPA is the extent to which they affect the savings rate for employed persons, especially those with average or below average incomes. Within a range of incomes, there may be little incentive to save for retirement if the GIS/SPA component of OAS will make up the difference in any case. In general, while some kind of insurance is needed in case the worst happens, there is the question as to whether this is the most efficient and effective way to accomplish that.

During the 1970s, government officials in Canada declared that housing is a basic “right” for all Canadians and they got involved in helping lower-income households obtain affordable housing. Since that time we have had persistent shortages of subsidized housing and a chronic lack of affordable housing—both for owner-occupied and rental housing. Indeed, there is a case to be made that, in the area of affordable housing, government “help” may actually be making the problem worse. Social housing has become synonymous with many of the pathologies of urban life—crime, drug abuse, violence, unstable families, and despondency. As well, there are unacceptably long waiting lists for these rent-geared-to-income units. An Ontario auditor report states that the Province does a poor job of transitioning public housing recipients into employment and market housing. The way the system is structured, the auditor argues, provides little incentive for recipients to become self-reliant. The biggest problem in the area of housing is on the supply side, as various government restrictions and regulations prevent new housing from being constructed where it is most needed.

Social assistance (or welfare) is regarded as the quintessential example of government helping the poor. The main concern of economists is that the way the welfare system is structured, employment (at least for modest wage jobs) is not an attractive alternative. So financial dependency is identified as a critical problem. More than that, however, is the longer-term damage done to people’s sense of self-worth and of being contributing members of society. As one prominent US social scientist has noted, “The black family, which had survived centuries of slavery and discrimination, began rapidly disintegrating in the liberal welfare state that subsidized unwed pregnancy and changed welfare from an emergency rescue to a way of life.” Review after review (including Auditor reports) have stressed that “pathways to employment” be the centrepiece of a reformed system of helping the poor. Many observers remain pessimistic that systems will change because of the strong vested interests in maintaining the status quo. Many politicians, activists, and especially, well-paid bureaucrats benefit from the prevailing structures.

For all of their emphasis, in recent years, on the importance of participation, dignity, and inclusion for poor people, the social justice community seems to have seriously misunderstood what these terms really mean. By focussing solely on people's role as consumers they have fundamentally shortchanged the poor. How inclusive is it when almost everyone around you is employed (is a producer) and you are not? How does enduring dependency foster self-esteem and dignity of the person? Real participation in society involves making a contribution to the economic production of a society—something that many ignore or even discourage.

The poor are not well-served by policies and programs that disregard the critical role that employment plays in their long-term well-being. The prevailing welfare system in Canada is simply not helpful. The challenge is to find creative alternatives that reward work and help disadvantaged people become real participants in their communities. The real solution to poverty is, then, not merely finding ways to bump people over the line but rather to help people become self-sustaining so that they can pull themselves out of poverty. More on that in the next essay.

## Introduction

In our day-to-day lives, almost all of the interaction we have with others is on the basis of reciprocity. We go to the store and purchase something and, in doing so, there is a mutual gain for the store owner and the shopper. When we go to work, the employer benefits from our efforts and we benefit from the wage we receive. When we get a bank loan, again both parties benefit. And, of course, in our personal relationships, reciprocity is a big part of the glue that holds everything together. We are keenly aware whenever the balance tips and reciprocity no longer holds. Friendships and even marriages have broken up as a result.

The social dynamic changes dramatically if we set out to “help” someone or some group that we consider to be disadvantaged. We immediately place ourselves in a superior position. The expected interaction will be one-sided, with all of the loss of dignity and independence that goes along with being helped. This is especially true if the help is formalized and relatively unconditional. If the scheme is designed so that nothing is expected from recipients, then the helpers maintain a dominant and presumed virtuous position. This is simply to say that the idea of “help” is fraught with implicit hierarchical issues, even when the idea stems from genuine compassion.

Aside from informal, one-on-one assistance (as between family members or close friends) where the quality and effectiveness of the “help”

can be quickly assessed and dealt with, large scale, formalized “help” is not always helpful. One is reminded here of Nobel-laureate Angus Deaton’s assessment of foreign aid. According to Deaton, helping the world’s poor via aid has been ineffective and, most often, harmful. Foreign aid typically goes to the governments of poor nations and not to poor people themselves. This tends to support corrupt dictatorships that are often the principal cause of impoverishment. Foreign aid disproportionately goes to smaller countries rather than larger countries (like India) where most of the poor reside. In fact, according to Deaton, more than half of official development assistance goes to middle income countries. Finally, much aid is, at least in part, politically motivated—that is to say, it is designed as a way to cement political friendships. This inevitably strengthens the rulers of recipient nations and, in Deaton’s view, enhances the ruler’s ability to “stay in power without the consent of his people” (Deaton, 2014: 298).

The foreign aid industry creates its own kind of dependency and gamesmanship. Powerful, heart-rending advertisements display dramatic footage of starvation and horrible living conditions. This generates a groundswell of pressure in rich countries to

“do something about global poverty—a pressure that is stoked by a well-intentioned but necessarily poorly informed domestic population—and this makes it hard for government agencies to cut back on aid even when their representatives know that it is doing harm. Politicians in both donor and recipient countries understand this process. Recipient governments can use their own poor people as hostages to extract aid from donors. In one of the worst such cases, government officials in Sierra Leone held a party to celebrate the fact that the UNDP, had, once again, classed their country as the worst in the world and thus guaranteed another year’s worth of aid” (Deaton, 2014: 302).<sup>1</sup>

We understand that “the poor” are by no means a homogenous group. They are diverse in every way possible, including their current circumstance and what caused them to fall below the (usually income) poverty cut-off. As we learned in the previous essay, there are some of the poor who find themselves in a desperate situation of deprivation and misery while there are others who, despite a low income, do not consider themselves poor and have no unmet needs.<sup>2</sup> This very diversity makes

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1 International aid consultant Erum Hasan has also written about the power dynamics involved in aid and the damage that is inflicted, including sexual exploitation, by aid workers. Her book *We Meant Well* was written while she was on assignment in Haiti in 2015.

2 For example, fully 67 percent of those below the “basic needs” poverty line in 2019 were not, in their own judgement, “food insecure.”

“helping” all the more challenging and suggests that an across-the-board, blanket approach might be ineffective and wasteful.

The purpose of this essay is to critically evaluate the various ways in which we (the non poor) set out to “help the poor”, with special emphasis on formal, government (taxpayer-funded) policies and programs. People help people in a whole variety of ways and, in some cases, it is on the basis of expected (approximate) reciprocity. Helping the poor is different. It would seem that helping the poor is typically a one-way flow of resources for a period of time (in some cases, indefinitely) with a specific objective in mind. We are interested in what that objective is (or should be) and whether the helpers are successful in achieving that objective.

