

Falling through the Cracks: Poverty in British Columbia

The 1990s were a difficult decade for British Columbians, particularly for the poorest in the province. While BC managed to avoid the worst of the early 1990s recession that hit east of the Rockies, high unemployment and “jobless growth” dominated the provincial economy up to mid-decade. Then just as recovery was getting underway, BC was hit in mid-1997 by turmoil in Asian markets, at the same time as other provinces benefited from exports to the booming US economy.

In real, per capita terms, wages and salaries in BC declined by 7.3% from 1990 to 1998. However, those closest to the bottom of the income ladder felt the most pain—due to more “flexible” labour markets, matched by cuts in income supports by governments. As a result, there was an increase in poverty in BC, by any measure. The depth of poverty was also higher, and more visible on the street—in the rise of homelessness, panhandling and food banks. Life for the poor is more difficult and precarious than it has been in several decades.

Poverty cannot be swept under the rug and declared non-existent, as some conservatives would have it (see *There is More to Poverty*

Than Bare Survival on pg. 3). The reasons driving the rise in poverty are readily discernible, as are the solutions to combat the problem: BC needs a comprehensive public investment and anti-poverty strategy.

Falling Incomes

While tax levels have taken much of the blame for BC’s economic woes, the evidence suggests that, while taxes have increased modestly, a bigger problem was the decline in incomes delivered by the market. For the lowest income people in BC, this was particularly acute.

One way of looking at the changes in incomes is to look at trends for families with children. As shown in Figure 1, families with children in BC experienced an alarming decline in market incomes over the decade. From 1989 to 1993, family market income averaged \$2,942 per year for the bottom 10% of families, and \$17,075 for the next 10% (measured in constant 1997 dollars). But from 1994 to 1997, average family market income dropped, to \$1,091 for the bottom 10%, and to \$12,254 for the next 10%.

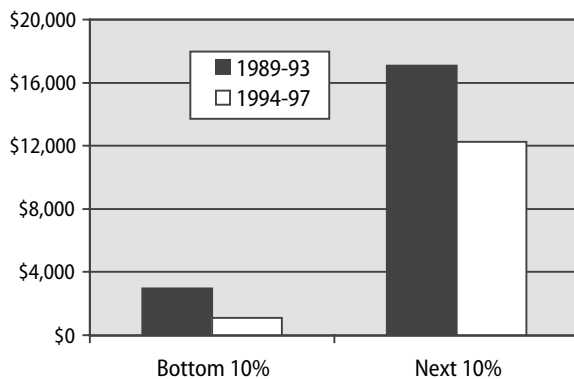
Moreover, the volatility of incomes from year to year is much higher for low incomes than for middle and upper incomes. Changes in economic conditions increase the insecurity and instability associated with being poor. Also, while not examined in detail here, single individuals tend to experience greater variability in income and a much higher rate of poverty.

Structural changes in the labour market have also made life more difficult for the working poor. The vast increase in jobs in the 1990s has come in the form of part-time work or self-employment, neither of which pay as well or have the security associated with full-time paid work.

BC has increased the minimum wage over the 1990s, and, at \$7.15 per hour, BC currently leads the rest of the country. But due to the effects of inflation, in real terms, minimum wages are less than they were in

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Figure 1: Average Market Income of Families with Children, 1989-97



Notes: Figures are in constant 1997 dollars. Families in this sample had at least one child under age 18, with head of household less than age 65. Because seniors are not included in the sample, these numbers do not address the impact of government transfer programs for seniors.

Source: Centre for Social Justice; Statistics Canada

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the mid-1970s. As Michael Goldberg and David Green point out in *Raising the Floor*, published last year by the CCPA, the minimum wage peaked in 1976 at \$8.50 in 1997 dollars.

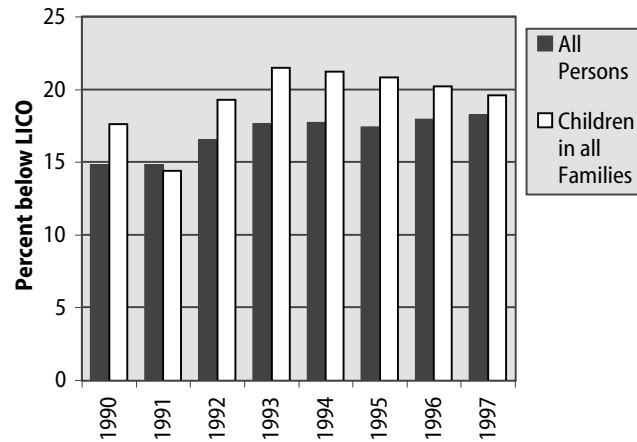
Amidst declining incomes and a tougher labour market, the tax and transfer payment system played a crucial role for low income families. This is the primary method by which governments in Canada redistribute income to the least well-off. As market incomes deteriorated during the decade, the reliance on transfers grew as a share of total income for the bottom 20% of families. For the bottom 10%, transfers accounted for 93% of income in 1997, compared to 73% in 1989. However, compounding market failures, average transfer income fell in 1996 and 1997, just as market incomes were at their lowest.

