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Child Poverty and the Need for a Comprehensive BC Poverty Reduction Plan

Presentation to the BC Legislature's Select Standing Committee on Children and Youth

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Why BC Needs a Plan

You have heard from numerous witnesses today who have made a strong and convincing case for why we need a comprehensive poverty reduction plan, and who have outlined the ways in which we all pay for poverty.

The price of poverty is not merely borne by the households who experience it first hand. We all pay in higher costs for social, community and charitable services, in higher costs to the criminal justice system, in lost productivity and lower school success, and particularly in terms of higher health costs. When it comes to child poverty, we know it represents a kind of poison when it comes to cognitive development. There is a false economy in failing to act:

- A study published in late 2008 by the Ontario Association of Food Banks calculated the cost of poverty in Ontario to the public treasury to be between \$10 and \$13 billion annually, and between \$32 and \$38 billion for society at large (or about 6 per cent of Ontario's GDP).
- Since 2001, the Dietitians of Canada, BC Region, have calculated the basic budget needed to eat a healthy and nutritious diet, and each year they find that welfare incomes and minimum wage incomes are well below what is needed to meet basic food costs. The implications of this for the long-term provincial health care budget are obvious.

Too often, this issue gets lost in a fruitless debate about how to measure poverty. The simple truth is that no measure is perfect. But by whatever measure one uses — the LICO before-tax, the LICO after-tax or the Market Basket Measure — BC has the highest overall poverty rate and the highest child poverty rate in Canada. So we need a plan to change this reality.

The point is to pick a consistent measure (or set of measures), which allows us to monitor progress over time and relative to other jurisdictions.

And when one compares BC's performance (using either the LICO or the MBM) in this way — relative to the historic norm and relative to others — what emerges is not good.

The poverty and child poverty rates have come down in recent years (at least up to 2007, the last year for which we have data). That is to be expected. Generally, the poverty rate tracks the economic business cycle. For this reason, people are rightly worried that the poverty rate in 2008 and surely in 2009 will go back up (already we know from the annual Hunger Count report that food bank use was back up 15% in 2009 — an early warning if you will).

But even within the data leading up to 2007, there are worrying elements:

- For example, after a near unprecedented period of economic growth, spanning from the end of the recession in the early 1990s to 2007, one would have expected to see much more of a decline in the poverty rate. But that didn't happen. Instead, by 2007, the overall BC poverty rate (at 11%, using the after-tax LICO) had still not managed to attain the 1989 trough of about 10% reached before the 1990 recession.
- With respect to child poverty, the performance is even less impressive. 1989 was also the year in which the House of Commons resolved to end child poverty by 2000. As we all know, that didn't happen, and indeed, the national child poverty rate by 2007 saw no progress — we were right back to where we started in 1989. But this masks provincial differences. In fact, most provinces have seen a modest improvement. The national picture is weakened by the fact that only two provinces saw negative progress in that time — Ontario and BC. Indeed, BC realized the least progress since the House of Commons' ill-fated resolution, with child poverty increasing by 30 per cent between 1989 and 2007.
- Also, while the national child poverty rate has consistently gone down since the mid 1990s, BC alone saw a disturbing upward spike in the years 2002, 2003 and 2004 (again, you see this using either the LICO or MBM). This is likely a result of welfare policy changes instituted in 2002.

It is instructive to look at how BC does relative to some other provinces, and in particular, relative to Quebec and Newfoundland, as they are the provinces with the longest-standing poverty reduction plans.

CHILD POVERTY RATE (using LICO after-tax)			
	1998	2007	% change
Canada	15.7%	9.5%	- 39%
Newfoundland	19%	6.5% (3rd lowest in Canada)	- 66%
Quebec	18.7%	9.5%	- 49%
BC	13.9%	13% (highest in country)	- 6%

Source: Statistics Canada, *Incomes In Canada*

In many respects, the MBM is a better measure, as it is more reflective of the actual costs of basic goods in each place (such as differences in the cost of housing). However, data only goes back to 2000, and for the first few years, HRSDC was not reliably producing annual updates. But that appears to now be changing.

CHILD POVERTY RATE (using the Market Basket Measure)			
	2000	2007	% change
Canada	18.1%	11.9%	- 34%
Newfoundland	33%	14.8%	- 55%
Quebec	15.8%	7.3% (lowest in country)	- 54%
BC	26.1%	18.4% (highest in country)	- 30%

Source: HRSDC, *Low-income in Canada 2000-2007 Using the Market Basket Measure*

What other provinces are doing

Six provinces now have poverty reduction plans, although most are still fairly new, and therefore we don't yet have data to tell us what kind of success they are meeting with, the exceptions being Quebec and Newfoundland. What their plans and results tell us is that poverty isn't inevitable — that policy (the work that you do as legislators) matters.

