

BC CAMPAIGN 2000

# 2009 CHILD POVERTY REPORT CARD



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

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PRODUCED BY

**First Call: BC Child and Youth Advocacy Coalition  
with the support of SPARC BC**



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## THE IMPORTANCE OF ACTION ON CHILD POVERTY

November 24, 2009

It's been twenty years since the House of Commons committed to ending poverty among Canadian children by the year 2000. As a nation, we are still far from that objective. In British Columbia, a wealthy province, our child poverty rates have been higher than the national average since 1999 and the highest of any province for six years in a row.

The Canadian and international research evidence about why we should care about poverty is overwhelming.<sup>1</sup> The BC Healthy Living Alliance, a group that includes some of the province's leading health experts, notes "The lack of resources and choices as well as social exclusion and stress created by poverty make it one of the most significant contributors to ill health. ... [C]hildhood poverty has been shown to have a negative effect on social and health outcomes that lasts across the life course."<sup>2</sup>

A chorus of other authoritative voices from across Canada and BC have recognized the importance of taking action to reduce child and family poverty:

- Six provincial governments – Newfoundland and Labrador, Nova Scotia, New Brunswick, Quebec, Ontario and Manitoba – have committed themselves to poverty reduction plans for their own jurisdictions.
- In addition to the 92 partner organizations in the First Call coalition, more than 200 organizations in the BC Poverty Reduction Coalition have signed on to a call for a comprehensive, legislated poverty reduction plan for BC.<sup>3</sup>
- Premier Campbell's BC Progress Board has argued, "All children, irrespective of their social background, should have an equal chance to succeed in the province, and there is compelling evidence that children from low income families are at greater risk."<sup>4</sup>

The information in this report serves as a reminder that child poverty is family poverty, that a large number of low income families are being left behind even during the good economic times, and that BC could be doing much more to reduce this inequality.

There are many public policy options available to help us reduce the child poverty rate in our province. Some options include higher child benefits, increases in the minimum wage and welfare rates, commitments to paying living wages, increased access to high quality child care and new housing programs for persons in need. These policy options are outlined in Fact Sheet 9 in this report.

There is a significant opportunity for investing in the current and future health and well being of British Columbians. We have failed a generation of children affected by poverty by our failure to keep the promise made in 1989. Now is the time for British Columbia to make the necessary commitment to a provincial poverty reduction plan with clearly defined targets and timelines.

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1 See Conference Board of Canada (2009) How Canada Performs: A Report Card on Canada. Available: <http://www.conferenceboard.ca/HCP/Details/society.aspx>; and Health Inequities in British Columbia (2008). Available: [http://www.phabc.org/files/HOC\\_Inequities\\_Report.pdf](http://www.phabc.org/files/HOC_Inequities_Report.pdf); and The Chief Public Health Officer's Report on the State of Public Health in Canada 2009. Available: <http://www.phac-aspc.gc.ca/publicat/2009/cphorsphc-respcacsp/index-eng.php>

2 BC Healthy Living Alliance (2009). Healthy Futures for BC Families. Available: [http://www.bchealthyliving.ca/sites/all/files/file/BCHLA\\_Healthy%20Futures-Final-Web.pdf](http://www.bchealthyliving.ca/sites/all/files/file/BCHLA_Healthy%20Futures-Final-Web.pdf)

3 See: <http://bcpovertyreduction.ca/>

4 BC Progress Board (2006). The Social Condition in British Columbia. Available: [www.bcprogressboard.com/2006Report/SocialReport/Social\\_Final.pdf](http://www.bcprogressboard.com/2006Report/SocialReport/Social_Final.pdf)