## What are we trying to achieve?

When we set out to help the poor, what exactly is the objective? Is our goal to redistribute resources so that some of the poor are “bumped up” above the poverty line? In other words, are we mainly interested in a statistical reduction in the number (and percentage) of measured poor? Or, rather, do we seek a more permanent and sustainable self-sufficiency and independence (mainly through employment) for people currently living in poverty? Each objective will require a much different approach.

For the most part, helping the poor has been about redistributive programs that provide both monetary and in-kind resources to people living below the poverty line in order to get them above the line. This is what government programs typically do. And it is relatively easy for the State to do, especially when there is little or no pushback about disincentive effects, long-term consequences, or, of course, consent.

## Helping the poor in Canada

Not all poor people need help and not all people who need help are poor. In Canada, help is offered and accepted by many hundreds of thousands of individuals and families every year. That help comes in many forms—financial, services, in-kind gifts, and even in terms of advice and information—and is widely regarded as beneficial to recipients and to society as a whole. One very useful way to organize and categorize the help that flows from some Canadians to other Canadians is by the source of the help. It would seem that there are two broad categories to consider. The first is informal help, that is, all assistance that happens between family members, friends, neighbours, work mates, within congregations, and broadly defined “circles of empathy.” Here, typically, the giving is personal

and generally unrecorded. The second broad category is, of course, formal help. This happens between organizations/institutions and recipients and normally there are protocols, regulations, and records associated with formalized help. It is useful to break down the formal helping sector into two groups: 1. not-for-profit charitable giving, and 2. government agency/policy/program assistance.

## Informal help

For many Canadians, the immediate family will be the first line of defence against insufficiency. Family members helping other family members deal with a host of problems, big and small, is a critical component of the human story. It is an important part of the glue that holds the social fabric together. However, there are problems with family help. First, not all families are tight knit. Divisions within families happen. People become estranged from other members of their family in some cases, and so they can't always count on other family members for assistance. Second, there are certainly situations where people would like to help family members but are not in a position to do so because of their own insecure finances. Finally, people tend to be judgemental, especially with members of their own family, so assistance might come with strings attached (and perhaps be time limited). Having intimate knowledge of each other, family members may have opinions as to why their son, daughter, brother, or sister has found themselves in their current situation and may offer unsolicited advice or even make the aid conditional.<sup>3</sup>

Informal help from others outside of the immediate family (friends, co-workers, neighbours, and concerned citizens) is also likely to be temporary and to come with certain limits. While we know that there are many forms of assistance provided by those within that circle of empathy, we simply do not know the extent and duration of help because it is not recorded. The man or woman who has little income but is temporarily staying with a friend or family member is, perhaps, the most common example. This is by no means insignificant help but the aggregate (equivalent) dollar value is unknowable.

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<sup>3</sup> Providing unconditional aid in the case of a natural disaster but providing only conditional aid (or withholding aid) in the case of substance abuse might be an example of this kind of distinction.



## Formal help

### *1. Help from non-profit charities*

CanadaHelps is a registered Canadian charity that promotes charitable giving by Canadians. It acts as a clearing house for charitable giving and compiles information about charities in Canada. It publishes annual reports on trends and developments relating to charities. The following information is drawn from the 2023 edition of the Giving Report published by CanadaHelps.

There are about 86,000 registered charities in Canada. Only registered charities (a formal process) and a small number of other qualified donees (such as amateur athletic associations, low-cost housing corps, foreign charities, etc.) are able to issue tax receipts to donors. And only a small proportion of those charities are devoted in whole or part to providing assistance to people in poverty. CanadaHelps lists the categories of charities in Canada. They include Animal Welfare, Arts and Culture, Education, Environment, Health, Indigenous People, International, Public Benefit, Religious, and Social Services.

It is unknown exactly how many charities and how much money (and equivalent value) is devoted specifically to helping the poor by charities. This is partly because neither CanadaHelps nor any government agency (such as the CRA that registers charities) provides such a breakdown. It is also because many charities themselves serve both poor and non-poor clients, such as, for example, charities helping people access low-cost housing, counselling services, and services for troubled youth. What we do know is that there are numerous charitable organizations targeting the most extreme cases of poverty. For example, there are about 400 charities in Canada helping the homeless; more than 2,000 food banks and soup kitchens; and several dozen shelters for abused women and girls. There are also more than 200 charities that specialize in addiction and mental health services. It can be argued that these latter efforts are intended as much to help prevent poverty and misery down the road as to assist those currently struggling with poverty.

### *2. Help from governments*

Governments at all levels in Canada devote substantial resources to attempt to reduce and ameliorate poverty. However, as is the case with private charities, many programs and policies cast a wider net than just people living in poverty. So the purported benefits can flow quite high up

the distribution of income. And yet there are significant areas of claimed governmental responsibilities for which poverty is a primary justification.

For example, Canada has a monopoly (single payer) health care system run by the government. It was formally established in 1984 with the passing of the Canada Health Act and that Act set out the basic principles of the government administered health care system—universality, accessibility, comprehensiveness, and portability. The stated primary objective of the system is to “protect, promote and restore the physical and mental well-being of residents of Canada and *to facilitate reasonable access to health services without financial or other barriers*” (Canada, 1985: Article 3; emphasis added). This suggests that poverty (or the inability to afford private health care insurance) is the principal rationale for publicly provided health care.

A similar argument can be made with regard to government funding (and control) of primary and secondary education in Canada. As early as the beginning of the 19th century, there was concern about the lack of access to public education for the children of poor families. “In 1807, the District School Act signalled the first official action in government-aided schooling. The act allocated one school to each district; however, it also required the payment of tuition (Di Mascio 2010). Tuition meant that education would not be available to all children due to lack of financial means... Critics called for a true system of common schooling that would be available to all.... In 1871, the Ontario School Act was passed, which legislated that free, compulsory elementary schooling in government-inspected schools was to be provided for all” (Robson, 2019: Chapter 3). Governments (largely provincial, as education is under their jurisdiction in Canada) became more and more involved in funding and promoting public education. Education came to be thought of as the “great equalizer” providing opportunity to people regardless of their income.

