

BC CAMPAIGN 2000

2007

CHILD POVERTY REPORT CARD



This BC Child Poverty Report Card includes ten fact sheets that analyze various aspects of child poverty in BC.

Fact Sheet #1 - What is Child Poverty?

Fact Sheet #2 - BC Had the Worst Record – Four Years in a Row

Fact Sheet #3 - Child Poverty over the Years

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Produced by
First Call: BC Child and Youth Advocacy Coalition
L416-4480 Oak Street, Vancouver V6H 3V4
Phone: (604) 875-3629/1-800-307-1212
Fax: (604) 875-3569 Email: info@firstcallbc.org www.firstcallbc.org



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WHAT IS CHILD POVERTY?

FACT SHEET #1
November 26, 2007

Poverty in Canada is measured by using Statistics Canada's Low Income Cut-Offs (LICOs). The cut-offs are based on the concept that people in poverty live in "straitened circumstances" – that is, they spend a disproportionate amount of their income on food, clothing and shelter.

The Survey of Household Spending conducted by Statistics Canada shows that the average family spends 34.3% of its income from all sources before taxes on food, clothing and shelter. Families are considered to be in "straitened circumstances" if they spend 54.3% or more of their income on these three items.

The LICOs consist of 35 income lines that vary with the size of the household and the size of the community. As the following table shows, large urban communities have higher income thresholds due to higher costs of living, particularly housing.

STATISTICS CANADA'S LOW INCOME CUT-OFFS FOR 2005 (Before Tax)

Size of Household	Metropolitan - 500,000 or more	100,000 - 499,999	30,000 - 99,999	Less than 30,000	Rural Areas
1 person	\$20,778	\$17,895	\$17,784	\$16,273	\$14,303
2 persons	\$25,867	\$22,276	\$22,139	\$20,257	\$17,807
3 persons	\$31,801	\$27,386	\$27,217	\$24,904	\$21,891
4 persons	\$38,610	\$33,251	\$33,046	\$30,238	\$26,579
5 persons	\$43,791	\$37,711	\$37,480	\$34,295	\$30,145
6 persons	\$49,389	\$42,533	\$42,271	\$38,679	\$33,999
7 or more persons	\$54,987	\$47,354	\$47,063	\$43,063	\$37,853

Source: Statistics Canada, Catalogue No. 75F0002MIE2006004

Each spring, Statistics Canada does a survey of incomes and estimates the number of people with gross incomes above and below these respective thresholds.

For example, a single parent with one child living in Vancouver with gross annual income of \$23,000 would be below the LICO and would be counted as living in poverty. A similar family in a smaller community like Prince George (population 77,100) would be above the LICO and would be counted as not living in poverty.

Most low-income families have gross incomes that are thousands of dollars below the poverty line. How far a family falls below the poverty line is termed the depth of poverty.

Most governments in Canada prefer the after tax LICOS, so this fact sheet also includes the after tax LICOs. The number of people falling below the cut-offs has been consistently lower on an after tax basis than on a before-tax basis because after tax incomes are lower than before tax incomes.

The Survey of Household Spending conducted by Statistics Canada shows that the average family spends 43% of its income from all sources after federal and provincial income taxes on food, clothing and shelter. In an after tax situation, families are considered to be in "straitened circumstances" if they spend 63% or more of their income on these three items.

STATISTICS CANADA'S LOW INCOME CUT-OFFS FOR 2005 (After Tax)

Size of Household	Metropolitan - 500,000 or more	100,000 - 499,999	30,000 - 99,999	Less than 30,000	Rural Areas
1 person	\$17,219	\$14,562	\$14,380	\$12,890	\$11,264
2 persons	\$20,956	\$17,723	\$17,502	\$15,690	\$13,709
3 persons	\$26,095	\$22,069	\$21,794	\$19,535	\$17,071
4 persons	\$32,556	\$27,532	\$27,190	\$24,373	\$21,296
5 persons	\$37,071	\$31,351	\$30,962	\$27,754	\$24,251
6 persons	\$41,113	\$34,769	\$34,338	\$30,780	\$26,895
7 or more persons	\$45,155	\$38,187	\$37,713	\$33,806	\$29,539

Source: Statistics Canada, Catalogue No. 75F0002MIE2006004

Throughout this report, we will primarily use the before tax poverty rates. Although the figures are different, the overall trends are the same.



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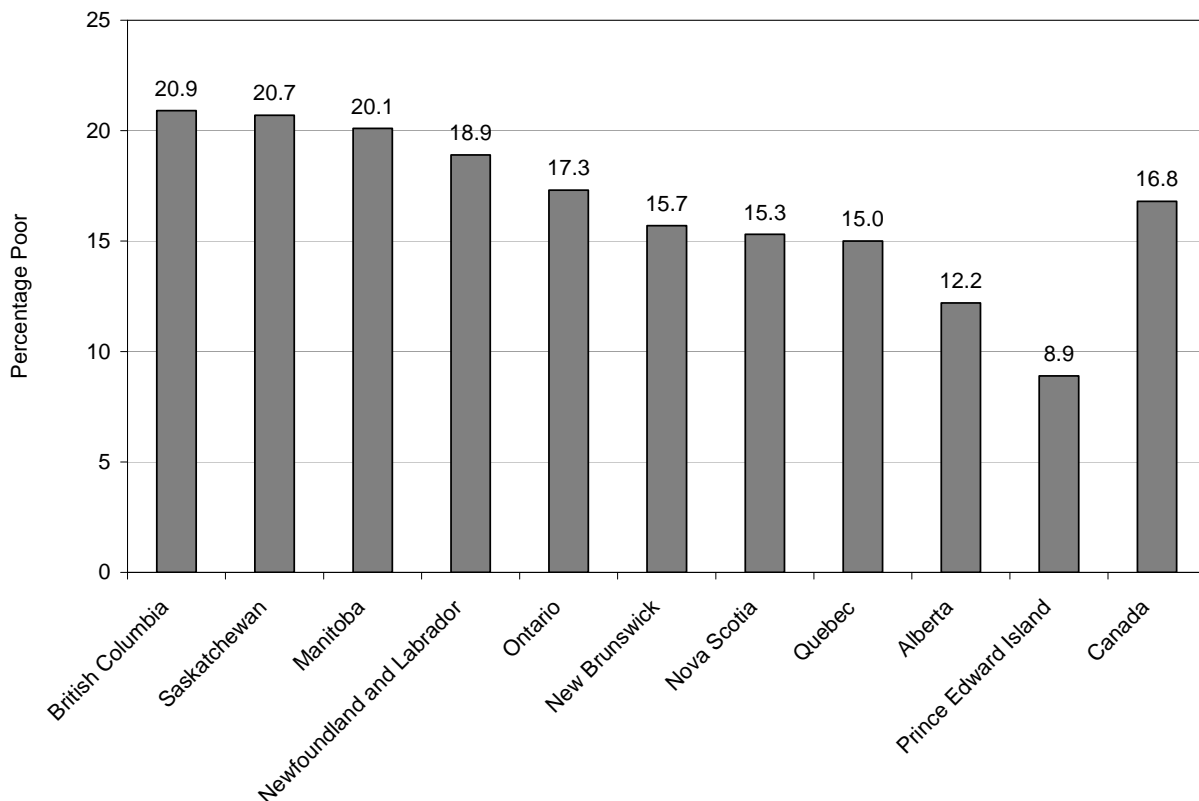
BC HAD THE WORST RECORD – FOUR YEARS IN A ROW

