Canada is one of the wealthiest countries in the world. Yet even as the nation is in the midst of an economic boom, there are still those who struggle to buy life's necessities.

Past and current governments have implemented a myriad of strategies to help the country’s most vulnerable. They range from boosting social assistance to, at the more punitive extreme, restricting employment insurance. Debate continues over what's the best approach to eradicate poverty, assuming that is in fact a reachable goal.

But recent statistics from the last decade seem to demonstrate a healthy trend and little-publicized phenomenon: Both the percentage and the absolute number of Canadians living in poverty is shrinking.

Since 1996, the overall poverty rate in Canada has fallen steeply, from 15.7 per cent to 10.8 per cent in 2005, the most recent year for which numbers are available. That is a reduction of about one-third.

According to Statistics Canada, about 3.5 million people were living below what it calls the low-income cut-off line in 2004. That is a 1.1 million drop from 1996.

It begs the question: Are we winning the war against poverty?
On the yes side

John Richards, an economist and professor at Simon Fraser University in British Columbia, says this good fortune signals that anti-poverty initiatives implemented during the last decade are working.

In his report for the C.D. Howe Institute, entitled Reducing Poverty: What has worked, and what should come next, Richards credits policy changes by the two senior levels of governments that he calls two parts "tough love" and one dose "soft love."

In the mid-1990s, several provinces tightened up the rules under which Canadians were eligible for welfare, Richards observes. Those deemed employable by a social worker were not recommended for social assistance.

At the same time, the reins were tightened around who qualified for unemployment insurance. Taken together, these "tough-love" measures were strong incentives for Canadians to get into the labour market, Richards says.

At the same time, Ottawa also rolled out the National Child Benefit, which supplements the salaries of families with low-to-middle incomes. Coupled with a rising labour market, the result lead to a drop in the overall number of people living under the low-income cut-off, Richards notes.

Measuring poverty

In Canada, there isn't a standard measure of poverty. The most accepted one, however, is the LICO. Statistics Canada measures the number of families who are below the low-income cut-off (LICO), which means those who spend 20 percentage points more of their gross income on food, shelter and clothing than the average Canadian. This figure is often used as the unofficial "poverty line."

By this measure, Canada's poor are doing better, Richards says.
"Don't get me wrong. I don't want to say we've won the war. We haven't," he said in an interview. "There are very stubborn pockets of poverty in the country and they're not amenable to broad-sweep programs. But depending on how you define success, we have been doing some things right."

However, Richards' conclusions have riled-up poverty activists and economists who say the numbers actually tell a different story.

Armine Yalnizyan, an economist and research associate with the Canadian Centre for Policy Alternatives, agrees that the portrait of poverty is rosier. But, she says, this change has nothing to do with government policies. Any effect from anti-poverty initiatives has been swamped by the massive economic growth Canada is experiencing, she argues.

"What you are seeing here is that Canadians will work when there are jobs. It is coincidence with the tough love measures that more people got jobs," she says.

What's more, Yalnizyan adds, comparisons between today and a decade ago are problematic.

In 1996, Canada had gone through two transformational recessions for the labour market, she points out. The first one was in 1981-82 and it took the
country about eight years to climb out of the rut. The next came in 1991 and Canada began emerging from that only in 1997.

"Why aren't anti-poverty activists jumping up and down and saying this is good news?" she asks. "It's because it's the wrong reference point. You're comparing a period of massive economic growth and sustained growth to a period in which an economy was totally cobbled."

**The real downside**

Step back 20 years and the picture isn't as drastic, Yalnizyan points out.

In 1980, the number of Canadians living under the low-income cut-off after taxes was 11.6 per cent, according to Statistics Canada, far lower than the 1996 peak of 15.7 per cent.

At SFU, Richards agrees that the recent upswing in the economy is a key component in moving Canadians out of low-income misery. But he also feels that government decisions still played a crucial role.

Plus, he points out, the overall poverty rate is still lower today at 10.8 per cent than 20 years ago.

"The improvement in the economy is one obvious underlying reason," says Richards. "But it didn't produce the same benefits in the 1980s, during the improvement from the early 1980s recession. I say there must be some really big policy changes that have taken place."

Richards does acknowledge that there is an adverse side effect to stricter welfare policies: People who can't get employment are much worse off.

However, he argues that the late 1980s are a comparable time frame of prosperity with greater access to social assistance, yet Canada seems to be faring better now.

"The second half of the 1980s was a period of very generous welfare. It's often referred to as the target where anti-poverty groups want to return. But we now have in the latter part of this decade better outcomes than in the boom times of the late 1980s" when welfare rates were at their most generous.
Jean Swanson, co-ordinator of the Carnegie Centre Action project in the heart of Vancouver's Downtown Eastside, said restricting access to employment insurance and welfare only punishes the poor. The poverty activist said she has watched Canada's homeless epidemic multiply what she says is 10-fold over the last decade.

"If these policies continue when we hit a depression, it will be a disaster," she says.

Another sore point is that child poverty numbers have not budged at all since 1989 when Canadian parliamentarians stood up and promised to do their best to eradicate it within a decade. Even today, 11.7 per cent of children under 18 are living below the low-income cut-off line.

**Household income**

Compared to the late 1970s, which Yalnizyan says is the most similar economic period to today, more people are working and families are better educated. However, Canadian household income is either at the same level or lower, she points out.

"So the two things that people are told to do to get yourself out of welfare is get an education and get yourself a job. And Canadians have done that in spades over the course of a generation," she says.

"So we're either running faster to stay put or falling behind. And I think that is a very telling story about what's not working. And if it's not working now, when is it going to work? In the next recession?"

Michael Shapcott, a long-time poverty activist and policy analyst at the Wellesley Institute in Toronto, says the big flaw Richards is making is the assumption that all the people who are off welfare are now gainfully employed.

"What you see in our economy is that it has not been generating high-end jobs in auto plants," he said. "What it is generating is service sector jobs and positions in retail sales, which tend to be at the low end of the income range."

When looking at actual incomes of Canadians, the gap has widened between the country's most vulnerable and the most affluent, Shapcott points out.
In 1980, the disparity between the top income-earning category and the lowest was $83,000, according to Statistics Canada. By 2005, that gap had reached $105,400.

Take a closer look, and it's only the top 20 per cent of income earners who saw their salaries rise, he says.

"The story is that yes, lots of people got dumped off of welfare because of tightened eligibility rules. But they haven't suddenly gotten a wealth of prosperity."

In fact, he says, there are indicators that suggest the situation is far more dire than the statistics indicate, including record numbers of tenants being evicted from their homes and a rising dependency on food banks.

"In Canada, we have these endless discussions over what the numbers are and what do they tell us? And we really should be focusing on the reality."