RESEARCH - ANALYSIS - SOLUTIONS

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Reducing Poverty Among the Single Non-Elderly Population of Manitoba

Introduction

Between 1999 and 2009, the rate of poverty[1] in Manitoba declined from 14.9 per cent to 8.9 per cent, for a 40 per cent drop in the poverty rate. By comparison, the poverty rate in Canada declined by 26 per cent (13.0% to 9.6%). Much of that decline can be attributed to the rise in average market incomes which increased by $9,900 between 1999 and 2009. By comparison, average transfer payments rose by only $600 offset by a $700 rise in average taxes. Over the same time period, the depth of poverty[2] fell from 33 to 30 per cent.

In spite of a general decline in poverty, the degree of reduction has not been the same for all segments of the population. As shown in Table 1, by 2009, the single non-elderly household had the highest rate of poverty and the greatest depth of poverty of all Manitoba households. Compared to only 4 percent of non-elderly childless couples, 5 percent of two parent families, 16 percent of single elderly households and 21 percent of lone parent families, **31** percent of single non-elderly households experienced poverty and their average income was **40** percent below the poverty line.

Table 1*

The Rate and Depth of Low Income in Manitoba by Family Type – 1999 to 2009

Year	Two Parent		Lone Parent		Single, Non-elderly		Childless Couple, Non-elderly		Single Elderly	
	Rate	Depth	Rate	Depth	Rate	Depth	Rate	Depth	Rate	Depth
1999	11.1	31.5	50.0	26.5	40.4	41.8	8.7	38.1	20.5	15.8
2004	8.2	25.6	27.9	28.3	35.0	44.0	5.6	34.9	14.6	14.5
2009	4.7	20.3	21.9	27.8	30.9	39.5	4.0	n/a	15.6	n/a

Taxes and transfers have been an effective tool in reducing poverty. However, they have primarily benefited the elderly and families with children. As Table 2 shows, the single non-elderly population experiences the lowest levels of net transfers, per person, of any demographic group. This discrepancy between need and response indicates that additional efforts are required to improve the incomes of this group of low income Manitobans. This paper presents several proposals for doing so.

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Table 2*

Net Transfers* Per Person By Family Type and After-tax LICO Level of Family Income – Manitoba 2007

Family Type	After-tax LICO Level of Family Income			
	Less than 1.0 x LICO	1.0 to 1.5 X LICO	1.5 to 2.0 X LICO	2.0 + X LICO
Lone Parent	+ $3,489	+ $1,576	- $745	- $ 7,162
Two Parent	+ $1,814	+ $511	- $2,263	- $ 8,602
Single, Non-elderly	+ $1,129	- $4,684	- $8,124	- $22,088
Couple, Non-elderly	+ $1,110	- $1,408	- $3,125	- $12,655
Single, Elderly	+$14,098	+ $13,700	+ $9,180	- $ 2,633
Couple, Elderly	+ $8,232	+ $10,318	+ $7,896	+ $ 166
Total	+ $2,678	+ $2,398	- $1,146	- $ 9,438

* Net Transfers = Total Transfers – Total Taxes.

A Profile of the Non-elderly Single Person

Analysis of Statistics Canada's Social Policy Simulation Database shows that single persons are at greater risk of being poor if they are under 30 years of age, have less than a high school certificate, have a disability and rely on social assistance. It also shows that the level of employment and the level of weekly earnings determine whether one is poor. As shown in Table 3, the poor are far more likely to have not worked at all during the year (31% vs. 7%); whereas, the non-poor are over twice as likely (86% vs. 42%) to have worked more than 40 weeks during the year. Of those that did work, the low income person was more likely to work part-time (36% vs. 9%); and, regardless of their level of employment to earn less than their counterpart. Among those who worked full-time, the weekly earnings of the non-poor were $ 869 compared to $257 for the poor. Among those who worked part-time, the weekly earnings of the non-poor were $686 compared to $192 for the low-income worker. Thus, it is a combination of low levels of employment and low earnings that distinguish the low income employed single non-elderly person from those that are not low income and employed.

Table 3

Weeks Worked and Average Weekly Earnings of Single Non-elderly Manitobans by their low income status – 2007

Weeks Worked	Low-Income	Not Low-Income
0	31%	7%
1 to 40	27%	7%
41 to 52	42%	86%
Total	100%	100%
Average Weekly Earnings – Full-time (%)	$257 (64%)	$869 (91%)
Average Weekly Earnings – Part-time (%)	$192 (36%)	$686 (9%)
Total Average Weekly Earnings	$235 (100%)	$858 (100%)

Reducing the Rate and Depth of Poverty of the Single Non-Elderly

The provincial government's *AllAboard* poverty reduction strategy is focused on providing affordable housing, improving education and employment, promoting healthy families and ensuring accessible co-ordinated services. These are appropriate broad strategies to pursue.

