



Income Security, Health & Mental Health



CANADIAN MENTAL
HEALTH ASSOCIATION
L'ASSOCIATION CANADIENNE
POUR LA SANTÉ MENTALE

Introduction

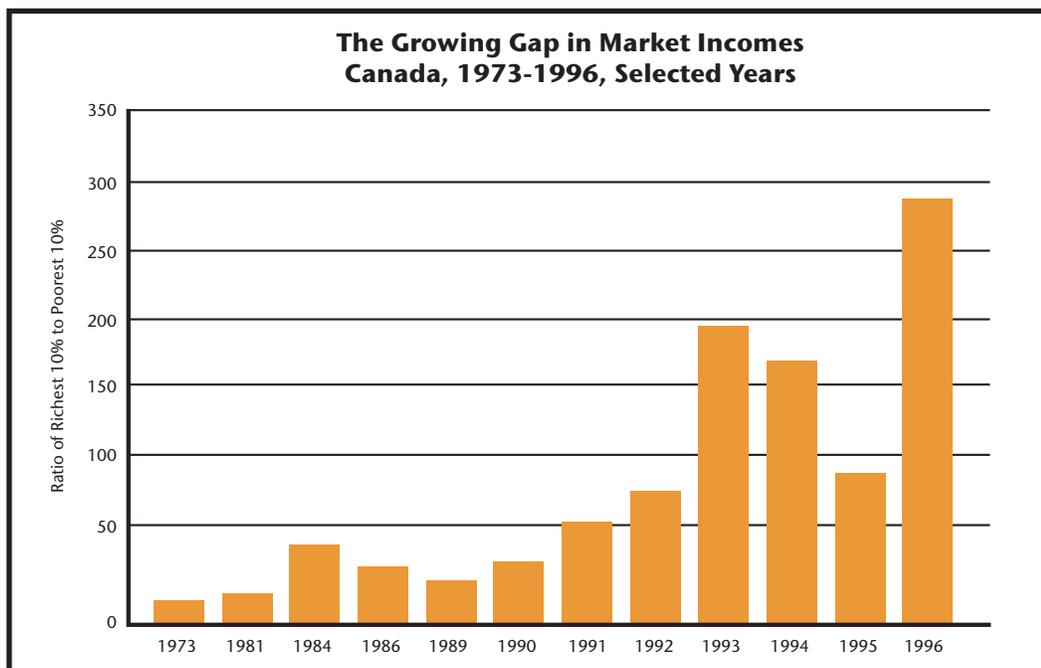
This income security backgrounder was developed by the Canadian Mental Health Association's (CMHA) Citizens for Mental Health project: a two year project which came to a close in May 2004. The project goal was to enhance the capacity of the voluntary sector to engage in federal level policy initiatives related to mental health. Through a series of consultations with a range of voluntary sector organizations, income security was identified as a key determinant related to the mental health of every community.

This finding echos Canadian and international studies that have demonstrated a strong link between income and various measures of health including mental health. Income is often used as a key indicator of socio-economic status (SES) and SES is significantly related to health outcomes. Those representing higher social and economic strata are more likely to experience more positive states of (mental) health and well-being than those in lower strata. Additionally, evidence indicates that as the gap between rich and poor increases, the health of the population suffers.

This backgrounder is intended as a tool in support of efforts to improve the mental health of all, including those with mental illness, by ensuring access to adequate material resources to promote positive states of physical and mental well-being.

Income Trends in Canada

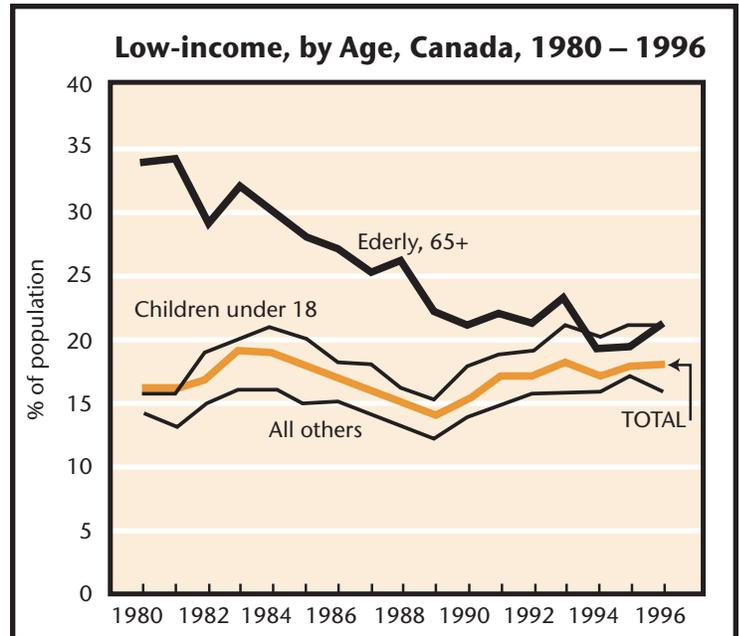
- The economic boom of the late 1990's did not benefit most Canadians. Recent figures from Statistics Canada show that between 1984 and 1999, the wealth of the top 20% of families rose by 43% while the wealth of the bottom 20% fell by 51%. Canadian society has become increasingly polarized on the basis of income.
- The 1998 United Nations Human Development Index ranked Canada in 10th place for its level of income disparity among 17 developed countries.