FACT SHEET #2
November 26, 2007

British Columbia had the highest child poverty rate in Canada for the fourth year in a row, despite the booming provincial economy. The proportion of children living in poverty in BC was 20.9%, well above the national child poverty rate of 16.8%.

There were an estimated 174,000 poor children in BC in 2005. That was more than the combined populations of the cities of Victoria, Nanaimo, and Comox.

CHILD POVERTY RATES BY PROVINCE, 2005 (Before Tax)



Source: Statistics Canada *Income Trends in Canada 1980-2005*, Cat. 13F0022XCB.

Census figures show that Aboriginal children living off reserves have a poverty rate that is almost twice as large as for non-aboriginal children. The number of poor Aboriginal children would have been significantly higher if the data had included children living on reserves. Statistics Canada does not include reserve communities in any of its poverty statistics, and there are over 20,000 children living on reserves in BC.



BC CAMPAIGN 2000

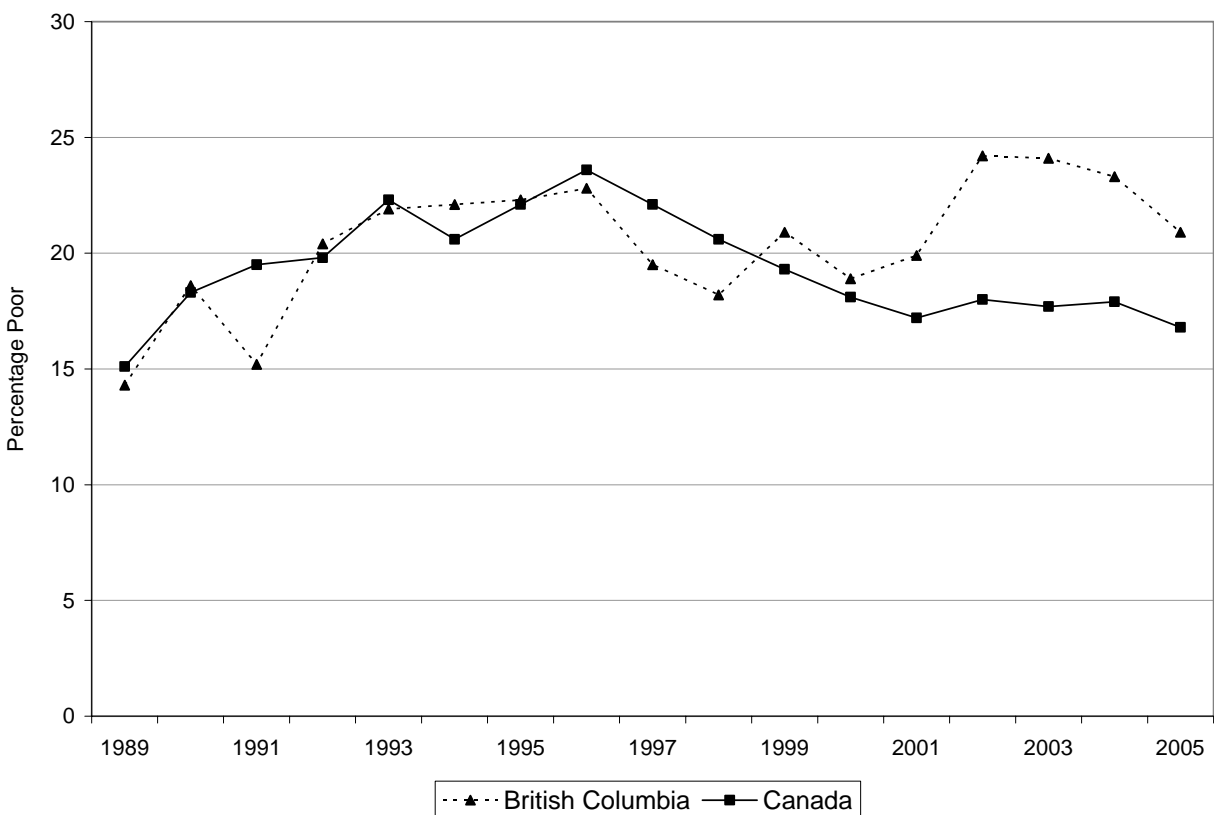
CHILD POVERTY OVER THE YEARS

FACT SHEET #3
November 26, 2007

In 1989, members of all parties in the House of Commons unanimously agreed to seek to eliminate child poverty by the year 2000. Unfortunately, since the time that child poverty was supposed to be eliminated, the BC child poverty rates have moved well above the national average. The divergence between the BC and national rates became even more extreme with a particularly sharp increase between 2001 and 2002, when BC fell into first place for having the country's highest child poverty rates.

The graph below shows a significant rise in the rates between 1989 and 1993, coinciding with the recession of 1990-1991. The national child poverty rates peaked in 1996, but the rates began to fall as the economy improved through the rest of the decade.