So our health care system and our education system in Canada are not anti-poverty programs per se; however, it is hard to deny that these two very large components of claimed government responsibility have used the prevalence of poverty as a primary justification for state funding and control. In other words, without poverty, it would be much more difficult to make the case for government involvement. For example, one could attempt to make the case that government control of these areas would more likely produce better outcomes and achieve a higher net social benefit. It is fair to say that there would be considerable debate about such claims. These are important matters, of course, but regrettably take us beyond the purpose of this essay.<sup>4</sup>

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4 The case for government control over education and health care has certainly been made on ideological grounds. The essential thesis is that equality of access is (or should be) a role for the State and so we can't leave the provision of such important

There is one other large government program that does make direct reference to its effectiveness in reducing poverty. That is the Canada Child Benefit (CCB). This is exclusively a federal government program and CCB outlays are currently about \$26 billion per year, ranking as one of the government's most expensive budget items. Furthermore, federal government ministers, including the Prime Minister, have recently touted the CCB for its effectiveness in reducing child poverty (Powers, 2019; Sarlo, 2021: 38). However, the fall in the number of children living in lower income families between 2015 and 2020 coincided with a strongly improving economy and lower unemployment rates. No careful causal analysis has been done.<sup>5</sup> More importantly, it has been shown that the distribution of the CCB cash benefits has been going primarily to the middle class. Eligible families with incomes between \$50,000 and \$120,000 receive 56.9 percent of total benefits (Sarlo et al., 2020: 4–8). Indeed, less money flows to poorer families than was the case with the predecessor programs (the CCTB/UCCB) (Sarlo et al., 2020: 4–8). Here we have a major government redistributive program that incidentally boosts the incomes of poor families with children as it casts a very wide net. Clearly, the wide net has a “public support” rationale.

## Basis of analysis

We turn now to those government policies and programs specifically designed and targeted to address poverty. The following critical analysis is based on the view that personal autonomy and self sufficiency, mainly through employment, is the best solution to poverty. This does not discount the importance of temporary (and in some cases, permanent) income replacement via insurance if the worst happens. However, genuine compassion compels us to want for the poor what we want for ourselves—namely, happy, independent, self-directed lives that promote dignity and self-esteem. The perspective is, therefore, that employment and self-reliance play a vital role in the individual's long-term well-being and represents a powerful exemplar for the next generation.

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services to the market. However the case is made, any critical analysis of these government-run systems should certainly include (at least) the trend in objective student outcomes over time and the trends in hospital waiting times for critical procedures as well as the number and percentage of people without a family doctor.

<sup>5</sup> The one empirical study that was done relating to the CCB and poverty (Baker et al., 2021) used several different databases and two different poverty measures (both relative) and was inconclusive regarding the connection between the CCB and child poverty in single parent homes.

This analysis focuses attention on those programs and policies, undoubtedly well-intentioned, that nevertheless reduce the incentive and necessity of paid work by making employment a less attractive option financially. In economics, we use the term “moral hazard” to refer to cases where people take risks when they believe that they are insured against the consequences of that risk-taking behaviour. To the extent that some government programs are viewed by low-income folks as a backstop or insurance against impoverishment, moral hazard can help explain a reluctance to seek or accept employment. And, to the extent that some programs provide benefits based on a particular low-income status, then moral hazard could help explain the incentive to be so classified (that is, it provides a motivation to engage in behaviour that makes poverty more likely). It helps explain behavioural changes, for example savings behaviour and employment seeking, in the face of the incentives embedded in government programs that are intended to help the poor.<sup>6</sup>

This critical analysis is focussed on major government programs that specifically target the poor. The first of those is Old Age Security (OAS); the second is public housing; and the third is social assistance or welfare.

## Old Age Security (OAS)

After World War I, rapid industrialization changed the way many goods, including food, were produced. As a result, many older people had difficulties adjusting to the new labour market.

Industrialization revolutionized the way in which goods were produced. One effect of this was a decrease in opportunities for older people to take part in the new production process. As heavy machinery did more and more of the work that had previously been done by people, the less physically demanding tasks that were traditionally given to older workers began to disappear... the problems faced by the elderly poor became more visible. (Canadian Museum of History, no date)

In response to public and media concerns, the Liberal government at the time established the Old Age Pensions Act of 1927. It provided a modest cash benefit to eligible seniors, 70 and older. Eligibility depended on residency (long term Canadian resident) and means-tested low income. So this program was explicitly designed to address the poverty of a specific

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<sup>6</sup> This assumes, of course, that people (including the poor) exercise some degree of control over their own behaviour and that they respond to various incentives in a rational, if short-sighted, way.

segment of the Canadian population. This program was modified several times over the years (age eligibility lowered to 65; made universal with no means test; then “clawed back” for higher income seniors). Because of these changes, it would be inaccurate to specifically label the current OAS program as “anti-poverty”. In 2023, the benefits “claw back” starts at an annual net income of about \$87,000 and is only fully clawed back at about \$142,400 (\$148,000 for those over 75) (Canada, 2023a). Like the CCB, the fact that some low-income people do receive benefits from OAS is incidental to the scope of the program.

However, the federal government did introduce another plan (under the umbrella of the OAS program) in 1967 that specifically targeted lower-income seniors. The Guaranteed Income Supplement (GIS) currently provides \$1,043 per month (\$12,516 per annum) to recipients of the OAS whose annual net income is less than \$21,168 (Canada, 2023b). So, for example, if an eligible single senior has reached the age of 65 and has no company pension, no personal savings and no other source of income, in 2023 they would receive a combined OAS plus GIS benefit of just over \$25,000 per annum (none of which is taxable), not counting other government and tax benefits. Of course, many people over 65 can and do work. Earnings are only taxed after one reaches the basic personal deduction, so an OAS/GIS recipient could have an income of about \$40,000 before encountering income tax if they work. A Spouses Allowance (SPA) was also introduced in the late 1960s to financially assist spouses of GIS recipients.

So, currently, one part of the program (the OAS grant itself) flows to households quite high up in the distribution of income and another part (the GIS/SPA combo) is specifically aimed at preventing senior poverty. The important question is this: How effective are these benefits in reducing poverty among those over 65 years?

A recent article evaluating the OAS/GIS plan suggests that the program is an essential component of Canada’s retirement system which, the authors argue is “among the best in the world in reducing poverty in old age and providing a high replacement rate for low-income retirees” (Beland and Marier, 2022: Abstract).

This claim, that the OAS system is effective in reducing senior poverty, has been repeated countless times over the years. The most recent internal OAS program evaluation by Employment and Social Development Canada concludes that “The OAS program contributed to reducing the percentage of seniors below Statistics Canada’s Low Income Cut-off to 4% in 2015. This rate would have been 19 percentage points higher without the program” (Canada, 2019: 5). Without denying that redistributed monies given to low-income seniors will bump some of them

above some specific line *at a point in time*, it is possible to question these poverty reduction claims. We simply cannot know what would have happened to lower-income seniors had the program not existed. With strong growth in real wages over time and the increased incentive (and ability) to save for retirement, it is possible that dependency on public transfers might have been fully offset by private savings for many. To the extent that there is a perception among lower-income folks that, once they reach retirement age, the government “has you covered”, this may well affect labour market and saving behaviour. Again, this does not deny the obvious point-in-time impact of redistribution.

Two other questions about the OAS-GIS-SPA program are worth exploring: 1. Is the system, as it currently exists, sustainable? 2. Is the system efficient? I wish to examine each of these questions in turn.