Importantly, the success in Quebec and Newfoundland isn't just about an improved economy and job creation. Notably, if one were to look at *market* income alone, the child poverty rate in both of these places in 2007 was higher than in BC. It is after incorporating government transfers that their poverty rates fall below ours. Again, government policy makes a difference.

Conversely, when we rely only on the market, economic growth and job creation, the results with respect to poverty reduction are weak. That is what we see in the BC case, where we have recorded very low unemployment in recent years, but poor progress on child poverty. **In BC, the story of child poverty is primarily a low-wage story.** 56% of poor children in BC live in households with at least one parent working full-year full-time in the paid labour force. That's

why a plan needs to address issues such as the minimum wage, employment standards and a living wage. And that's why, when we call for a poverty plan, and the response from the Premier is that the government's goal is to have the lowest unemployment rate that we can — that goal, while laudable, is insufficient.

The example of **Newfoundland** is particularly instructive. There, the Conservative government of Danny Williams has made poverty reduction one of its overarching goals. Back in 2004, Newfoundland's poverty rate was the second highest in Canada after BC's. It is now 6.5 per cent, the third lowest in Canada. Their plan has led to concrete policy changes: welfare benefit rates have gone up (and were already higher than BC's relative to the LICO) and they have been indexed (they go up every year according to the CPI); the minimum wage has been increased to \$10; and the province followed Quebec and made dental care universal for children.

Ontario now also has a plan. Indeed, their plan is legislated, with a 25% reduction in 5 years. And notably, that legislation, the Ontario Poverty Reduction Act, was passed with unanimous all-party support, one week before our provincial election last May, at the height of the recession. Like Newfoundland, they have a cross-ministerial secretariat, with a lead minister. And their lead minister must present annual progress reports. They have struck a welfare review panel, undertaking a comprehensive review of all the social assistance rates and rules. And they have gone the route of introducing an Ontario Child Tax Credit (like the federal one) worth \$1,300 a year (another policy vehicle for increasing the incomes of low-income families, whether their income comes from welfare or paid employment).

More recently, **New Brunswick** has tabled their plan. The government there has fundamentally altered the tone of the debate, particularly about welfare. They too have legislated their plan in what they call the Economic and Social Inclusion Act. They too have all-party support. They have enacted some very large increases in welfare benefit rates, and indicated that this is only the start. And they have increased and *indexed* the minimum wage. And they too have a secretariat to coordinate plans.

The key common features of these plans are these:

- They have been advanced with all-party support.
- They have specific targets and timelines, which in most cases are embedded in legislation.
- They are comprehensive (meaning they address not just income — both social assistance and other government income supports, as well as measures to boost labour market income — but also the social infrastructure on which low and modest income families depend, such as housing, education, child care and community health care; and they have specific measures to address poverty among those populations where poverty is most acute, such as Aboriginal people, recent immigrants, people with disabilities and mental illness and single parents).

- They have accountability mechanisms, such as public consultations, funding for independent monitoring groups, and obligations to report annually on progress (see pages 31-33 in the CCPA report, A Poverty Reduction Plan for BC, for our ideas for how to structure an accountable plan). A key need is for timeline benchmarks that are frequent enough that a government can be held accountable within the life of each mandate.
- There is a cross-ministry secretariat to coordinate and integrate plans, and to ensure that policies do not act at cross-purposes.

Finally, allow me to close with some economic points:

- If we question the affordability of a plan, consider this: The total amount of money needed to take everyone in British Columbia who is below the poverty line, and raise their income to the poverty line, is about \$2.4 billion (known as the “poverty gap”). That’s a fair amount of money. But it is about 1.3 per cent of provincial GDP (and recall that, in contrast, the cost of poverty in Ontario is estimated to be about 6% of GDP). We can afford to do this. Surely, in a province as wealthy as ours, with an annual gross domestic product of almost \$200 billion, closing a poverty gap of \$2.4 billion should not be seen as insurmountable. Much of the task will fall to government, but the private sector also has a vital role to play, most notably by raising the wages of low-wages workers (as a majority of poor British Columbians are working in the low-wage labour force).
- At a time when all governments are still talking about the need for economic stimulus, a poverty reduction plan is exactly the kind of investment we need. It concentrates money among those who don’t have the luxury of saving, and who spend all they have in our local communities. This is where we get the maximum economic bang for our stimulus buck.

Poverty is not inevitable. We all pay for it. But other places are showing us that when we take focused action, we can get results. But it starts with a plan.

Thank you.