POVERTY RATES FOR CANADA AND BRITISH COLUMBIA 1989-2005 (Before Tax)



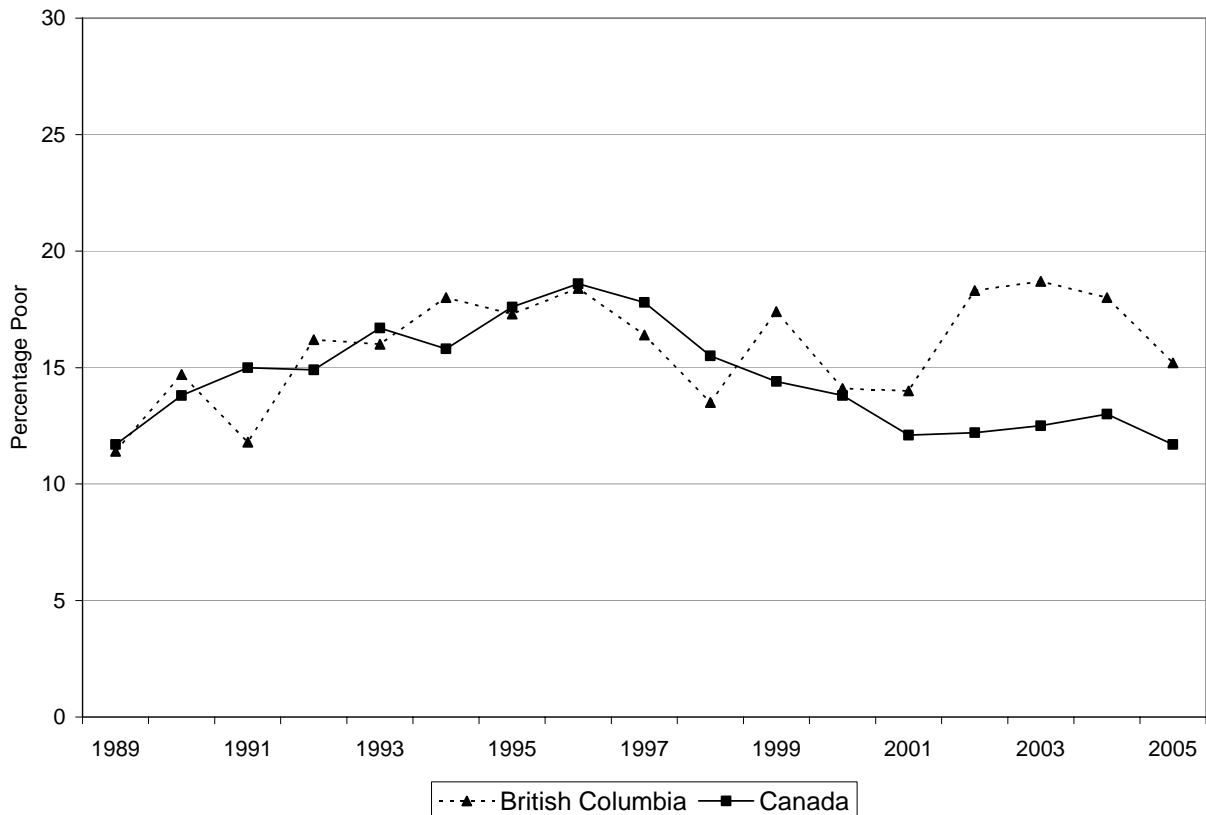
Source: Statistics Canada's [Income Trends in Canada, 1980-2005, 13F0022XCB](#)

While BC's child poverty rates were lower than the national average in 1989, that is clearly no longer the case. The graph shows BC child poverty rates rising from 18.2% in 1998 to a record high 24.2% in 2002 and down to 20.9% in 2005, still well above the rate of 14.3% in 1989. In

1997, the year before the federal government introduced the Canada Child Tax Benefit and the year after the provincial government introduced the BC Family Bonus, the BC child poverty rate was 19.5% and the national rate was 22.1%. BC is the only province where the child poverty rate was actually higher in 2005 than in 1997 despite increases in child benefits.

Although the child poverty rates are lower when looking at the after tax LICO measure, the trend lines are the same over time. Using the after tax LICO, we still see that the poverty rates fluctuate with times of recession and economic boom in both Canada and British Columbia.

POVERTY RATES FOR CANADA AND BRITISH COLUMBIA 1989-2005 (After Tax)



Source: Statistics Canada's Income Trends in Canada, 1980-2005, 13F0022XCB

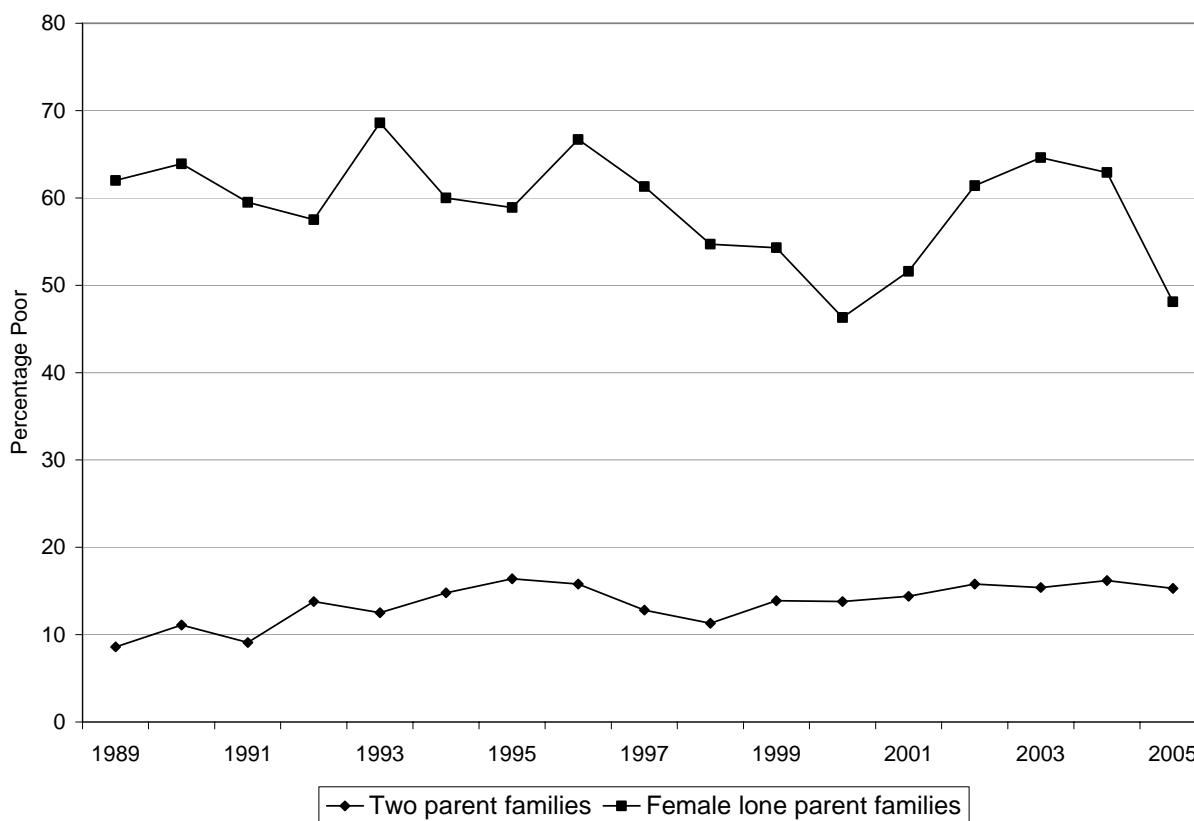


BC CAMPAIGN 2000 CHILD POVERTY BY FAMILY TYPE

FACT SHEET #4
November 26, 2007

The risk of poverty varies greatly by family type. The poverty rate for BC children living in families headed by lone-parent mothers was 48.1% in 2005, while the poverty rate for BC children in two-parent families was 15.3%.