The question of sustainability, particularly in light of the demographic reality of boomers eventually retiring, has been a pressing issue since at least 2000. There were many media stories after that time expressing concern (Gollom, 2012). Recent government actuarial reports have allayed those concerns. The most recent report suggests that the OAS system is sustainable as currently constituted. Program expenditures as a percentage of GDP are forecast to peak in 2030 at 3.12 percent and fall thereafter (Canada, 2021). Even if the program is enhanced with somewhat higher benefits (a 10 percent increase in parts of the program, especially the GIS), no concerns about financial viability were expressed by the actuaries. Based on the government’s own analysis and given forecasted growth in the Canadian economy and in tax revenues, the OAS program appears to be sustainable.

What about efficiency? Economists always have an interest in determining whether a particular benefit is provided efficiently, that is to say, whether the State agency delivers a given benefit with the least cost of resources. A common criticism of government programs is that they mostly amount to a shuffling of funds between middle class families with the bureaucracy taking its cut to administer the shuffle. If the majority of funds come from middle class households and the majority of benefits then flow to middle class households, it is fair to ask “What is the point of the exercise?” An entity truly committed to helping deprived seniors might consider targeting those folks and leaving the majority of households to figure out their retirement on their own.<sup>7</sup>

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<sup>7</sup> The majority of households, during their working years, make decisions about current consumption and saving for retirement. They will, of course, be influenced by prevailing government programs and benefits.

The relevant evidence here does not appear to be available from either Statscan or from OAS program administrative data. OAS program expenditure by recipient income level is simply not provided. This is especially concerning given the claim that poverty would have been substantially higher (19 percentage points) if not for the program benefits (OAS and GIS). What we do know from Administrative data for 2021–22 is that the OAS portion of the program, after the clawback, costs about \$46 billion and this is fully 76 percent of the entire program (which includes the GIS and Spousal Allowance) (Canada, 2022a: Table 30). The full OAS benefit is paid to individuals up to a net income of \$87,000 and that benefit is not fully clawed back until the individual's income is over \$142,000. Many senior households are likely to have two OAS recipients. In the absence of hard data, it would be fair to suggest, at least, that most households receiving the OAS grant are non-poor.<sup>8</sup> That would not be the case with the GIS or SPA entitlements; however, these components only comprise 24 percent of the entire program expenditure. So the claim that the OAS component of the program bumps a significant number above the poverty line is unsettled as is the matter of the OAS component merely shuffling funds between middle class households. The lack of data from the program is disappointing.<sup>9</sup>

The OAS program is widely perceived as a sacred cow. It is regarded as one of Canada's most successful government policies and as an important component of our overall pension system. And yet, at least for the OAS grant itself, the vast majority of recipients are non-poor. The Old Age Security benefit was established at a time when overall poverty, including senior poverty, was very high. At that time, it was difficult for many working people to support themselves and their families *and* save for retirement. However, the situation is much different now. In 2021, the *median* after-tax income of senior families was \$69,900, and that of senior singles \$31,400 (Statistics Canada, 2022a). It is important to point out that the *average* incomes, both total and after-tax, which are not provided, would be correspondingly higher due to the skewing of the distribution. Since only about 25 percent of seniors live on their own, the overall median after-tax income for seniors in 2021 will be over \$60,000. Since

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8 Using the MBM as a cut-off, less than 5 percent of seniors are poor (Statistics Canada, 2020). Using the basic needs approach to poverty, the poverty rate for seniors 65–74 is below 3 percent and for those over 75 it is less than 1 percent. See Sarlo (2023: 44, Table 7).

9 It does seem that, at least, the program is administered efficiently. According to OAS data (Canada, 2021), administrative costs are less than 1 percent of all program costs. This should not be surprising as the program receives eligibility information from CRA and does not have to collect any monies. They simply issue cheques.

1976, private retirement income (from savings and employer pensions) has increased more than five-fold, thus reducing the need for supplementary income (Statistics Canada, 2018). So the question of whether the OAS grant has outlived its usefulness seems to be valid. Having insurance against poverty, which public programs like GIS and SPA appear to address, is one thing. Having a long-standing grant program with income cut-offs well into the upper middle class is quite another.

## Helping the poor with housing

Housing is likely to be the largest budget item for most households. This is especially so for poor persons. And it is most often a “fixed” expenditure in the sense that there is no flexibility with respect to the amount and timing of payment. If someone falls into poverty, housing is likely to be the most challenging issue.

Governments have been assisting the poor with housing problems for many decades. While the federal government has some programs through the Canada Mortgage and Housing Corporation (CMHC) to help with new home buying, it mainly offers tax credits that are means-tested. Because matters relating to housing are within provincial jurisdiction, it is the provinces (and municipalities) that have programs specifically designed to help the poor with housing. By far, the most significant provincial programs involve social/public housing, that is, housing units provided to lower income people where the rent is geared to their income. In Ontario, typically, a recipient household pays 30 percent of adjusted household net income as determined on the previous year’s tax return (Ontario, 2019a). While the income cut-offs to qualify for social housing are fairly low and vary with city size (for example, for a one-bedroom unit in Ontario in 2023: \$20,000 for smaller cities and as much as \$35,000 for the largest communities), there is no specific connection to a measure of poverty. The long waiting lists for social housing in most communities suggest that these units are in short supply.

A Scotiabank economics study in January, 2023 pointed out that while about 10 percent of Canadian households have a “core housing need” and another near quarter million Canadians are homeless, our stock of social housing is insufficient. According to this study, there are currently about 655,000 social housing units in Canada representing about 3.5 percent of the total housing stock. The author of the study, Rebekah Young, is urging that governments double the stock of Canada’s social housing. “The moral case to urgently build out Canada’s anemic stock of social housing has never been stronger” (Young, 2023). The Scotiabank study



also comments on home ownership affordability, citing a Bank of Canada chart showing a sharp 43 percent rise in the index from 2020 to 2022. This has led to a reduction in home ownership rates in recent years and has consequently put additional pressure on the market for rental accommodation. The increase in immigration and the sharp rise in interest rates in 2023 have clearly exacerbated the situation. Rents have increased dramatically over the past year and this has some in politics and the media calling the current situation a “crisis”.

We would expect that a sharp price rise in a product (say, rental accommodation) would prompt a supply response as builders look to profit. That would happen in a relatively free market. However, the market for housing in Canada (and in many other places for that matter) is far from free. A recent CBC story provides some insight into the problem:

As it stands, Canada is not on track to build the 3.5 million additional homes—on top of the current pace of building—that the federal housing agency says are needed to restore affordability by 2030.

During a recent roundtable interview with The Canadian Press, officials from the Canada Mortgage and Housing Corporation said reversing this trend will require a “Team Canada” approach, in which all levels of government co-operate to address the shortage.

