

The Cost of Poverty in the Atlantic Provinces

Christine Saulnier and Charles Plante





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Introduction

THIS REPORT COSTS poverty based on three broad measurable components: opportunity costs, remedial costs and intergenerational costs. The costs that we draw attention to here are all costs that could potentially be re-allocated, and benefits that could potentially be realized if all poverty were eliminated. The total cost of poverty in the Atlantic region ranges from \$2 billion per year in Nova Scotia to \$273 million in Prince Edward Island. It is close to a billion in Newfoundland and Labrador, \$959 million, and \$1.4 billion in New Brunswick. These costs represent a significant loss of economic growth of 4.76% of Nova Scotia's GDP to 2.9% in Newfoundland and Labrador. The impact on Prince Edward Island's GDP is 4.10%, and 3.71% in New Brunswick.

The purpose of this costing exercise is to illustrate the shared economic burden of poverty, and the urgency that exists for Atlantic Canadian governments to act to eradicate it. To illustrate the importance of costing poverty, perhaps we can learn from decades of neglecting our physical infrastructure: it costs less to build quality infrastructure and pay to maintain it, than it does to intervene once that infrastructure has fallen into disrepair. For this reason, our provincial governments set aside special capital budgets every year that support necessary investments in the maintenance of our roads, bridges, and — though somewhat more scrutinized — our school buildings and our health care facilities. It is also true that if these investments are not made and our infrastructure begins to crumble, alarms are raised about public safety, and there is a predictable public outcry calling on the government

to take action. No one expects to try and crowd-fund or use charity to deal with these infrastructure needs.

Physical infrastructure is one thing, human beings are another. As a population we are far less likely to recognize households living in poverty as a public health, societal crisis, or economic problem, that we should solve collectively. We are far more likely to think that it should be dealt with by charity or that they ‘pull themselves up by their own bootstraps.’ Government revenue allocated for health, education, and other public services or income supports, is never quite framed in the same way as infrastructure spending – rarely is it presented as necessary investments in the health and well-being of our population. Rather, for the past few decades, the spotlight on provincial budget days has focused on lowering government debt through restriction of spending on public services. Focusing on our fiscal deficits, and not enough on our social and economic deficits has a cost.

When governments fail to make much needed investments in people, they download costs onto others. In recent decades government cuts have led households to have to bear an increasing burden of high costs associated with child care, tuition, prescription drugs, housing,¹ and hours spent caregiving (especially women).² Households have been increasing their debt loads, to make up for gaps in our systems.³ Even though provincial governments claim to be focusing on decreasing public debts in the name of lessening the burden for future generations, the next generation’s families are still taking on this debt as household debt. Communities, municipalities, charities and non-profits, have also been trying to fill gaps left by governments’ underinvestment in income supports, as well as public services and programs.

The purpose of this report is to underline the cost to the provincial governments of not addressing the needs of the population. The Atlantic region has had to invest to deal with the pandemic, first in terms of health care resources, and second, in terms of the social and economic impact of pandemic mitigation strategies. Thus far, our health care system has been fortunate to not have been as strained as other places in Canada that saw more infections and hospitalizations. As such, our governments have been able to largely rely on spending that has come from the federal government.⁴ This is especially fortunate because we were at a different starting point than the other provinces, both in terms of these services and even in terms of our health status profile with Atlantic Canadians having higher chronic diseases and an ageing population. There was also little slack in any of these systems. In terms of being able to absorb the impact of the pandemic, successive gov-

ernments lack of investment in diversifying the economy, supporting rural communities, and its perpetuation of the low-waged economy, has resulted in some of the highest rates of poverty and food insecurity in the country.

As the Atlantic provinces consider how to support the region to recover from the pandemic, there is an opportunity to learn the lessons the pandemic has taught us, both about our vulnerabilities, and how to do things differently than pre-pandemic. The goal of recovery plans should be to invest in the health and well-being of the population and, given the urgency of the climate crisis, our environment. Eradicating poverty must be an important part of the recovery, building stronger, more inclusive provinces. From the estimation of what it costs to have poverty in our communities, it is clear, the decision to not do so affects our ability to reach our full potential.