BC CHILD POVERTY BY FAMILY TYPE (Before Tax): 1989-2005



Source: Statistics Canada's Income Trends in Canada, 1980-2005, 13F0022XCB

The poverty rate for children in lone-parent families rose sharply between 2000 and 2003 and fell sharply in 2005. While the latest drop is welcome, it is too early to tell if this is a trend or a one-year phenomenon.

Poverty rates for BC children in two-parent families have been relatively constant over the years, but have been creeping up since 1998. There was a small decrease in the poverty rate for children in two-parent families from 16.2% in 2004 to 15.3% in 2005.



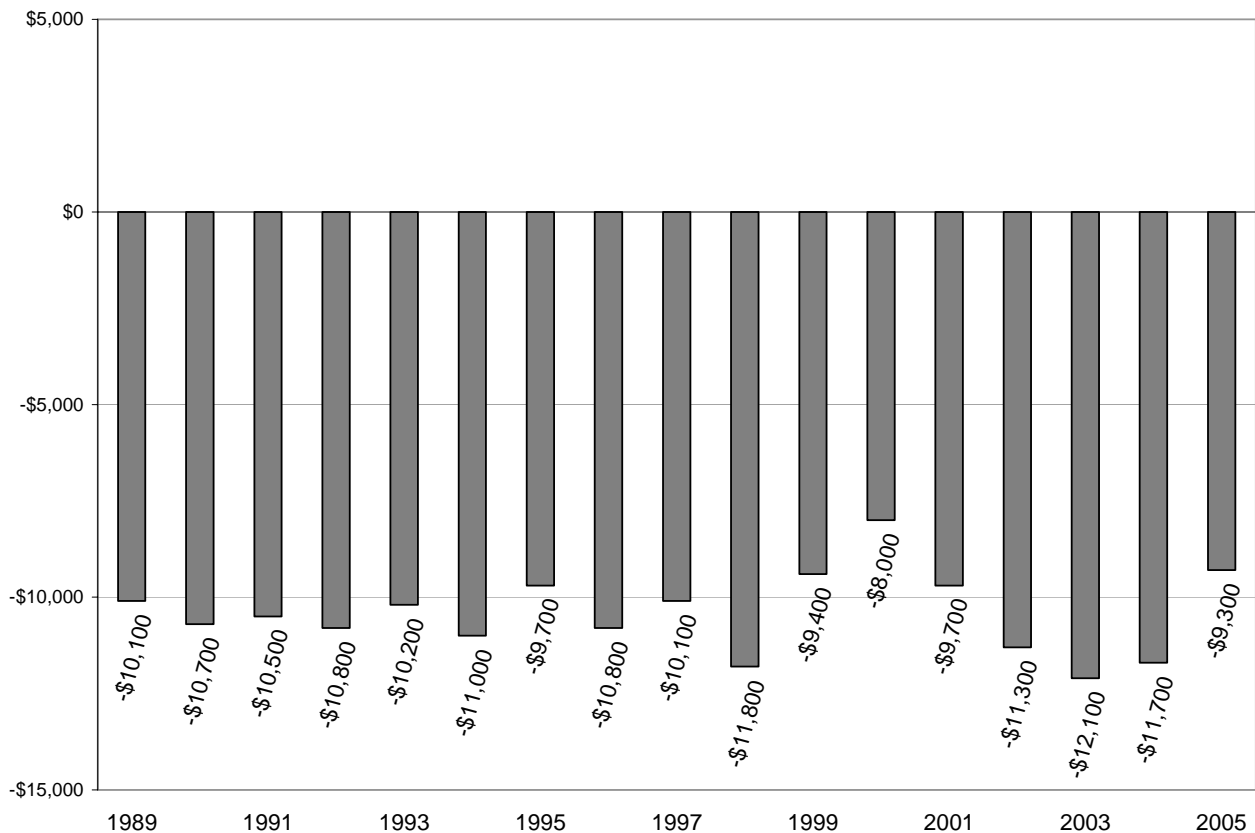
BC CAMPAIGN 2000 DEPTH OF POVERTY BY FAMILY TYPE

FACT SHEET #5
November 26, 2007

Poor children typically live in families with incomes far below the poverty line. The amount in dollars that the family's household income falls below the LICO or poverty line is known as the depth of poverty.

For the second year in a row, the average depth of poverty for lone-mother families has decreased. In 2005, the average household income for a lone-mother family was \$9,300 below the before tax LICO compared to \$11,700 in 2004.

