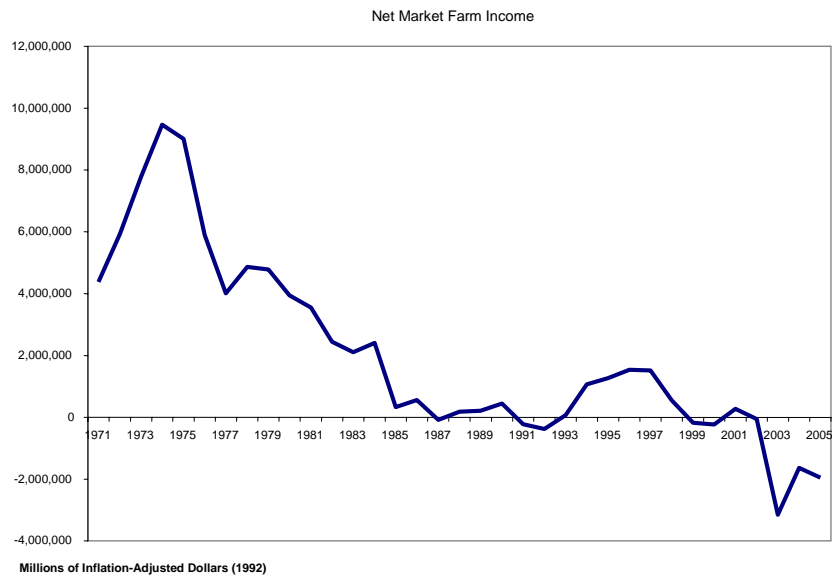




Understanding Freefall: The Challenge of the Rural Poor



Interim Report
of the Standing Senate Committee on Agriculture and Forestry

The Honourable Joyce Fairbairn, P.C., *Chair*
The Honourable Leonard J. Gustafson, *Deputy Chair*

December 2006

Ce rapport est aussi disponible en français

.....

Available on the Parliamentary Internet:

www.parl.gc.ca

(Committee Business — Senate — Reports)
39th Parliament — 1st Session

MEMBERS.....	iii
ORDER OF REFERENCE	iv
EXECUTIVE SUMMARY	v
CHAPTER 1: INTRODUCTION.....	1
<i>Committee Mandate</i>	<i>2</i>
<i>Addendum</i>	<i>4</i>
CHAPTER 2: DEFINING RURAL POVERTY.....	5
<i>Rural Definitions.....</i>	<i>5</i>
<i>Poverty Definitions</i>	<i>7</i>
<i>The Committee’s Approach</i>	<i>13</i>
<i>Conclusion: Some Statistical Evidence.....</i>	<i>14</i>
CHAPTER 3: TRENDS SHAPING RURAL CANADA.....	21
<i>Population and Demographics</i>	<i>21</i>
<i>Rural Economy</i>	<i>26</i>
<i>Transportation and Communications</i>	<i>30</i>
<i>Transportation and Communications Costs</i>	<i>31</i>
<i>Conclusion</i>	<i>32</i>
CHAPTER 4: THE CHALLENGES OF BEING POOR IN RURAL CANADA	35
<i>Rural Transportation and Rural Roads</i>	<i>35</i>
<i>Rural Health and Access to Health Care.....</i>	<i>37</i>
<i>Rural Education and Literacy.....</i>	<i>40</i>
<i>Government and Private-sector Services</i>	<i>42</i>
<i>Employment Issues.....</i>	<i>43</i>
<i>Immigration</i>	<i>44</i>
<i>Gender Issues in Rural Canada.....</i>	<i>44</i>
<i>The Informal Economy.....</i>	<i>46</i>
<i>Low Farm Incomes and its Consequences.....</i>	<i>48</i>
<i>Hardship in the Forestry Sector</i>	<i>51</i>

TABLE OF CONTENTS

<i>Conclusion</i>	52
CHAPTER 5: OPTIONS TO HELP THE RURAL POOR	55
<i>From the Agricultural Rehabilitation and Development Act to Community Futures to The New Rural Economy: A Recap</i>	56
<i>Rural Economic Development</i>	59
<i>Income Policies</i>	64
<i>Education</i>	65
<i>Other Policy Options</i>	67
<i>Conclusion</i>	70
CHAPTER 6: CONCLUSION	73
APPENDIX A: GLOSSARY	73
APPENDIX B: WITNESSES HEARD	75

The Honourable Joyce Fairbairn, P.C., Chair of the Committee
The Honourable Leonard J. Gustafson, Deputy Chair of the Committee

The Honourable Senators:

Catherine S. Callbeck
Ione Christensen
Frank W. Mahovlich
Terry M. Mercer
Grant Mitchell
Donald H. Oliver
Robert W. Peterson
Hugh Segal
David Tkachuk

Ex-officio members of the committee:

The Honourable Daniel Hays (or Joan Fraser) and Marjory LeBreton (or Gerald Comeau)

In addition, the Honourable Senators Cordy, Downe, Kenny, Meighen, Merchant and Milne were members of the committee for this special study during the 1st session of the 39th Parliament.

Extract from the *Journals of the Senate*, Tuesday, May 16, 2006:

The Honourable Senator Segal moved, seconded by the Honourable Senator Di Nino:

That the Standing Senate Committee on Agriculture and Forestry be authorized to examine and report on rural poverty in Canada. In particular, the Committee shall be authorized to:

- (a) examine the dimension and depth of rural poverty in Canada;
- (b) conduct an assessment of Canada's comparative standing in this area, relative to other OECD countries;
- (c) examine the key drivers of reduced opportunity for rural Canadians;
- (d) provide recommendations for measures mitigating rural poverty and reduced opportunity for rural Canadians; and

That the Committee submit its final report no later than April 30, 2007.

After debate,

The question being put on the motion, it was adopted.

Paul C. Bélisle
Clerk of the Senate

The rural poor are, in many ways, invisible.

They don't beg for change. They don't congregate in downtown cores. They rarely line up at homeless shelters because, with few exceptions, there are none. They rarely go to the local employment insurance office because the local employment insurance office is not so local anymore. They rarely complain about their plight because that is just not the way things are done in rural Canada.

The rural poor are also under-researched. With few exceptions, the academic and activist communities have been preoccupied with studying and highlighting the plight of the urban poor.

Canada's rural poor have rarely been the subject of political attention. To the Committee's knowledge, no other federal parliamentary committee has written a report devoted exclusively to rural poverty, although rural poverty has emerged as a theme in some more general studies of poverty such as the 1971 Special Senate Committee on Poverty's report, *Poverty in Canada* (the Croll Committee report).

Some argue the rural poor are invisible because despite what some of the statistics say, the rural poor are not really that poor: very few go hungry, fewer still are homeless, and many enjoy easy access to nature and its abundance while benefiting from the tightly-knit social fabric that many rural settings provide.

The Committee's interest in studying rural poverty arose out of its concern about what has been referred to as the farm income crisis. While persistently low farm incomes are a long-term problem, the situation has become more worrisome of late. In recent years, the farm sector has weathered several crippling challenges, including border closures following the discovery of mad cow disease, the culling of chickens due to avian flu, droughts in parts of the Prairie provinces, a strong Canadian dollar and stagnant or falling prices for many farm commodities.

EXECUTIVE SUMMARY

Of course, the Committee recognizes that rural poverty extends well beyond farm poverty. In provinces such as Newfoundland and Labrador, for example, agriculture is only a small part of the rural economy. Even in provinces with strong agricultural sectors, such as Alberta, Saskatchewan and Manitoba, large parts of the rural economy are dominated by forestry, oil and gas, mining, manufacturing and the service sector.

In light of these issues, the committee was authorized by the Senate to study rural poverty in all its dimensions. This report is the fruit of our labour thus far, the outcome of considered comments and suggestions from policymakers, activists and academics who have devoted careers to studying poverty, rural Canada and sometimes both.

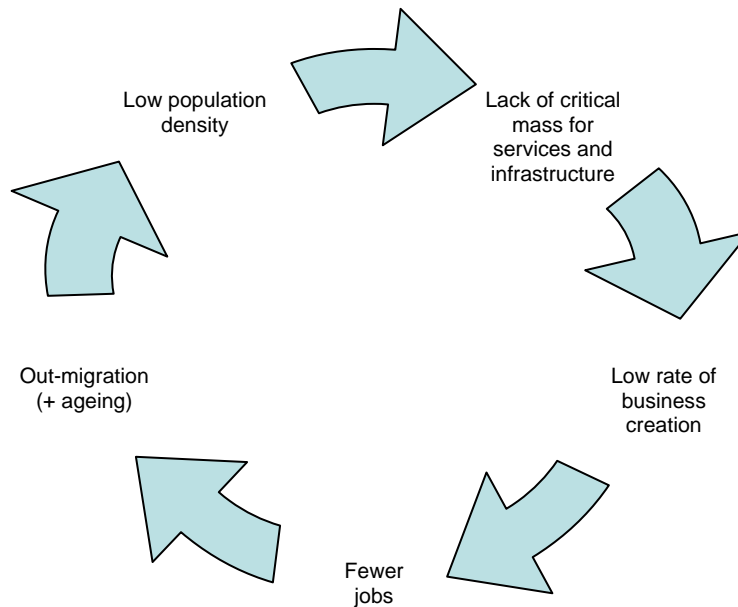
In our first chapter, we lay out the issues much as we have here by trying to provide an intuitive, summary understanding of the debates around rural poverty. We also discuss in some detail the scope of our study and our plans to travel to rural communities to hear, first-hand, what rural residents have to say about rural poverty. This planned travel explains why this interim report makes no formal recommendations – the Committee has always believed it is important to speak to the people who live and breath rural life everyday, not just the experts.

In chapter 2, we dig a little deeper by reviewing some of the key debates around different definitions of the terms “rural” and “poverty.” While this chapter is unavoidably challenging because of the proliferation of technical and definitional details around these matters, it is also very important for understanding the debates around rural poverty. After weighing the strengths and weaknesses of different definitions of “rural” and “poverty,” the Committee opts for a pragmatic approach that cuts through these debates by staying focused on the basic premise underlying our study, namely that one person in poverty is one too many.

In many ways, the problem of rural poverty is the outcome of a larger issue, namely rural Canada’s relative economic and demographic decline. In Chapter 3, we discuss the three main trends that have shaped rural Canada in the past and are likely to shape it in the future, namely, a stagnant or declining rural population, which is also an aging rural

population; the substitution of capital for labour in rural Canada’s traditionally important primary sector; and falling transportation costs for goods, offset by rising transportation costs for people. While rural Canada is no monolith and there are a number of success stories, the outcome of these trends can sometimes lead to a vicious circle, as illustrated below.

Figure 3-4 : Circle of Declining Rural Regions (OECD)



Source: Organization for Economic Cooperation and Development, *The New Rural Paradigm: Policies and Governance*, 2006, p.32

In Chapter 4, we discuss in detail some of the many challenges faced by the rural poor, starting with the observation that while the rural poor look a lot like the urban poor – they too are disproportionately composed of single mothers, Aboriginal people, people with low educational attainment and elderly, disabled or unemployed individual – they experience poverty very differently than their urban counterparts. This difference most often boils down to problems around transportation: rural Canadians have to travel further to see a doctor, apply for welfare, access education, buy fresh vegetables, or even just participate in community life. Ultimately, being poor in rural Canada means more than just not having enough. It also means having to travel long distances to get enough.

EXECUTIVE SUMMARY

In Chapter 5, we outline some of the policy ideas brought forward by our witnesses to address rural poverty and rural economic decline more generally. These ideas range from laissez-faire approaches that believe well-intentioned efforts to help the rural poor are likely to lead to negative consequences, to more activist policies such as a guaranteed annual income. For the most part however, the policy ideas discussed in this chapter are all premised on the belief that federal (and provincial) governments must facilitate — not dictate, as it have in the past — policy solutions for rural Canadians. This general philosophical approach is well captured by what has become known as the “New Rural Paradigm,” or “New Rural Economy,” one that seeks to leverage the assets and talents that are latent, but perhaps not always manifest, in rural Canada.

Finally, in our conclusion, we reiterate our primary objective in writing this interim report, which is simply to begin the process of giving rural Canadians and the rural poor in particular a voice, of making them a little more visible. This interim report will, we hope, serve as a document to begin a dialogue, the ultimate goal being of course to listen, learn and to help advance their cause with pertinent recommendations. In the wise words of one our witnesses, addressing rural poverty and rural disparities more generally is simply a matter of citizenship, one that answers in the affirmative to the question: “Do rural Canadians enjoy the same status as other Canadians, or are they second-class citizens?”

CHAPTER 1: INTRODUCTION

The other thing that is different culturally is that there are some strong ideas about self-sufficiency in rural areas. That is one of the reasons why I think poverty is so hidden in rural places. Ideas about self-sufficiency are really important to people, especially men who are farming. — Diane Martz, Research Manager of the Prairie Women's Health Centre of Excellence, evidence, November 23, 2006

The rural poor are, in many ways, invisible.

They don't beg for change. They don't congregate in downtown cores. They rarely line up at homeless shelters because, with few exceptions, there are none. They rarely go to the local employment insurance office because the local employment insurance office is not so local anymore. They rarely complain about their plight because that is just not the way things are done in rural Canada.

The rural poor are also under-researched. With few exceptions, the academic and activist communities have been preoccupied with studying and highlighting the plight of the urban poor.

Canada's rural poor have rarely been the subject of political attention. To the Committee's knowledge, no other federal parliamentary committee has written a report devoted exclusively to rural poverty, although rural poverty has emerged as a theme in some more general studies of poverty such as the 1971 Special Senate Committee on Poverty's report, *Poverty in Canada* (the Croll Committee report).

Some argue the rural poor are invisible because despite what some of the statistics say, the rural poor are not really that poor: very few go hungry, fewer still are homeless, and many enjoy easy access to nature and its abundance while benefiting from the tightly-knit social fabric that many rural settings provide.

Understanding Freefall: The Challenge of the Rural Poor

The Committee has learned that the evidence is in fact mixed. While the rural poverty rate is somewhat higher than in urban areas by two widely-used measures, it is considerably lower by a third measure. While income inequality in rural areas is considerably less pronounced than in urban areas, the hard fact is that rural incomes are considerably lower. Finally, while rural transportation and food costs are often much higher in rural areas than in urban centres, housing costs are usually quite a bit lower.

That said, it is difficult to ignore one of the more unequivocal signs of trouble in rural areas, namely the fact that Canada's rural population is falling — a relatively new trend tied to out-migration and, ultimately, a lack of economic opportunity in rural Canada. In other words, rural poverty may only *look* benign because a lot of the rural poor are compelled to move to urban areas.

...it is difficult to ignore one of the more unequivocal signs of trouble in rural areas, namely the fact that Canada's rural population is falling... .

Committee Mandate

The Committee's interest in studying rural poverty arose out of its concern about what has been referred to as the farm income crisis. While persistently low farm incomes are a long-term problem, the situation has become more worrisome of late. In recent years, the farm sector has weathered several crippling challenges, including border closures following the discovery of mad cow disease, the culling of chickens due to avian flu, droughts in parts of the Prairie provinces, a strong Canadian dollar and stagnant or falling prices for many farm commodities.

It is also important to remember that, federally, rural policy has traditionally been the purview of Agriculture and Agri-Food Canada. That department houses the Rural Secretariat, an organization that aims to raise awareness about the concerns of rural Canadians and encourage federal departments and agencies to use a "rural lens" when designing new policies, programs and services.

That said, the Committee recognizes that rural poverty extends beyond farm poverty. In provinces such as Newfoundland and Labrador, for example, agriculture is only a small part of the rural economy. Even in provinces with strong agricultural sectors, such as Alberta, Saskatchewan and Manitoba, large parts of the rural economy are dominated by forestry, oil and gas, mining, manufacturing and the service sector.

In light of these issues, on May 16, 2006, the committee was authorized by the Senate to

- (a) examine the dimension and depth of rural poverty in Canada;
- (b) conduct an assessment of Canada's comparative standing in this area, relative to other OECD countries;
- (c) examine the key drivers of reduced opportunity for rural Canadians; and
- (d) provide recommendations for measures mitigating rural poverty and reduced opportunity for rural Canadians.

In the early fall of 2006, the Committee turned to academics, government officials, and community organizations for help in understanding the causes, consequences and nature of rural poverty in order to prepare itself for planned travel to rural communities in the winter of 2007. The Committee tapped into a willing community of researchers and analysts familiar with the available, albeit limited, research on rural poverty. Many of these researchers have devoted their careers to studying rural Canada and coming up with ways of tapping into the strengths and talents of rural citizens, including the rural poor.

The Committee strongly endorses this approach because, from its past travels and experience, it knows there is tremendous talent, again often out of sight, in rural Canada. So while this report focuses on a subject that is at times unavoidably discouraging and depressing, the Committee wants to insist at the outset on the resilient, "can-do" attitude that it knows is alive and well, but perhaps at times hidden, in rural Canada. The Committee strongly believes that rural Canada must not be abandoned, nor must it be ignored, simply because it lacks the clout of urban areas.

Understanding Freefall: The Challenge of the Rural Poor

Addendum

The Committee's mandate is ambitious, which is why it is dividing its study into two parts. This interim report addresses some of the major definitional issues around "rural" and "poverty," and then discusses some of the concerns and policy options raised by the witnesses. It makes no formal recommendations because the Committee does not want to prejudice its meetings with rural residents across Canada, which are planned for the winter and spring of 2007. This interim report is intended as a discussion paper that will inform and shape these meetings with rural Canadians and the second and final report, complete with recommendations, planned for later in 2007.