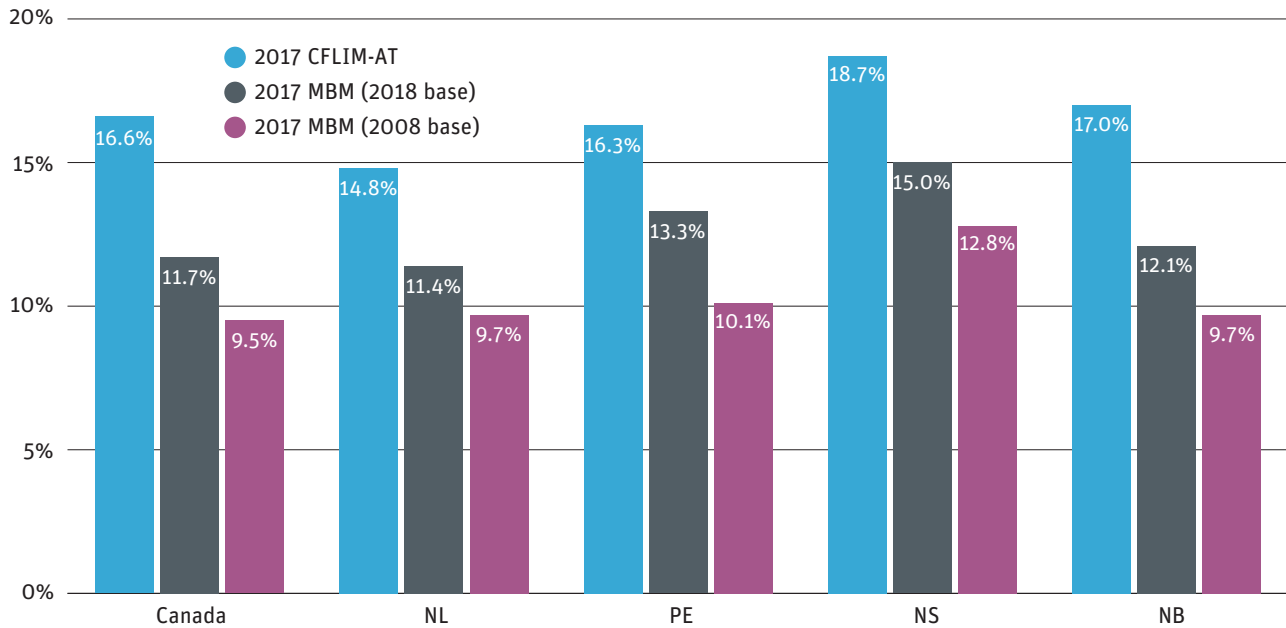
Setting the Context: Who Lives in Poverty?

THERE ARE DIFFERENT ways of measuring who is living in poverty and different data to use to show these rates. The cost estimates in this report use the official measure of poverty as selected by the Government of Canada: the Market Basket Measure (MBM) (2008 base).⁵ Using this measure results in a conservative estimate of the overall costs of poverty as it counts fewer people as living in poverty than the newly rebased MBM (2018-base) (see *Figure 1*). It also counts fewer people as living in poverty than the Low-income-measure (LIM), another leading measure of poverty. *Figure 1* includes the three rates for the general population in each province to illustrate the differences (see the Appendix A for the thresholds for all three).

As *Figure 1* shows, except for New Brunswick, all Atlantic provinces have a higher poverty rate than the Canadian average if we are using the Market Basket Measure (2018 base).

If we are on the other hand taking the Census Family Low Income Measure, After-tax, the poverty rate of the population is much higher. This time, only the province of Newfoundland and Labrador has a poverty rate below the Canadian average.

FIGURE 1 2017 Poverty Rates in Canada and Atlantic Provinces, Market Basket Measure (2018 base and 2008 base) and Census Family Low Income Measure, After-tax