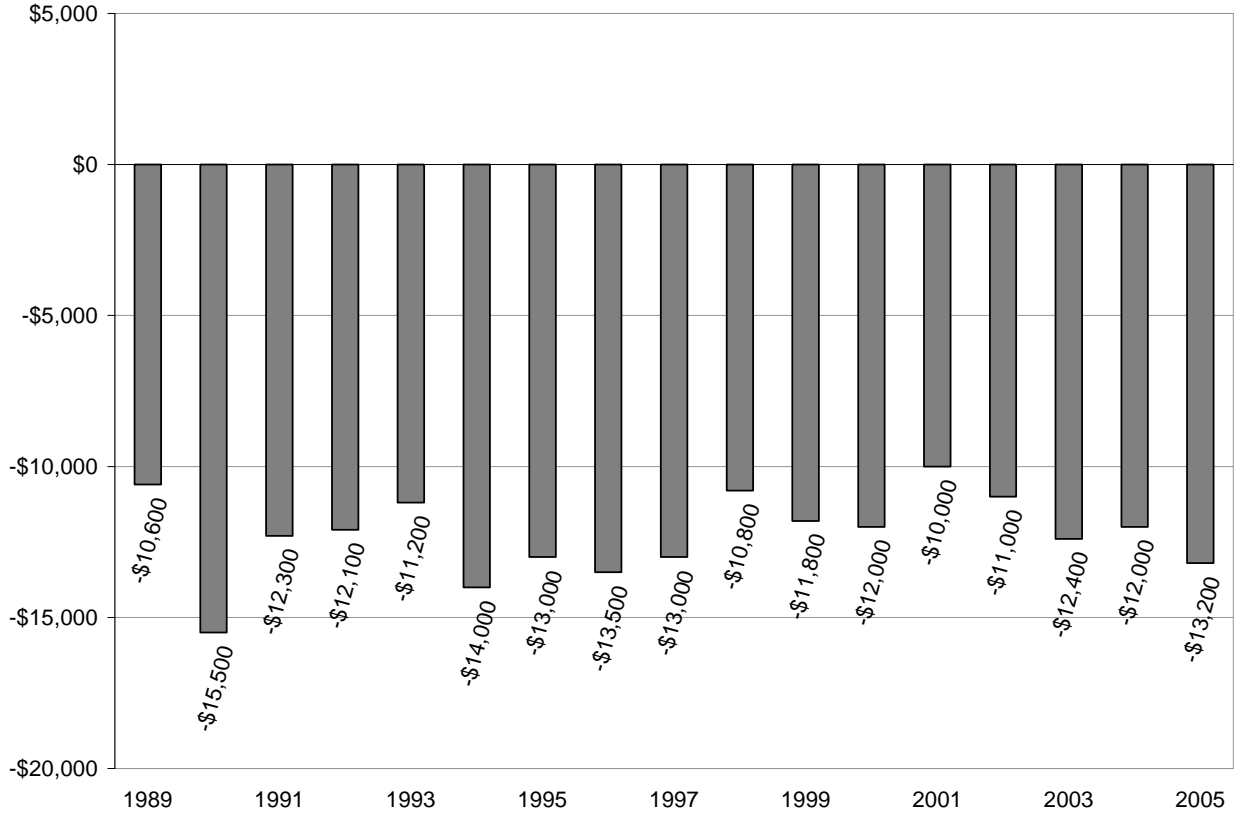
BC DEPTH OF POVERTY FOR FEMALE LONE-PARENT FAMILIES (Before Tax): 1989-2005



Source: Statistics Canada's [Income Trends in Canada, 1980-2005, 13F0022XCB](#)

Two parent families on the other hand saw an increase in the depth of poverty. The average household income for this family type was \$13,200 below the before tax LICO, which represents the largest depth of poverty since 1996. The before tax depth of poverty figure for two parent families in 2005 was the worst in Canada and well above the national average depth of poverty for this family type of \$11,100.

BC DEPTH OF POVERTY FOR TWO-PARENT FAMILIES (Before Tax): 1989-2005



Source: Statistics Canada's Income Trends in Canada, 1980-2005, 13F0022XCB



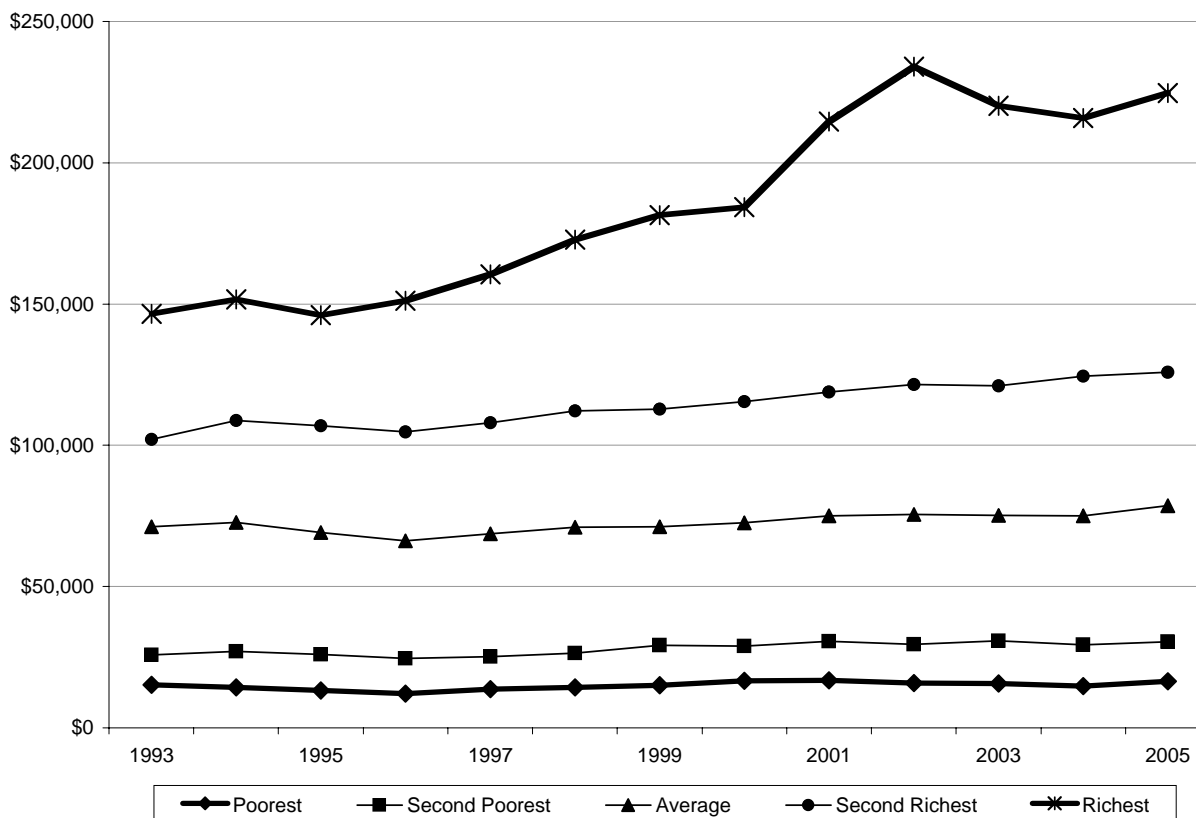
BC CAMPAIGN 2000 INCOMES OF FAMILIES WITH CHILDREN

FACT SHEET #6
November 26, 2007

Average incomes in BC were fairly flat in the early 1990s in the wake of the last recession. They have been on the rise since then, but the richest families have enjoyed the greatest increases by far.

The graph below shows the average total incomes for the poorest 10% of families with children, the second poorest 10%, all families with children, the second richest 10%, and the richest 10%. Total income refers to income before taxes, which includes wages and salaries, earnings from self-employment and earnings from investments. It also includes government benefits from both the federal and provincial governments, such as the Canada Child Tax Benefit, Employment Insurance benefits and welfare.