However, the foregoing analysis of the single non-elderly low income person reveals that they are likely either to rely solely on social assistance (27% vs. 3%) or on low levels of employment at low weekly earnings. Also, compared to other low income groups, low income single non-elderly persons receive far less in the way of transfers and pay higher taxes. Thus, two policy prescriptions flow from these facts: (1) Higher social assistance (SA) benefits for those reliant solely on SA; and, (2) More generous income supports for those who rely on earnings, either by way of earnings supplements and/or more generous tax breaks.

Higher Social Assistance Benefits

A recent study of the cost of Social Assistance budgets[3] compared the cost of the SA basic needs budget (food, clothing and footwear, shelter, personal and household supplies) with the total income available to those on SA for four family types: single employable, single person with a disability, lone parent with one child aged two and two parent with two children aged 10 and 15. It found that for the single employable on social assistance, there was a $3,100 per year gap between the cost of their basic needs and what the EIA program provided in benefits.

This deficit could be addressed by increasing the monthly allowance for the single non-disabled recipient from its current $195 to a higher amount. There were about 5,100 such persons on SA per month the 2010/11 fiscal year. Increasing the allowance by **$100 per month** would result in a gross annual cost of $6.1 million. Other sources of income such as earnings would reduce the cost to about **$5.4 million**. Eliminating the **total dollar gap** ($260/mth) for the single non-disabled person would result in a total net annual cost of **$14.1 million.**

Increasing the monthly budget for the single non-disabled person on SA would reduce both the rate and depth of poverty. As Table 4 shows, a $100 per month increase in the SA budget would reduce the rate of poverty by 1.5 percentage points and the depth of poverty by 2.7 percentage points. A $260 per month increase would reduce the rate of poverty by 11.2 percentage points and the depth of poverty by 2.7 percentage points. The cost, per dollar reduction in the depth of poverty, would be $1.32 for a $100 per month increase and $1.55 for a $260 per month increase in the SA monthly allowance. The reason why it costs more than one dollar to reduce the depth of poverty by one dollar is that some SA recipients have incomes above the poverty line, mainly due to employment income. Thus, only part of the benefit of increasing the SA budget flows to those below the low income line.

Table 4

The Impact of SA Rate Increases on the Rate and Depth of Poverty for Single Employables on SA – Manitoba 2007

SA Rates	Poverty Rate	Depth of Poverty	Cost per Dollar Reduction in the Depth*
Current Rates	66.0%	37.1%	--
+ $100 per month	64.5%	34.4%	$1.32
+ $200 per month	60.3%	33.3%	$1.44
+ $260 per month	54.8%	34.4%	$1.55

* The cost per dollar reduction in the depth of poverty is calculated as the total cost of increasing the SA budget divided by the total dollar reduction in the depth of poverty due to higher SA benefits.

Enriched Working Income Tax Benefits

The federal government introduced the Working Income Tax Benefit in 2007 to encourage employment among low income individuals and families. For single persons aged 19 and older without dependants and not attending school, an earnings supplement is paid to those with gross earnings of more than $3000 per year at the rate of 25 percent of every dollar earned above $3,000 to a maximum benefit of $960.57, in 2011. This maximum benefit is reached at $6,842 of gross earnings. When the single person's *net* income (gross earnings plus transfer payments such as Employment Insurance and Social Assistance) reaches $10,898, the maximum earnings benefit is reduced at a rate of 15 percent of every dollar of net income above this threshold. Once the person's net income reaches $17,302, the earnings benefit has been reduced to $0. Application for the WITB is through the annual tax return and the value of the benefit is based on the previous year's earnings. One can apply for advance payments that are equal to 50 percent of the value of the WITB and are paid out 4 times a year (April, July, October and January). The WITB is not sensitive to current levels of earnings but it does provide a supplement to those with low earnings.

As Table 5 shows the introduction of the WITB for the single non-elderly person in Manitoba reduced the depth of poverty by 0.9 percentage points at the modest cost of $1.11 for every dollar reduction in the depth of poverty. However, the current WITB has two shortcomings. First, the net income level at which benefits start being reduced is too low for those on Social Assistance. The $10,898 net income threshold results in WITB benefits being clawed back when gross earnings for those on SA reach $6,000 because their partial SA benefits are $4,900 at that level of earnings. Yet, the single person on SA can earn up to $8829 per year and remain on SA. A second shortcoming of the current WITB is that it is completely phased out before the after-tax low income cutoff for large cities is reached ($17,302 vs. $19,306).