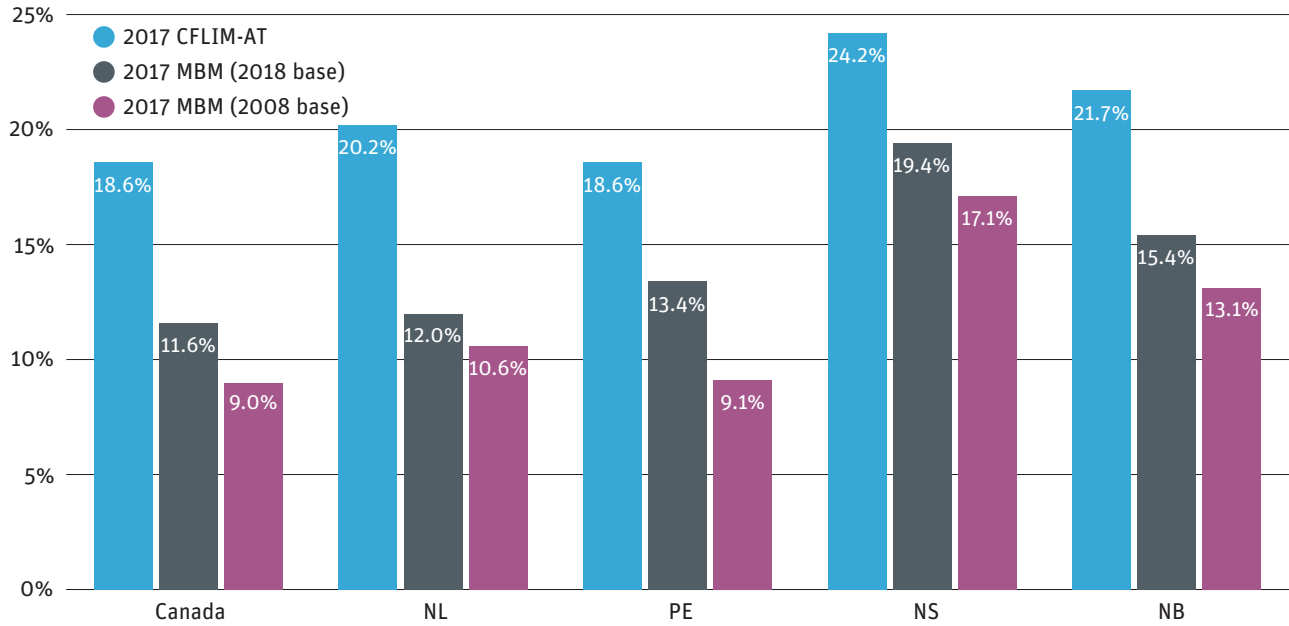


Child Poverty

There are mountains of evidence that the earlier we invest in our children, the better it is for them, and the better it is for all of us.⁶ It is actually not a cliché to say that our children are our future. The child poverty rate for each of the Atlantic provinces are in *Figure 2* based on the three measures. Using the Market Basket Measure (2018 base), each of the Atlantic Province (except PEI) has a higher percentage of children living in poverty. *Figure 2* also illustrates that the measure used in this costing exercise counts the lowest percentage of children living in poverty. If we are taking instead the Census Family Low Income Measure, After Tax (CFLIM-AT), all four Atlantic provinces have a higher percentage of child poverty than Canada.

From the annual child and family poverty report cards we know that poverty rates are much higher for certain groups especially when we consider the race and ethnicity of children (based on the Census) and by family type. The highest rates of poverty are for single parent households, households with three plus children, racialized children, new immigrants, indigenous children and for children aged 0 to 2.⁷

FIGURE 2 2017 Child Poverty Rates, Canada and Atlantic Provinces, Market Basket Measure (2018-base and 2008 base) and Census Family Low Income Measure, After-tax



Poverty Rates by Race and Ethnicity

This costing exercise cannot consider the full costs of compounded barriers to reaching your potential that people who face racism, sexism, ableism and other forms of discrimination. For instance, it is important to note that this methodology under-estimates the costs of poverty for Indigenous people because the poverty measure (MBM) used excludes on-reserve First Nations populations. *Table 1* rates are drawn from the Census which releases disaggregated data. As can be seen, the poverty rates in *Table 1* for visible minorities⁸ are much higher than the rates for the general population in *Figure 1*, double the rates in some cases and triple the rates in others.