**TOTAL ANNUAL INCOME FOR FAMILIES WITH CHILDREN IN BC
(Constant 2005 Dollars)**



Source: Canadian Council on Social Development, based on Statistics Canada data.

The richest 10% of BC's families with children had an average income of \$224,665 in 2005, up from \$146,492 in 1993. By comparison, the poorest 10% of families with children had an average income of \$16,520 in 2005, up slightly from \$15,150 in 1993.

A study of high-income Canadians recently published by Statistics Canada shows that the most significant gains in income between 1982 and 2004 were found not in the richest ten percent of family units, not in the richest five percent, and not in the richest one percent, but in the richest 1/10 of one percent of family units.¹

This divergence in income underlines the increasing inequality in the Canadian economy. Despite continued economic growth, poor families have seen almost no real improvement in their situation, while wealthy families have shown continual increases in their income. The income ratio between the two extremes in BC has increased from just over 10 to 1 in 1993 to just under 14 to 1 in 2005.

¹ Source: Statistics Canada, A Profile of High-Income Canadians, Cat. No. 75F0002MIE. p. 15



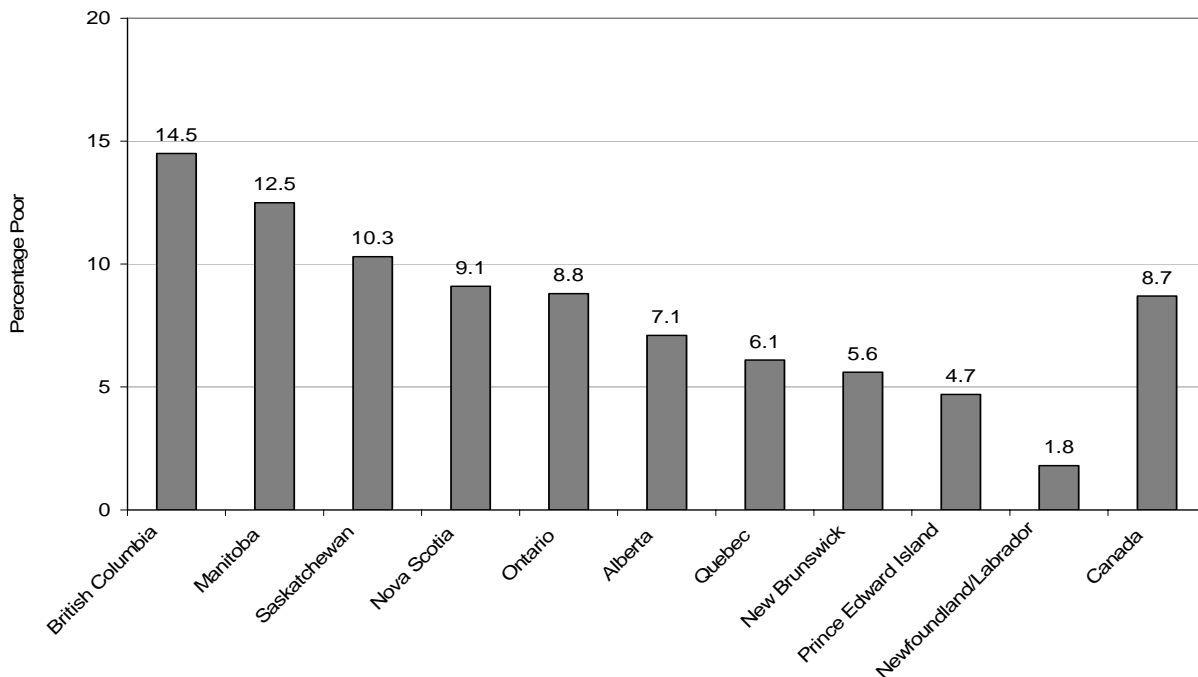
BC CAMPAIGN 2000 CHILD POVERTY AND WORKING PARENTS

FACT SHEET #7
November 26, 2007

The majority of poor children in BC live in families with some earned income. In 2005, 85% of poor children lived in families where at least one person had some employment in BC. Over half of BC's poor children lived in families where at least one person had a full-time full-year job.

In 2005, 14.5% of children living in families where at least one person had full-time full-year work were poor. BC had the highest proportion of children living in poverty despite at least one member of their family having a full-time full-year job. For Canada as a whole, 8.7% of children living in families where at least one person had full-time full-year employment were poor.

POVERTY RATE AMONG CHILDREN IN FAMILIES WITH FULL-TIME FULL-YEAR EMPLOYMENT BY PROVINCE, 2005



Source: Canadian Council on Social Development, based on Statistics Canada data

BC has the highest proportion of working poor families because of inadequate hours of work and too many low-wage jobs. BC has a minimum call out of two hours, which forces many people to work part-time involuntarily. A person working 40 hours a week for 52 weeks would have to earn \$9.99 an hour in 2005 to reach the poverty line for a single person in Vancouver. There were over 245,000 employees in BC earning less than \$10 an hour and over 185,000 other employees that were paid between \$10.00 and \$11.99 an hour in 2006. The current BC minimum wage is \$8, and the training wage is only \$6 an hour. Workers with dependent children have to earn even more to reach the poverty line, although some of the costs of raising children are met by the Canada Child Tax Benefit.