Source: *The Growing Gap*. Statistics Canada, Survey of Consumer Finances.

- In 1999, there were 1,025,000 families and 1,677,000 unattached individuals living in poverty in Canada. A total of about 4.9 million Canadians lived in poverty.
- In the midst of prosperity, low income families with children are living, on average, more than \$9,000 below the poverty line.

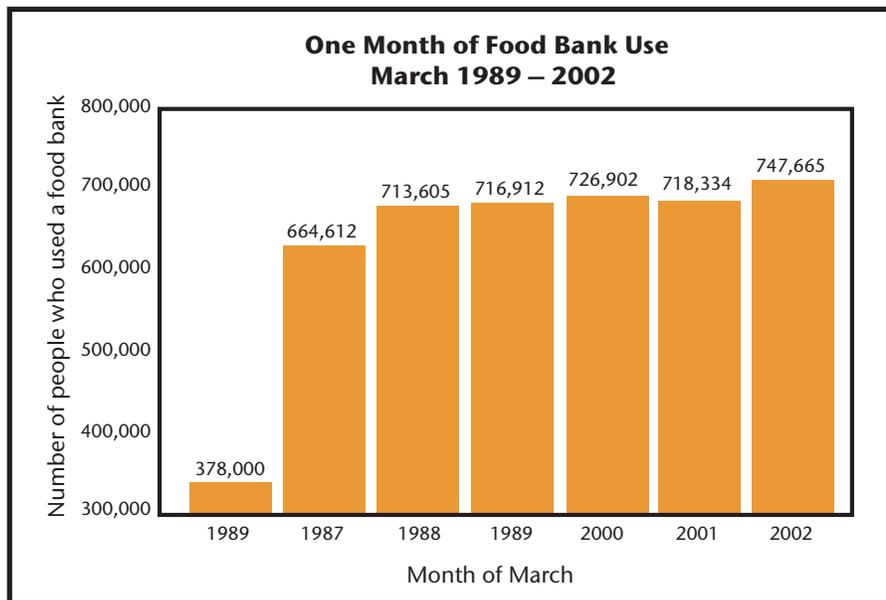
- More than 40% of the more than one million Canadian families living in poverty in 1999 were headed by persons who were employed. Single-parent mothers working full-time, full-year still had a poverty rate of 19.7%. The working poor, especially those with dependents, are not making ends meet.
- Seniors' poverty rates declined from 20% to 17% over the last decade, and has nearly halved from its 30% rate in 1980. One of the major contributors to this trend has been the availability of higher CPP premiums - the CPP/QPP plan was established in the mid-seventies and has only recently paid out full benefits to Canadians.



Source: Statistics Canada, *Income Distribution by Size in Canada, 1996*. (Statistics Canada Cat. No. 13-207).

Indicators of Low Income/Poverty

- In March 2002, three-quarters of a million people in Canada received emergency groceries from a food bank – a 12.5% increase in food bank use since 1997. 40.8% of food bank recipients were children. The Toronto Daily Bread Food Bank (2002) found that after paying their monthly rent, households with children that are dependent on food banks have only \$3.65 per day per person for all living expenses, not just food.



Source: HungerCount 2002, *Eating their Words: Government Failure on Food Security*

- One in five renter households in Canada are paying more than 50% of their monthly income on rent, even though 30% is considered the “cut-off” line for affordability. A Canadian Mortgage and Housing Corporation survey (2001) showed that renters in Toronto on social assistance were left with less than \$100 to cover food and other expenses after paying their rent each month. Many people are living in a state of “housing-induced” poverty.
- Individuals and families with low incomes are restricted from fully participating in community life. For example, recreational activities, such as sports with their fees and equipment costs, are virtually closed to poor families, as is access to computers and technology.