Table 5

The Impact of Enrichments to the WITB on the Rate and Depth of Poverty for Single Non-Elderly Persons with Any Employment Income – Manitoba 2007

WITB Option	Poverty Rate	Depth of Poverty	Cost per Dollar Reduction in the Depth*
No WITB	22.7%	41.9%	--
Current WITB	22.7%	41.0%	$1.11
Enriched WITB	21.9%	40.4%	$1.28

* The cost per dollar reduction in the depth of poverty is calculated as the total cost of introducing or increasing the WITB divided by the total dollar reduction in the depth of poverty due to the enriched WITB.

By way of eliminating these shortcomings of the current WITB, the maximum benefit could be raised to $1,200 and the net income limit to $11,900. This would result in no clawback of the WITB for those on SA and raise the exit level of net income for the program to $19,900. The provincial government could request these enrichments to the WITB for Manitobans and pay the federal government for the cost of doing so. In 2011 dollars, the estimated cost of this enrichment to the WITB for single persons would be **$4.7 million.** Table 5 shows the impact of this enrichment of the WITB for single non-elderly persons with any employment income on the rate and depth of poverty. Both the rate and depth of poverty would be reduced by a small amount at a unit cost of $1.28 for every dollar reduction in the total depth of poverty for this group.

Manitoba Earnings Supplement for SA Leavers

As a more targeted alternative to increasing the generosity of the WITB for all low-income single non-elderly persons, the Province could offer those single persons leaving social assistance a time-limited earnings supplement. Already, the EIA program offers several incentives to leave SA for employment including a one-time payment of $175 and a $50 per month rent supplement for one year, in addition to extended health benefits. Either as a replacement for these incentives or in addition to them, an earnings supplement could be designed like the WITB with a phase-in range of earnings over which the supplement increased in value followed by a phase-out period. However, unlike the WITB, the supplement would be assessed on a monthly basis via the reporting of earnings to an EIA worker just as is done for those on SA with earnings.

One design option would feature earnings above the exit level from SA ($733/month) being supplemented at the rate of 25 per cent for each additional dollar earned up to a maximum of $100 per month which would be reached at $1133 per month. For earnings more than $1133 per month, the earnings supplement would be reduced at the rate of 18 percent such that at $1688 per month, the supplement would be reduced to $0. This is just above the after-tax low income cut-off for a single person living in Winnipeg in 2011. There are about 7,000 single non-disabled persons who leave EIA during a 12 month period. If their earnings reflect those of low income single persons who would qualify for this supplement, then their average annual earnings supplement would be $400, for a total cost of about **$2.8 million**. If such a benefit were extended to all low-income single persons who would qualify for a payment, about 13,700 persons would be covered by the program for a total annual cost of **$5.5 million**. Table 6 shows the impact of this earnings supplement on all low-income persons not on social assistance.

Table 6
The Impact of A Manitoba Earnings Supplement on the Rate and Depth of Poverty for Single Non-Elderly Persons with Any Employment Income – Manitoba 2007

MES Option	Poverty Rate	Depth of Poverty	Cost per Dollar Reduction in the Depth*
No Earnings Supplement	22.9%	41.7%	--
Earnings Supplement	22.8%	40.9%	$1.60

*The cost per dollar reduction in the depth of poverty is calculated as the total cost of introducing the MES divided by the total dollar reduction in the depth of poverty due to the MES.

Conclusions

This report shows that the single non-elderly poor in Manitoba experience the greatest depth of poverty yet receive the lowest per capita net transfers of any low income group. Yet, this group receives the lowest level of income support from social assistance and is provided with minimal if any training and employment supports.

To reduce the level of poverty experienced by this group of Manitobans, this report has recommended a set of measures that would cost between $8.2 million and $19.6 million in 2011 dollars and make a real impact on reducing both the rate and depth of poverty for this group of vulnerable Manitobans.

Harvey Stevens was a senior policy analyst with Family Services and Housing for twenty years prior to his retirement and specialized in poverty and social assistance issues.

(Endnotes)

1 The after-tax Low Income Cutoff (ATLICO) measure is used in this report for tracking poverty rates. It is that level of income at which a household is spending 63 per cent of its after-tax income on basic necessities. The poverty threshold varies by family size (1 to 7+ persons) and size of area of residence (rural to cities of 500,000 and over).

2 The depth of poverty is the percentage gap between the average income of low income families and the poverty line.

3 See, Stevens, H. 2011. *Improving the Adequacy of Social Assistance Budgets: A Methodology for Pricing Budgets and a Rationale for Making Current Rates More Adequate.* Social Planning Council of Winnipeg. July 2011. http://www.spcw.mb.ca/files/file/WELFARE%20RATES%20study%20-%20July%202011.pdf

(Table Notes*)

Table 1 Statistics Canada, CANSIM Tables 202-0802 and 202-0804

Tables 2 - 6 This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (version 19.0). The assumptions and calculations underlying the simulation results were prepared by Harvey Stevens and the responsibility for the use and interpretation of these data is entirely that of the author.

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