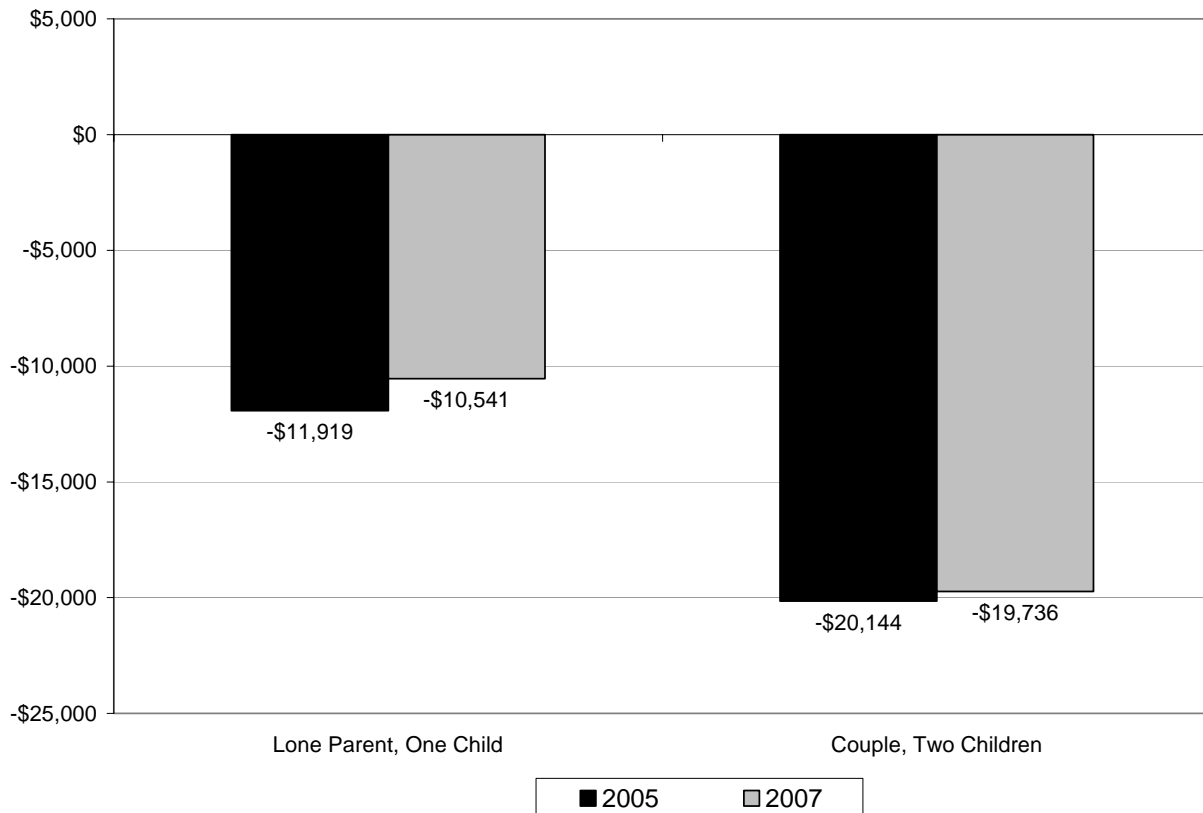
BC CAMPAIGN 2000 FAMILIES WITH CHILDREN ON WELFARE

FACT SHEET #8
November 26, 2007

Families with children on welfare in British Columbia continue to live far below the poverty line, even with the small increases announced in the 2007 provincial budget.

Calculations by the provincial government that were released with the budget put the current annual income of a lone parent with a four-year-old on welfare at \$16,383 a year - or \$10,541 below the estimated before-tax poverty line for a large city. The current annual income of a couple with children ages ten and twelve on welfare is \$20,451 - or \$19,736 below the poverty line. The calculations include income from both the federal and provincial governments.

DEPTH OF POVERTY FOR BC FAMILIES WITH CHILDREN ON WELFARE, 2005 AND 2007



Source: BC Income Assistance Fact Sheet, Welfare Incomes 2005, Calculations by BC Campaign 2000.

Welfare caseloads have fallen substantially in recent years, as the BC economy continues to grow. That is good news for people who have been able to leave the welfare rolls and find decent jobs. However, people still on welfare continue to suffer from abysmally low welfare rates.

The graph shows that the depth of poverty hasn't changed much since the calculations for 2005 by the National Council of Welfare. The calculations for 2007 assume that the rates for April 2007 were in effect for the entire calendar year. They also assume an increase in the poverty lines based on a two-percent increase in the cost of living between 2006 and 2007.

Among the increases in welfare rates that took effect last April were an increase of \$50 a month in the family shelter allowance and an increase of \$50 a month in the support allowance for employable single people, including lone parents.

Those increases fall way short of what groups such as BC Campaign 2000 and the BC Raise the Rates coalition have demanded. They have been campaigning to increase the welfare rates to reflect Human Resources and Skills Development Canada's Market Basket Measures. The current welfare income for a family of four in BC is \$20,451. The Market Basket Measure for the Lower Mainland updated to 2007 would be \$32,099.



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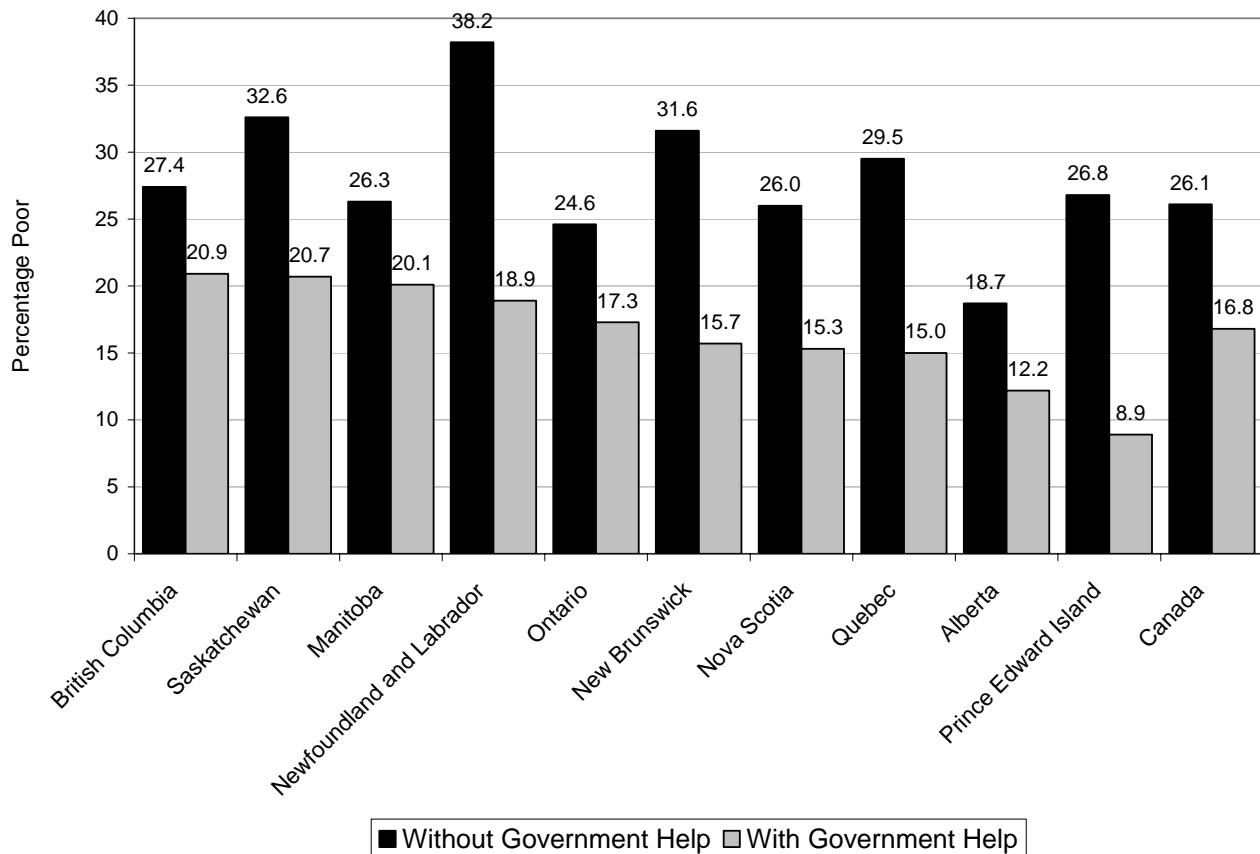
CHILD POVERTY AND THE IMPORTANCE OF GOVERNMENT HELP