The ambitious scope of the study also explains the Committee's decision to set aside issues related to rural Aboriginal poverty. While the Committee recognizes the severity of poverty in Aboriginal communities, addressing the rural poverty problem in Aboriginal communities requires a set of policy (and statistical) tools that are substantially different from the ones used to address rural poverty outside of Aboriginal communities. In this respect, the Committee is pleased to note that the Standing Senate Committee on Aboriginal Peoples is nearing the end of a two-year study on Aboriginal economic development, an issue that is obviously closely tied to Aboriginal poverty. The Committee trusts that this study will do the thorough and respectful job that this topic, vast in its own right, deserves.

CHAPTER 2: DEFINING RURAL POVERTY

I started [my research] with trying to define rural poverty, and that too I found to be somewhat of a frustrating experience. I have come to the conclusion that individuals evaluate their station within the social order in which they live and whether or not they command sufficient resources to meet the minimum requirements of life based on their society set of social standards and values. Poverty is a contested concept, and it is not an absolute variable from my point of view. It is something that is society-defined and society-driven. — Donald Reid, Professor, School of Environmental Design and Rural Development, University of Guelph, evidence, November 21, 2006

Any study of rural poverty faces two immediate challenges, namely, defining what is meant by the terms “rural” and “poverty.” These definitional challenges arise because definitions function like lenses; they dictate what we see and what we mean when we use terms such as “rural” and “poverty.” They also invariably shape the appropriate policy response.

These definitional challenges arise because definitions function like lenses; they dictate what we see and what we mean when we use terms such as “rural” and “poverty.” They also invariably shape the appropriate policy response.

The Committee is acutely aware that these definitional questions could easily fill an entire report. They certainly have filled voluminous tomes and consumed academic careers. With that in mind, the Committee’s discussion will be brief, focusing only on the major issues related to the various definitional approaches.

Rural Definitions

The term “rural” seems straightforward enough. In everyday use, it conjures images of anywhere outside a major city: small towns set against rolling countryside in southern Quebec; villages surrounded by endless expanses of wheat, barley and canola in the Prairies; communities perched on barren rocks in the Atlantic provinces; or company

Understanding Freefall: The Challenge of the Rural Poor

towns surrounded by lakes, rocks and trees in the northern reaches of many provinces and territories.

For academics, statisticians and policy-makers, this kind of impressionistic understanding does not lend itself to easy empirical analysis. In order to depict rural Canada through numbers, charts, graphs and maps, they have to use more precise, quantifiable definitions. There are three main ways of defining what is meant by the term “rural.” Rural can be defined *functionally* by looking at the degree to which an area is integrated into an urban labour market, *descriptively* by looking at population densities, or *sociologically* by looking at shared cultural attributes or communities of interests.

In Canada, the functional approach corresponds to Statistics Canada’s Rural and Small Town (RST) definition, which defines “rural” as any community or locale with fewer than 10,000 people *and* where fewer than 50% of the population commutes to an urban area. The main advantage of the RST definition is that it tends to focus attention on communities that have fewer linkages to urban centres, the kind of places that may more easily spring to mind when most people think “rural.” On the other hand, the RST definition does not provide much help in understanding the plight of people who think of themselves as rural and yet, because of encroaching urbanization, find themselves contending with sharp increases in real estate prices, rising traffic and pollution, disappearing farmland, or, more generally, the loss of their rural way of life.

The descriptive approach corresponds to the Organisation for Economic Co-operation and Development (OECD)’s “predominantly rural” definition. This approach defines as rural any area where more than 50% of the population lives in communities with less than 150 persons per square kilometre. The OECD definition includes individuals living in the countryside, and also in towns and small cities inside and outside the commuting zone of larger urban centres. The OECD approach has two main advantages. First, it can be easily used for international comparisons; second, it tends to be more encompassing than

Statistics Canada's rural and small town definition,¹ which in turn means it is better at describing the particular concerns of rural residents who live close to urban centres. The OECD definition has one major liability, however: it counter-intuitively classifies as "predominantly rural" areas that many would consider urban. Under the OECD definition for example, the entirety of Prince Edward Island, including Charlottetown (a city with a population of 32,245 in 2001) is defined as "predominantly rural." While this may be true from an international perspective, it hardly rings true to residents of Prince Edward Island.

As for the *sociological* definition, it might focus on, for example, people who self-describe themselves as "rural" even though they fall in one, both or neither of the RST or "predominantly rural" definitions. This strength is offset somewhat, however, to the extent that the sociological approach suffers from a lack of precision and, portability (to other jurisdictions).

Poverty Definitions

Let me tell you a story about a mom whose son was in the same class as my son. We would meet together at school in the morning at the playground. We happened to have the same doctor. We would meet at the doctor's office. In fact, we had the same dentist and would meet at the dentist's office too. Then one day I was driving a neighbour down to the food bank to get food, and there was this mother there. It took a long time for me to get her attention, and the first thing she said to me was "I hate having to come here." I thought to myself, hang on a second; both of our children have a right to get an education and neither of us feel ashamed about having to go to school and meeting each other at the school. For both of us, our children have the right to health care; we do not feel ashamed when we meet each other at the doctor's office. Why should we find ourselves in a situation where

¹ In a study using 1996 data, Statistics Canada estimated Canada's predominantly rural population at 8.9 million and the RST population at 6.3 million. While 86% of the RST population also lived in areas identified as predominantly rural, only 60% of the predominantly rural population lived in areas identified as RST. The other 40% of the predominantly rural population lived within the commuting zone of a larger urban centre. See Valerie Du Plessis, Roland Beshiri, Ray D. Bollman and Heather Clemenson, *Definitions of Rural*, Statistics Canada Research Paper, No. 061, Cat. No. 21-601-MIE, Ottawa, 1996.

Understanding Freefall: The Challenge of the Rural Poor

one of us feels ashamed because they have to get food for their children? — Greg deGroot-Maggetti, socio-economic policy analyst at Citizens for Public Justice, evidence, November 28, 2006

Canada, like most other countries (but unlike the United States), does not have an “official” poverty line. This again raises the definitional question: what does it mean to be poor in Canada? The *Oxford English Dictionary* defines poverty as:

Having few, or no, material possessions; wanting means to procure the comforts, or the necessaries, of life; needy, indigent, destitute; spec. (esp. in legal use) so destitute as to be dependent upon gifts or allowances for subsistence. In common use expressing various degrees, from absolute want to straitened circumstances or limited means relatively to station

This entry illustrates the two main ways of defining, and therefore understanding, poverty. On the one hand, there are absolute definitions, which emphasize an individual’s inability to obtain the things he or she needs for survival. These definitions are reflected in the first part of the Oxford dictionary’s entry (“wanting means to procure the comforts, or the necessaries, of life”; “absolute want”). On the other hand, there are relativist definitions that emphasize an individual’s plight relative to a social norm (“straitened circumstances or limited means relatively to station”).

Given the term’s wide interpretational scope, the question then becomes: which definition best accords with the popular understanding of poverty? The answer appears to be “it depends.” When asked to think about poverty in developing countries, for example, most people probably think in absolute terms. They visualize stomachs bloated from starvation, tattered clothing, homelessness (refugee camps, for example) and lack of access to even the most basic forms of health care.

When asked to think about the poor people they knew growing up or may know today, most people probably conjure images closer to the “relativist” definition: people who, while adequately dressed, are clearly out of step with social norms; people who, while adequately sheltered, live in run-down apartments with no backyards and only minimal amenities; or, more poignantly, children who are

When asked to think about the poor people they knew growing up or may know today, most people probably conjure images closer to the “relativist” definition: people who, while adequately dressed, are clearly out of step with social norms; people who, while adequately sheltered, live in run-down apartments with no backyards and only minimal amenities; or, more poignantly, children who are always a few toys removed from what is “cool.”

always a few toys removed from what is “cool.” In her testimony before the Committee, Sherrie Tingley, Executive Director of the National Anti-Poverty Organization, urged the Committee to adopt a relative approach, one that she argued is consistent with thinking of poverty in terms of social exclusion. To illustrate what she had in mind, she shared with the Committee some of the poverty definitions formulated by a group of grade 4 and grade 5 students from North Bay, Ontario:

Poverty is wishing you could go to McDonalds; getting a basket from the Santa Claus fund; feeling ashamed when my dad cannot get a job; not buying books at the book fair; not getting to go to birthday parties; hearing my mom and dad fight over money; never getting a pet because it costs too much; wishing you had a nice house; not being able to go camping; not getting a hot dog on hot dog day; not getting pizza on pizza day; not going to Canada’s Wonderland; not being able to have your friends sleep over; pretending that you forgot your lunch; being afraid to tell your mom that you need new gym shoes; not having breakfast sometimes; not being able to play hockey; sometimes it is really hard because mom gets scared and cries; hiding your shoes so your teacher won’t get cross when you do not have boots; not being able to go to cubs or play soccer; not being able to take swimming lessons; not being able to take electives at school, like downhill skiing; not being able to afford a holiday; not having pretty barrettes for your hair; not having your own backyard; being teased for the way you are dressed; not getting to go on school trips. (Evidence, September 28, 2006)

Understanding Freefall: The Challenge of the Rural Poor

These impressionistic depictions of the “absolute” versus “relative” definitions of poverty obscure the fact that the distinction is perhaps a little too neatly drawn. Nobel laureate economist and philosopher Amartya Sen, for example, argues that the term “poverty” has *both* an absolute and relative dimension. In Sen’s words, there is an “irreducible absolutist core to the idea of poverty”: at some level, poverty implies that it is important for everyone to have the *absolute capacity* to participate in society.

Christopher Sarlo, an economics professor at Nipissing University and adjunct scholar at the Fraser Institute, told the Committee that in his work he defines poverty thresholds by measuring the minimum *consumption* (as opposed to income) necessary to sustain physical well-being. His approach therefore focuses on estimating the cost of basic shelter (low-cost apartments), clothing and dietary needs (enough calories to avoid hunger).² His approach is “absolute” in the sense that he looks at what is “absolutely” necessary for basic well-being, but it nevertheless retains an element of relativity in that it adjusts for local and historical context by planning a menu in accordance with Canadian eating habits³ and including items such as basic telephone service.⁴ In his view, a family is poor if its before-tax income is insufficient to pay for his basket of “basic needs” items.

In a wealthy society such as Canada, avoiding what Smith called shame and what sociologists call “social exclusion” means ensuring that people have enough to “sit at the table” as it were — to fully partake in society. If “sitting at the table” means having access to reading material, joining the local Scouts or Guides, or owning a pair of skates, proponents of this more expansive view feel this should be reflected in the definition and measurement of poverty.

Social activists and many in the research community, on the other hand, define the relative side of poverty in a more expansive way, one broadly consistent with

² Dr. Sarlo’s measure assumes that everyone has access to public transportation, which, as he acknowledges in his work, is clearly not the case in rural Canada, as we will see. This limits the usefulness of his measure for studying rural poverty.

³ To illustrate: while it may be possible to survive on a diet consisting largely of basics such as rice and beans, Dr. Sarlo’s proposed diet follows the requirements of Health Canada and the Canada Food Guide and is based on budgets for various types of meat (blade roast, stewing beef, ground beef, chicken, etc.), vegetables (cabbage, carrots, celery, lettuce, etc.), fruit (bananas, oranges, apples), cereals (cornflakes, pasta, sliced (white) bread, flour), and sugar, salt and margarine.

⁴ Dr. Sarlo allows for these basic needs to change with time and place, based on broad social changes. His poverty measure includes, for example, the cost of basic telephone service, something that clearly would have been considered a luxury 100 years ago.

18th-century political economist Adam Smith's argument that the meaning of poverty is closely tied to notions of societal stigma and shame. Smith wrote that a person should be considered poor if he or she lacks "whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." In a wealthy society such as Canada, avoiding what Smith called shame and what sociologists call "social exclusion" means ensuring that people have enough to "sit at the table" as it were — to fully partake in society. If "sitting at the table" means having access to reading material, joining the local Scouts or Guides, or owning a pair of skates, proponents of this more expansive view feel this should be reflected in the definition and measurement of poverty.

In Canada, the most widely used income-based measure of poverty broadly consistent with this approach is Statistics Canada's low-income cut-off (LICO) measure. Under the LICO approach, Statistics Canada sets its low-income threshold at 20 percentage points *above* the average proportion of income spent by families on food, shelter and clothing. If the family's income falls below this threshold, Statistics Canada classifies the family as "low-income." In 1992, for example, the average family of four spent 43% of its after-tax income on food, shelter and clothing. Adding 20 percentage points implies a LICO after-tax threshold equal to 63% of after-tax income devoted to food, shelter, and clothing.⁵

It is important to point out that Statistics Canada refuses to call its low income cut-off (LICO) measure a "poverty measure." Instead, the agency states that it is better characterized as a tool to measure the incidence of low income. The term "poverty," the agency argues, must be determined by society, not statisticians. Analysts such as Finn Poschmann, Research Director of the C.D. Howe Institute, argue for their part that LICO is, at least in part, a veiled measure of income inequality. They say that a pure poverty measure should focus on what households actually consume (or need to consume), rather

⁵ The LICO thresholds are adjusted each year for inflation and calculated on a before- and after-tax basis for seven different family sizes and five community sizes, including a rural versus urban distinction that will be discussed in greater detail below. The LICO figures are periodically "re-based" to estimate the average amount spent by an individual or family on food, shelter, and clothing.

Understanding Freefall: The Challenge of the Rural Poor

than designating some quasi-arbitrary income level as “poor.” These caveats and critiques notwithstanding, the LICO thresholds remain the most widely used poverty benchmarks amongst activists, policy-makers and journalists.

To address some of the critiques of Statistics Canada’s low income cut-off, Human Resources Development Canada (HRDC) created the market basket measure (MBM) of poverty. The MBM is a consumption-based measure similar in principle to Dr. Sarlo’s approach but more expansive in two ways. First, the MBM defines a household’s spending power in a comparatively narrow way, setting disposable income as equal to total family income less the following: income taxes; payroll taxes; mandatory contributions to items such as employer-sponsored pension plans, supplementary health plans and union dues; child support and alimony payments; out-of-pocket spending on child care; and non-insured but medically prescribed health-related expenses such as dental and vision care, prescription drugs and aids for persons with disabilities.

Second, the market basket measure estimates the cost of a much wider range of socially determined needs than Sarlo’s basic needs measure. Specifically, the MBM tallies the cost of purchasing a basket of goods and services deemed to represent the standard of consumption for a reference family of two adults and two children in various parts of the country. This “standard of consumption” includes the costs of food, clothing, shelter, furniture, transportation, communications (telephone service), *and* reading (newspapers, magazines), recreation (community sports activities, for example) and entertainment (movie rentals, tickets to local sports events). If the cost of this basket of goods exceeds disposable income, a family is considered “low-income” or “poor.”

Finally, Statistics Canada also calculates another widely-used poverty measure called the low-income measure (LIM). Using this approach, an individual or family is considered “low-income” if their income fails to exceed 50% of median individual or family income. Statistics Canada calculates LIM thresholds for market income (i.e., excluding government transfers), before-tax revenue and after-tax revenue, and adjusted for family size and composition. The LIM approach facilitates international

comparison and is relatively easy to calculate. On the other hand, LIM does not distinguish between the cost of living in urban and rural areas. LIM calculations also can produce counter-intuitive results, potentially leading to a situation where the poverty rate could fall even in the midst of a recession.

The Committee's Approach

As this discussion demonstrates, different definitions emphasize different aspects of the meaning of the terms “rural” and “poverty.” With that in mind, the Committee concurs with the advice of many of our witnesses who suggested that the Committee approach these definitional issues pragmatically. Rather than trying to identify “the” single best definition of “rural” and “poverty,” the Committee believes it best to instead employ definitions that suit its broad objectives, namely to highlight the plight of the rural poor whoever and wherever they may be and to propose policy solutions that address the particular features of poverty as they exist in all of Canada’s rural areas.

In the case of “rural” definitions, the Committee agrees with Dr. Harry Cummings, a professor in the School of Environmental Design and Rural Development at the University of Guelph, who argued that “rural is not an absolute condition but it is a continuum”. (Evidence, October 31, 2006) Statistics Canada’s rural and small town definition pinpoints the particular challenges of living in places distant from urban centres; the OECD predominantly rural definition is useful for international comparisons while providing additional insight into rural residents who feel threatened by urban encroachment; and the sociological definition helps highlight how rural citizens themselves think about the rural way of life.

In the case of poverty, the Committee believes that while there is an “irreducible absolute core” to poverty, it also believes that the “relativist” dimension is crucial. This relativist dimension translates into thinking of poverty as a function of changing physical needs *and* changing social conventions about what is necessary to avoid social shame and hence social exclusion.

Understanding Freefall: The Challenge of the Rural Poor

While the Committee believes these two aspects of poverty are best captured by HRDC's market basket measure (MBM) measure, it also believes that the Sarlo, low income measure (LIM) and low-income cut-off (LICO) thresholds each have something important to say. Dr. Sarlo's estimates give us some insight into the most destitute members of our society; LICO estimates are useful because they are the country's *de facto* poverty measures and because they are the only measure with readily available and comprehensive rural data; and finally, the LIM data facilitate international comparisons.

Conclusion: Some Statistical Evidence

The importance of definitions is perhaps most apparent when looking at the data derived from the range of available definitions. Based on 2001 data, rural Canada's population ranged anywhere from 6.1 million people or slightly more than 20% of the total population using Statistics Canada's rural and small town (RST) definition, to more than 9 million people or 30.4% of the population using the OECD's "predominantly rural" definition.⁶ In other words, the "predominantly rural" definition suggests there are 50% more rural people than under the RST definition, most of them in and around urban areas.