And while the officials' proposed solutions—building denser cities, incentivizing private investment in housing and boosting public investment in social housing—are shared by many housing experts, no one has yet presented a plan for executing these ambitious changes across levels of government. (Al Mallees, 2023)

It turns out that most municipalities have substantial restrictions on the construction of new housing, making it more difficult for private contractors to build more.<sup>10</sup> This ripples through every level of the housing market and makes both owner-occupied and rental housing more expensive. Despite the decline in poverty in recent years (Statistics Canada, 2023; Sarlo, 2022: Tables 2–7) and despite a decades-low unemployment rate, the demand pressure for low-cost “affordable” housing continues according to the Scotiabank study.

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<sup>10</sup> A recent *Economist* study of rents in major western nations has found that local regulations, zoning restrictions and other laws are primarily responsible for the affordable housing shortages. In the US, libertarian-minded politicians have proposed market reforms to expand new housing and reduce costs (*The Economist*, 2023).

Housing is a critical necessity without which it is difficult to imagine any kind of sustainable life. However, housing comes in many forms and “suitability” is ever changing as people adapt to their circumstance. For example, Statistics Canada (2022b) reports that “roommates” is the fastest growing type of household. By 2023, the cost of housing—both owner-occupied and rental accommodation—had increased sufficiently that many more people have had to look for alternatives. These alternatives range from cabins in the country to “tiny homes” to living in vans. These options are not always due to having insufficient income. In some cases, there are environmental as well as lifestyle considerations at play.<sup>11</sup>

As mentioned earlier in this essay, provincial governments in Canada have been in the business of providing public housing (that is, rent-geared-to-income units for lower-income families and persons) for many years. However, there is a substantial waiting list for these lower cost apartments. According to Statistics Canada, in 2021 there were about 227,000 households on a waiting list for public housing; 65 percent of those have been waiting for more than two years (Statistics Canada, 2022c). In some parts of Ontario, the wait is in excess of 7 years and priority is given to those determined to have a more urgent need (OCASI, 2020). So the question here is whether government involvement in the provision of “affordable” housing is appropriate and effective.

Can the government dole out a limited supply of lower cost apartment units fairly? Are they in the best position to judge “deservingness” for these subsidized units? How many of those low-income households, after waiting for years, simply give up on the government solution and try to figure it out for themselves? Does the government, despite best intentions, end up creating low-rent ghettos and all of the pathologies (like crime, drug abuse, despondency) that come with them?<sup>12</sup> What proportion of public housing tenants are long-term and what is the impact on independence and resilience of this long-term dependency? How effectively managed are these units compared to private, for-profit rental housing? Given the waiting lists and the implicit power that public housing authorities have, how are issues and complaints handled? The impression that pub-

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11 While some scoff at these options as totally inappropriate, what does a lower-income person do when faced with a monthly rent of \$1,800 for a one-bedroom apartment and an average home in an average community costing over \$300,000 (*CTV News*, 2023)?

12 Media stories about fires, vandalism, drug dealing, addiction, vermin, health issues, violence, theft, and poor child outcomes in public housing enclaves are common. The academic and empirical studies support the view that life in social housing units is generally less healthy and less safe. See, for example, Dekeseredy et al. (2003), Cross (2013), Ferrer and Gagne (2006), Martens et al. (2014).

lic housing will be better managed because the profit motive is absent is belied by many stories that suggest the opposite.<sup>13</sup>

The Ontario Auditor has suggested in its 2017 report that, among other problems, the public housing authorities are not doing a good job of transitioning clients onto market housing:

Other provinces, such as British Columbia and Saskatchewan, have better integration of housing and employment supports; tenants transition off social housing in about five to seven years, on average. In Ontario, however, housing and employment supports are not integrated. As well, there is little incentive for social housing recipients to improve their incomes. We calculated that an individual working fulltime at a minimum-wage job (earning about \$21,750) and paying market rent would have roughly the same disposable income after rent as someone living in social housing but not working full-time. (Ontario, 2017: 698–99)

This is not to say that there are not problems with the private rental market, especially with large corporate rental companies; however, bad landlords in the private market typically lose tenants who likely have options, unlike social housing tenants.

The most important issue with respect to the extreme shortage of “affordable” housing is the municipal restrictions on building new housing. If more new housing, both owner-occupied and rental, came onto the market, prices would come down. The current high prices provides ample incentive for new construction, however local regulations often stand in the way of projects moving forward. This is not a new problem yet governments seem to be unable or unwilling to fix it. While social housing is managed by municipalities, all levels of government are involved through funding arrangements, regulations, and oversight.

What is noteworthy is that prior to the advent of social housing initiatives in Canada, there was a high rate of home ownership. During the post-war period, the 1950s and 1960s, people were generally able to find affordable accommodation. By 1971, even lower-income folks, those in the bottom income quintile, had a high rate of home ownership. According to a 2010 Statistics Canada report, fully 62 percent of prime working age (35–54) bottom 20 percent income households in 1971 owned a home. By 2006, that proportion had fallen to 46 percent (Hou, 2010). Across the board, for lower income Canadians in every age category, home ownership

13 For example, Hwang (2021), Wilson (2023), Broadbent (2017).

rates declined substantially over that period.<sup>14</sup> Yet that was exactly the time frame when governments became actively involved in “helping” people, especially lower income households, with housing.

Specifically, in 1973, the federal Minister of Urban Affairs stated that the government had “adopted the basic principle that [housing] is the fundamental right of Canadians, regardless of their economic circumstances, to enjoy adequate shelter at a reasonable cost.” The following year, the Ontario Ministry of Housing also acknowledged that adequate and affordable housing is a basic right for all (CCHR, 2022). It was later during the 1970s “that governments introduced subsidized housing for low-income households, financial assistance for renters and cash grants for homebuyers, and adopted rent control policies” (CCHR, 2022). Despite those solemn commitments and direct government “help”, lower income Canadians now have less secure, less available, and less affordable housing.

## Social assistance

After World War I, there were several social welfare policies implemented at the provincial and municipal levels, however in terms of a Canada-wide program specifically designed to assist, on a last-resort basis, those in desperate need, the passing of the Canada Assistance Plan in 1966 was a watershed.<sup>15</sup> The Plan was a partnership between the provinces, which constitutionally had jurisdiction for programs for poor people, and the federal government, which had the taxing power to contribute to these provincial welfare programs. As set out in 1966, the federal government of Canada contributed 50 percent of the expenditures for social assistance in the provinces. The core purpose of the Plan was to provide “income to meet the cost of basic requirements of a single person or family when all other resources have been exhausted”, regardless of the reason for the need.<sup>16</sup> Welfare recipients also had access to some social services (such as daycare, homemaking support, counselling, adoption services, and community development) and that access has been expanded over the years to include a variety of free medical services.

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14 Over that same period, however, home ownership rates for well-off Canadians (top two quintiles) increased, more than offsetting the declines by poorer families and leading to a higher overall average, at least to 2011.