The Health Consequences of Income Inequality

- *Improving the Health of Canadians* (2004), a new report issued by the Canadian Institute for Health Information (CIHI), reinforces the notion of a strong link between health and poverty. Over the past 25 years, both life expectancy and average income in Canada have increased, but health status differences between income groups persist.

Better social and economic conditions mean better overall health.

- Low income Canadians are most vulnerable to poor health. For example, the highest income 20% of men in Canadian cities live five years longer, on average, than the lowest income 20%; they are also about one-quarter less likely to die of heart disease. In other words, it took the poorest fifth of urban Canadians until the mid-1990s to reach the life expectancy experienced by the richest fifth 25 years earlier.

Income Inequality Affects Health Through Many Pathways	
Absolute Material Deprivation (Poverty)	<ul style="list-style-type: none"> • Engaged in dangerous/stressful employment • Poor nutrition/substandard housing • Living in unsafe, polluted neighborhoods • Adoption of unhealthy behaviors, e.g., smoking • Lack of access to benefits/services
Relative Material Deprivation (Inequality)	<ul style="list-style-type: none"> • Diminished life expectations, lack of hope • Knowledge of marginality • Lack of personal control, uncertainty associated with social status • Decreased social cohesion/social disintegration

Source: Canadian Council on Social Development (CCSD) Submission to the Romanow Commission (2001)

- Chronic diseases such as arthritis, rheumatism, diabetes, heart problems, cancer and hypertension are much more common – often twice as common – for Aboriginal persons who also have generally much lower socioeconomic status than non-Aboriginals.
- Chronic conditions are more prevalent in poorer regions of Canada. Maritime residents in 1996 reported higher blood pressure scores compared to the national average (i.e., 10.1% versus 6.8%).
- Statistical analysis of data from the 1996-97 *National Population Health Survey* revealed that welfare recipients were more likely to report poor or fair health, depression, distress and fewer social supports than people not on welfare.
- A 1998-99 University of Toronto Lecture Series on *Economic Inequality and Individual Health* highlighted the psychological and psychosocial impacts of poverty which tend to be experienced as feelings of helplessness, lack of control and insecurity.
- In Canada, approximately 15% of children and youth (one in seven) experience mental health problems serious enough to affect their development and functioning. Poor children are more likely than children from higher-income families to experience low self-esteem and associated mental health difficulties, disability, injury and exclusion from cultural activities or sports.

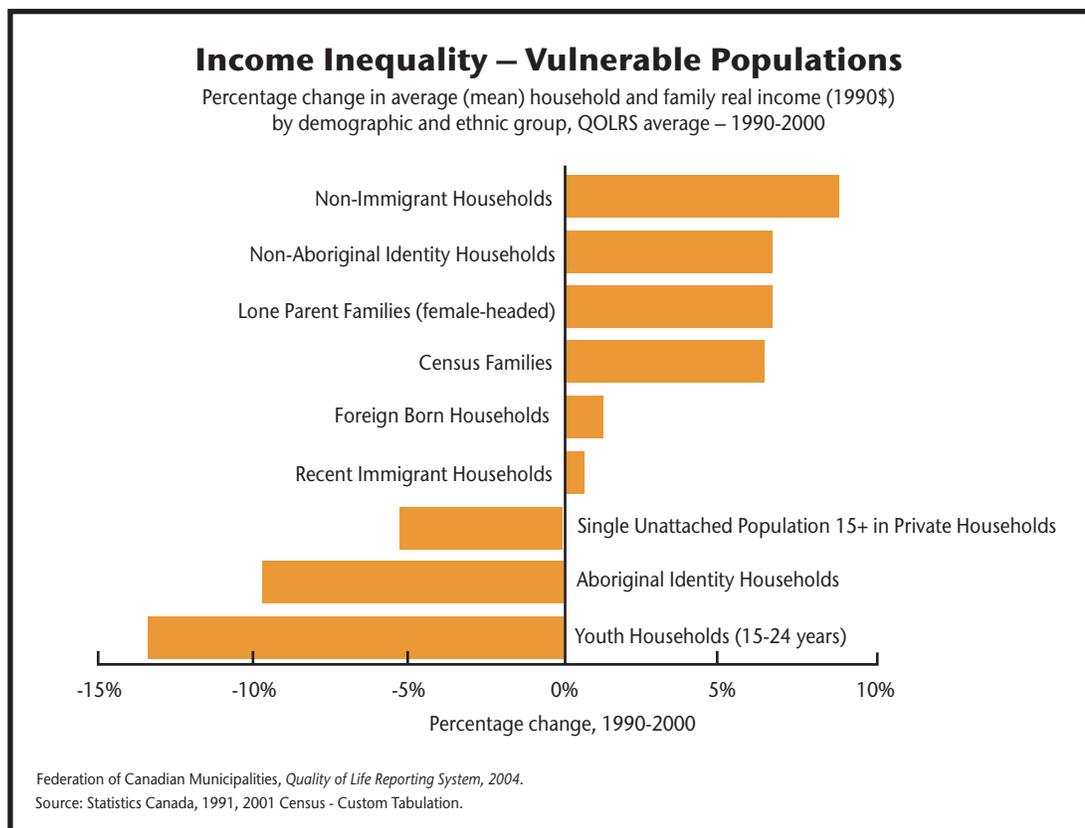
Social Exclusion, Income, and Mental Health