In terms of poverty, different definitions again paint different pictures.⁷ The low income measure (LIM) and market basket measure (MBM) definitions, for example, show somewhat higher incidences of low income in rural (defined as RST) than in urban Canada. Under the LIM approach, the poverty rate⁸ in rural Canada in 2002 was 13.1%, compared with 11.5% in urban Canada; under the MBM, the poverty rate in rural Canada in 2002 was 14.1%, versus 13.6% in urban Canada. By contrast, low income cut-off

⁶ Population trends are discussed in the next chapter. Note also that this is not an exhaustive list of all available "rural definitions." Rural and small town (RST) and "predominantly rural" are, however, the two most widely used in Canada.

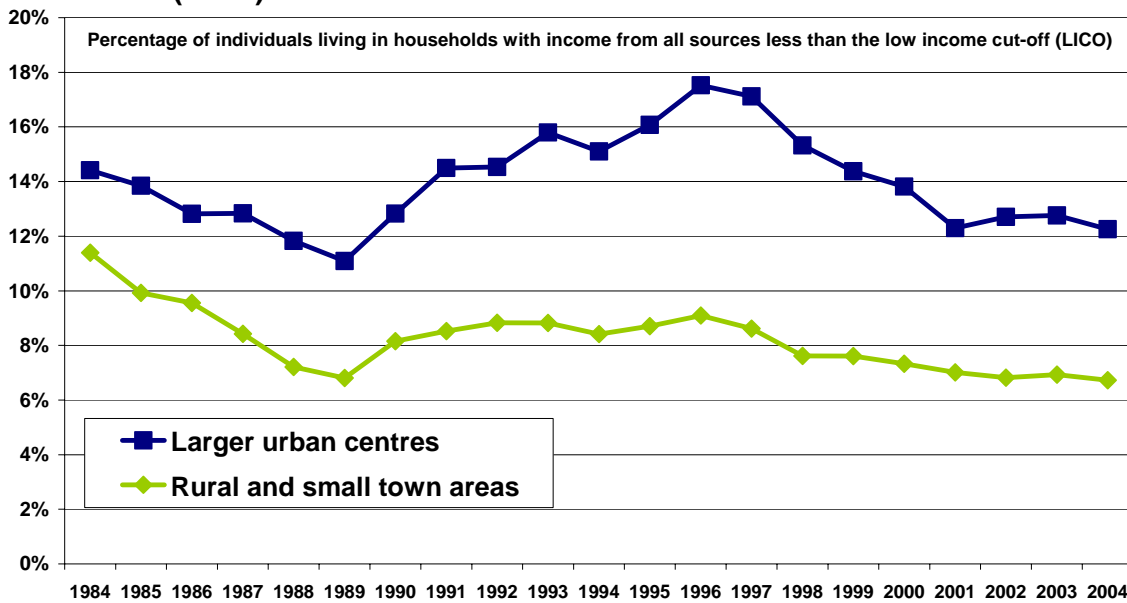
⁷ The low-income/poverty figures discussed in this paragraph refer to after-tax income.

⁸ The poverty rate is calculated by adding up all the people who fall below a given poverty threshold in a given area (rural, in rural Canada (as defined by rural and small town (RST)) for example) and dividing this number by the relevant population.

(LICO) estimates put the incidence of low income in rural Canada at 6.8% for 2002, compared with 12.3% in urban areas.

Historically, the data suggest that the incidence of low income in rural Canada, again defined as rural and small town (RST), has been steady or trending slowly downward since the mid-1990s regardless of the measure employed, much as it has for the country as a whole. Figure 2-1 shows the long-term trends measured by the low income cut-off for rural and small town (RST) Canada compared with trends in urban Canada. Figure 2-2 does the same for LIM. The MBM estimates, which are available only for 2001, 2002, and 2003, show a similar pattern.

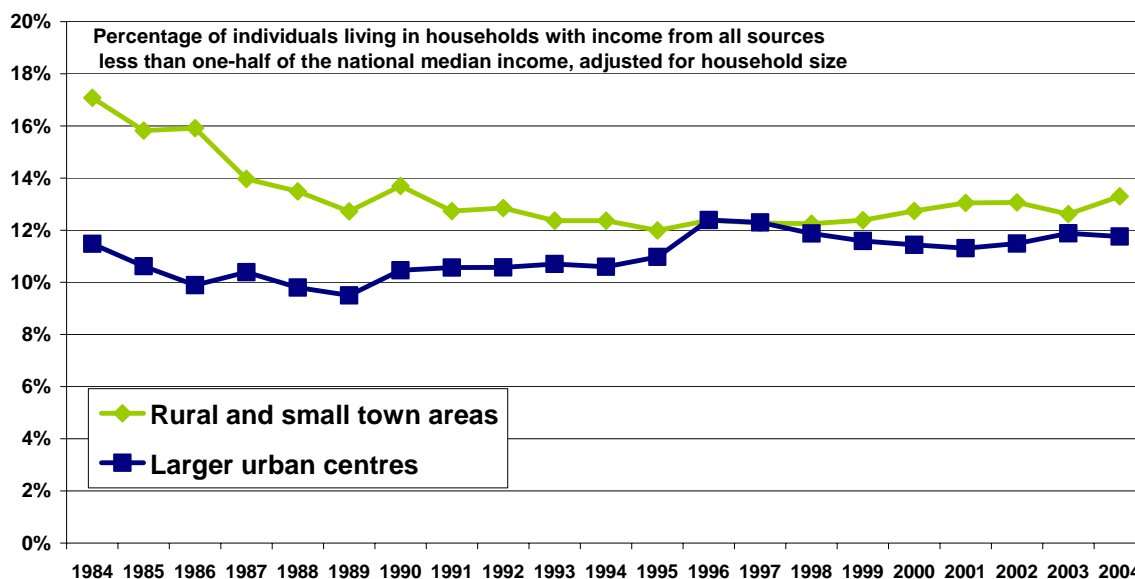
Figure 2-1: Long-Term Trends in the Incidence of Low Income in Rural and Urban Canada Using the Low Income Cut-Off (LICO) Measure



Source: Statistics Canada, Survey of Labour and Income Dynamics (and the Survey of Consumer Finances for earlier years).
Larger urban centres refers to CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations). Rural and small town areas are non-CMA/CA areas.

Understanding Freefall: The Challenge of the Rural Poor

Figure 2-2: Long-Term Trends in the Incidence of Low income in Rural and Urban Canada Using the Low Income Measure (LIM)



Source: Statistics Canada, Survey of Labour and Income Dynamics (and the Survey of Consumer Finances for earlier years).
Larger urban centres refers to CMAs (Census Metropolitan Areas) and CAs (Census Agglomerations). Rural and small town areas are non-CMA/CA areas.

Statistics Canada income data also show that rural Canadians tend to have lower incomes than their urban counterparts: since at least 1984, there has been a consistent gap of \$10,000 (in inflation-adjusted terms) between the median incomes of urban versus rural residents.⁹ On the other hand, income inequality statistics show that the gap between high- and low-income individuals in rural Canada is considerably narrower than in urban areas.¹⁰

As for farm families, Agriculture and Agri-Food Canada data show that the incidence of low income in farm communities as measured by Statistics Canada's low income cut-offs has been dropping, from more than 10% in the mid-1980s to 4.5% by 2002.¹¹

⁹ Rural is here defined by Statistics Canada's rural and small town (RST) definition.

¹⁰ The material in this paragraph is drawn from Statistics Canada's presentation to the Committee on October 5, 2006.

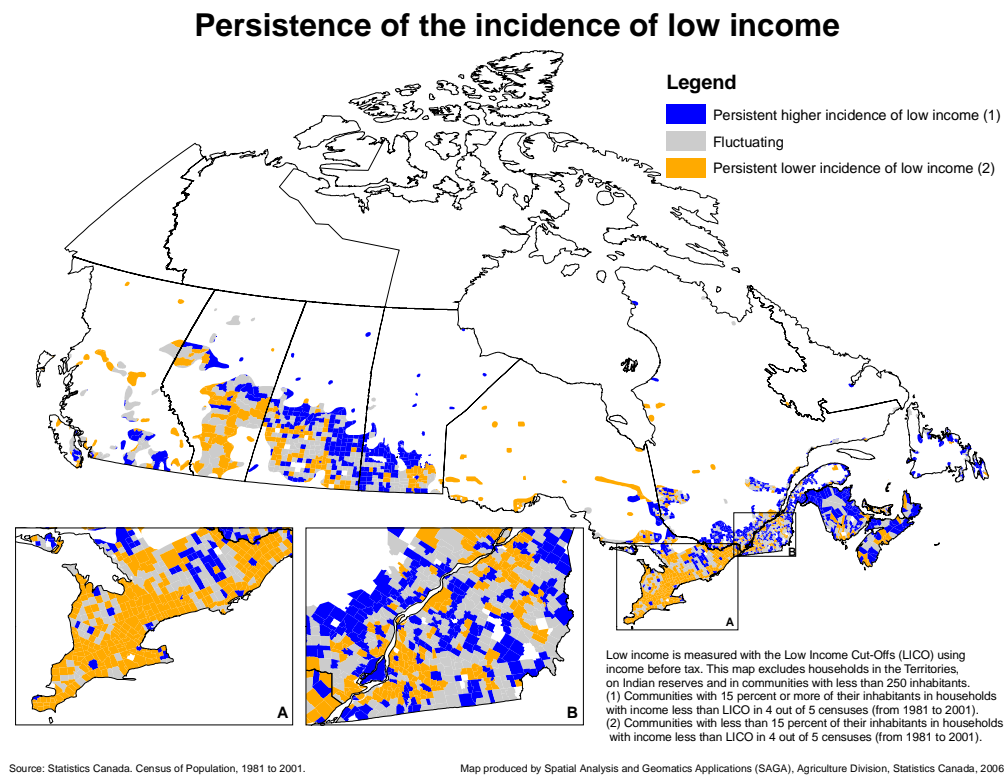
¹¹ Agriculture and Agri-Food Canada, *Farm Income Issues Data Source Book: February 2005*, Chart D2.3, p. 79.

What does the Committee make of these facts? First, we must be wary of what Dr. Cummings calls the “tyranny of averages,” the tendency for aggregate average data to hide from view important underlying nuances. The percentages cited above and depicted in Figures 2-1 and 2-2 use the RST definition. Looking at the same poverty data based on the “predominantly rural” definition would probably paint a different picture because it includes far more people who live nearer urban centres.

...we must be wary of what Dr. Cummings calls the “tyranny of averages,” the tendency for aggregate average data to hide from view important underlying nuances.

Second, the aggregate data depicted in Figures 2-1 and 2-2 provide little in the way of insight into the depth or persistence of poverty. Both Mark Partridge, adjunct professor at the University of Saskatchewan, and Ray Bollman, a Statistics Canada economist, showed the Committee a map (see Figure 2-3) that demonstrates, among other things, that many rural communities with high incidences of low income tend to stay that way through time. The map also shows how communities with persistently lower incidences of low income tend to be found around urban centres or at least more densely populated areas, such as southern Ontario.

Understanding Freefall: The Challenge of the Rural Poor



Third, the rural versus urban poverty figures tell us very little about the “social exclusion” part of most poverty definitions, i.e., the challenges faced by the rural poor in taking part in community activities or accessing health, education and other services. The only measure that comes close to shedding some light on the transportation challenges in rural Canada, for example, is HRDC’s market basket measure, which assumes that rural residents need a vehicle to access services and to take part in their communities (urban residents are assumed to use public transit).

The LICO measure is particularly weak in this respect because while it *excludes* any explicit consideration of transportation costs, which are known to be higher in rural areas, it *includes* housing costs estimates, which are known to be lower in rural Canada. Consequently, after-tax LICO thresholds are often \$10,000 or more lower in rural areas than they are in urban areas. This in turn helps account for the LICO measure’s finding

of a much lower incidence of (after-tax) low income in rural areas and amongst farm families than in urban centres.

...some of the apparent long-term decline in rural and farm-family poverty may be due to out-migration — poor people moving to cities and becoming urban poor — rather than genuine improvement in the plight of the rural poor.

Fourth, the apparent trend towards lower rural poverty rates and the gradual convergence between rural and urban poverty rates masks another important fact, namely rural depopulation, which is discussed more fully in the next chapter. As Donna Mitchell, Executive Director of the Rural Secretariat, pointed out, “rural poverty can be a cause of out-migration, with individuals and families leaving in search of better employment opportunities and as a way to try to avoid or escape poverty.” (Evidence, October 17, 2006) In other words, at least some of the apparent long-term decline in rural and farm-family poverty may be due to out-migration — poor people moving to cities and becoming urban poor — rather than genuine improvement in the plight of the rural poor.

Fifth, it is also important to keep in mind what the data *do* say. Figure 2-3, for example, tells us that in some areas of the country, and especially large parts of the Prairie and Atlantic provinces and pockets of Quebec, Ontario and British Columbia, the rural poor tend to stay that way.

Finally, it is important to emphasize that by two measures, there is a greater incidence of low income or poverty in rural Canada than in urban Canada. Even a 6.8% poverty rate (as measured by LICO for 2002) implies roughly 415,000 people living in poverty in rural and small

“We can spend a great deal of time debating the appropriate threshold of income required. Regardless of the threshold amount, we will still find that one person in poverty is too many.”

towns — people who, because of that poverty, may be inclined to abandon rural life altogether, much to the detriment of the national interest. As David Bruce, Director of the Rural and Small Town Programme at Mount Allison University (New Brunswick), pointed out, “We can spend a great deal of time debating the appropriate threshold of income required. Regardless of the threshold amount, we will still find that one person in poverty is too many.” (Evidence, October 26, 2006).

CHAPTER 3: TRENDS SHAPING RURAL CANADA

I know a person who works full time in Mississauga and farms full time in Rosther, Saskatchewan. He flies out to Saskatoon and he can seed a quarter section in about a day. He handles all his farming from Mississauga. The technology has allowed him to do that. When I farmed, I could not do that. My widest implement was a 12-foot cultivator. — Kurt Klein, professor of economics at the University of Lethbridge and part-time farmer, evidence, November 30, 2006

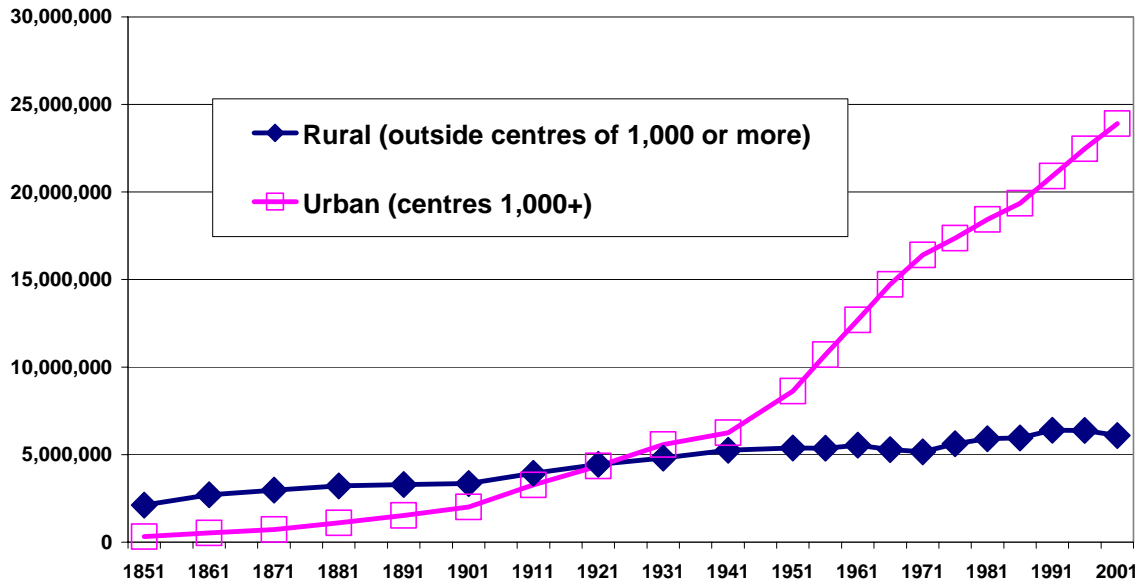
This chapter discusses what our witnesses identified as the three main trends that have shaped rural Canada in the past and are likely to shape it in the future, namely, a stagnant or declining rural population, which is also an aging rural population; the substitution of capital for labour in rural Canada's traditionally important primary sector; and falling transportation costs for goods, offset by rising transportation costs for people. While these trends are discussed in relatively broad strokes, it is important to bear in mind that rural Canada occupies a vast and diverse economic, social and geographic landscape. Consequently, these trends play out differently in different parts of the country.

Population and Demographics

The places where Canadians work and live are very different from what they were when the country was formed in 1867. At that time, as shown in Figure 3-1, about 80% of the population lived in rural settings. By 2001, this proportion had shrunk to roughly 20% or some 6.1 million people.¹² In short, Canada has become a much more urbanized country.

¹² Statistics Canada, *Census of Population, 1851-2001*. Figure 3-1 uses the Census definition of rural, which was not discussed in the previous chapter because it is used infrequently. According to the Census definition, rural is defined as "sparsely populated lands lying outside urban areas." Urban areas are in turn defined as having populations of at least 1,000 and population densities of 400 or more people per square kilometre.

Figure 3-1: Rural and Urban Population Trends in Canada, 1851-2001



Source: Statistics Canada, *Census of Population, 1851 -2001*.

National figures, however, mask considerable variation in the degree of rurality among the provinces and territories. Table 3-1 shows that in 2001, based on the rural and small town (RST) definition, Nunavut and the Northwest Territories were the most rural jurisdictions in the country, followed by Newfoundland and Labrador, New Brunswick, Prince Edward Island and Saskatchewan. Quebec, British Columbia and Ontario are the least rural according to the RST definition.