TABLE 1 2015 Poverty Rates for Visible Minorities In Canada and Atlantic Provinces, Market Basket Measure (2008-base) and Census Family Low Income Measure, After-tax

	MBM (2008-base)	CFLIM-AT
Canada	17.8%	23.3%
NL	22.5%	24.8%
PEI	36.1%	40.1%
NS	25.1%	32.3%
NB	29.7%	33.6%

Source Household & Family TGP of the visible minority population, Census, 2016. Data retrieved from Community Data Program: <https://communitydata.ca/content/household-family-tgp-visible-minority-population-census-2016>

How the Costs of Poverty are Calculated

THE COST OF poverty was previously calculated for the three Maritime provinces and published 10 years ago; in 2010 for Nova Scotia, 2011 for New Brunswick and in 2012 for Prince Edward Island.⁹ These reports used the methodology developed by Nathan Laurie in his calculation of the cost of poverty in Ontario, published in 2008.¹⁰ The cost of poverty in this Atlantic report uses an updated methodology and different data than the previous calculations and thus is considered a new costing.¹¹ It isn't possible to directly compare the costed amounts in this report with those previously published.

In order to arrive at the costs, the key question applied to the data is: *what would be the gains if we were to raise the standard of living of those living in poverty (according to MBM (2008-base)), to the second income quintile? (See Appendix A Table 6 for the income quintile thresholds).* In this costing exercise there are three broad measurable components of the cost of poverty: opportunity costs, remedial costs and intergenerational costs. The costs that we draw attention to here are all costs that could potentially be reallocated, and benefits that could potentially be realized. Although the question may seem simple, the calculation is a complex accounting methodology that likely underestimates the true costs.¹² The overall cost of poverty is estimated by adding up costs in each of these components.

While these costs of poverty are broken out as separate components, they are interrelated; if a person has access to more resources, their health

may improve. If their health improves, they may be able to work more hours and be more productive and successful at their jobs. This likely contributes to further improvements in health, and for children, reductions in the intergenerational transfer of poverty. Governments need to continually identify barriers to success so that they can be addressed or eliminated as early as possible; we know that supporting people to get out of poverty is about ensuring that they are able to stay out of poverty with appropriate systems and supports.

1. Opportunity Costs

This first category represents the largest component of the costs of poverty and accounts for lost productivity and foregone revenue in the form of income taxes. This category estimates how much higher the earnings of people living below the poverty line would be if they were lifted out of poverty and how much of these earnings that they would be able to contribute to society in taxes. It is calculated based on the indirect costs of poverty that arise when people living in poverty are prevented from fully taking advantage of economic opportunities.

Lost Productivity

Productivity is defined in economic terms as the value of output that a worker contributes to the economy. High rates of unemployment, lack of education, unrecognized qualifications, health issues, and discrimination are examples of factors that can limit a person's productivity, and hence their earned income. Ideally, everyone who wants to work would have access to good jobs and would have the appropriate training and supports to be successful in their paid employment. Increases in productivity advances everyone's economic opportunities. Estimates for productivity in this exercise assume that the majority of persons in low-income would be able to work in full-time, full-year, better-paying jobs equivalent to the second quintile.

Forgone Revenue

Our costing exercise calculates the amount of income taxes that would be generated if those living in poverty were raised to the second quintile in each province. Poverty reduces GDP (productivity and economic growth), which

also reduces the amount of tax revenues collected by governments. General tax revenue is what funds goods and services that everyone uses and therefore poverty has a broader social cost because of this.

2. Remedial Costs

Remedial costs are the direct costs of poverty that arise from treating the damage that poverty causes people. This second category includes two areas of costs to the health and criminal justice systems as well as cost to victims of crime.

Increased Health Care Spending

There is a large body of evidence showing that income is an important determinant of health and that living in poverty degrades people's physical and mental health, furthermore those living in poverty are less likely to receive timely access to care that they need.¹³ Thus, poverty results in excess health system costs. The cost due to poverty is calculated as the excess provincial health care costs attributed to those living in poverty compared to the second quintile.