## BC HAD THE WORST RECORD – SIX YEARS IN A ROW

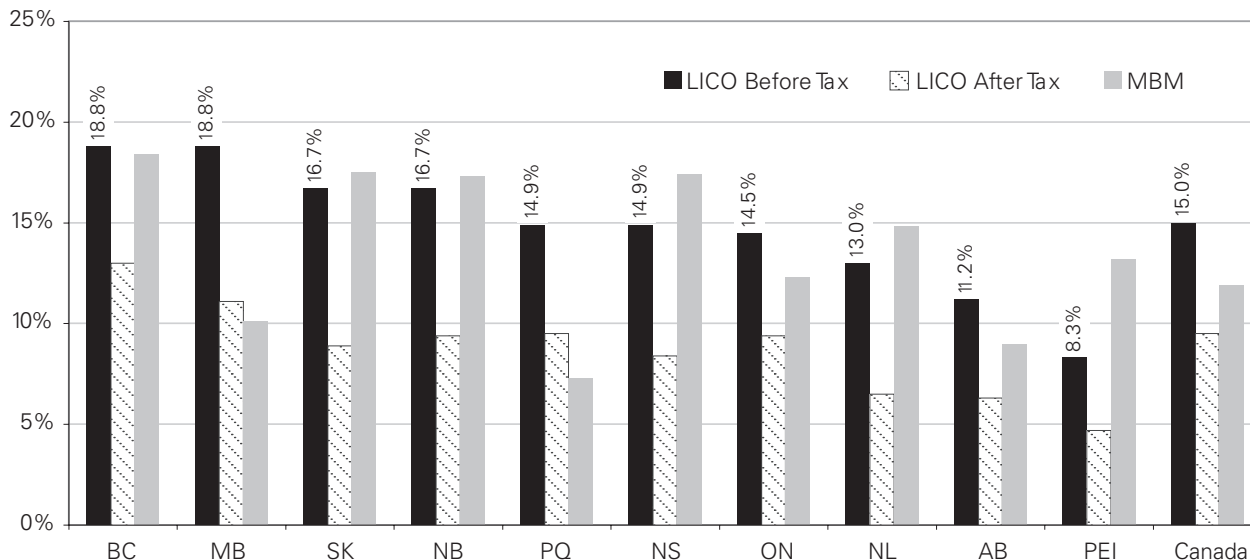
### FACT SHEET #1

November 24, 2009

British Columbia had the highest child poverty rate in Canada for the sixth year in a row in 2007. According to the Statistics Canada before-tax Low Income Cut-Offs (LICOs), the proportion of children living in poverty in BC was 18.8% – well above the national child poverty rate of 15%. This means that an estimated 156,000 children were living in poverty in BC. That is greater than the combined population of Nanaimo and Prince George.

#### CHILD POVERTY RATES BY PROVINCE, 2007

(Various Measures)



On all three measures shown in the chart, BC had the highest child poverty rate despite the very strong BC economy in 2007.

Hidden within these overall statistics are numbers showing that particular subgroups of children are at even higher risk. A report from Statistics Canada found that the national poverty rate for children under the age of six was 49% for First Nations children living off reserve in 2006. The comparable figure for non-Aboriginal children was 18%. No BC poverty statistics were published in the study.<sup>1</sup> The 2006 federal census reported some 81,000 Aboriginal children living in BC, with about 22,000 of them living on reserves.

The fact sheets in this report use the LICO before-tax data. This set of data was selected as it is more reliable at the provincial level than the LICO after-tax data and is available for a longer time frame than the Market Basket Measures data (produced by Human Resources and Skills Development Canada). See Appendix 'Measures of Poverty' for a full explanation of poverty measures.

<sup>1</sup> Source: Statistics Canada, *First Nations Children Under Six Years Old Living Off Reserve* (November 2008) Cat. no. 89-634-X 2008003