**Table 3-1: Percentage of Rural Population Compared to
Total Population by Province or Territory, 2001**

Nunavut	100%
Northwest Territories	56%
Newfoundland & Labrador	53%
New Brunswick	48%
Prince Edward Island	45%
Saskatchewan	42%
Nova Scotia	37%
Manitoba	33%
Yukon	25%
Alberta	25%
Québec	21%
British Columbia	14%
Ontario	13%
CANADA	21%

Source: Agriculture and Agri-Food Canada.

Note: Rural is defined here by Statistics Canada's rural and small town (RST) definition.

Data from the 2001 census show that rural Canada's rural population is shrinking not only as a share of the total population but also in absolute terms. Between the 1996 and 2001 censuses, Canada's rural population (using the RST definition) fell 0.4%, the first such decline in recent history. Again, however, this national figure masks important regional variations. In Yukon and in Newfoundland and Labrador, the rural population fell by 18.9% and 10.6% respectively, while the rural population in Alberta grew by 5.5%. In Newfoundland and Labrador, Nova Scotia, New Brunswick and Saskatchewan, rural depopulation was part of a broader *overall* population decline that affected the entire province, including urban areas.

There have also been important population changes *within* rural regions. In most provinces, rural communities with strong linkages to metropolitan areas (as measured by the percentage of rural population commuting to cities) witnessed population increases, not decreases, between 1996 and 2001. In other words, with the exception of Newfoundland and Labrador and New Brunswick, these rural communities are growing, not shrinking.

There have also been important population changes *within* rural regions. In most provinces, rural communities with strong linkages to metropolitan areas... witnessed population increases, not decreases between 1996 and 2001.

**Understanding Freefall:
The Challenge of the Rural Poor**

On the other hand, rural population growth rates between 1996 and 2001 were either low or negative in communities further away from metropolitan areas, as shown in Table 3-2. These population declines overwhelmed the increases in “strong metropolitan-influenced zones,” leading to a net decline in the rural population count according to the rural and small town definition.

	Table 3-2: Canada — Population Change Between 1996 and 2001						
	Percentage Change						
	Urban	Rural & Small Town	Rural and Small Town Metropolitan-Influenced Zones (MIZ)				Total
Strong			Moderate	Weak	No		
Newfoundland and Labrador	-2.6	-10.6	-10.7	-10.9	-10.0	-11.2	-7.0
Prince Edward Island	1.8	-1.0	0.1	-1.2	-2.0	-5.8	0.5
Nova Scotia	1.2	-2.3	4.9	-2.1	-3.2	-1.3	-0.1
New Brunswick	0.3	-2.7	-1.6	-3.5	-2.9	3.0	-1.2
Quebec	2.0	-0.8	2.3	-1.3	-4.4	-0.4	1.4
Ontario	6.8	1.5	4.1	-0.1	-2.9	11.6	6.1
Manitoba	0.5	0.5	3.1	1.8	-1.3	1.4	0.5
Saskatchewan	0.6	-3.5	0.8	-2.6	-4.4	-3.5	-1.1
Alberta	12.0	5.5	12.7	5.9	1.8	17.9	10.3
British Columbia	6.0	-1.1	2.5	0.7	-3.9	1.1	4.9
Yukon	-1.8	-18.9	n/a	n/a	n/a	n/a	n/a
Northwest Territories	-4.2	-7.0	n/a	n/a	n/a	n/a	n/a
Nunavut	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	5.2	-0.4	3.7	-0.9	-2.9	1.0	

Definitions:

- Strong MIZ: Between 30% and 49% of the employed workforce commutes to the urban core of any large urban centre. Examples include: Shediac New Brunswick; Garden River, Saskatchewan; and Plympton, Ontario
- Moderate MIZ: Between 5% and 30% of the employed workforce commutes to the urban core of any large urban centre. Examples include: Lunenburg, Nova Scotia; Twillingate, Newfoundland; and Labrador and Taber, Alberta
- Weak MIZ : Between 0% and 5% of the employed workforce commutes to the urban core of any large urban centre. Examples include: Squamish-Lillooet, British Columbia; Val-des Lacs, Québec; and Dauphin, Manitoba
- No MIZ: 0% of the employed workforce commutes to the urban core of any large urban centre. Examples include: Alma, New Brunswick; Saint-Alphonse, Québec; and Prairiedale, Saskatchewan

Source: Rural Secretariat/Canadian Rural Partnership, *Rural Profiles and Statistics Canada*.

What accounts for these population trends? Net out-migration of young people between the ages of 15 to 24 is a big part of the story.¹³ There are a variety of reasons why young people tend to leave rural communities, but three are most commonly cited: a desire to find work, to pursue post-secondary education, and to seek out a wider range of social and recreational activities.¹⁴ There are consequences for those who stay behind, as Donna Mitchell pointed out: “There were young people who stayed behind, but very often — and this is in the terminology that young people from rural Canada give themselves, if they are stayers or leavers — the stayers are losers.” (Evidence, October 17, 2006)

There are a variety of reasons why young people tend to leave rural communities, but three are most commonly cited: a desire to find work, to pursue post-secondary education, and to seek out a wider range of social and recreational activities.

These net outflows are partially offset, however, because rural areas in every province are gaining more people between ages 25 and 69 than they lose. These gains are occurring mostly in rural areas nearer cities, such as the

While in theory immigrant inflows could also help repopulate rural Canada, in practice, most immigrants settle in urban centres.

“strong MIZ” zones discussed above, and they are presumably composed mainly of Canadian residents who are leaving the urban centres. While in theory immigrant inflows

¹³ Richard Dupuy, Francine Mayer and René Morissette, *Rural Youth: Stayers, Leavers and Return Migrants*, Report submitted to the Rural Secretariat of Agriculture and Agri-Food Canada and to the Atlantic Canada Opportunities Agency, Statistics Canada, March 31, 2000.

¹⁴ Ray Bollman, “Rural Canada: Drivers and Riders,” Presentation to the staff of the *Western Producer*, Saskatoon, September 27, 2006, as provided to the Committee.

Understanding Freefall: The Challenge of the Rural Poor

could also help repopulate rural Canada, in practice, most immigrants settle in urban centres. According to 2001 statistics, the few who do settle in rural areas tend to choose higher-income provinces such as British Columbia, Ontario and Alberta¹⁵ and, like native-born Canadians, tend to settle in rural communities nearer to cities. Immigrants are least likely to reside in rural areas situated in the Atlantic provinces, Quebec and Saskatchewan.

Demographically, both rural and urban populations are showing signs of aging, largely because of the “baby boom” population bulge. This trend, however, is compounded in rural areas because of the aforementioned youth out-migration, low levels of immigrant in-migration, low birth rates, and a growing tendency for some to seek retirement in rural areas. Consequently, rural Canada has a higher proportion of seniors than urban Canada.¹⁶ Finally, since women tend to live longer than men, it is likely that there are proportionally more elderly women in rural regions than in urban Canada, a situation that will probably become more pronounced over time.

...rural Canada has a higher proportion of seniors than urban Canada.

Rural Economy

Rural Canada has historically been dominated by the primary sector, with many rural communities owing their existence to nearby natural resources and/or the fertility of the land. Their fates have consequently been tied to the boom-bust commodity price cycle and exchange rate fluctuations, pressures from low-cost competitors in emerging economies, the dictates of trade actions, border closures and competition from subsidized imports. In some cases, rural communities also have to contend with the very real risk of resource depletion and environmental problems; the collapse of the east-coast cod fishery and mine depletion are just two of the better-known examples.

¹⁵ Roland Beshiri, “Immigrants in Rural Canada: 2001 Update,” in Statistics Canada, *Rural and Small Town Canada Analysis Bulletin*, Vol. 5, No. 4, June 2004.

¹⁶ Mike McCracken, Kathy Tsetso, Bruno Jean, Kay Young, Danny Huxter, Greg Halseth and Marion Green, “Seniors in Rural and Remote Canada: Position Paper,” Canadian Rural Partnership, Advisory Committee on Rural Issues, 2005.

Historically, agriculture played a dominant role in rural economic life in many parts of the country. In 1931, fully two thirds (67%) of the census-rural population lived on farms.¹⁷ By 2001, however, only 11% of Canada's census-rural population lived on farms. Similarly, the share of the rural population engaged in fishing, forestry and mining has also declined.¹⁸

To some extent, these population trends are the outcome of another long-term trend, namely, the substitution of capital for labour, a process driven by rising labour costs.¹⁹ These rising labour costs are, in turn, the outcome of strong demand for labour from growth in the urban manufacturing and service sectors, a process that has been driven by the ever-present quest for productivity gains and competitive advantage. In short, the primary sector — agriculture, mining, and fisheries — can produce much more with far fewer people than it used to. As David Freshwater, professor and Director of Graduate Studies for Agricultural Economics at the University of Kentucky, put it:

In the natural resource industry there has been a wholesale substitution of capital for labour, so there are fewer workers producing the same amount of output. Once again, there has been a huge loss of employment opportunities for people with less than a high school or high school educations who 40 years ago probably could have earned a nice income but are now struggling, looking for something else to do. (Evidence, November 21, 2006)

In 2005, employment in the primary industries made up less than 15% of total rural employment in Canada,²⁰ and primary agriculture provided 8% of total rural employment. Again, however, there are notable provincial variations. In Saskatchewan, for example, primary agriculture accounted for nearly one quarter of rural employment, while in Manitoba and Alberta it accounted for 16.1% and 12.3% respectively, compared

¹⁷ The term "census-rural" is defined in footnote 12.

¹⁸ Ray Bollman, "The Demographic Overlap of Agriculture and Rural: Implications for the Coherence of Agricultural and Rural Policies," Presentation to the Organisation for Economic Co-operation and Development (OECD) workshop on Coherence of Agricultural and Rural Development Policies, Bratislava, October 24-26, 2005, as provided to the Committee.

¹⁹ Ray Bollman, "Rural Canada: Drivers and Riders," *op. cit.*

²⁰ Statistics Canada, Labour Force Survey Estimates, CANSIM Table 282-0099.

Understanding Freefall: The Challenge of the Rural Poor

with only 1.9% in Newfoundland and Labrador (see Table 3-3). That said, Canada's agriculture continues to exert an important indirect influence on rural communities as a purchaser of local products and agricultural business inputs and services²¹ which are not reflected in these employment numbers.

**Table 3-3: Employment in Primary Agriculture
as a Percentage of Total Rural Employment by
Province 2005 (RST definition)**

Canada	8.0%
Newfoundland and Labrador	1.9%
Prince Edward Island	8.0%
Nova Scotia	3.1%
New Brunswick	3.6%
Quebec	6.4%
Ontario	5.7%
Manitoba	16.1%
Saskatchewan	24.2%
Alberta	12.3%
British Columbia	5.1%

Source: Statistics Canada, Labour Force Survey.

Manufacturing industries, particularly those that have close ties to primary industries, such as fish processing, sawmills, pulp and paper mills, and smelters,²² have also historically played an important role in creating jobs for rural residents. As with the primary sector, however, these manufacturing operations have responded to technological and economic change by increasing their productivity through substituting capital for labour — the outcome being again more goods produced by fewer people.²³

²¹ OECD, *The New Rural Paradigm: Policies and Governance*, Paris, 2006.

²² Bollman, "Rural Canada: Drivers and Riders," *op. cit.*

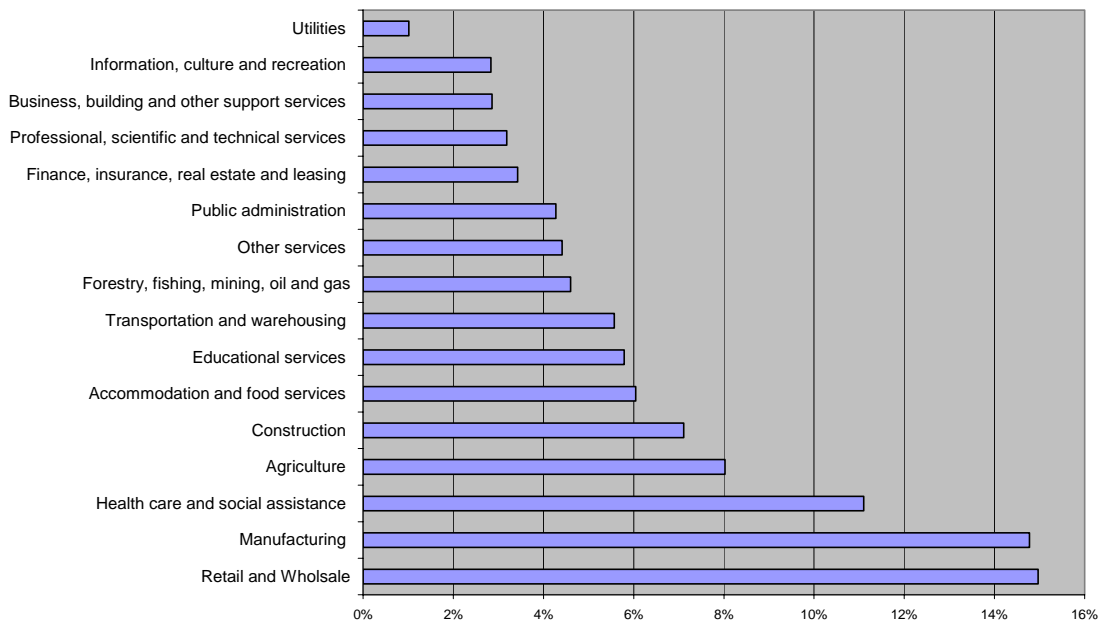
²³ Roland Beshiri, "Employment Structure In Rural and Small Town Canada: The Manufacturing Sector," in Statistics Canada, *Rural and Small Town Canada Analysis Bulletin*, Vol. 2, No. 8, April 2004.

Notwithstanding these challenges, there are important signs of hope in rural Canada. While the retail and wholesale sector is the single biggest employer in rural Canada (Figure 3-2), there is evidence that the rural manufacturing sector is growing not just in size but in scope, moving beyond

Rural Canada is now gaining manufacturing jobs relative to Canada as a whole, with manufacturers being increasingly drawn by rural Canada's price advantages.

traditional activities related to resource extraction into more complex types of manufacturing such as automotive production.²⁴ Rural Canada is now gaining manufacturing jobs relative to Canada as a whole, with manufacturers being increasingly drawn by rural Canada's price advantages.²⁵ This price advantage, in turn, may be due to reductions in the cost of transporting goods, which make distant markets more accessible, and to advances in information technology, which allow firms to stay in touch more easily with their rural manufacturing operations. These are discussed next.

Figure 3-2: Percentage Employed by Sector in Rural and Small Town Canada 2005



Source: Statistics Canada, Labour Force Survey.

²⁴ This analysis uses the OECD's "Predominantly Rural" definition of rural.

²⁵ Bollman, "Drivers and Riders, Statistics Canada," *op. cit.*

Understanding Freefall: The Challenge of the Rural Poor

Transportation and Communications

Big distances and low population density are defining features of rural Canada. As discussed in the next chapter, transportation is therefore a crucial part of any discussion of rural policy: mobility is woven into the fabric of modern rural life.

Until well into the 19th century, rural settlement patterns were often dictated by the dominant form of transportation technology, namely, the horse and buggy.²⁶ Towns were spread out every few kilometres to accommodate the limitations of this form of transportation. For the most part, the social and economic activities of rural residents were well contained within the confines of their community. According to Tony Fuller, a professor in the School of Environmental Design and Rural Development at the University of Guelph, “You would meet your future spouse there; you would go to church there; your school would be there; and all the services would be in one place” (Evidence, October 31, 2006). Many of the rural small towns we see today were formed during this period, which Dr. Fuller calls the “short-distance society.”

Since then, transportation technology has of course changed dramatically. The automobile, in particular, has exerted a strong influence over how people work and live in rural settings. With the automobile, patterns of movement are no longer limited to a single town; consequently, services and community facilities are scattered along a much larger landscape. As Dr. Fuller noted, “you do not have the hospital, the school, the lawyer’s office, the feed mill and the coffee shop all in one place anymore. School might be in one place for a younger child and high school will be somewhere else.” (Evidence, October 31, 2006) Dr. Fuller describes this new way of rural life as the “open society.”

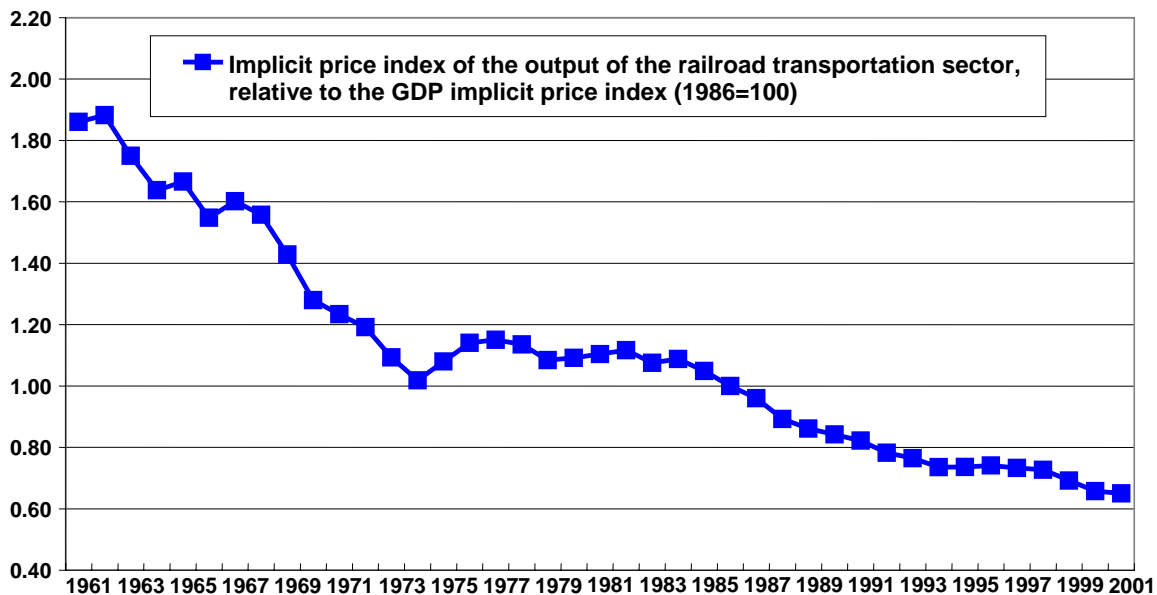
²⁶ Tony Fuller, “Sustainable Rural Communities in the Arena Society,” in *Towards Sustainable Rural Communities: The Guelph Seminar Series*, John M. Bryden, ed., University School of Rural Planning and Development. Guelph, 1994, pp. 133-139.