Increased Crime Costs

Living in poverty creates vulnerabilities that result in higher crime commission and victimization rates for those living in poverty. The components of the cost of crime include direct expenditures, victim costs, and preventative measures (such as alarm systems). To estimate the cost of poverty due to crime, the calculation uses the provincial crime severity index to extrapolate from national excess criminal justice system costs, with most of these costs attributed to the excess costs to victims because of poverty.¹⁴

3. Intergenerational Costs

The third category represents the second largest cost component is the cost of being trapped in the cycle of poverty. It is calculated by estimating the number of children that would escape poverty if the intergenerational transfer of poverty were eliminated. It includes estimates of both long-term remedial and opportunity costs. Children who grow up in poverty are more liable

TABLE 2 Total Cost of Poverty, Percent of GDP and Cost per person, Atlantic Provinces, 2017

Province	Total Cost (thousands)	Percent of GDP	Cost per person
NB	\$1,338,045.84	3.71	\$1,744.86
NS	\$2,034,821.03	4.76	\$2,140.38
PEI	\$272,572.10	4.10	\$1,810.32
NL	\$959,284.07	2.90	\$1,814.88

TABLE 3 Component Costs of Poverty, Atlantic Provinces, 2017 (thousands)

Province	Health Cost	Crime Cost	Opportunity Cost	Foregone Revenue	Intergenerational
NB	\$126,026.39	\$49,451.63	\$937,955.80	\$135,378.64	\$224,612.03
NS	\$204,500.17	\$74,178.23	\$1,388,924.12	\$230,786.31	\$367,218.49
PEI	\$29,867.64	\$8,953.39	\$202,307.87	\$35,575.69	\$31,443.20
NL	\$119,737.43	\$39,894.69	\$628,937.78	\$94,790.15	\$170,714.13

to be less productive and contribute less in taxes, and also more likely to contribute to cumulative and enduring remedial costs. The estimated costs are arrived at based on research that finds that no less than 30% of children who grow up in poverty can be expected to remain in poverty in adulthood.¹⁵

Costs of Poverty in Atlantic Canada

Table 2 provides the actual costs of poverty for all four Atlantic provinces. The total cost of poverty in the Atlantic region range from a high of \$2 billion per year in Nova Scotia to a low of \$273 million in Prince Edward Island, \$959 million in Newfoundland and Labrador – and \$1.4 billion in New Brunswick. Note that the total cost of poverty estimates are not standardized for population or the size of the economy or size of the government. The costs represent a significant loss of economic growth, from 4.76% of GDP in Nova Scotia to 2.9% in Newfoundland and Labrador. The impact on Prince Edward Island's GDP is 4.10%, and 3.71% in New Brunswick.

Table 3 breaks out the components of the costing exercise. It shows that governments could better utilize health care resources if we eliminated poverty for the lowest income quintile from as much as \$204 million (NS), to just about \$30 million in PEI, \$120 million in NL and just over \$126 mil-

lion in NB. Foregone revenue is broken out in this table to show the impact on income tax for each government (note that this amount is also included as part of the third category of opportunity cost and to add them would be double counting). These resources could be reallocated to better support better meeting a range of unmet health care demands from primary care, to pharmacare, to mental health care, and the full spectrum of universal public care services needed. The smallest reallocation of resources would come from crime costs, but those still range from almost \$9 million (in PEI) to \$74 million (NS).

As *Table 3* shows, the most significant costs of poverty are the opportunity costs – the cost of lost productivity. The highest cost is \$1.4 billion for Nova Scotia, to a low of \$201 million for PEI due to lost productivity. As a result of these productivity losses, provincial revenues are \$230 million lower for Nova Scotia, \$36 million lower for PEI. In NL, productivity losses amount to \$629 million and for NB it is just over a billion total (\$938 million). Forgone revenues amount to \$95 million and \$135 million, respectively.

The intergenerational costs show that there would be a substantial benefit to our economy should those children living in poverty be lifted even just to the second lowest income quintile – their combined income would increase range from a low of \$31.5 million in PEI to a high of \$367 million in NS, \$225 million in NB and \$171 million in NL.

The Case for Eradicating Poverty

AS STATED IN our previous reports, we undertake this exercise believing that we should not have to put a price tag on what is a basic human right. As the UN Declaration of Human Rights says: “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”¹⁶

It is not people who are living in poverty who are responsible for these costs. This having been said, we believe it is useful to remind people, and especially decision makers, that ignoring these considerations does not mean that our failure to address poverty impact no one but those living in poverty.

It is also noteworthy that our cost of poverty calculations do not include current spending on social assistance. Current social spending is not viewed as a cost of poverty, but rather the cost of meeting our obligations to each other. Social spending is an investment, and will continue to be required — theoretically, if not for current levels of social spending, the cost of poverty would be much greater. Still, levels of social spending come nowhere near the overall costs of poverty, suggesting that there is still considerable room for further investments before expenses would overtake costs. The costs that are outlined here are the costs associated with the im-

pact of having people in our community who live in poverty because of the toll that takes on them and the implications this has for us all.