Death by a Thousand Cuts

Left to the market alone, families in BC would have been subjected to much more uncertainty and a higher depth of poverty. A key lesson of the 1990s is that transfer payments are an essential ingredient in a social safety net that buffers people from the swings of economic cycles or personal misfortune.

Unfortunately, federal and provincial government cuts in the 1990s left some gaping holes in our safety net. The federal Canada Health and Social Transfer (CHST), created in 1995, lumped all social program transfers to the provinces together. Cuts to the CHST then passed tough decisions to the provinces about where to reduce social expenditures. BC chose to protect health and education, at the expense of social assistance (together these three items make up about 80% of the BC budget). The federal government also limited eligibility for Employment Insurance, to the point where only 34% of BC's unemployed qualified for benefits in 1997, down from 69% in 1990.

Figure 2: Poverty in BC, 1990-97



Note: Numbers represent the percentage of people falling below Statistics Canada's Low Income Cut-Off Line.

Source: Statistics Canada, Low Income Persons, 1980-97

Provincially, the introduction of BC Benefits in 1996 was a watershed in how the province treats its poorest citizens. Welfare rates were cut, and are currently inadequate to sustain the well-being of those in need. The system itself has become highly punitive and mean-spirited, blaming the poor for their condition, without providing a meaningful way of getting out. For example, hardship and crisis grants were cut, and allowable asset levels were lowered to a mere \$500 for singles. Those over age 60 were forced to apply early for Canada Pension Plan benefits, in spite of a penalty of up to 30% of the value of those benefits later on.

The results of a weak economy, declining incomes and cuts to transfers are evident in higher rates of poverty. As of 1997, the last year for which we have data, 18.2% of British Columbians were considered to be low income (living under the "poverty line"), compared to the Canadian rate of 17.5%. The BC rate is up from 17.9% in 1996, and higher than the 15.4% level at the start of the decade. Poverty has increased at a faster rate than in the rest of the country. In the early 1990s, the BC poverty rate was lower than the Canadian average, but

it has been higher in recent years.

For children, the poverty rate was 19.6% in 1997, slightly better than the national level, but disturbingly high nonetheless. This comes a decade after a House of Commons resolution, passed unanimously by all parties, to eliminate child poverty by 2000. BC's high child poverty rates signal not only a deprivation of the next generation, but that there are *too many parents* with insufficient incomes.

The growing depth of poverty is reflected in the rise of homelessness and hunger. It is estimated that there were 70 food banks across BC in 1998, about as many as in all of Canada in 1984. Food banks, plus soup kitchens and meal programs, have become a permanent fixture in many communities. About 15,000 British Columbians are considered homeless, including the "absolute" homeless sleeping on the street, and the "relative" homeless, who reside in inadequate Single Resident Occupancy hotels.

Towards an Anti-Poverty Strategy

While poverty fell off the political radar during the 1990s, it should be at the heart of a new millennium agenda for every level of

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There is More to Poverty than Bare Survival

Recently we have heard conservatives challenge the very existence of poverty in Canada (presumably because acknowledging poverty would undermine their calls for upper income tax cuts). These claims hinge on a policy debate about what constitutes an appropriate measure of poverty.

Statistics Canada's Low Income Cut-Off (or LICO) is the most widely used measure of poverty. The LICO estimates the income level at which a household spends a disproportionate amount on food, clothing and shelter relative to the average household. While no measure is perfect, the LICOs have the benefit of historical continuity as a benchmark, are responsive to changes in the economic cycle, and fall generally in the middle of other measures of poverty.

Conservative commentators, in contrast, state that poverty should be defined in strict, absolute terms by costing out a minimal "basket of basic goods and services" required for survival. As a result, the Sarlo "basic needs line" (published by the Fraser Institute) rings in at \$8,857 for a single person and \$19,662 for a family of four, much lower than the LICOs.

For the Fraser Institute, it is fine to go to a food bank (or occasionally "skip a meal"), buy all your clothes second hand, and rely on charity dental work and eyeglasses. But poverty is more than the ability to consume a basic basket of goods at subsistence level. It also has an important social dimension, which reflects the ability to participate in community and social life. In a market economy, an individual's freedom and opportunities are severely limited by the amount of cash they have access to.

Unfortunately, welfare incomes in BC are lower than the Fraser Institute "basic needs" cut-off. And even according to Sarlo, the Canadian poverty rate was 7.8% in 1996, up from 6.2% in 1988. This hardly justifies assertions that poverty is non-existent, and if anything, demonstrates that *extreme poverty* is both present and is unacceptably high.