Transportation and Communications Costs

Although the automobile played a crucial role in creating this “open society,” the process could not have occurred to the extent it has without falling transportation costs²⁷ and sharp declines in the price and widespread use of communications technology (telephones, radio, television, computers, the Internet).

Looking at long-term trends, the real (inflation-adjusted) cost of moving goods either by truck or by rail has been falling.²⁸ Figure 3-3, for example, illustrates how the price of rail transportation has fallen steadily since the early 1960s. The cost of moving people, on the other hand, has risen: since the 1980s and 1990s, rural Canadians have had to pay more to operate their own vehicle, take a bus, or buy an airline ticket.²⁹

**Figure 3-3: Railroad Transport Prices,
1961-2001**



Source: Statistics Canada, GDP Implicit Price Index.

²⁷ Bill Reimer, “Rural and Urban: Differences and Common Ground,” in Harry H. Hiller, ed., *Urban Canada: Sociological Perspectives*, Oxford University Press, Toronto, 2005.

²⁸ Bollman, “Rural Canada: Drivers and Riders,” *op. cit.*

²⁹ *Ibid.*

Understanding Freefall: The Challenge of the Rural Poor

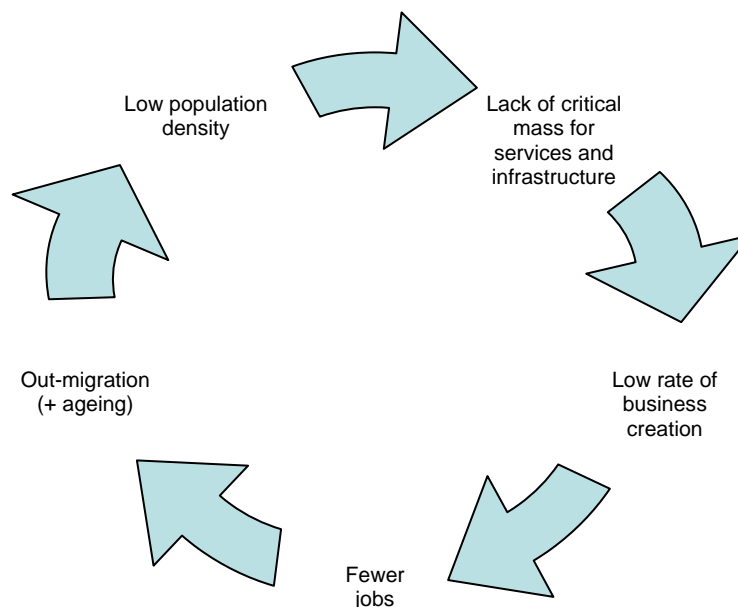
Conclusion

Rural Canada has changed. The primary sector is no longer dominant, the population is shrinking and aging, and the cost of shipping goods has fallen even as the cost of moving people has risen. Rural communities in the short-distance society offered a full range of services; rural communities in the open society tend to specialize.

Rural Canada has changed. The primary sector is no longer dominant, the population is shrinking and aging, and the cost of shipping goods has fallen even as the cost of moving people has risen.

In some cases, the combined effect of these trends has resulted in a vicious circle, as depicted in Figure 3-4.

Figure 3-4 : Circle of Declining Rural Regions (OECD)



Source: Organization for Economic Cooperation and Development, *The New Rural Paradigm: Policies and Governance*, 2006, p.32.

Finally, while the Committee believes the primary sector will continue to play a vitally important role in much of rural Canada for the foreseeable future, it also recognizes that the rural economy and rural employment are increasingly driven by other

Understanding Freefall: The Challenge of the Rural Poor

areas such as complex manufacturing and services. The challenge, as always, will be to harness these trends and these forces for the betterment of rural Canadians.

CHAPTER 4: THE CHALLENGES OF BEING POOR IN RURAL CANADA

If one does not get around, then one is not normal in rural areas.
— Anthony Fuller, evidence, October 31, 2006

The rural poor look a lot like the urban poor. Like the urban poor, they are disproportionately composed of single mothers, Aboriginal people, people with low educational attainment, and elderly, disabled or unemployed individuals.

The rural poor, however, experience poverty very differently from their urban counterparts. In this chapter, the Committee reviews some of the ways in which poverty plays out in rural areas. In many cases, the rural poor face challenges that are both the cause and consequence of poverty. It will also become apparent that differences between rural and urban poverty often boil down to a lack of transportation, a situation which, as we will also see, is often compounded by (low) population density.

Rural Transportation and Rural Roads

For people who have access to vehicles or public transportation, it is easy to overlook the importance of transportation for physical and social well being. Transportation is usually necessary for getting to work, purchasing groceries and supplies, visiting friends, seeing the doctor, visiting a relative in hospital, getting emergency medical care, accessing social services, participating in community life and working in the volunteer sector. For rural people who cannot afford to purchase a vehicle or the costs associated with owning a vehicle, trying to perform these activities can greatly exacerbate the effects of poverty.

Transportation is usually necessary for getting to work, purchasing groceries and supplies, visiting friends, seeing the doctor, visiting a relative in hospital, getting emergency medical care, accessing social services, participating in community life and working in the volunteer sector. For rural people who cannot afford to purchase a vehicle or the costs associated with owning a vehicle, trying to perform these activities can greatly exacerbate the effects of poverty.

Understanding Freefall: The Challenge of the Rural Poor

Getting around in rural Canada is also a matter of having safe and well-maintained rural roads. Dr. Partridge told the Committee he believes that the rural road infrastructure in many parts of the country “is inadequate” (Evidence, October 26, 2006) to support the movement of people and goods that he believes is necessary for rural Canada’s future prosperity. Jim Sentance, associate professor of Economics at the University of Prince Edward Island, for his part warned that “as the population dwindles, you get down to the point at which governments are not willing to support infrastructure. You need infrastructure in place in order for opportunities to take place. Rural Canada’s small towns will not get anywhere with no facilities or businesses.” (Evidence, October 24, 2006)

There is some evidence that rural roads are deteriorating due to a combination of increased traffic and inadequate spending on maintenance and upgrades. In western Canada, for example, “rail line abandonment and elevator consolidation has had a major effect on provincial highways and municipal roads.”³⁰ At one time, there were almost 6,000 prairie grain elevators; now there are fewer than 600.³¹ In Saskatchewan, the average haul distance from farm to grain elevators increased by 250%, from 15 kilometres in 1984 to 52.5 kilometres by the late 1990s.³² Over the same period, shipment volumes of grain and value-added processing also increased dramatically, rising by more than 850%. The problem is that the “provincial transportation system is not designed to accommodate this enormous increase in incremental grain haul.”³³

In Ontario, a study of rural roads found that they are under strain due to increases in demand for rural tourism and recreation activities, growth in niche manufacturing activity in rural areas (with all its attendant truck traffic), increases in commuter traffic due to suburbanization, and more agriculture-related truck and tractor traffic due to a more value-added, export-oriented agricultural sector. At the same time, the province has

³⁰ Government of Saskatchewan, *Parallel Process on Roads: Saskatchewan Road Impact Analysis*, 1999, p. i.

³¹ Doug Ramsey, “Elevators, Doctors, and Libraries: Fighting the Good Fight in Rural Manitoba,” “In Sites” Information Flyer, New Rural Economy Project (NRE2).

³² Government of Saskatchewan, *op. cit.*

³³ *Ibid.*

withdrawn the provision of direct subsidies to local roads (and bridges), leaving municipalities to pay for these infrastructures out of their local property tax base.³⁴

Rural Health and Access to Health Care

Rural realities and health needs differ from those of urban areas. These needs may be particular to the environment (e.g., the need for education on tractor roll-over prevention), changing demographics (e.g., an increase in the seniors' population in some rural areas), a common health need present in a rural environment (e.g., the health status of First Nations' communities), or the need for health concerns to be expressed in a "rurally sensitive" way (e.g., obstetrical services that do not generate an excessive "travel burden" on rural women) — Office of Rural Health at Health Canada, Frequently Asked Questions.

The objective of Canada's health care policy, as enunciated under the *Canada Health Act*, is to protect the physical well-being of all Canadians and to provide all residents with reasonable access to health services without barriers. Health status, however, is not evenly distributed across Canada's communities. Life expectancies for rural regions are shorter than the Canadian average, and life expectancies among the remote northern communities are the lowest in the country.

These conclusions were made abundantly clear when the Canadian Institute for Health Information (CIHI) released Canada's first comprehensive report on rural health earlier this year.³⁵ The study found that rural Canadians are generally less healthy than their urban counterparts, a fact that shows up in higher mortality rates linked in turn to higher rates of

The study found that rural Canadians are generally less healthy than their urban counterparts, a fact that shows up in higher mortality rates linked in turn to higher rates of circulatory and respiratory diseases, workplace injuries (especially in primary-sector occupations such as farming), suicide, motor vehicle accidents and the prevalence of smoking and obesity.

³⁴ Todd Gordon, *Ontario's Rural Roads: Where are We Now? Where Do We Go From Here?* Government of Canada Rural Transportation Series, No. 3, p. i.

³⁵ Canadian Institute for Health Information (CIHI), *How Healthy are Rural Canadians? An Assessment of Their Health Status and Health Determinants*, September 2006. The study uses Statistics Canada's rural and small town (RST) definition to define rural.

Understanding Freefall: The Challenge of the Rural Poor

circulatory and respiratory diseases, workplace injuries (especially in primary-sector occupations such as farming), suicide, motor vehicle accidents and the prevalence of smoking and obesity.³⁶

In some cases, these poor health outcomes link directly back to transportation problems. The study notes, for example, that high rates of vehicle accidents in rural Canada are tied to the need to travel longer distances, often on more dangerous roads, than is the case for urban residents. Distance also often means that the supply of fresh fruit and vegetables is limited and costly. Finally, it is also all too easy to slip into a sedentary lifestyle because a daily walk is not easily built into the rural routine.

The CIHI study also finds a connection between mortality rates, poverty, and education, noting that both low educational attainment and low median household income in rural Canada “were strong predictors of increased mortality risk in both men and women.”³⁷ This finding supports the well-known conclusion that “a community’s economic well-being, and the share of its people living below the poverty line, in particular, greatly influence the health and health needs of its residents.”³⁸ The Committee is pleased to note that CIHI plans to release a second study early in 2007, which will document the challenges faced by rural residents in accessing health care.

The limited evidence currently available shows that rural citizens have to travel further than urban residents to obtain many basic health services. The average rural and small town (RST) resident had to travel 10 kilometres to see a doctor in 1993, compared with two kilometres for the average urban resident.³⁹ This disparity tended to increase in areas further from urban centres.

³⁶ As the study notes, however, many of these effects were attenuated or even reversed in strong metropolitan-influenced zones (MIZs).

³⁷ CIHI, *How Healthy are Rural Canadians?*, p. 41.

³⁸ *Ibid.*, p. 13.

³⁹ Statistics Canada, “How Far to the Nearest Physician?,” *Rural and Small Town Canada Analysis Bulletin*, Vol. 1, No. 5, March 1999.

The challenges of obtaining rural medical services are also reflected in physician-availability data. Dr. David Hawkins, executive director of the Association of Canadian Medical Colleges, says doctors in at least 14 rural communities were, for example, off the job in 2000 and the list is expected to grow.⁴⁰ Rural physicians are seen to be scrambling to provide adequate care to patients as their colleagues are leaving for better working conditions elsewhere.

The incongruous rural-urban distribution of physicians has been at the centre of discussion for a number of years.⁴¹ In 1992, the Canadian Medical Association (CMA) struck an advisory panel that examined the deficiencies in the provision of medical services in rural and medium-sized communities in Canada and proposed strategies to help correct them. The panel discovered that approximately 10% of all physicians in Canada in 1986 practiced in rural areas where slightly less than 25% of the Canadian population resided (at the time). On further analysis of the data, it was observed that specialists were under-represented in rural regions compared to family physicians and general practitioners. A more recent study confirms these conclusions, finding for example that fewer than 16% of family physicians and 2.4% of medical specialists were located in rural areas even though those areas comprised about 21% of the population.⁴²

In its submission to the Committee, the Victorian Order of Nurses (VON) added that in many of the rural areas it services, nurses, nurse practitioners, occupational therapists, physiotherapists and home support workers are in short supply relative to growing demand because of shorter hospital stays, strained family and community supports and a

...the Victorian Order of Nurses (VON) added that in many of the rural areas it services, nurses, nurse practitioners, occupational therapists, physiotherapists and home support workers are in short supply relative to growing demand because of shorter hospital stays, strained family and community supports and a growing senior population.

⁴⁰ As cited in Michelle Khan, "Health Access in Rural Canada," *Unpublished Research Paper*, September-August, 2006.

⁴¹ Most of the discussion in this paragraph is drawn from Michelle Khan, "Health Access in Rural Canada," *Unpublished Research Paper*, September-August, 2006.

⁴² CIHI, *Geographic Distribution of Physicians in Canada: Beyond How Many and Where*, January 2006, p. viii.

Understanding Freefall: The Challenge of the Rural Poor

growing senior population. These shortages are compounded by the fact that many VON clients lack the basic transportation necessary to access services such as medical labs. Moreover, weather-related transportation challenges sometimes make it difficult for VON workers to visit clients, which in turn can worsen health outcomes.

The problem is arguably even more acute when it comes to emergency care. Michael Goldberg, Chair of First Call: BC Child and Youth Coalition, pointed out, for example, that “Many families in rural communities are taken out by medevac to larger hospital areas and a family member goes with them. That cost is often borne in whole or in part by the family whereas in the cities the biggest cost is getting two miles down the road to that same emergency hospital or facility.” (Evidence, November 7, 2006)

Finally, the Committee heard that there are few, if any, mental health services in rural areas. Rural residents consequently have to travel to large urban centres to find mental health services, or simply do without. This is an especially serious problem in that mental illness and poverty are related.

Rural Education and Literacy

Rural residents tend to have lower levels of educational attainment than their urban counterparts. In 2001, for example, the proportion of people aged 20 to 34 with less a

Rural residents tend to have lower levels of educational attainment than their urban counterparts.

high school education was 23% in rural areas, compared with 14% in urban areas.⁴³ This situation has major implications for poverty since, as Mr. Poschmann emphasized, there is a strong positive relationship between poverty and lack of education: people with higher educational attainment generally fare better economically than those without.

Of course, the relatively low levels of educational attainment in rural Canada are partly a byproduct of the migration trends discussed in Chapter 3. The young leave to obtain a higher education and rarely come back; meanwhile, older people with less

⁴³ CIHI, *How Healthy are Rural Canadians?*, p. 9.

educational attainment are moving back to rural areas for the early part of their retirement years. While it is tempting to think that distance education could be part of the solution, Bill Reimer, a professor in the Department of Sociology and Anthropology at the University of Concordia (Montréal), cautioned the Committee that although he has seen some encouraging results with distance education, it is important to remember that many rural areas still have limited access to broadband services. Also, as Ms. Martz pointed out, distance learning requires a high degree of self-motivation and self-discipline, and additional help is often needed for distance learners in rural areas.

At the same time, David Bruce told the Committee that in Atlantic Canada, for example, “there is a cost burden above the actual cost of tuition to go to these institutions whereas urban residents have the opportunity to stay at home and take the public transit bus down the street to Dalhousie University, for example.” (Evidence, October 26, 2006)

Consequently, many rural residents emerge from university or college with large student loans to pay off — a burden that, according to Mr. Bruce, compels them “to go to Central Canada or to the tar sands in Alberta for a minimum number of years just to reduce their student debt to a manageable amount. It is becoming a big part of what is driving the out-migration from rural communities.” (Evidence, October 26, 2006) Other rural students may simply forgo higher education and the high debt loads that go with it in favour of high-paying jobs in areas such as Fort McMurray, Alberta.

Given the lower levels of educational attainment in rural Canada, one would also expect literacy problems. Indeed, as a major study of literacy in Canada observed, “residents of urban areas perform better in literacy proficiency than residents of rural regions.”⁴⁴ Literacy problems, of course, compound poverty not only because illiterate people find it hard to find a job but also because they are often unable to take advantage of available government assistance.

⁴⁴ David A. Green, and W. Craig Riddell, *Literacy, Numeracy, and Labour Market Outcomes in Canada*, Statistics Canada, 2001, p. 18.