This costing exercise shows that there is an economic benefit to eliminating poverty, and an economic cost to having poverty in our communities. As Charles Plante explains, “Calculating this amount can be a useful exercise because moral reasons are not always enough to mobilize public support or incentivize government action. Additionally, this kind of exercise is essential in order to fully appreciate the consequences of inaction.”¹⁷

Conclusion: Urgency to End Poverty

THESE MONETARY COSTS cannot fully capture the toll that poverty takes on people's health and well-being, on parents who aren't able to provide for their children's needs, on children who go to school hungry, on those who are without homes, unable to afford healthy food and the basic necessities. The affect that the stress of living in poverty has on people's lives, their physical and mental health, and their relationships, ability to be included as equal members of our society, and the way these experiences shape people lives and who they become, cannot be assigned a dollar value.

The Atlantic provincial governments and the federal government have an obligation to end poverty. To do so will require a comprehensive approach that provides adequate income supports and services, along with investments in programs and public services, as well as policy changes, to ensure that everyone has access to what they need to reach their full potential. The cost of poverty results presented in this report suggest that that we can afford to do more and, arguably, that we cannot afford not to.

Appendix A

TABLE 4 2017 Thresholds for Census Family Low Income Measure, After-Tax by Family Size

Number of Family Members	2017 CFLIM-AT
1	\$21,136
2	\$29,891
3	\$36,609
4	\$42,272

Source Statistics Canada. 2019. Technical Reference Guide for the Annual Income Estimates for Census Families, Individuals and Seniors. T1Family File, Final Estimates, 2017

TABLE 5 Market Basket Measure (MBM) Thresholds for the Reference Family by Market Basket Measure, Regions in the Atlantic Provinces, 2018-base and 2008-base, in 2019 Constant Dollars¹⁸

Geography	2018 base	2008 base
	2017	2017
Newfoundland and Labrador, rural	43,225	40,928
Newfoundland and Labrador, population under 30,000	43,617	41,514
Newfoundland and Labrador, population 30,000 to 99,999	44,809	..
St. John's, Newfoundland and Labrador	45,274	39,329
Prince Edward Island, rural	42,221	39,780
Prince Edward Island, population under 30,000	42,993	40,648
Charlottetown, Prince Edward Island	43,883	38,922
Nova Scotia, rural	42,513	39,967
Nova Scotia, population under 30,000	43,433	40,159
Nova Scotia, population 30,000 to 99,999	43,714	37,672
Halifax, Nova Scotia	46,011	38,835
Cape Breton, Nova Scotia	42,403	36,002
New Brunswick, rural	41,605	39,573
New Brunswick, population under 30,000	43,148	40,173
New Brunswick, population 30,000 to 99,999	42,918	39,567
Fredericton, New Brunswick	44,748	40,551
Saint John, New Brunswick	42,490	38,073
Moncton, New Brunswick	42,834	37,041

Source Statistics Canada. Table 11-10-0066-01 Market Basket Measure (MBM) thresholds for the reference family by Market Basket Measure region, component and base year

TABLE 6 First Quintile and Second Quintile Thresholds, 2017

Thresholds	First Quintile	Second Quintile
Canada	\$22,663	\$33,927
NL	\$22,663	\$33,927
PEI	\$23,296	\$33,650
NS	\$22,600	\$33,566
NB	\$23,653	\$33,836

Note Author's calculations based on Canadian Income Study (CIS) public-use micro-date file. Note that these are cast in terms of "household equivalent income." That is, they have been standardized for household size. These numbers are presented in units for households of 1. For units for households of 4, we would need to double these numbers (i.e. multiplied by the square root of 4)

Notes

1 The living wage calculations in Atlantic Canada show these real costs in communities across the region, see Driscoll, C., Saulnier S. (2020). Living wages in Nova Scotia and New Brunswick 2020. Canadian Centre for policy Alternatives, Nova Scotia Office & Human Development Council. <https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2020/09/Living%20wages%20in%20NS%20and%20NB%202020.pdf>; Saulnier C. (2020). Charlottetown Living Wage 2020. Canadian Centre for policy Alternatives, Nova Scotia Office. <https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2020/11/Charlottetown%20living%20wage%202020.pdf>; Saulnier. C. (2019). A living wage for St. John's, Newfoundland and Labrador. Canadian Centre for policy Alternatives, Nova Scotia Office. <https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2019/05/Living%20wage%20for%20St%20Johns.pdf>