## CHILD POVERTY OVER THE YEARS

### FACT SHEET #2

November 24, 2009

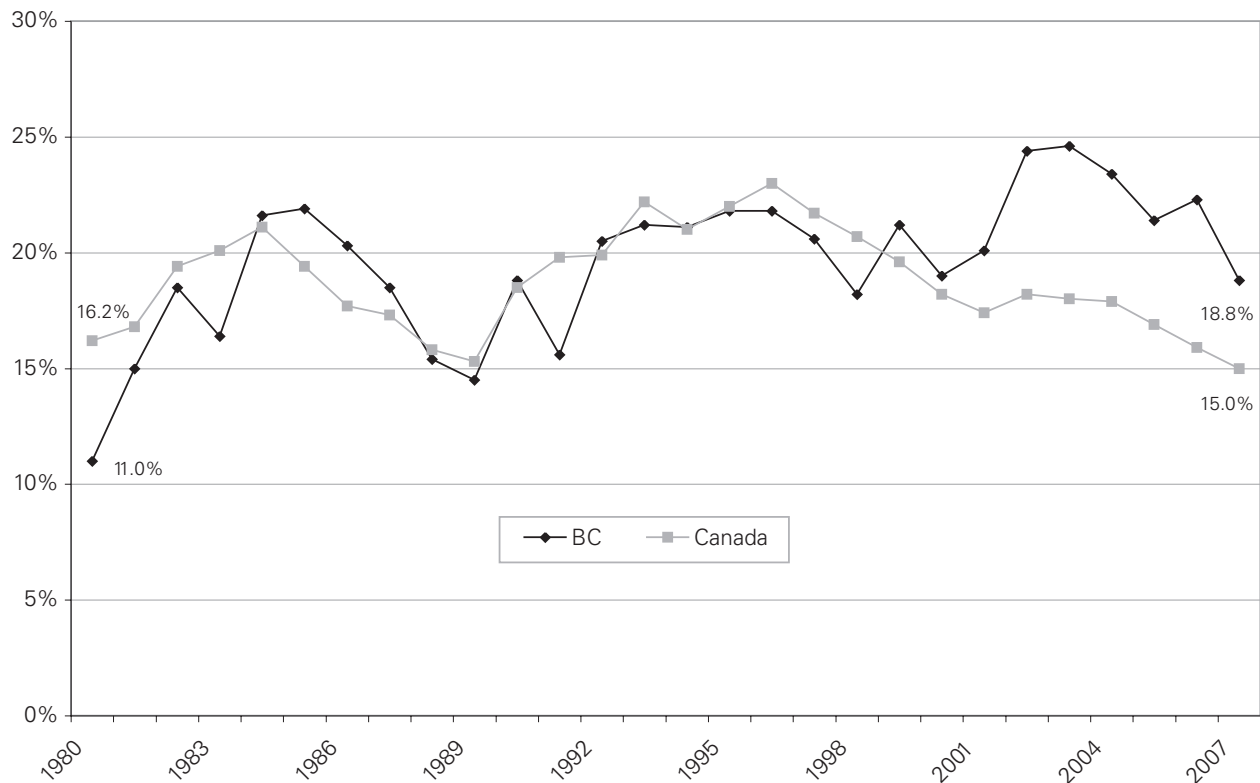
It has been twenty years since our federal and provincial governments signed the UN Convention on the Rights of the Child, committing to promote and protect children's rights and best interests. Despite this commitment, BC's child poverty rates have been above the national average since 1999 and the highest of any province for six years in a row. The BC child poverty rate in 2007 was 18.8%, higher than the rate of 14.5% in 1989 and sharply higher than the rate of 11% in 1980.

The graph below shows both the national and BC child poverty rates. For most of the period since 1980, the two rates were roughly the same. They moved up during periods of recession and down during periods of recovery.

The big change took place in the current decade, when the national rate continued to decline as the economy continued growing, and the BC rate shot up dramatically. In the absence of corrective action through government policy, rates are likely to go up again in 2008 and 2009 as a result of the current recession.

#### CHILD POVERTY RATES FOR CANADA AND BRITISH COLUMBIA, 1980-2007

(LICOs Before Tax)



Source: Statistics Canada's Income Trends in Canada, 1976-2007, Table 802, Cat. no. 13F0022X

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## WE CAN DO MORE

While poverty rates are clearly linked to changes in the economy, there are still many actions that can be taken by the federal and provincial government to reduce poverty.

The main federal effort to date was the creation of the Canada Child Tax Benefit in 1998 and increases in its value over the years. However, the federal government has still not proceeded with substantial new childcare and housing programs and has not mended many of the holes in the Employment Insurance safety net.

BC has abandoned efforts to expand the 1996 BC Family Bonus and to make it an important income supplement for families with children. It has held the line or cut funding for many programs for children, youth and families, including childcare, despite the rise in actual service delivery costs. It has steadfastly refused to raise the minimum wage for the past eight years. The government of BC needs to increase its efforts to reduce the numbers of families and children living in poverty by revisiting these policy areas and taking leadership to encourage private sector employers to raise the wages of low-pay workers earning just above the minimum wage.