Understanding Freefall: The Challenge of the Rural Poor

Government and Private-sector Services

In addition to travelling outside their communities for education and health services, rural citizens also have to travel increasingly great distances to obtain other basic government and many private-sector services. Dr. Reimer told the Committee that his research shows that welfare and commercial services, for example, have also “moved to regional centres from the small towns in rural Canada. This means that those who do not have access to transportation, or the social networks that can support transportation, are marginalized from these services.” (Evidence, November 9, 2006)

These changes hit the rural poor especially hard. Nancy Shular, Vice-President of the National Anti-Poverty Organization, described how the rural poor in south-central Ontario often have to clear several bureaucratic and transportation hurdles simply to apply for welfare:

First, you have to be able to get to Grey County social services to apply, which is a central location in Owen Sound. You have to view a film on the first day, go back another day for an interview and another day to see if you get it. Therefore, you have to be able to get there three times and then they send you a cheque if you get it, or a letter of denial. If you get a letter of denial, you then have to go to a tribunal, which could take months. — Nancy Shular, evidence, September 28, 2006

As for private-sector services, losing something like a corner store can amount to a serious blow for a small, rural and remote community. Bruno Jean, Canada Research Chair in Rural Development at l'Université du Québec à Rimouski, noted: “In these communities, when

“In these communities, when the corner store closes and there are no more gas stations where you can fill up your car, it's a problem. It's an enormous problem in these people's daily lives”.

the corner store closes and there are no more gas stations where you can fill up your car, it's a problem. It's an enormous problem in these people's daily lives.” (Evidence, October 26, 2006)

Employment Issues

The problem of rural poverty, like poverty in general, is also strongly linked to employment status and the lack of well-paying jobs. Statistics Canada data show that while rural labour-force participation and employment rates grew at roughly the same rate as those of urban areas from 1996 to 2000, rural Canada still lagged behind urban Canada on both counts. In 2000, for example, the rural employment rate was 77.1% versus 80.7% in urban Canada, while the unemployment rate was 7.2% versus 5.4% in urban Canada.⁴⁵

Combined with lower levels of educational attainment, the poor job situation in rural Canada can lead to a vicious cycle. Donna Mitchell told the Committee that research in the United States “points to the rural-urban income gap being caused by lower rural education attainment and less competition for workers among rural employers, leading to lower wages offered and fewer higher skilled, highly paid jobs in the rural occupational mix.” (Evidence, October 17, 2006)

It is also important to remember that in some rural parts of the country, the opposite is true. In some parts of Alberta or in gold mining communities in northern Ontario, there are instead severe skilled and unskilled labour shortages that translate into very high wages, although not always high enough to compensate people for the shortage of housing (or for very high housing costs) and some of the social ills that accompany such strong growth. These boom areas are also having a knock-on effect in other parts of rural Canada, encouraging many young men to drop out of high school but also offering important off-farm income to some hard-pressed farmers.⁴⁶ These growth areas have also led to renewed attention to immigrant communities.

⁴⁵ Neil Rothwell, “Employment in Rural and Small Town Canada: An Update to 2000,” in Statistics Canada, *Rural and Small Town Canada Analysis Bulletin*, Vol. 3, No. 4, December 2001, Catalogue No. 21-006-XIE.

⁴⁶ Both these consequences are discussed in more detail below.

Understanding Freefall: The Challenge of the Rural Poor

Immigration

Historically, rural Canada was the destination of choice for Canada's immigrants. At the turn of the 20th century, large numbers of Europeans settled Canada's west with the promise of a bright agricultural future. In more recent times, however, the immigrant population has chosen to settle mostly in Canada's urban areas, usually for some very good and simple reasons.

First, as noted by Dr. Cummings, new immigrants tend to look for work and settle in areas where they have friendship or kinship networks or where there are already sizable immigrant communities. Neither of those conditions applies in most rural communities. Second, these networks are especially important for immigrants who do not speak English or French very well and who need to navigate through the system to find a job, a doctor or even just rent an apartment. Moreover, many immigrants themselves come from urban areas and therefore feel more affinity for Canada's urban cores.

Third, for immigrants who do contemplate settling in rural Canada, the absence of basic English-as-a-Second-Language (ESL) or French-as-a-Second-Language (FSL) instruction and broader cultural services presents another obstacle. The trend towards promoting e-services to rural immigrants has done little to remove these obstacles, as Dr. Cummings noted: "The immigrants have to get on the web to find the service models and more often than not, the immigrant cannot speak English and may not be web savvy. I know we are trying to promote e-services to rural residents, but in many cases we are still dealing with dial-up and, with the complications of language issues, they were not using the service." (Evidence, October 31, 2006)

Gender Issues in Rural Canada

Rural poverty plays out differently along gender lines in rural Canada. For women, poverty can exacerbate issues around transportation, child care and work. Dr. Fuller, for example, told the Committee that "the flash points in abusive relationships were often

about who gets the keys to the single car in the household. It is very easy for males to commandeer the keys and therefore trap females in remote, isolated, rural situations.” (Evidence, October 31, 2006)

With respect to child care, many rural communities lack the population density to provide professional daycare and early childhood education services. Home-based daycare services are only part of the solution because, as Ms. Martz explained, home-based daycare providers tend to stop providing their services once their own children have reached school age; moreover, many rural women work early-morning, evening, or night shifts that do not correspond to normal daycare operating hours.

A lack of daycare and early childhood education services is strongly linked to poverty because, as Mr. Goldberg pointed out, child care “enables women particularly to enter the labour market” and “two potential earners in a household is a real key to avoiding poverty.” (Evidence, November 9, 2006) At the same time, Mr. Goldberg noted that “if knowledge economies are the way we are moving, the best bang for the dollar, bar none, based on evidence is in early childhood education.”

For rural women who become self-employed, Dr. Reimer provided evidence that suggests they, unlike their urban peers, are reluctant to reduce the number of hours they work in the informal economy, i.e., on volunteer work and household labour. Burnout and exhaustion can result.

Rural women also are frequently trapped in low-wage or minimum wage jobs. Ms. Martz for example pointed out that “there are also few good job opportunities in rural places. This is especially true for women. We looked at women working in agricultural and forestry processing industries in the province and asked them if they did not have those jobs, what would they be doing? Essentially, their response was that they would be working in clerical positions or 7-11 and things like that. Good jobs that pay over the minimum wage are few and far between and people do not tend to leave those jobs so they do not come open very often.” (Evidence, November 23, 2006)

Understanding Freefall: The Challenge of the Rural Poor

That said, rural women appear to do far better than males in terms of educational attainment. In his testimony, Peter Apedaile, Professor Emeritus in the Department of Rural Economy at the University of Alberta, pointed out that in Smoky Lake County, Alberta, only 30% of the 20-to-35-year male cohort had finished high school and of these, fewer than 10% went on to post-secondary education. Among the women, on the other hand, “90 per cent had finished high school and of that 90 per cent, more than 35 per cent had post-secondary schooling of some type.” (Evidence, November 9, 2006)

In Alberta, these low levels of educational attainment may be related to the availability of high-paying jobs in the oil fields and other related sectors. In other parts of the country, however, the consequences of low levels of educational

With the disappearance of many traditional male-dominated primary sector jobs, rural men often suffer from high suicide rates.

attainment are more serious and immediate. With the disappearance of many traditional male-dominated primary sector jobs, rural men often suffer from high suicide rates. As Dr. Reimer pointed out, these suicide rates are “also a reflection of community or a society in trouble and [are] something that is quite worrying.” (Evidence, November 9, 2006)

The Informal Economy

The informal economy is also an important part of the rural safety net. ...participation in the informal economy is a significant feature of both rural and urban economies, with rural areas surpassing urban, particularly in the low-income ranges. — Bill Reimer, evidence, November 9, 2006

Despite the challenges of distance and demography, rural communities have always enjoyed one major advantage, namely, a strong sense of cohesiveness and belonging. This social cohesiveness can act as a social safety net, compensating in part or in whole for the income gaps discussed earlier:

Despite the challenges of distance and demography, rural communities have always enjoyed one major advantage, namely, a strong sense of cohesiveness and belonging.

volunteers provide some (but not all) of the services urban areas take for granted; people help each other build or fix homes through barter or out of simple kindness; communities

rally behind families who have lost their homes; and so on. In some instances, these bonds are strong enough to lead to the creation of cooperative enterprises that sustain rural economies.

This cohesiveness, however, is threatened in areas experiencing stagnant or declining populations. When the “rural safety net” becomes frayed, rural communities end up with problems like high rates of male suicide or, more dramatically still, they simply disappear. As Donna Mitchell pointed out, “For very small communities of 100 to 400 people it is more difficult to find ways to diversify. The volunteers are getting older and they are getting tired because they are the same people year after year, given that no natural replacements are moving to town.” (Evidence, October 17, 2006)

“For very small communities of 100 to 400 people it is more difficult to find ways to diversify. The volunteers are getting older and they are getting tired because they are the same people year after year, given that no natural replacements are moving to town.”

Speaking more generally about the volunteer sector, Harry J. Kits, executive director of Citizens for Public Justice, said that “my sense is that charities on the ground, whether faith-based, that deal with poor people in communities are stretched incredibly in terms of what they are able to do. In part, that is because they made a commitment to be as close as possible to people, and to be as participatory as possible in people's lives to help work through the issues of poverty. It is not simply a cheque they are handing out; they are trying to create counselling, they are doing the food banks and so on. My sense is that they are struggling with that.” (Evidence, November 28, 2006)

It is also important to bear in mind that even rural Canada's social cohesiveness can be a double-edged sword. As Ms. Martz told the Committee, the rural Canadian identity is strongly tied to self-sufficiency, which contributes to the hidden nature of rural poverty. Consequently, rural poverty often is simply ignored by policy-makers and politicians. In her testimony, Donna

It is also important to bear in mind that even rural Canada's social cohesiveness can be a double-edged sword. As Ms. Martz told the Committee, the rural Canadian identity is strongly tied to self-sufficiency, which contributes to the hidden nature of rural poverty. Consequently, rural poverty often is simply ignored by policy-makers and politicians.

Understanding Freefall: The Challenge of the Rural Poor

Mitchell touched on a similar point, noting that “I do find it of particular interest in the many dialogues that I have observed that rural poverty, *per se*, was not identified by rural citizens as an issue although many of the contributing factors that I have talked about certainly were identified by citizens.” (Evidence, October 17, 2006)

Even in rural communities with strong cohesiveness and vibrant “informal economies” or “social economies,” there is still a question of leadership. With smaller population bases, rural communities cannot assume that leaders will emerge spontaneously; they have to take an active role in nurturing them.

Finally, rural communities face another set of challenges related to their relatively small populations, and that is simply that they often lack the expertise or resources to take advantage of available government assistance. This expertise is important because often the most successful rural communities are those that can navigate through federal and provincial bureaucracies to take advantage of available assistance. As Ms. Martz pointed out, a lot of small communities need help getting to that point.

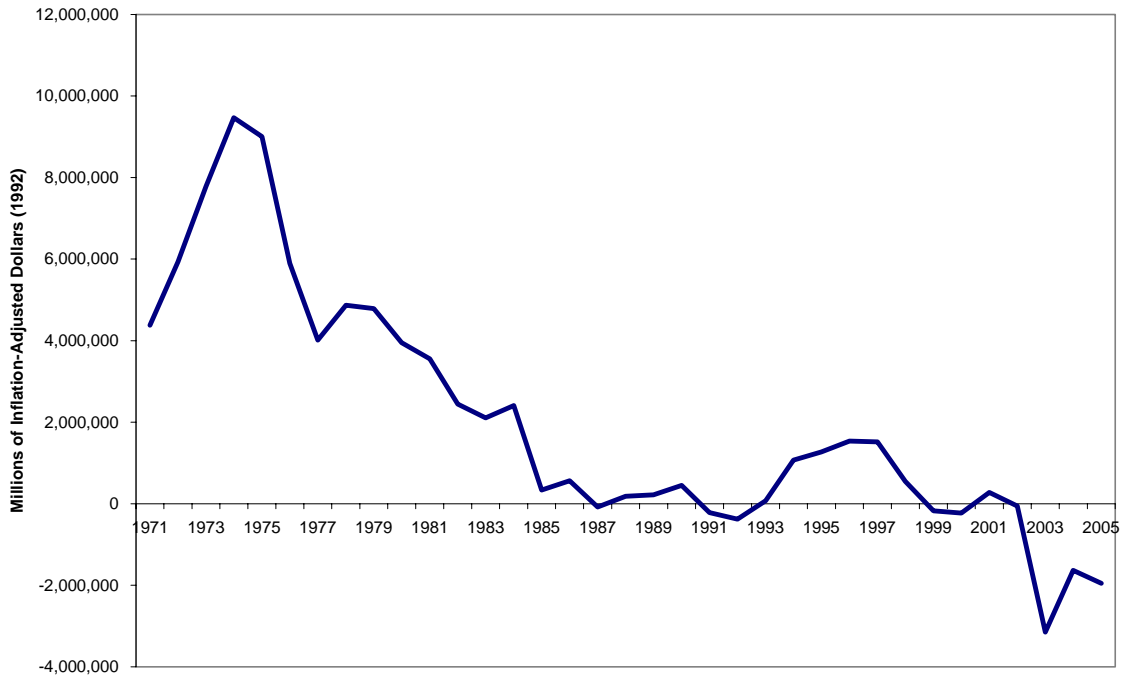
It is indeed important not to exaggerate the strength of this cohesiveness, as pointed out by Dr. Freshwater: “There is a belief about rural people that they are independent, they have a high degree of community, they are willing to cooperate and bring about change. That is true, but they have very limited resources. The things that we ask them to do when things are downloaded from national and provincial governments to rural areas, in many ways, are more than they can manage.” (Evidence, November 21, 2006)

Low Farm Incomes and its Consequences

Persistent low farm incomes have created some serious problems for farmers in many parts of the agricultural sector that are not well captured by the LICO poverty figures discussed in Chapter 2. As shown in Figure 4-1, (real) net market farm income has

hovered at or below zero since about 1987.⁴⁷ Figure 4-2 shows that since the late 1980s, government program payments have accounted for almost all of the farm sectors realized net income. The figure also shows that even with government support, realized net farm income has declined steadily since the early 1970s.

Figure 4-1 : Net Market Farm Income

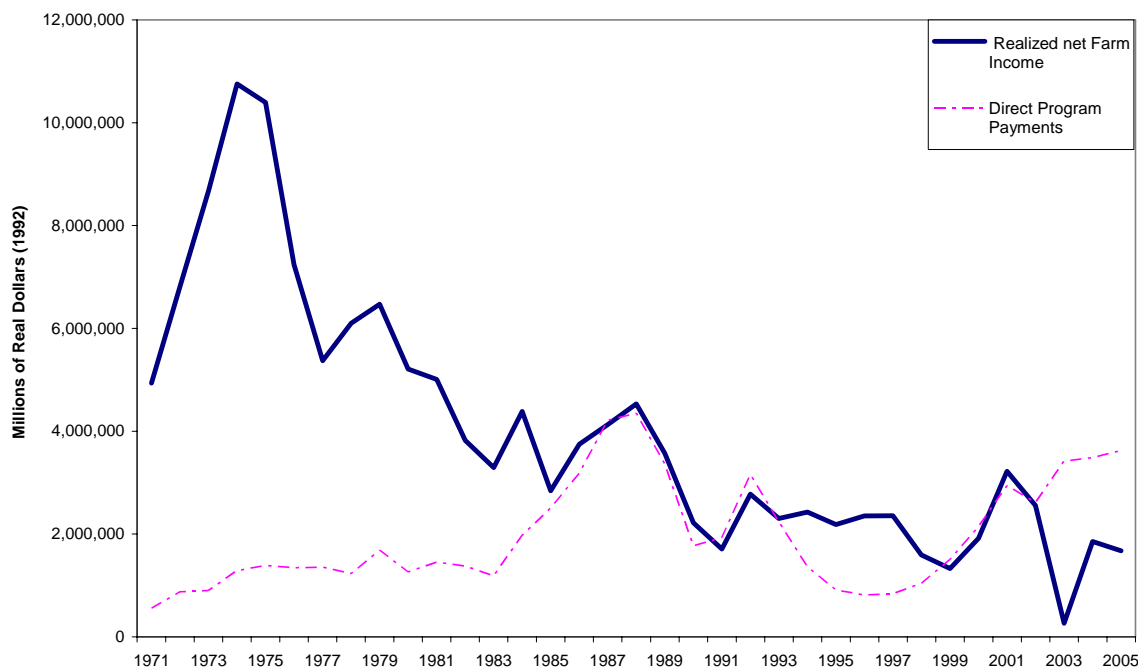


Source: Statistics Canada, Government Direct Payment Data, Catalogue No. 21-015-XIE, CANSIM Table No 002-0009 (Realized Net Income Data), and CANSIM Table No. 326-0001 (CPI)

⁴⁷ Net market farm income is defined as “realized net income” less “government direct payments.” Realized net income, in turn, is defined as the difference between a farmer’s cash receipts and operating expenses minus depreciation, plus income in kind.

Understanding Freefall: The Challenge of the Rural Poor

Figure 4-2: Realized Net Income and Government Program Payments, 1971-2005



Source: Statistics Canada, Government Direct Payment data, Catalogue No. 21-015-XIE, CANSIM Table No 002-0009 (Realized Net Income Data), and CANSIM Table No. 326-0001 (CPI Data)

Farmers have responded to these trends by increasingly resorting to off-farm work to help pay the bills. In 1980, off-farm income accounted for 72% of total farm income, whereas it accounted for 87% in 2002. In her testimony, Ms. Martz told the Committee that off-farm work puts a lot of strain on farm families,

Where off-farm income is often not enough to keep a farm afloat financially, many farm men are “going to food banks — in some cases in the city so they do not have to face their neighbours” while farm men increasingly access mental health services.

leading to situations where wives and elderly parents are left to conduct the farm business while children often run large (and dangerous) farm machinery. Where off-farm income is often not enough to keep a farm afloat financially, many farm men are “going to food banks — in some cases in the city so they do not have to face their neighbours” while farm men increasingly access mental health services.