15 While the Unemployment Insurance Act in 1940 undoubtedly provided cash benefits to many at risk of falling into poverty, it was not specifically targeted to the poor. It was a publicly provided insurance scheme that all workers contributed to and could draw from in the event of job loss.

16 See Sarlo (1992: 156, fn 1).

Currently, in Canada's largest province Ontario, the social assistance system is divided into two programs: Ontario Works (OW, designed for temporary assistance for persons and families) and Ontario Disability Support Program (ODSP, designed for longer term recipients). All of the provinces make a distinction between those they consider employable and those that are not in setting their cash benefit rates. People categorized as "disabled" usually get substantially higher rates of assistance. Table 1 shows a comparison of rates by province for 2022.<sup>17</sup>

**Table 1: Total welfare incomes for all example households in each province, 2022**

	<b>Unattached single considered employable</b>	<b>Unattached single with a disability</b>	<b>Single parent, one child</b>	<b>Couple, two children</b>
Alberta	\$9,800	\$21,319 / \$11,268*	\$24,078	\$35,080
British Columbia	\$12,177	\$18,054	\$25,876	\$38,298
Manitoba	\$10,252	\$14,125	\$25,182	\$34,103
New Brunswick	\$8,031	\$10,884	\$21,657	\$28,664
Newfoundland and Labrador	\$12,319	\$20,400	\$25,361	\$32,177
Nova Scotia	\$9,493	\$12,687	\$21,724	\$33,449
Ontario	\$10,253	\$15,871	\$23,102	\$33,368
Prince Edward Island	\$16,861	\$18,715	\$30,162	\$47,897
Quebec	\$20,905	\$16,355	\$25,715	\$58,338
Saskatchewan	\$12,496	\$17,039	\$25,451	\$35,089

\* The higher total welfare income amount is for the unattached single with a disability who is eligible for Alberta's Assured Income for the Severely Handicapped (AISH) program, while the lower amount is for the unattached single with a disability who is eligible for Alberta's Barriers to Full Employment (BFE) program.

Source: Maytree, 2023.

In the discussion of social assistance rates, two important questions emerge. The first is whether the amount of income received by a person or family on welfare is sufficient; in other words, does it, at least, cover the basic necessities as was the stated mandate when the program

<sup>17</sup> The rate for a disabled person in Quebec appears to be anomalous. No explanation is provided in the table for what is clearly a departure from the pattern in the other provinces. The Quebec government site relating to social assistance suggests that, in fact, the rate for a disabled single person is 20 percent higher than the rate for a nondisabled person, a value in line with the rest of the nation. See Quebec (2023).

was created? This is an empirical question although there will certainly be debate about what constitutes a basic need. In the previous essays in this series, I provided a basic needs poverty measure which was used to estimate the prevalence of poverty in Canada. The basic needs values for 2022 according to that measure are: \$16,100 for a single person; \$22,700 for two persons; and \$32,200 for four persons. Clearly, except in Quebec, a single employable person, unless they live with a room mate or a family, will not be covering basic needs on welfare. However, in the other categories, the income of welfare recipients comes close, on average, to covering basic needs as defined by this author.<sup>18</sup>

The other important question would be whether the rates of social assistance (and rate increases in particular) have any impact on employment and labour force participation. This is also an empirical question. In theory, we might expect that social assistance would have an impact on the labour market depending on the rates of assistance, the eligibility requirements, and the management and oversight of the program. We will look at some evidence in that regard below. In some provinces, there are extra benefits that flow to recipients such as medical prescriptions, dental work, vision care, and other health related benefits. It is important to note that the income from social assistance is tax free, as are the non-cash benefits. Once everything is considered, lower-wage employment might look unattractive in comparison in some cases.

For example, a single parent with one small child in Ontario working full-time might have to earn about \$40,000 per year to be financially as well off as the same household on social assistance. The employed single parent would have about \$36,800 of disposable income (after taxes and deductions) out of which they would have to cover daycare costs (of about \$6,000 to \$10,000 per year)<sup>19</sup> as well as medications and other health related costs plus, of course, additional clothing and public transportation required by a working person. Social assistance offers \$23,100 tax free plus a range of health benefits. The working parent is hardly better off financially in this case so that social assistance represents something of a disincentive to work.

In a recent paper published by the CD Howe Institute (Laurin and Dahir, 2022), the authors determine that many low-income families face a very high marginal effective tax rate which represents a substantial

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18 Of course, in the case of persons with disabilities, the extent to which necessary costs are covered depends on the costs of special needs and possible devices. This would have to be assessed on a case-by-case basis.

19 A recent announcement by the federal government that licensed daycare centres offering early learning will be able to charge only \$23 per day (a 50% reduction) which is about \$5,750 for 50 weeks. See Canada (2022b).

disincentive to work. The marginal effective tax rate (METR) represents “the loss, through additional taxes and diminished government benefits, associated with an extra dollar of earnings. For a working parent, it represents the financial penalty that must be paid for working extra hours” (Laurin and Dahir, 2022: 632). For example, they calculate that a single parent in Ontario faces a METR of almost 70 percent at income levels in the \$40,000 to \$50,000 range.

Other things equal, we would predict that a rise in welfare benefits would result in more recipients of social assistance. In 1990 in Ontario, the new NDP government of Bob Rae began a series of increases in welfare rates such that by 1993, rates were about 20 percent higher than they were in 1989 (Frenette and Picot, 2003). Over that same period, the number of welfare beneficiaries (recipients) as a proportion of the Ontario population more than doubled from under 6 percent to over 12 percent (Gabel, Clemens, and LeRoy, 2004: 26, Fig. 2). However, from 1990 to 1992, Canada was in a recession which normally would have resulted in a higher welfare beneficiary rate in any case. But it is noteworthy that the USA also had a recession during the early 1990s (with no important changes in their welfare rates before 1996) and their beneficiary rates (as a percent of population) were essentially flat at between 4 percent and 5 percent (Gabel, Clemens, and LeRoy, 2004). While this episode is suggestive of the link between welfare rates and the number of welfare recipients, it is not hard evidence. A more careful study of multiple episodes as well as causal and econometric analysis of the data would be required to make any firm conclusions about cause and effect here.