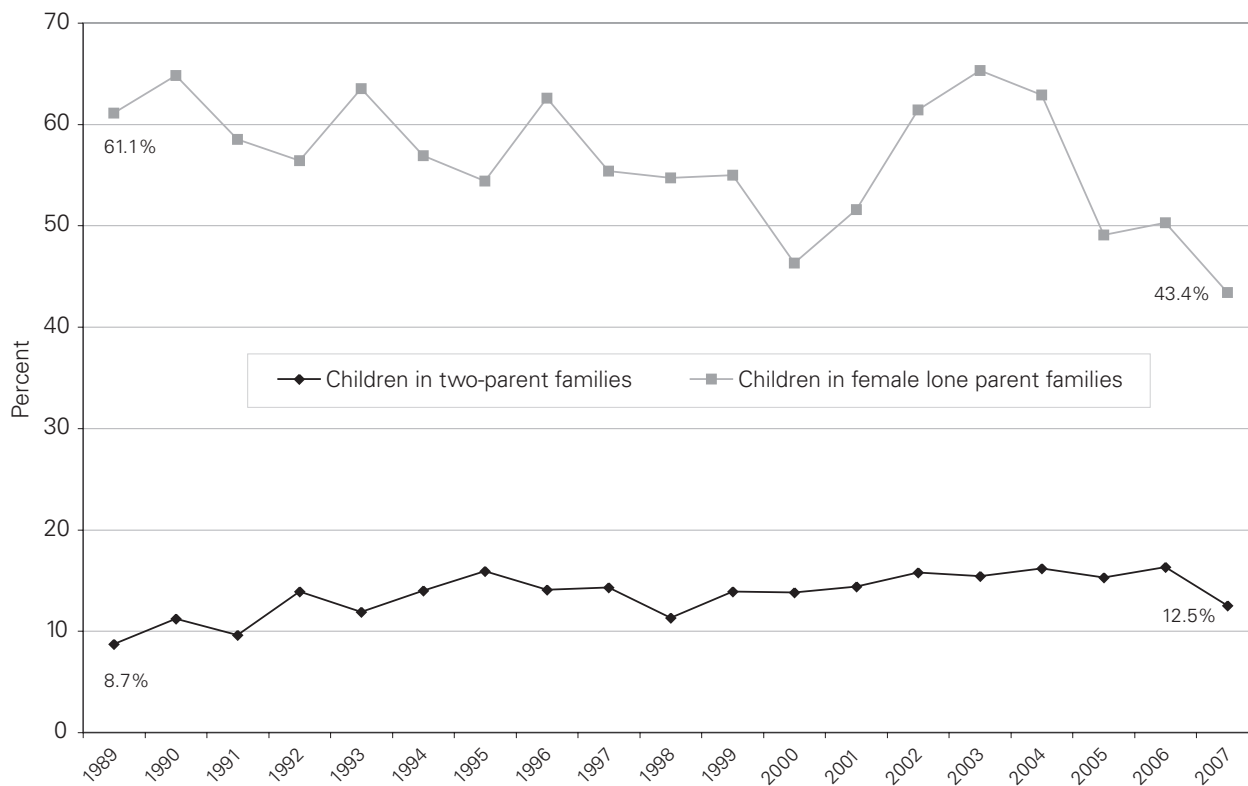


## CHILD POVERTY BY FAMILY TYPE FACT SHEET #3

November 24, 2009

The risk of poverty varies greatly by family type. The poverty rate for BC children living in families headed by lone-parent mothers was 43.4% in 2007, while the poverty rate for BC children in two-parent families was 12.5%.

**BC CHILD POVERTY RATES BY FAMILY TYPE, 1989-2007**



Source: Statistics Canada's Income Trends in Canada, 1976-2007, Table 804, Cat. no. 13F0022X

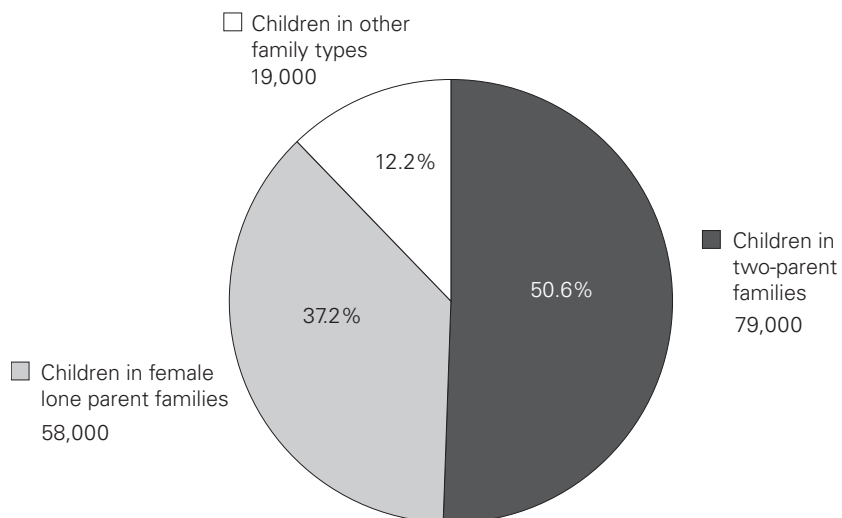
The poverty rate for children in female lone-parent families rose sharply between 2000 and 2003, fell sharply in 2005, and then rose again in 2006. While there was a sharp decline in 2007, this was at the height of the economic boom. Significant increases in unemployment in 2008 and 2009 would indicate that this trend is not likely to last.