FACT SHEET #9
November 26, 2007

Federal and provincial government income support programs play a huge role in reducing child poverty in British Columbia and all other provinces. In 2005, the child poverty rate was 20.9% in BC. If BC parents had been forced to rely only on earnings, income from investments and other sources of market income, the proportion of families with children living in poverty would have been 27.4%. This means that government transfers reduced the market child poverty rate by nearly one quarter.

BC, however, was not as successful at reducing market child poverty rates as other provinces. Newfoundland and Labrador, for example, had a market poverty child rate of 38.2%; after government transfers, the rate dropped to 18.9%. This means that government transfers in Newfoundland and Labrador reduced the market child poverty rate by over half.

FAMILY POVERTY RATES WITH AND WITHOUT GOVERNMENT HELP, 2005



Source: Canadian Council on Social Development, based on Statistics Canada data.

Both the federal and provincial governments have programs that help reduce the extent of child poverty. The federal government provides families with children with the monthly Canada Child

Tax Benefit, and it pays a quarterly GST credit to low-income families and individuals. Ottawa also administers the Employment Insurance fund to assist Canadians who are temporarily out of work. EI is considered a government program, even though the money in the fund comes from contributions by workers and employers.

The BC government provides welfare payments for people who have exhausted other sources of income. Part of the cost of welfare is covered by the federal government through the Canada Social Transfer. The CST is a government-to-government transfer designed to defray the costs of welfare and post-secondary education.

Canada does a very poor job of fighting child poverty by international standards – better than US and Mexico, but much worse than other developed countries. (For more information, see *Child Poverty in Rich Countries 2005* by the UNICEF Innocenti Research Centre.)

The four Nordic countries - Denmark, Finland, Norway and Sweden - have the most effective government action against child poverty. They had fairly high child poverty rates before government intervention and rates falling to 2.5% to 4.2% after government intervention.

Government intervention to reduce child poverty does not need to come at the expense of economic competitiveness. The four Nordic countries were all ranked in the top 10 in the World Economic Forum's 2005 report on global competitiveness.



BC CAMPAIGN 2000 WHAT NEEDS TO HAPPEN

FACT SHEET #10

November 26, 2007

The eradication of child poverty requires decisive action by both the federal and provincial governments.

Campaign 2000 calls on all provinces and the federal government to commit themselves to a two-stage strategy of targets and timetables for the reduction of child poverty across Canada. This would lead to:

- 1) A minimum 25% reduction in the child poverty rate by the year 2012; and
- 2) A minimum 50% reduction in the child poverty rate by the year 2017.

If these targets are to be met, the national child poverty rate needs to fall to 8.7% in 2012 and 5.9% in 2017.² **BC will have to work harder to achieve these rates, since we are starting with an after-tax child poverty rate of 15.2%, the highest rate of any province in 2005.**

The BC government needs to demonstrate a firm commitment to fighting poverty by assigning a cabinet minister with the authority and responsibility to ensure that the poverty reduction plan is being implemented and that the province is on track for achieving the poverty reduction targets.

Fighting poverty requires a wide range of policies and programs. Here are some of the changes that are needed.³

- The BC government should raise the minimum wage to \$10.50 an hour and increase it every year in line with increases in the cost of living. The so-called \$6 an hour training wage should be abolished. No family with a full-time full-year worker should live in poverty.
- The province should increase the minimum call-out time from two hours to four hours. Having people report for work and then paying them for only two hours of work is simply unfair.
- The BC government should raise welfare rates to meet the income levels in the federal government's Market Basket Measures, and the rates should be increased each year in line with the cost of living. Despite small increases in welfare rates this year, families with children on welfare still live many thousands of dollars below the poverty line.
- The province should restore welfare earnings exemptions and the income exemption for child support payments. People trying to make the move from welfare to work need all the help they can get.

² As measured by Statistics Canada's low income cut-offs after income taxes

³ See *Summoned to Stewardship: Make Poverty Reduction a Collective Legacy* for further details on the strategy. Available at <http://www.campaign2000.ca/>

- The federal government should increase the Canada Child Tax Benefit to \$5,100 per child. Payments should go to families without regard to whether earnings or government transfers are the family's main source of income.
- Cuts in Employment Insurance made by successive federal governments should be rescinded, so that most workers are protected during a temporary loss of wages.
- Universal access to high quality, accessible child care is absolutely necessary if most parents with young children are to remain in the paid labour force. Universal access to high quality child care and early learning would also ensure that **all** children have the best possible start in their early years.
- The federal and provincial governments need to redouble their efforts at building social housing for low-income people. Programs must be developed to prevent the high costs of housing from draining the limited resources of those living near or below the poverty line.
- All British Columbians need coverage for prescription drugs and dental care. While some workers already have access to extended medical and dental benefits through their work, universal public plans would be even better and also less expensive.



First Call is committed to the Four Keys to Success for Children and Youth:

A Strong Commitment to Early Childhood Development

- * Improve the pregnancy outcomes (healthy babies)
- * Identify developmental risks early and provide supports
- * Support parents of young children
- * Build a system of high quality, affordable, accessible child care
- * Increase the readiness of young children for school

Support in Transitions from Childhood to Youth and Adulthood

- * Increase the readiness of youth for high school
- * Increase the readiness of older youth for adult roles

Increased Economic Equality

- * End child and youth poverty
- * Reduce the gap between the high- and low-income earners
- * Create more jobs with a living wage

Safe and Caring Communities

- * Make each community a better place to live for families with children
- * Create youth-friendly spaces and supports
- * Build safe, violence-free communities
- * Increase opportunities for participation and involvement

First Call: BC Child and Youth Advocacy Coalition

L416-4480 Oak Street, Vancouver V6H 3V4

Phone: (604) 875-3629/1-800-307-1212

Fax: (604) 875-3569 Email: info@firstcallbc.org www.firstcallbc.org