2 Katherine Scott, Women, work and Covid-19. Ottawa: CCPA, March 2021. <https://www.policyalternatives.ca/publications/reports/women-work-and-covid19>

3 Canadian Press, Household debt ratio rises to 176.9%, says Statistics Canada June 12, 2020 <https://www.cbc.ca/news/business/statistics-canada-debt-1.5609510>

4 Macdonald, D. (2021). *Picking up the Tab: A complete accounting of federal and provincial COVID-19 measures in 2020*. Canadian Centre for Policy Alternatives: <https://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2021/01/Picking%20up%20the%20tab.pdf>

5 The 2008 base was used in this report because the new 2018 base was not available in the data files we work with to do our calculations.

6 See for example, Child First Canada, <https://childrenfirstcanada.org/the-kids-are-not-alright>; and Desapriya, E., Khoshpouri, P. Investing appropriately to alleviate child poverty in Canada. CMAJ 2018 July 3;190:E805-6. doi: 10.1503/cmaj.69470.

7 Campaign 2000 releases annual national report cards, see www.campaign2000.ca. Campaign 2000. (2020). *2020: Setting the stage for a poverty-free Canada*. Campaign 2000: <https://campaign2000.ca/wp-content/uploads/2020/10/campaign-2000-report-setting-the-stage-for-a-poverty-free-canada-updated-august-2020.pdf>; Campaign 2000. (2020). *Small Improvements*

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8 Visible minorities is the term used by Statistics Canada. According to Statistics Canada and the Employment Equity Act 'visible minority' includes "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour." Source: 2016 Census Dictionary, "Visible Minority", Statistics Canada, 2016.

9 MacEwen, A., Saulnier, C. (2010). *The Cost of Poverty in Nova Scotia.* Canadian Centre for Policy Alternatives, Nova Scotia Office: https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2010/10/Cost_of_Poverty_in_Nova_Scotia.pdf. MacEwen, A., Saulnier, C. (2011). *The Cost of Poverty in Prince Edward Island.* Canadian Centre for Policy Alternatives, Nova Scotia Office: https://www.policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2011/12/CostofPovertyPEI_2011.pdf. MacEwen, A., Saulnier, C. (2011). *The Cost of Poverty in New Brunswick.* Canadian Centre for Policy Alternatives, Nova Scotia Office: <https://www.policyalternatives.ca/publications/reports/cost-poverty-new-brunswick>

10 Laurie, N. (2008). *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario.* Ontario Association of Food Banks: Toronto, ON. www.oafb.ca/assets/pdfs/CostofPoverty.pdf

11 For a detailed discussion of the differences between these new calculations and the previous ones based on Laurie's work, see Plante, C. (2020, December 6). How to Calculate the Costs of Poverty in Canada: Comment on the Nathan Laurie Approach and Recommended Improvements. <https://osf.io/preprints/socarxiv/zshqv/>

12 Plante, Charles. "How to Calculate the Costs of Poverty in Canada: Comment on the Nathan Laurie Approach and Recommended Improvements." SoXArXiv. osf.io/preprints/socarxiv/zshqv/.

13 Curtis and MacMinn (2008). "Health Care Utilization in Canada: Twenty-five Years of Evidence", Canadian Public Policy, Vol. 34, No. 1 (Mar., 2008), pp. 65-87.

14 Charles Plante, OpCit.

15 Corak 2017 cited in Plante, 2020.

16 UN Declaration of Human Rights <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

17 Charles Plante, OpCit.

18 The MBM thresholds are based on a reference family of four, two adults and two children age 7 and 11. The square root equalization scale is used to adjust the low income thresholds to different family sizes. For more information on how to adjust to difference family sizes see Djidel, S., Gustajtis, B., Heisz, A., Lam, K., Marchand, I. and McDermott, S. (2020). *Report on the second comprehensive review of the Market Basket Measure.* Statistics Canada, Ottawa: <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2020002-eng.pdf>



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