- The term “social exclusion” refers to the lack of opportunity to participate in cultural, economic, social, and political life, and draws attention to the social dimensions of poverty. Those who live in poverty have constraints on their ability to participate fully in the community as a result of isolation, discrimination, and marginalization from decision-making, and from an adequate quality of life.
- Social exclusion can increase the risk of mental health difficulties. Research has suggested that good social relationships and community involvement can act to protect people in poor material circumstances from adverse effects to their mental health. Isolation from others, whether friends, neighbors or family, constitutes one form of social exclusion, and this can result from conditions associated with poverty.

Who's at Risk of Becoming Poor?

Statistical analysis of data from the 1996-97 *National Population Health Survey* and the *National Longitudinal Survey of Children and Youth* revealed that:

- 56% of **lone-mother families** with at least one child under age 18 were living in poverty.
- In 1998, the poverty rate for recent immigrants was 27%, down from 37% in 1995 but still double the 13% rate for other Canadian families. Newcomers to Canada rarely enter the job market quickly and often must start with jobs below the skill level they worked at in their home country.
- 30.8% of persons with **a long-term physical or mental condition or health problem** were living in poverty, compared to 18.4% of Canadians without disabilities.
- **Persons of Aboriginal origin** living off-reserves are especially vulnerable to poverty. Almost half of this population (43.4%) was living in poverty in 1995 compared to 19.3% of non-Aboriginal people.
- **Regional differences** in socio-economic status remain important. For example, 17.7% of families in Newfoundland were poor in 1997 versus 12.7% in Alberta.
- High risk groups have all encountered barriers to finding and keeping meaningful paid employment. Rates of unemployment for people with serious and persistent mental illness are estimated between 70-90%, in part due to the high degree of workplace discrimination experienced by this group.



- According to the Canadian Institute for Health Information, low-income populations consist of two distinct groups: those for whom poverty is a temporary experience and those for whom it is a chronic experience.
- Longer duration poverty has greater negative health consequences than occasional episodes of poverty.
- Both income level and income changes are significant predictors of health status, but income level is the more important of the two.

Canadian Labour Market Changes

- The National Council on Welfare's 1993 report, *Incentives and Disincentives to Work*, underlined the sharp decline in the value of minimum wages since 1976 and the trend toward part-time, precarious and temporary jobs instead of well-paid, secure jobs. One result of the diminishing minimum wage is that no minimum wage worker could even reach the 1998 poverty line by working 40 hours a week – even if the worker were without dependents.

A worker with one child to support would have to work 58 hours a week to reach the poverty line in Vancouver where minimum wages are the highest in the country, and 103 hours a week in Winnipeg. A couple with two children would have to work 113 hours a week to reach the poverty line in Prince Edward Island, and 151 hours a week in Winnipeg.

- Greater numbers of middle-class Canadians are being exposed to economic insecurity.
- A national shortage of subsidized child care programs often restricts the choices of lone-parent mothers to low wage jobs or may even force them out of the paid labour market.
- 45% of adult employees between the ages of 25-59 are employed in flexible forms of work (less than full-time tenured workers). Flexible workers lack job ladders and have few opportunities to increase their real income earning capacity over time.
- 53% of the adult workforce or 6.7 million individuals are in vulnerable employment situations because they lack employment stability and/or market income sufficiency.
- Frequent lay-offs or irregular work without benefits are becoming more prevalent.