On July 31, 2006, the federal government created a \$550-million Canadian Farm Families Options Program to help lower-income farmers and families. The program provides payments aimed at bringing household income up to a maximum of \$25,000 for

families and \$15,000 for individuals with gross farm revenues of at least \$50,000. Applicants are required to commit to using business planning and skills development programs in order to qualify for the program.

As Dr. Cummings reminded us, hardship on the farm is leading to a situation where “farming is seen as a life with few prospects [and] where depression, crisis and/or debt seriously impact many farm families. Youth are discouraged from entering the business and off-farm work is a mainstay.” (Evidence, October 31, 2006)

Not all our witnesses agreed with the pessimistic depiction of farm income or farm life. In his presentation, Dr. Klein said he would not use the term “poverty” to describe the plight of farmers, agreeing in effect with Dr. Sentance who argued that farmers face a cash-flow not a poverty problem: “There are individuals in agriculture, as there always have been, who are in the process of adjusting, and this will be a continuing process. We live in a market economy where market signals give incentives for people to do different things. I do not think we should confuse that with poverty unless it actually causes people to have a substandard level of living, and I do not see that. I was an active farmer throughout the 1960s and early 1970s, and the situation is infinitely better on the farms today than it was then, in many respects. People’s memories are often clouded by the most recent memory, but the people who live on farms now have a much better family living standard than we had in the 1960s and 1970s. There is no question about that.” (Evidence, November 30, 2006)

Hardship in the Forestry Sector

In recent years, the forestry industry has sustained considerable job losses. Major lumber companies have consolidated their operations and substantially reduced their production capacity in response to rising production costs, the consequences of border disputes, and competition from emerging economies. In other words, sawmills and pulp and paper operations have closed-shop. In

In most cases, mill closures are occurring in single industry towns where the impact is devastating for rural residents.

Understanding Freefall: The Challenge of the Rural Poor

most cases, mill closures are occurring in single industry towns where the impact is devastating for rural residents. As Mr. Poshmann stated “if you are in a little mill town in central or northern Ontario and your community of a few hundred has been relying on a sawmill with a few saws and not much more, or a small pulp and paper operation, you are in deep trouble.”

Dr. Reid for his part used the difficulties in the forestry sector to highlight the risks of generalizing about rural Canada: poverty, he said, is “no longer simply a geographical problem. In Northern Ontario, where we have a booming mining sector, however, once you step past that and get into the pulp and paper sector, you find that the economy has crashed. Two businesses operate side by side geographically but only one is doing well while the other is not doing well. In many ways, the skills are non transferable.”

Conclusion

Rurality is defined by some combination of distance and density. Poverty is defined by some combination of an absolute and relative inability to avail oneself of the basic necessities of life and those goods and services which help minimize social stigma and

...:being poor in rural Canada means more than just not having enough. It also means having to travel long distances to get enough. It also means having to travel long distances to get enough.

promote social inclusion. The rural poor face challenges that lie at the intersection of these two definitions: being poor in rural Canada means more than just not having enough. It also means having to travel long distances to get enough.

For rural farmers, the desire to stay on the land coupled with a strong work ethic translates into increasing use of off-farm work to keep the family farm solvent. This, in turn, puts strain on their families and farm communities. Meanwhile, some farmers have to travel increasingly far, on increasingly treacherous roads, to deliver their products to market, a fact that raises costs and contributes to the farm income crisis.

Rural depopulation compounds all these pressures, creating incentives for governments to close regional offices and neglect rural road maintenance. The private sector, for its part, is also compelled to pull up stakes and move to urban areas.

That said, it is important not to exaggerate the challenges faced by rural citizens in general and the rural poor in particular. Rural communities have many advantages, including their traditional sense of cohesiveness and belonging. Moreover, as Dr. Partridge pointed out, the rural poor are more dispersed geographically, which helps avoid some of the “adverse peer effects” (Evidence, October 26, 2006) that plague the urban poor. In addition, Dr. Sentance noted that “someone in a rural area will quite often have a lot more time available, for example, to do things on their own, particularly if they are employed in seasonal industries. That time has value and contributes to their standard of living.” (Evidence, October 24, 2006) It should be noted, however, that while some rural Canadians may, with the help of employment insurance payments, indeed enjoy leisure time in the off-season, Canadian farmers by and large are not eligible for employment insurance.

The next chapter of this report looks at some of the solutions proposed by our witnesses to address the rural poverty problem and tap into these and other rural Canadian strengths.

CHAPTER 5: OPTIONS TO HELP THE RURAL POOR

We must trust Canadian citizens to do what needs doing if they have the proper resources and then provide some of the means to get it done. They have to be accountable for what they receive from government but essentially, government gets out of the way. We do not need agents out there to do everything for them. — Anthony Fuller, evidence, October 31st, 2006.

From the available evidence, it is relatively easy to paint a sombre picture of rural Canada. Rural Canada is depopulating. Rural Canada is aging. Rural Canada has a lower median income than urban Canada. The incidence of poverty in rural Canada is higher than in urban Canada by two statistical measures. Farm families increasingly rely on off-farm income to make ends meet. Rural Canadians are generally less healthy than urban residents. Rural Canadians have to travel further to see a doctor, apply for welfare, access education, or buy fresh vegetables. Economically, many parts of rural Canada are depressed. Jim Sentance captured this pessimism well when he said that “Basically, opportunities are moving elsewhere. ... Our rural areas are in relative — if not, in a lot of cases, absolute — decline. It is a difficult task to try to stand in the way of that or reverse it ... the process is pretty irresistible.” (Evidence, October 24, 2006)

While witnesses who appeared before the Committee certainly pulled no punches in describing these and other challenges discussed in the previous chapters, many also inspired the Committee by

“This is a matter of citizenship. Do rural Canadians enjoy the same status as other Canadians, or are they second-class citizens?”

proposing a wide range of policy ideas that tap into rural Canada’s wealth and talents and that recognize that, as Bruno Jean put it, “This is a matter of citizenship. Do rural Canadians enjoy the same status as other Canadians, or are they second-class citizens?” (Evidence, October 26, 2006)

In this chapter, the Committee sketches some of these policy ideas. It is important to stress that these ideas are not necessarily endorsed by the Standing Senate Committee on

Understanding Freefall: The Challenge of the Rural Poor

Agriculture and Forestry, nor are they exhaustive in detail and scope. The aim is merely to provide a starting point for discussion. It is also important to emphasize that rural poverty is a multi-faceted problem and the rural poor are not a homogenous group — no single policy is likely to eradicate rural poverty on its own, nor does any one policy necessarily preclude another. Similarly, rural Canada is geographically, economically and socially diverse, which again vitiates any kind of “magic bullet” policy approach.

Finally, the Committee recognizes that rural municipalities are creatures of provincial governments and that provincial jurisdiction extends over health care, education and many forms of income assistance that directly affect rural communities and rural citizens.

From the Agricultural Rehabilitation and Development Act to Community Futures to the New Rural Economy: A Recap

To know where we might want to go with rural policy, it is helpful to have some idea of where we have been. As Figure 3-1 showed, rural Canada became a minority at some point in the 1920s, a trend that accelerated in the 1950s. In response to rural Canada’s relative decline, the federal government introduced in 1961 the *Agricultural Rehabilitation and Development Act (ARDA)*,⁴⁸ one of the first explicit attempts to create a national program for rural economic development.

The thrust of the Act, and the subsequent flurry of policies aimed at rural or regional growth (including the Department of Regional Economic Expansion (DREE) created in 1969) was very much in line with mainstream economic thought at the time: federal public planners, working with the provinces, created the conditions to stimulate private-sector growth. Under ARDA, these programs were aimed at the poorest and agricultural parts of the country. Under DREE, the focus shifted to targeting the most promising rural areas (“picking winners”). Throughout, governments encouraged people to leave the

⁴⁸ This discussion is drawn largely from an article by Brett Fairbairn, of the University of Saskatchewan, entitled “A Preliminary History of Rural Development Policy and Programmes in Canada, 1945-1995,” available on the New Rural Economy website at: http://nre.concordia.ca/nre_reports.htm.

most destitute rural areas ostensibly for their own good. Rural residents were rarely consulted in the policy process.

Over time, the emphasis in rural policy shifted, culminating in the creation, in 1986, of the Community Futures Program (CFP), a federally funded but community-based and community-led program that focused on the poorest parts of rural Canada and set economic development and job creation as its two main objectives. In the program's first incarnation, the government offered a range of programs under the CFP banner, including loan and advisory services through local Business Development Centres, financial incentives for self-employment, funding for community projects tied to a wider strategic plan (Community Initiatives Funding), training, and relocation and travel assistance for job-search activity.

In 1994, the federal government reorganized CFP into the Community Futures Development Corporations (CFDC) by, among other things, discontinuing Community Initiatives Funding and merging CFP committees (consisting of local business, union and community leaders) with its Business Development Centres. In 1995, the government transferred responsibility for CFDC from Human Resources Development Canada to Industry Canada's Federal Economic Development Initiative for Northern Ontario (FedNor) division and the government's three regional development agencies, namely, the Atlantic Canada Opportunities Agency (ACOA), Canada Economic Development for Quebec Regions (CED), and Western Economic Diversification Canada (WD).

Throughout our hearings, witnesses universally praised CFDC as one of the few examples of a truly successful federal government policy in terms of its ability to generate rural economic development and, by extension, alleviate rural poverty. Ms. Martz said she thought there were "opportunities to expand it and to perhaps increase their loan base so they could foster more business start-ups and the like." (Evidence, November 23, 2006)

Throughout our hearings, witnesses universally praised CFDC as one of the few examples of a truly successful federal government policy in terms of its ability to generate rural economic development and, by extension, alleviate rural poverty.

Understanding Freefall: The Challenge of the Rural Poor

While he did not specifically mention CFDC, Dr. Apedaile suggested that the federal and provincial governments could play a useful role in helping Canada's small rural businesses "scale up production and employment." Most of these businesses, he said, are "mom and pop artisan enterprises that centre around a particular skill or craft people have" and have a hard "time moving forward and scaling up. That means differentiating their products, finding new markets or growing their business." (Evidence, November 9, 2006)

The CFDC community-based approach appears to be behind more recent instances of federal rural policy. The Rural Secretariat's "Rural Development and Community Capacity Building Program" or "Models Program" for example shares the same basic philosophy as CFDC. It studies rural success stories and shares these experiences, sometimes with funding assistance, with other parts of rural Canada.

Finally, it is also worth noting that the Organisation for Economic Co-operation and Development cites CFDC as a model program for other countries to emulate and a clear example of what the OECD calls the "new rural paradigm" and what others call the "new rural economy," the key features of which are summarized in Table 5-1. Many of the proposals outlined below reflect this new approach.

Table 5-1: The New Approach to Rural Economic Development

	Old Approach	New Approach
Objectives	Equalization, farm income, farm competitiveness	Competitiveness of rural areas, valorization of rural assets, exploitation of unused resources
Key target sector	Agriculture	Various sectors of rural economies (e.g., rural tourism, manufacturing, Information and communications technology (ICT), industry, etc.)
Main tools	Subsidies	Investments
Key actors	National governments, farmers	All levels of government (supranational, national, regional and local), various local stakeholders (public, private, NGOs)

Source: OECD, *The New Rural Paradigm: Policies and Governance*, Paris, 2006, p. 15.

Rural Economic Development

Over the course of our meetings this fall, the Committee heard a number of proposals aimed at alleviating rural poverty through economic-based policies ranging from laissez-faire to more activist approaches. In every instance, these proposals shared the same basic conviction, namely, that the most effective and often most direct route to poverty alleviation is through economic growth, employment and some form of rural economic development. As Dr. Freshwater, “poverty is an aspect of rural development, and the way we resolve that is by effective rural development policy.” (Evidence, November 21, 2006)

a. Ease Transition out of Rural Canada

Some witnesses placed limits on how much governments should do to keep rural regions alive through economic development or job creation programs, arguing that these types of government

Some witnesses placed limits on how much governments should do to keep rural regions alive through economic development or job creation programs...

programs often make things worse by encouraging people to stay in areas where there are few if any long-term employment prospects. Instead, government programs should encourage labour mobility and help those who are able to leave to find employment elsewhere.

We have an employment insurance system that went through brutal reforms in 1971-72. They were partially undone in the 1996 reforms. Since then, there has been a fair amount of rollback on that initiative. Those reforms permitted, sustained and, I would argue, ultimately encouraged reliance on seasonal work in rural communities. There are a lot of Canadians to this day who are living in rural communities with not particularly auspicious conditions, and for whom not having made those reforms in the early 1970s would have been better. We have created a seasonal culture that I think in the long haul has not been good for the welfare of Canadians. — Finn Poschmann, evidence, November 7, 2006

Proponents of this view also believe that rural areas will likely experience large absolute population and employment declines in coming decades. It is therefore

Understanding Freefall: The Challenge of the Rural Poor

unrealistic to try to sustain services in these areas. Governments should focus instead on preparing for eventual depopulation.

b. Build Rural Alliances

The Committee also heard from witnesses who, while recognizing the realities of rural depopulation, were not so willing to leave rural Canada to its fate. These proposals also share a common theme, namely, that rural areas need to pool their resources and work together either with urban centres or amongst themselves or both.

i. Leverage Urban Growth

Urban Canada is growing. Recognizing this fact, some witnesses said that the single best rural development strategy is one that emphasizes strengthening rural ties to urban areas. In his presentation, Dr. Partridge stressed that governments can be most effective by helping rural communities leverage urban growth through stronger linkages to urban centres, including better transportation infrastructure and supporting governance institutions.

How do we enhance rural opportunities? We find ways of building tighter links with even the smaller urban centres. Much of this relates to commuting kinds of behaviour, but I want to stress it is not that we want everyone to commute...We want just enough people to commute to keep our rural communities vital, to have enough people to offer important services such as health care and so on. It is building critical mass so rural Canadians can participate. (Evidence, October 26, 2006)

Dr. Partridge emphasized the need to introduce more innovative governing structures that incorporate a more regional approach. He felt that rural regions need broader identities than just small towns in order to have a voice.

Understanding Freefall: The Challenge of the Rural Poor

ii. Connecting Rural and Urban Interests

Others such as Dr. Apedaile offered a different perspective, emphasizing instead that urban needs rural at least as much as rural needs urban:

We are not talking about the urban areas pulling up the rural area. We are saying that the rural economy is pulling up the metro area for years. Our common interests lie in making this symbiotic relationship work into the future. (Evidence, November 9, 2006)

To illustrate his point, Dr. Apedaile observed that rural areas supply an essential array of public goods to urban centres, including — and perhaps most obviously — clean and safe drinking water from rural watersheds.

The challenge, according to Dr. Reimer, is making urban Canada understand why rural Canada is important. This task is especially difficult because, as Dr. Freshwater pointed out, few urban people have fully experienced rural life: “One thing that has happened is you have a more suburban population that is disconnected from rural areas. They see the amenity value of a rural place as being the primary reason for dealing with rural areas rather than seeing that the people who live in those rural areas have to earn a living.” (Evidence, November 21, 2006)

iii. Rural to Rural Linkages

As discussed in the previous chapter, rural communities often lack economic and human resources. Donna Mitchell observed that sometimes rural regions may be compelled to compete with each other to attract private investment, public funding or tourism dollars. However, she said the rural communities often find benefit from working together and sharing resources by creating larger rural zones or regions.

...rural communities often find benefit from working together and sharing resources by creating larger rural zones or regions.

These kinds of collective solutions may be the best answer to increasing well-being for many parts of rural Canada. To illustrate, she suggested that instead of developing individual tourism plans, communities could group together to offer a plan that benefits and promotes an entire region.

c. Farming and Multifunctionality

Even though agriculture no longer dominates the rural economy as it once did, many witnesses recognized its vital relationship to rural identity and rural prosperity. Dr. Cummings pointed out that “Agricultural land is the backbone of much of our rural society. Certainly, if you look at our southern Ontario and southern Canadian landscape, it is hard to imagine a landscape without agriculture there.” (Evidence, October 31, 2006)

As we discussed in the previous chapter, farmers in Canada have seen their farm incomes trend downward for nearly three decades and future prospects for increased revenue margins are not optimistic. The main reason for the decline is the fall in commodity prices. Many farmers feel that the lack of market power and unfair competition from generously supported farm sectors among our trading partners are at the heart of the problem.

Many farmers feel that the lack of market power and unfair competition from generously supported farm sectors among our trading partners are at the heart of the problem.

Many witnesses called for a new approach to farm policy, one that recognized the larger role agriculture plays in society. Ms. Martz, for example, recommended looking at a “multifunctionality approach ... [that] they are using in Europe where they are looking at farms as places for sequestering carbon and protecting watersheds.” (Evidence, November 23, 2006) Under a multifunctional approach, farmers are seen as important contributors to a wide range of objectives: promoting rural development; preserving rural heritage, and rural amenities; and ensuring the security of the nation’s food supply.

A multifunctional approach also insists that commodity prices do not fully reflect the broader benefits farming brings to the country, which is why Dr. Apedaile argues we

Understanding Freefall: The Challenge of the Rural Poor

cannot leave our farmers at the mercy of market forces: “[f]armers are needed in this country, and they are needed for all kinds of reasons. Most of those reasons do not translate through market demand and supply forces. Therefore the pricing of the services that they produce is not discovered and we think that they are probably therefore not important.” (Evidence, November 9, 2006)

In addition to providing food and societal services, agriculture now emerges as an eventual generator of alternative sources of fuels such as biofuels.

