

WHERE DO WE GO FROM HERE
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Title: The key to reducing poverty is work, not welfare.

There is not a huge underclass in Canada trapped permanently on low incomes. On the contrary, there is huge turnover from year to year: somewhere between a third and a half of the people in the bottom fifth of income earners one year are not there the next, not because they have starved to death, but because their income has risen. And StatsCan's numbers are quite clear about what makes the difference between falling into poverty and escaping it: the best and most common route out is to have more family members working more hours. Hard work and a buoyant labour market do make the difference.

Thomas Sowell, a distinguished black economist at the Hoover Institution at Stanford University in California, has deepened our understanding of the relationship between work and poverty even further. In a recent article, he points out that while there are more than 19 million people working in households with incomes in the top 20 percent in the United States, there are fewer than 8 million people working in households in the bottom 20 percent. Among households in the bottom 20 percent, there are more than 13 million people who do not work at all. . While I haven't seen the comparable numbers for Canada, I expect that they are substantially similar. So, unless you're prepared to argue that it is unfair that work be rewarded, these huge differences in numbers of household members working go a very long way to explaining income differences between the so-called "rich" and those at the bottom of the income scale

To get into the top 20 percent of income earners in the US you need a household income of \$85,000. That's two adults working at lower-middle class salaries. And remember that many of the people in this group will have been in the bottom 20 percent of income earners at another point in their lives. Far from it being the rich are rich and the poor are poor and never the twain shall meet, there is massive movement among income classes and for most people being on low-income is not a permanent condition but a normal way-station in life.

Work is still the best, most effective antidote to poverty. And contrary to what many people might think, the main obstacle to improving conditions for those on low-incomes is not the absence of jobs. On the contrary, industries around Canada are getting increasingly concerned about looming labour shortages, and most employers tell pollsters they have real difficulty finding workers. No, it's poorly designed social programs, both federal and provincial, that remain the biggest obstacle to helping people get back into the labour force and out of poverty.

Contrary to much political rhetoric and the claims of the welfare rights movement, poverty is not merely — or even primarily — an economic condition. It is also in many cases a cultural condition — it involves values. That means that poverty can never be

overcome by mere income support or the passive writing of cheques, but only by challenging and changing behaviour. Poverty really is a question of character to a surprising extent.

We have created a new set of cultural values in which work at the bottom end of the social scale is undervalued, and indeed denigrated, whether through creating conditions in which it pays better not to work than it does to work, or through the notion that there are many kinds of low-paying work that are beneath people's dignity, and that it is preferable to remain on welfare than to take these jobs.

In fact, we have created the conditions in which low-income people who actually work, who make sacrifices, who save, who believe in the dignity of work, are chumps. The interaction of the tax system and the total edifice of social welfare programmes in Canada is such that the highest marginal tax rates in the country are paid by people earning roughly \$13,000 to \$20,000 a year – precisely the people trying to move from low-income to better economic opportunities.

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