Sources of Income in Canada

Private Income: accounting for 85% of Canadian households' total income

- Employment
- Self-Employment
- Market Income: investments; private pensions; scholarships; bursaries; alimony; severance pay.

Income Security Programs: from social insurance schemes and general government revenues

- Transfer Income: public pensions (i.e., Old Age Security, Canada Pension Plan)
- Guaranteed Income Supplement (for low-income seniors)
- Employment Insurance, social assistance, tax credits (e.g., Federal Child Tax Benefit, Disability Tax Credit).

Canadian Income Security Programs

General Overview

- Programs such as provincial social assistance and the federal Guaranteed Income Supplement (GIS) are specifically designed to provide assistance to the poor, and they lead to a reduction in income inequality. Other programs such as Old Age Security (OAS) and the Canada and Quebec Pension Plans (CPP, QPP) are directed more generally at Canada's senior population, but they also have the effect of redistributing funds to low-income households.
- Income security programs can also be classified as contributory and non-contributory. Funds for the former programs are raised through individual contributions – usually in the form of payroll deductions – and they are administered by governments. Employment Insurance (EI) and the Canada/Quebec Pension Plans (i.e., retirement, disability and survivor benefits) are examples of social insurance programs. Since they are designed to protect workers' income, and because benefit levels are generally proportionate to earnings, middle-income households usually receive more from these programs than do low-income households.

In January 2004, the Federal government introduced a six-week block of compassionate care benefits through the EI program to ensure that Canadians can provide support to a gravely ill or dying child, parent or spouse without putting their jobs or incomes at risk. Though a definite step in the right direction, the absence of extended caregiver relief programs and benefits has taken its toll on family caregivers – physically, emotionally and financially. A 1999 Health Canada report estimated that employees juggling work and family demands cost Canadian employers at least \$2.7 billion a year in absenteeism, and the health care system approximately \$425.8 million for physician's visits. Families represent the largest group of caregivers for those with serious and persistent mental illness.

- On the other hand, non-contributory income support programs such as provincial social assistance are paid for out of general government revenues, and their benefits are usually targeted to the poorest households. Although people talk about welfare as a single entity, there are really 13 welfare systems in Canada: one in each province and territory. Until March 31, 1996, welfare was paid under the terms of the Canada Assistance Plan (CAP), an arrangement that allowed the cost to be shared by the federal government and the provinces and territories. On April 1, 1996, the Canada Health and Social Transfer (CHST) replaced CAP. Under the CHST, the federal government reduced its transfer payments to the provinces and territories for health, education and social services.
- Every province and territory uses a different method of calculating basic welfare which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs. Across Canada, welfare officials have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations.

Top Two Reasons for Seeking Assistance

Lack of work is the largest single reason people are on welfare, and it probably accounts for more than half of all welfare cases. Disability is the second most common reason and is a factor in perhaps one-quarter of all cases.

Long-term Earnings Replacement for Persons with Disabilities

- The Canada Pension Plan (CPP) disability benefit is available to people who have made enough contributions to the CPP, and whose disability prevents them from working at any job on a regular basis. These benefits are targeted at persons with severe and prolonged physical or mental disabilities with a minimum of one year duration. As a contribution-based program, CPP-D excludes people with an episodic, interrupted or absent employment history.
- The Disability Tax Credit (DTC) is a non-refundable credit that can be used by persons with disabilities (or spouse/ supporting person) to reduce the amount of income tax they will have to pay. A medical professional must certify that an individual has a severe and prolonged physical or mental disability that causes them to be markedly restricted in any of the basic activities of living (i.e. walking; speaking; perceiving, thinking, and remembering; hearing; feeding and dressing; eliminating bodily waste).
- In 2001/02, the Parliamentary Sub-Committee on the Status of Persons with Disabilities conducted a thorough review of the DTC legislation and administration. At the present time, a medical professional must certify that an individual has been living with a severe and prolonged disability for a continuous period of 12 months. The Committee found the eligibility criteria discriminatory against persons living with a recurrent or cyclical disability, such as mental illness.

CPP-Disability: To date this program uses a definition of disability that reflects the outmoded notion of “permanent unemployability”. People with serious mental illness tend to cycle between periods of illness and wellness, and between periods of ability and disability. Income security programs in general should be designed with greater flexibility to respond to changing circumstances such as fluctuating health and the ability to work. Such programs must begin to take into account the fundamental realities of living with a chronic disability that is episodic and unpredictable in nature.