Poverty Cut-Off Lines, 1998

	Single Person	Family of Four
Total Welfare Income in BC ¹	\$6,330	\$17,806
Sarlo/Fraser Institute Basic Needs Line ²	\$8,857	\$19,662
Statistics Canada Low Income Cut-Off ³	\$17,571	\$33,063

Notes: 1- Includes basic social assistance, additional benefits, and provincial and federal tax credits/benefits.

2- Figures are for 2000 year.

3- For an urban centre; LICOS for rural areas and small towns are lower.

Sources: National Council on Welfare; Prof. Sarlo; Statistics Canada

Cost of Necessities Rising Faster than Inflation

By Michael Goldberg

We hear that inflation is low in Canada and BC. While the overall change in the Consumer Price Index has indeed been low, like all averages, the index can be misleading.

The Consumer Price Index (CPI) is based on eight major components, each with several sub-components. For purposes of illustration, we have examined six of the components that have the greatest impact on households with low incomes. As Table 1 shows, there is significant variation in cost increases within the components.

The low inflation rate of 2.4% over three years is due to reduced housing costs for owned accommodation. But if you are on income assistance, then your real costs for meeting basic essentials have increased much more than 2.4%, as shown by the much higher cost increases for food, household operations, clothing and footwear, and personal care.

The Social Planning and Research Council of BC (SPARC) periodically examines the adequacy of income assistance rates in BC. Income assistance (BC Benefits) rates are composed of two categories: the shelter allowance, which is based on actual shelter costs (rent and utilities) up to a maximum ceiling; and, the support allowance, a fixed monthly amount that is supposed to cover all other costs.

Because most people on income assistance are renters, and because BC Benefits uses both a shelter and support allowance, raising BC Benefits by the average rate of inflation (2.4%) would leave those most vulnerable even further behind. BC Benefits would need to be raised at least 4.1% just to keep recipients level with the already inadequate rates that were in place in December 1996.

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Changes in the Consumer Price Index for BC by Category December, 1996 to December, 1999

Component	Dec. 1996 Index	Dec. 1999 Index	% Change in Prices
ALL ITEMS	109.0	111.6	2.4
Food (purchased from stores)	108.1	113.4	4.9
Household Operations	110.6	120.9	9.3
Clothing and Footwear	105.4	110.5	4.8
Personal Care	109.2	115.8	6.0
Recreation, education and reading	114.6	117.2	2.3
Rental Accommodation	108.5	110.3	1.7
Owned Accommodation	96.6	88.4	(8.5)

Note: 1992 base year for CPI (ie. CPI=100.0 in 1992)

Source: Statistics Canada. The Consumer Price Index, December 1999, Cat.# 62-001-XPB

government. A strong economy is clearly part of the solution, but even when growth is strong, there are many who fall through our tattered social safety net.

In the labour market, restoring eligibility for Employment Insurance would be a positive step forward. Increasing the minimum wage would also directly improve incomes at the low end of the income scale. Goldberg and Green recommend that the minimum wage be raised to \$8 an hour immediately, with planned increases to bring the minimum wage up to \$9.15 an hour, equivalent to Statistics Canada's low income cut-off based on a 35-hour work week for a single person.

Reforming BC Benefits is a top priority. This should include measures to: raise current welfare rates for single employables and families; end the current clawback by the province of the federal Child Tax Benefit for people on welfare; provide free transit passes for those on welfare; eliminate the requirement that older recipients apply for CPP early; and, create real incentives for increased education and training. To this end, partnerships with community-based organizations and other institutions are vital to effective outcomes.

Another core element of an anti-poverty strategy should focus

on the need for social housing. As one of only two provinces that continue to support the development of new social housing, BC has a good foundation to build on, with established linkages with various municipalities. Still, housing remains a fundamental issue for the least well-off in our society. The absence of decent and affordable housing can severely undermine other aspects of an anti-poverty strategy.

Other public services, such as high quality health care and education, play a complementary role to social assistance. In both health and education, we need to stop the trends towards privatization and contracting out, and revitalize the public sphere. Expansion of new public services, such as child care, would also make a difference.

At the heart of the debate is whether we want to have an inclusive or exclusive society. Delivering tax cuts that disproportionately benefit upper income earners, when child poverty remains near 20% and homelessness is a national emergency, would be a moral outrage. In spite of a tough decade, BC is still a much richer province than when we provided more adequate incomes to our poorest citizens. It is important to remember that we still have choices, and they should reflect our priorities.

Recent Indicators

	Unemployment Rate (%)				Average Weekly Earnings (\$)		
	Nov-99	Dec-99	Jan-00	Jan-99	Sep-99	Oct-99	Oct-98
BC	8.0	8.2	7.3	8.1	622.91	625.57	620.66
Canada	6.9	6.9	6.8	7.8	612.82	613.00	607.54

Annual Averages

	Unemployment Rate (%)			Labour Force Participation Rate (%)		
	1997	1998	1999	1997	1998	1999
BC	8.7	8.9	8.3	64.9	64.8	65.2
Canada	9.2	8.3	7.6	64.8	65.1	65.6

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