Income Policies

In the face of the many failures of national and even provincial rural development strategies, and given the long-term trends towards substituting capital for labour, several witnesses proposed policy measures that would address rural poverty more directly by delivering income to individuals rather than filtering income through bureaucracies.

Mr. Goldberg for example, argued that a guaranteed annual income is “something whose time is coming back and needs to be looked at.” (Evidence, November 7, 2006) Under a guaranteed annual income, the government provides an unconditional annual and ongoing income floor (i.e., an annual minimum income) below which no family or individual can fall.

Dr. Reid saw the guaranteed annual income as an important step towards divorcing rural assistance and rural poverty reduction from labour or agricultural policy. He argued that if the federal government wants to address farm poverty or rural poverty more generally, it would be better doing so directly through a program like the guaranteed annual income.

David Bruce also supported the idea of a universal guaranteed income, arguing that it would have an important rural impact because it is a “... a creative way of thinking about what we are really talking about, which is ensuring that people are not penalized for contributing something that we need in our society, which is food supply.” (Evidence, October 26, 2006) In other words, a guaranteed income program might help rural citizens stay in rural Canada.

Dr. Reid saw the guaranteed annual income as an important step towards divorcing rural assistance and rural poverty reduction from labour or agricultural policy. He argued that if the federal government wants to address farm poverty or rural poverty more generally, it would be better doing so directly through a program like the guaranteed annual income. Dr. Reid also noted that it would be difficult to introduce a guaranteed annual income solely to rural Canadians, "... it would have to be extended beyond rural." (Evidence, November 21, 2006)

In his testimony, Dr. Partridge said that while a guaranteed income policy might be desirable in the long run, Canada should first consider creating something like the U.S. earned income tax credit (EITC). The EITC is a refundable tax credit paid to working families who fall below certain income thresholds. Enacted in 1975, the EITC is the largest anti-poverty program in the United States and enjoys broad support. In 2004, almost 21 million American families received more than US\$36 billion in refunds through the EITC. In Canada, the federal government has said it will introduce a working income tax benefit (WITB), similar in principle to the EITC, in Budget 2007.

Finally, Mr. Goldberg also proposed a more immediate way of dealing with poverty, namely raising the Canada Child Tax Benefit to about \$5,000 per child because "we must say that no child in this country will ever again be raised in poverty." (Evidence, November 7, 2006)

Education

Education emerged as another major policy theme in the Committee's discussions, first because education is one of the best ways out of poverty, and second because rural Canadians overall have, as discussed, lower levels of educational attainment than urban Canadians. As Mr. Poschmann pointed out, "education is vitally important for younger members of the community entering the workforce. That is true everywhere." (Evidence, November 7, 2006)

Understanding Freefall: The Challenge of the Rural Poor

Of course, education is a provincial responsibility and the policy proposals from our witnesses recognized this fact. Mr. Poschmann suggested that the federal government could provide post-secondary funding directly to people rather than institutions or provinces. In so doing, it would avoid a problem that plagues many universities, especially those in smaller provinces, namely, that they often bear the cost of educating people who take their newly acquired skills out of province after completing their studies.

Mr. Goldberg, for his part, said that the federal government should use its funding power to convince the provinces to offer affordable early childhood education/daycare because this is where “we get the biggest bang for the buck.” (Evidence, November 7, 2006) He also said the federal government should help the provinces fund more adult education and literacy programs, reduced university tuition fees (to help with student debt loads), and enrich subsidies to rural children to help defray the cost of moving away from home. Finally, he argued that the federal government should tie its post-secondary education funding to a requirement that provinces charge the same fee to all Canadian students regardless of their province of origin. The current practice of charging differential fees reduces labour mobility and is not good for the country.

To help address the rural-urban educational divide even more directly, Dr. Apedaile argued that rural areas should consider twinning their educational services with urban centres to expand the range of opportunities for rural students.

Finally, Dr. Reimer and Dr. Jean argued that governments at all levels should consider increasing their funding for regional or rural universities, colleges and trade schools. These institutions encourage rural students to further their studies because they have less

“... a number of universities in the province of Quebec are located in rural areas. This makes Quebec fairly unique within Canada. I am firmly convinced that a university exerts a real influence on a region’s economic prosperity.”

far to travel and fewer cultural barriers to surmount. They also add tremendous resources to rural communities, as Dr. Jean noted: “... a number of universities in the province of Quebec are located in rural areas. This makes Quebec fairly unique within Canada. I am

firmly convinced that a university exerts a real influence on a region's economic prosperity." (Evidence, October 26, 2006)

Other Policy Options

Over the course of its deliberations, the Committee heard a number of other policy ideas which, while they received less attention than economic policy, income policies and education, might nevertheless play an important contributing role in alleviating rural poverty.

c. Transportation

As discussed in the previous chapter, getting around in rural Canada can be a challenge. Dr. Fuller recommended that governments help fund organizations that already provide transportation services in rural areas and understand local needs, such as Meals-on-Wheels or the Red Cross. He also said that these organizations are often hamstrung by regulations that prevent them from offering rides to people who are not officially enrolled in their programs.

While recognizing that this is often a provincial issue, Dr. Fuller suggested that the federal government could help alleviate some of these problems by offering start-up loans for central ride services through the Community Futures program. The federal government could also provide incentives so these organizations can purchase fuel-efficient vehicles, perhaps powered by biofuels, which would have environmental benefits and help local farmers. Dr. Reimer, for his part, suggested that the federal government provide grants, fuel rebates, or tax credits to help rural transportation organizations.

d. Tourism

While Canada is well-known for its natural (and largely rural) beauty, Dr. Cummings said that the federal government could be doing more to promote rural tourism: "We are

Understanding Freefall: The Challenge of the Rural Poor

tame in our promotional activities. We are not innovative in the way we promote our countryside and our opportunities. We can support the service sector in a variety of ways. If we do, we will support rural in much of Canada, not everywhere, but certainly in much of Canada.” (Evidence, October 31, 2006)

e. Immigration

Attracting immigrants to rural Canada could help revitalize rural areas, much as they did at the turn of the 20th century. As Dr. Partridge noted, immigrants “have a big multiplier impact in terms of rural population growth. Not only do the immigrants come in, there are two additional impacts. One is critical mass. If the community has enough people, it can keep the hospital and that makes it a liveable place for people born in Canada.” Moreover, “once you start bringing immigrants in, you get a multiplier impact where more immigrants come, and that makes the community more liveable because it has more services. The problem is that many rural communities do not have the immigrants and it is difficult to attract them.” (Evidence, October 26, 2006)

...immigrants “have a big multiplier impact in terms of rural population growth. Not only do the immigrants come in, there are two additional impacts. One is critical mass. If the community has enough people, it can keep the hospital and that makes it a liveable place for people born in Canada.”

Mr. Bruce said one way of attracting immigrants to rural Canada is to target people who either are from rural areas or want to live in a rural area. “We need to look at how we can make that situation known to countries where people will ... have a greater commonality between the country of origin and rural Canada.” (Evidence, October 26, 2006)

Dr. Cummings, for his part, suggested that governments could help make the transition to rural areas easier for some immigrants by funding cross-cultural and English-as-a-Second-Language (ESL) or French-as-a-Second-Language (FSL) services in rural areas. He added that “they do not have to be big and expensive. We can find them in units which are divisible to meet the needs of the community.” (Evidence, October 31, 2006)

f. Regionalizing Government Offices

Over the years, the federal government has either set up or moved a number of offices into smaller communities and regions of the country, including the goods and services tax (GST) centre in Prince Edward Island and Canada Revenue Agency tax centres in places such as Sudbury, Ontario and Shawinigan, Quebec.

Dr. Partridge told the Committee that regional government offices can help stabilize regional economies and play an important role in creating the kind of regional hubs he believes are crucial for rural Canada's future prosperity. As he also pointed out, "The kinds of services ... could be done right now offshore in India. Why can they not be sent to smaller rural communities and spread the wealth out?" (Evidence, October 26, 2006)

"The kinds of services ... could be done right now offshore in India. Why can they not be sent to smaller rural communities and spread the wealth out."

g. More Rural Research

Despite more than fifty years of relative rural economic decline, the Committee learned that there is a paucity of research into rural poverty and rural issues more generally. Ms. Mitchell, for example, pointed out that "we do not have a very fulsome set of research. In fact, I am not aware of very much research in rural Canada" (Evidence, October 17, 2006), while Dr. Fuller noted the lack of good empirical data on transportation problems in rural Canada.

Several witnesses recommended that additional funding be directed towards eliminating these lacunae. Dr. Jean, for example, said "we must encourage quality university research into the wide-ranging problems that rural communities in this country will have to address; thus, we should launch a research initiative into the challenges posed by Canadian rural development." (Evidence, October 26, 2006)

Understanding Freefall: The Challenge of the Rural Poor

Conclusion

The range of policy proposals outlined by our witnesses and sketched here is large and impressive. Dr. Freshwater encouraged the Committee to consider significant and dramatic changes when recommending policy solutions to rural poverty: “I would encourage

“I would encourage you to think about large changes rather than incremental changes. If what you have done has not been effective, changing it a little will likely not be effective.”

you to think about large changes rather than incremental changes. If what you have done has not been effective, changing it a little will likely not be effective.” (Evidence, November 21, 2006)

Making a similar point, but from a different perspective, Mr. deGroot-Maggetti urged the Committee to consider a recommendation for a national poverty-reduction strategy spanning rural and urban areas similar at least in principle to the one recently announced in Newfoundland and Labrador. “In our estimation what needs to happen first, and this is not the actual hands-on direct thing, is to lay out a strategy for addressing these things because the strategy will have to take into account what different groups can do. There are some things the federal government can do, there are some things provincial governments can do, and there are poverty-reduction strategies that are happening at the community level too. With a strategy like that, you can lay out in a particular budget, the taking of particular steps. It may not get rid of poverty but it is part of an overall plan. There must be a plan that actually is the aim to eradicate poverty.” (Evidence, November 28, 2006)

As pointed out at the beginning of this chapter, many of the proposals discussed share both an abiding faith in rural Canada’s resilience and also an underlying philosophical principle, namely, the idea that federal (and provincial) governments must facilitate — not dictate — policy solutions for rural Canadians.

In other words, rural communities themselves must come up with economic development and poverty-alleviation ideas that are best suited to their particular needs. The federal and provincial governments can then help with funding, policy design and implementation if and where need be. Dr. Jean put it succinctly: “The best rural policies are those managed in collaboration with the rural communities.” (Evidence, October 26, 2006)

...rural communities themselves must come up with economic development and poverty-alleviation ideas that are best suited to their particular needs. The federal and provincial governments can then help with funding, policy design and implementation if and where need be.

CHAPTER 6: CONCLUSION

I am convinced that rural workers fulfill a variety of functions. While occupying the territory, they produce goods and services, they develop their environment. Occupying territory represents an essential geopolitical function for ensuring national sovereignty and security. One could also say that rural people do it voluntarily. In certain isolated areas, however, I think that the government has a responsibility to help them sustain their presence on this piece of Canadian territory. — Bruno Jean, Canada Research Chair in Rural Development, Université du Québec à Rimouski, evidence, October 26, 2006

In terms of why rural areas are so important, I do not think we need to rely on national security. We can rely on a host of other things. First, many people like the lifestyle of rural areas. They like the small town; they do not like the congestion; they like to know all their neighbours; they like the special feel of a rural area. If we lose our rural communities, we lose that option value. A strong reason that rural Canada is so important is that we lose something not only for today but for centuries. Also, rural communities are often our first line of environmental stewards. They are the ones at the watersheds, forests and lakes. In that sense, a healthy rural Canada helps to promote a stronger environment. Another reason is cultural; we lose much of our heritage when we lose our rural communities. — Mark Partridge, evidence, October 26, 2006

In the introduction to this report, the Committee said that the rural poor are often invisible. In its planned travels in the winter and spring of 2007, the Committee hopes to do its part to give them a voice, to make their concerns known and more visible. This interim report will, we hope, serve as a document to begin a dialogue, the ultimate goal being of course to listen, learn and to help advance their cause with pertinent recommendations.

Understanding Freefall: The Challenge of the Rural Poor

The Committee also wants to insist on its deep faith in rural Canada's ability to develop its own solutions to its own problems with the appropriate support from government. The Committee is looking forward to meeting residents in areas that have shown some success in fighting against rural decline and rural poverty.

The Committee also wants to insist that it believes urban Canada needs rural Canada not just for its food, its wood, its minerals or its fish, but also for its environmental stewardship, its watersheds and, ultimately, its open and forested spaces.

LOW-INCOME / POVERTY DEFINITIONS

Basic Needs Poverty Measure: Developed by Christopher Sarlo, adjunct scholar at the Fraser Institute, the basic needs approach defines poverty thresholds by measuring the minimum consumption (as opposed to income) necessary to sustain physical well-being. It focuses on estimating the cost of basic shelter (low-cost apartments), clothing and dietary needs (enough calories to avoid hunger). In his view, a family is poor if its before-tax income is insufficient to pay for his basket of “basic needs” items.

Low-income cut-off (LICO): Under the LICO approach, Statistics Canada sets its low-income threshold at 20 percentage points *above* the average proportion of income spent by families on food, shelter and clothing. If the family’s income falls below this threshold, Statistics Canada classifies the family as “low-income.” In 1992, for example, the average family of four spent 43% of its after-tax income on food, shelter and clothing. Adding 20 percentage points implies a LICO after-tax threshold equal to 63% of after-tax income devoted to food, shelter, and clothing

Low-income Measure (LIM): The LIM identifies low-income Canadians as those living in families that have an after-tax income lower than 50% of the median income for all Canadian families in a given year.

Market Basket Measure of Poverty: Developed by Human Resources Development Canada, this measure of poverty is based on the estimated cost of purchasing a basket of goods and services deemed to represent the standard of consumption for a reference family of two adults and two children. This basket of goods includes the costs of food, clothing, shelter, transportation, and other goods and services that are determined for different regions across Canada.

RURAL DEFINITIONS

Predominantly Rural Region (PRR): Developed by the Organisation for Economic Co-operation and Development (OECD), this definition refers to regions with more than 50 percent of the population living in communities with less than 150 persons per square kilometre. The OECD predominantly rural regions include individuals living in the countryside, towns and small cities *inside and outside the commuting zone of larger urban centres*

Rural and Small Town (RST): Developed by Statistics Canada, this definition refers to any community or locale with fewer than 10,000 people *and* where fewer than 50% of the population commutes to an urban area.

Metropolitan Influenced Zones (MIZ): The MIZ definition is based on population density and distance, but also considers the commuting flow between rural and small towns and larger centres. Metropolitan Influenced Zones (MIZ) are assigned on the basis of the share of the workforce that commutes to any CMA or CA (Strong MIZ: between 30% and <50%; Moderate MIZ: between 5% and <30%; Weak MIZ >0% and <5%; No MIZ: no commuters).

- September 28,
2006 **National Anti-Poverty Organization:**
Sherrie Tingley, Executive Director;
Debbie Frost, President, Board of Directors;
Nancy Shular, Vice-President, Board of Directors.
- October 3, 2006 **Agriculture and Agri-Food Canada:**
The Honourable Charles Strahl, P.C., M.P., Minister of
Agriculture and Agri-Food;
Christiane Ouimet, Associate Deputy Minister;
Donna Mitchell, Executive Director, Rural and
Co-operatives Secretariats
- October 5, 2006 **Statistics Canada:**
Sylvie Michaud, Director, Income Statistics;
Denis Chartrand, Director, Agriculture Division;
Ray Bollman, Research Economist.
- October 17, 2006 **Agriculture and Agri-Food Canada:**
Donna Mitchell, Executive Director, Rural and Co-operatives
Secretariats;
Christine Burton, Director, Rural Policy and
Strategic Development.
- October 24, 2006 **As an individual:**
Jim Sentance, Associate Professor, Department of Economics,
University of Prince Edward Island
- October 26, 2006 **As an individual:**
Bruno Jean, Canada Research Chair in Rural Development,
Université du Québec à Rimouski;
David Bruce, Director, Rural and Small Town Programme,
Mount Allison University;
Mark Partridge, Adjunct Professor, Department of Agricultural
Economics, University of Saskatchewan;
- October 31, 2006 **As an individual:**
Harry Cummings, Professor, School of Environmental Design
and Rural Development, University of Guelph;
Anthony Fuller, Professor, School of Environmental Design and
Rural Development, University of Guelph.

APPENDIX A: GLOSSARY

- November 7,
2006
- C.D. Howe Institute:**
Finn Poschmann, Director of Research.
- As an individual:**
Michael Goldberg, Chair, First Call: BC Child and Youth Coalition (by video conference).
- November 9,
2006
- As an individual:**
Peter Apedaile, Professor Emeritus, Department of Rural Economy, University of Alberta;
Bill Reimer, Professor, Department of Sociology and Anthropology, University of Concordia.
- November 21,
2006
- As an individual:**
David Freshwater, Professor and Director of Graduate Studies for Agricultural Economics, University of Kentucky;
Donald Reid, Professor, School of Environmental Design and Rural Development, University of Guelph.
- November 23,
2006
- As an individual:**
Diane Martz, Research Manager, Prairie Women's Health Centre of Excellence.
- November 28,
2006
- Fraser Institute:**
Chris Sarlo, Senior Fellow (by video conference).
- Citizens for Public Justice:**
Greg deGroot-Maggetti, Socio-economic Policy Analyst;
Harry J. Kits, Executive Director.
- November 30,
2006
- As an individual:**
Kurt Klein, Professor, Economics Department, University of Lethbridge.