Today’s income support legislation, policies and practices (both provincially and federally) penalize initiative more than they encourage employment.

For more details: www.disabilitytax.ca/subs/cmha-e.html

- Provincial social assistance plans also provide financial support to persons with disabilities who have a sporadic or limited work history, and do not qualify for earnings-replacement support. Persons with disabilities receive higher rates of social assistance across all provinces/ territories than single employable individuals. Although the rate differential between disabled and non-disabled welfare recipients varies significantly from province to province, the rationale is consistent: provision of some additional resources to account for the extra costs of living with a disability (e.g., medications, equipment, etc.).

Closing the Income Gap

- The Federal of Canadian Municipalities (FCM), the national voice of municipal government since 1901, produced a report in 2001 titled, *Falling Behind: Our Growing Income Gap*. The report found that the following areas of social and economic policy must work hand in hand toward mitigating the impact of growing inequality: income security reform, housing, employment, education, recreation and transportation.

Income Security Reform	<ul style="list-style-type: none"> • Establish reasonable social assistance, disability support programs and minimum wage rates that reflect what is actually needed for basic food and housing needs. • Provide progressive subsidies for supports such as training and child care. • Institute a Child Tax Benefit that will allow families on assistance to hold on to their money, rather than having it clawed back by provincial governments.
Housing	<ul style="list-style-type: none"> • Build more adequate, affordable, stable housing that promotes attachment to the community and social cohesion.
Employment	<ul style="list-style-type: none"> • Improve employment provisions for temporary or contract workers, and pro-rate benefits for part-time workers. • Promote employment to trades and professions, especially for recent immigrants.
Education	<ul style="list-style-type: none"> • Focus on the strong link between education level and income.
Recreation	<ul style="list-style-type: none"> • Create opportunities, build communities and develop social capital.
Transportation	<ul style="list-style-type: none"> • Support accessibility and reduce isolation.

- A balance is needed between universal, standard and accessible programs/policies and more targeted responses. Both are necessary.
- Our public pension system is a positive example of how dramatically poverty, in this case among seniors, can be reduced if there is the will to do it. Canadian programs reduced low income rates for seniors by 90% in the early 1990's.

Recent proposals

Most recently, the National Council of Welfare's 2004 report, *Income for Living?*, recommends:

- an increase to welfare rates in every province.
- an increase to the minimum wage in federal, provincial and territorial jurisdictions.
- a coherent and systematic approach to creating high-quality and affordable child care across the country, established as a priority by the federal government, and made to work by provinces and territories.
- a major commitment by senior levels of government to create an adequate stock of affordable and good-quality homes through a variety of strategies that could include increased funding, rent control and the building of new affordable and safe housing stock.
- federal and provincial governments review their tax systems to identify fairness of the system in relation to people with disabilities. The Council believes that people who are working to the extent of their abilities should be supported to do so, and the tax system is an obvious mechanism to provide this support.
- incentives and supports to work that can assist low income families to secure adequate employment opportunities and affordable child care, such as is evident in Quebec. The combination of tax relief, financial support and direct services such as affordable child care is recommended by the Council for all levels of government.
- the creation of positive work incentives for people on welfare to locate paid work – such as increased minimum wages, affordability of child care and affordable rents – rather than the punitive measure of clawing back the National Child Benefit Supplement by provinces and territories.

Key Sources

Campaign 2000 www.campaign2000.ca	HRSDC (Income Security Programs) www.hrsdc.gc.ca
Canadian Association of Food Banks www.cafb-acba.ca	National Anti-Poverty Organization www.napo-onap.ca
Canadian Council on Social Development www.ccsd.ca	National Council of Welfare www.ncwcnbes.net
Canadian Institute for Health Information www.cihi.ca	National Housing and Homelessness Network www.tdrc.net
Canadian Institute of Child Health www.cich.ca	Ryerson Social Reporting Network www.ryerson.ca/ORS/showcase/burke_mike_job.html
Federation of Canadian Municipalities www.fcm.ca	Full references are available upon request.

Specific Links of Interest

- An Inclusion Lens: Workbook for Looking at Social and Economic Exclusion and Inclusion* (2002).
www.hc-sc.gc.ca/hppb/regions/atlantic/pdf/inclusion_lens-E.pdf
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www.hwcn.org/link/mrg/health.and.income.pdf
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Full references are available upon request.

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Canadian Mental Health Association, May 2004. www.cmha.ca