In addition to the employment disincentive effects of social assistance, many authors have pointed to real harm that is done in the name of helping poor people. In his 1984 book, *Losing Ground*, Charles Murray criticized the welfare state in the US and maintained that welfare programs actually increase poverty largely because the incentives tend to reward short-sighted behaviour. The system traps people into dependence on the government which does them great harm in the long run. He proposed that the whole system be scrapped and replaced by a plan oriented towards employment. While many liberals including the *New York Times* criticized Murray as an “extremist”, President Bill Clinton was much more positive. In a December 1993 interview with NBC News, then U.S. President Bill Clinton spoke of Murray and *Losing Ground*: “He did the country a great service. I mean, he and I have often disagreed, but I think his analysis is essentially right ...”<sup>20</sup>

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20 <<https://twitter.com/jacobin/status/1271616456288067585>>

Jason Riley has written about the damage done to blacks and their opportunities by well-meaning policies that are intended to differentially benefit them. His book, *Please Stop Helping Us* (2014), outlines in detail how these policies are making it harder for blacks to succeed. In Canada, Calvin Helin, a lawyer and aboriginal Canadian, has presented a devastating critique of the Canadian welfare system and its adverse impact on aboriginal people. His book, *Dances with Dependency: Out of Poverty Through Self Reliance* (2006) provides evidence and examples of the harm done to aboriginal people by supposedly well-meaning policies. He speaks of aboriginal people as once proud, independent, and self sufficient until governments decided to help them. Perhaps the message in these and others critiques is this: Leave us alone and let us find our own way in the world. Your help and your compassion are killing us.<sup>21</sup>

Well known American economist Thomas Sowell has written about the damage to black families from well meaning welfare policies. In discussing his book *Wealth, Poverty and Politics* (2015), Sowell makes the point that black poverty was about 87 percent in 1940 and fell to 47 percent by 1960, well before the “War on Poverty” during the 1960s. While the trend continued at a slower pace during the 1960s, the welfare state policies of the late 1960s led to the disintegration of black families in particular (Hoover Institution, 2016). “The black family, which had survived centuries of slavery and discrimination, began rapidly disintegrating in the liberal welfare state that subsidized unwed pregnancy and changed welfare from an emergency rescue to a way of life” (Staples, 2019). Walter Williams, another well-known economist, has made much the same point in his writing. For example, in a 2017 op-ed, he said that “According to the 1938 Encyclopaedia of the Social Sciences, that year 11 percent of black children were born to unwed mothers. Today about 75 percent of black children are born to unwed mothers. Is that supposed to be a delayed response to the legacy of slavery? The bottom line is that the black family was stronger the first 100 years after slavery than during what will be the second 100 years” (Williams, 2017).

Finally, Gwartney and McCaleb (1985) make a persuasive case that antipoverty policies are, in fact, counterproductive. “While the intentions of the architects of the War on Poverty were noble, their approach to reducing the incidence of poverty has proven counterproductive. The current system of income transfers confronts the poor with perverse incentives that discourage self-help efforts in the short run and induces recipients to make decisions that retard their ability to escape poverty in

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21 Drawn from Sarlo (2019: 43).



the long run. The system unwittingly encourages behaviour that leads to and perpetuates poverty” (Gwartney and Caleb, 1985: 14).

There is, by now, substantial evidence that some government programs designed to help the poor are not helping at all. For sure, the idea of having some kind of insurance in case the worst happens is sound. However, the way in which that insurance is constructed and implemented is critical to real success. Government welfare programs, in particular, are clearly not succeeding. The damage done to self-esteem; to self-reliance and personal autonomy, and to meaningful participation in society has to be considered when assessing the value of programs. Successive reviews of welfare programs have strongly emphasized pathways to employment as the most important feature of help for the poor.<sup>22</sup> These and many other reviews in Canada and elsewhere highlight that the welfare system makes no meaningful attempt to help recipients get connected to the labour force. And such a connection would be truly life changing in the most positive way. It is almost as if those who manage the welfare system have given up on the poor. And that is when the poor begin to give up on themselves. That is simply not helping.

In Ontario, at some point prior to 2009, the government expanded the definition of disability to include a number of anxiety-related disorders. As a result, caseloads under ODSP began to increase substantially while Ontario Works cases declined more modestly. Overall, the number of cases and beneficiaries rose. The cost of social assistance in Ontario has increased substantially over the past dozen years. The 2019 Ontario auditor report was sharply critical of the Ministry in charge of social assistance:

We found that the Ministry was not taking sufficient steps to ensure that all recipients continue to be eligible for the program and that non-disabled adults are participating in required Ontario Works employment assistance activities. Our audit also concluded that the Ministry does not have effective processes and systems in place to measure, evaluate and publicly report on the effectiveness of the Ontario Disability Support Program. (Ontario, 2019b: 516)

Again, with respect to those adults classified as “disabled”, the majority can and do work. The disability label should not be viewed as a sentence to life-long dependency. The psychological benefits to becoming

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<sup>22</sup> For example, the 1988 SARC review of Ontario welfare and the “Brighter Prospects” review in 2012 both had pathways to employment as the centrepiece of their recommendations for reform. The latter review was co-chaired by Munir Singh (formerly head of Statistics Canada) and Frances Lankin, NDP Social Service Minister under Premier Bob Rae during the early 1990s.

self-sufficient and fully involved as a productive member of society are enormous. And yet, those adults on ODSP are not expected to work and there is no encouragement in that direction. This is not helpful to people who already face obstacles in their life.

The fact is that, whether they leave welfare voluntarily or are forced off due to a change in regulations or eligibility, welfare leavers typically become better off. A Statistics Canada study in 2003 using longitudinal tax filer data for all of Canada found that, while some did struggle initially, “On average, welfare leavers saw their family income rise substantially and were less likely to be in low-income families ... The long-term prospects of welfare leavers were quite favourable. Although repeat use of the welfare system was common, few returned to welfare for long periods of time. Furthermore, earnings grew at a steady pace, especially among those who were in the most unfavourable circumstances shortly after leaving welfare” (Frenette and Picot, 2003). Clearly, a strong economy with a healthy labour market is key to helping welfare leavers find a better, more independent life.

To the extent that most welfare leavers end up better off than they would have been staying on social assistance, why don't all potential applicants recognize that welfare is not in their long-term interest and reject all but the most temporary assistance to get them over a crisis? A couple of possible explanations would be that 1) the poor are simply unaware of the long-term consequences—that information is simply not available to them or they do not seek it out—and 2) the poor are disproportionately short-sighted in the sense that their decision making is almost entirely focused on the current time period. A third possibility is raised when we consider the role that welfare activists, the media, and welfare administrators play in maintaining an ineffective and harmful system for their own benefit. It is to that discussion that we now turn.

How is it possible that a system that claims to help the poor (and manages to maintain the perception that it is, in fact, helping) persists relatively unchanged despite devastating critiques from academics, journalists, and its own auditors? Why does such a system continue to get more and more funding to “help” more and more people despite the obvious harm that it does? Why are there not people on the inside acknowledging that the prevailing system is not helping and that something else must be tried? The branch of economics known as “Public Choice” might help provide an explanation. Public Choice uses economic theories and methods to help explain political behaviour. In the case of the welfare system, there is the political class (members of parliament and cabinet Ministers) that are hyper-sensitive to the issue of economic inequality given the enormous attention this gets from the liberal media.

This makes it easy for them to support large redistributive programs under the guise of fairness. Then there is the large and well-paid bureaucracy whose livelihoods depend critically on the existence of these large, expensive programs that “help the poor”.

These vested interests can keep programs going long after they have been shown to be ineffective and even harmful. It is almost as if they don't want poverty to disappear; it serves their interest. Herbert Gans, sociologist, egalitarian, and supporter of antipoverty policies, stated in his book *More Equality* that:

... poverty also makes possible the existence or expansion of ‘respectable’ professions and occupations, for example, penology, criminology, social work and public health. More recently, the poor have provided jobs for professional and paraprofessional ‘poverty warriors,’ as well as for journalists and social scientists, this author included, who have supplied the information demanded since public curiosity about the poor developed in the 1960s. ... Clearly, then, poverty and the poor serve a number of functions for affluent groups—households, professions, institutions, corporations and classes, among others—thus contributing to the persistence of these groups, which in turn encourages the persistence of poverty in dialectical fashion. (Gans, 1973: 105–6)

The idea that the prevailing welfare system is not helping the poor and in fact is doing great harm is rejected by those in the social justice community. The usual narrative is that social assistance helps countless thousands of disadvantaged people every year. The system literally prevents starvation and homelessness on a large scale. But the little evidence that we have (because the matter is, frankly, understudied) suggests that this is simply not true. The Statscan welfare leavers study suggests that, in fact, most leavers are better off and have higher incomes after leaving welfare. This does not count the tremendous psychological benefits of being self-sufficient and participating more fully as a contributing member of society.

For all of their emphasis, in recent years, on the importance of participation, dignity, and inclusion for poor people, the social justice community seems to have seriously misunderstood what these terms really mean. By focussing solely on people's role as consumers they have fundamentally shortchanged the poor. How inclusive is it when almost everyone around you is employed (is a producer) and you are not? How does enduring dependency foster self-esteem and dignity of the person? Real participation in society involves making a contribution to the economic

production of a society—something that many ignore or even discourage. The poor are not well-served by policies and programs that disregard the critical role that employment plays in their long-term well-being. The prevailing welfare system in Canada is simply not helpful.

## Conclusion

This paper is a critical analysis of formal policies and programs designed to help people who live in poverty. It is really important for readers to understand that this paper does not propose alternatives (that comes in the final essay in this series) nor does it endorse any existing policies. It is simply evaluative. The focus of this essay is on government policies and programs and specifically those that intentionally target the poor. The question we repeatedly ask here is whether government help is really helping. While redistributive programs no doubt bump some households up over the poverty line which will reduce measured poverty, is that the solution to poverty? Or do we want the same thing for the poor that we want for ourselves? Namely, a strong independent life and the personal satisfaction that we are contributing, participating members of our community—on both the production and consumption side of the economic equation.

The OAS grant, originally means-tested and provided to low-income seniors over 70, was changed over the years to be a universal demogrant for seniors over 65 but with a clawback at a relatively high income level. Since most of the OAS grant funds go to non-poor seniors, it can no longer be considered as targeted to the poor. However, under the OAS administrative umbrella, we have the Guaranteed Income Supplement (GIS) for seniors and the Spouses Allowance (SPA) for spouses of GIS recipients. These are definitely targeted to low-income seniors based on the previous year's income tax return. So that part of the OAS program would clearly bump a number of senior households up over the poverty line and thereby reduce measured poverty. But that is only 24 percent of the overall OAS expenditures. The bulk of OAS, the OAS grant itself, mainly goes to non-poor senior households. Regrettably, the data is not there to determine to what extent the OAS grant is predominantly a shuffling of monies between middle-income households.

One concern with the GIS and SPA is the extent to which it affects the savings rate for employed persons, especially those with average or below-average incomes. Within a range of incomes, there may be little incentive to save for retirement if the GIS/SPA component of OAS will make up the difference in any case. In general, while some kind of insurance is needed in case the worst happens, there is the question as to whether this is the most efficient and effective way to accomplish that.

During the 1970s, government officials in Canada declared that housing is a basic “right” for all Canadians and they got involved in helping lower-income households obtain affordable housing. Since that time we have had persistent shortages of subsidized housing and a chronic lack of affordable housing—both for owner-occupied and rental housing. Indeed, there is a case to be made that, in the area of affordable housing, government “help” may actually be making the problem worse. Social housing has become synonymous with many of the pathologies of urban life—crime, drug abuse, violence, unstable families, and despondency. As well, there are unacceptably long waiting lists for these rent-geared-to-income units. An Ontario auditor report states that the province does a poor job of transitioning public housing recipients into employment and market housing. The way the system is structured, the auditor argues, provides little incentive for recipients to become self-reliant. The biggest problem in the area of housing is on the supply side as various government restrictions and regulations prevent new housing from being constructed where it is most needed.

Social assistance (or welfare) is regarded as the quintessential example of government helping the poor. The main concern of economists is that the way the welfare system is structured, employment (at least for modest wage jobs) is not an attractive alternative. So financial dependency is identified as a critical problem. More than that, however, is the longer-term damage done to people’s sense of self-worth and of being contributing members of society. As one prominent US social scientist has noted, “[t]he black family, which had survived centuries of slavery and discrimination, began rapidly disintegrating in the liberal welfare state that subsidized unwed pregnancy and changed welfare from an emergency rescue to a way of life.” Review after review (including Auditor reports) have stressed that “pathways to employment” be the centrepiece of a reformed system of helping the poor. Many observers remain pessimistic that systems will change because of the strong vested interests in maintaining the status quo. Many politicians, activists, and especially, well-paid bureaucrats benefit from the prevailing structures.

For all of their emphasis, in recent years, on the importance of participation, dignity, and inclusion for poor people, the social justice community seems to have seriously misunderstood what these terms really mean. By focussing solely on people’s role as consumers they have fundamentally shortchanged the poor. How inclusive is it when almost everyone around you is employed (is a producer) and you are not? How does enduring dependency foster self-esteem and dignity of the person? Real participation in society involves making a contribution to the economic production of a society—something that many ignore or even discourage.

The poor are not well served by policies and programs that disregard the critical role that employment plays in their long-term well-being. The prevailing welfare system in Canada is simply not helpful. The challenge is to find creative alternatives that reward work and help disadvantaged people become real participants in their communities. The real solution to poverty is, then, not merely finding ways to bump people over the line but rather to help people become self-sustaining so that they can pull themselves out of poverty. More on that in the next essay.

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## Acknowledgments

The author thanks the unidentified reviewers for their helpful comments on an earlier draft. Any remaining errors are the sole responsibility of the author. As the researcher has worked independently, the views and conclusions expressed in this paper do not necessarily reflect those of the Board of Directors of the Fraser Institute, the staff, or supporters.

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### Date of issue

November 2023

### ISBN

978-0-88975-710-3

### Citation

Christopher Sarlo (2023). *Thinking About Poverty*. Fraser Institute. <<http://www.fraserinstitute.org>>.

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