Poverty rates for BC children in two-parent families have been relatively constant over the years, but have been creeping up since 1998. There has been a decrease since 2006; however, the 2007 rate is still above the 1998 rate.

While the risk of poverty is over three times greater for female lone-parent families compared to two-parent families, the majority of poor children (51.6%) live in two-parent families.

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### PROPORTION OF BC POOR CHILDREN BY FAMILY TYPE, 2007



Source: Statistics Canada's Income Trends in Canada, 1976-2007, Table 804, Cat. no. 13F0022X

**Most poor families fall far below the poverty line. Poor female lone-parent families were \$12,600 on average below the poverty line in 2007, and poor two-parent families were \$8,200 below the line.**

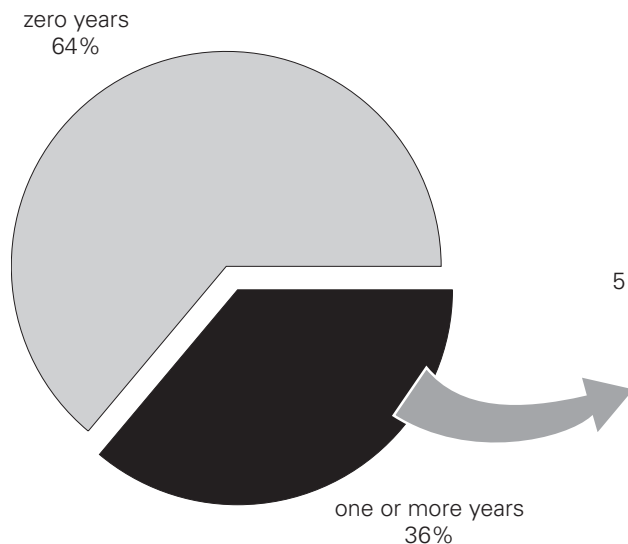


## PERSISTENCE OF POVERTY FACT SHEET #4

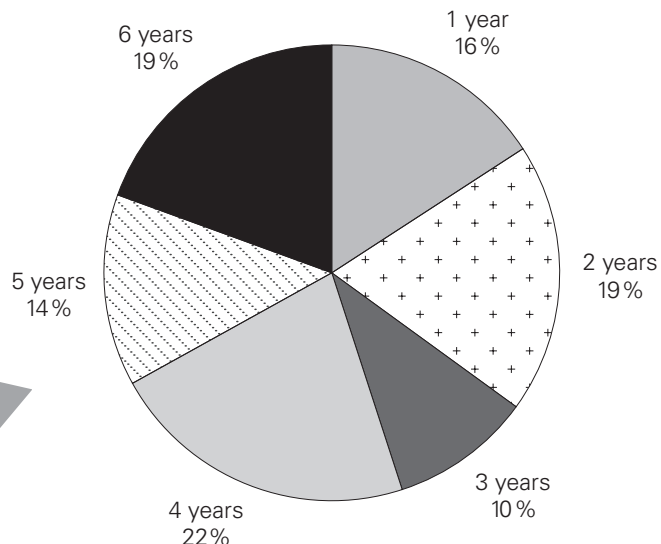
November 24, 2009

**Over one third of children in BC experienced at least one year of poverty in the six years from 2002 through 2007.**

**PERCENTAGE OF BC CHILDREN IN POVERTY, 2002-2007**



**NUMBER OF YEARS POOR CHILDREN ARE POOR IN BC, 2002-2007**



Source: Statistics Canada's *Income Trends in Canada, 1976-2006, Table 806, Cat. no. 13F0022X*

Source: Statistics Canada's *Income Trends in Canada, 1976-2007, Table 806, Cat. no. 13F0022X*

**Over half of the children who were poor (55%) were poor for at least four years out of six years. Comparatively, 16% were poor for only one of the six years. These statistics show that poverty is often a long-term, on-going issue for families and children. Research from a variety of disciplines has shown that the damaging effects of low income on child development are stronger the longer children live in poverty.<sup>1</sup>**

<sup>1</sup> Suzanne Smythe (2007). Child and youth development and income inequality: A review of selected literature. First Call: BC Child and Youth Advocacy Coalition. Available: [www.firstcallbc.org](http://www.firstcallbc.org)

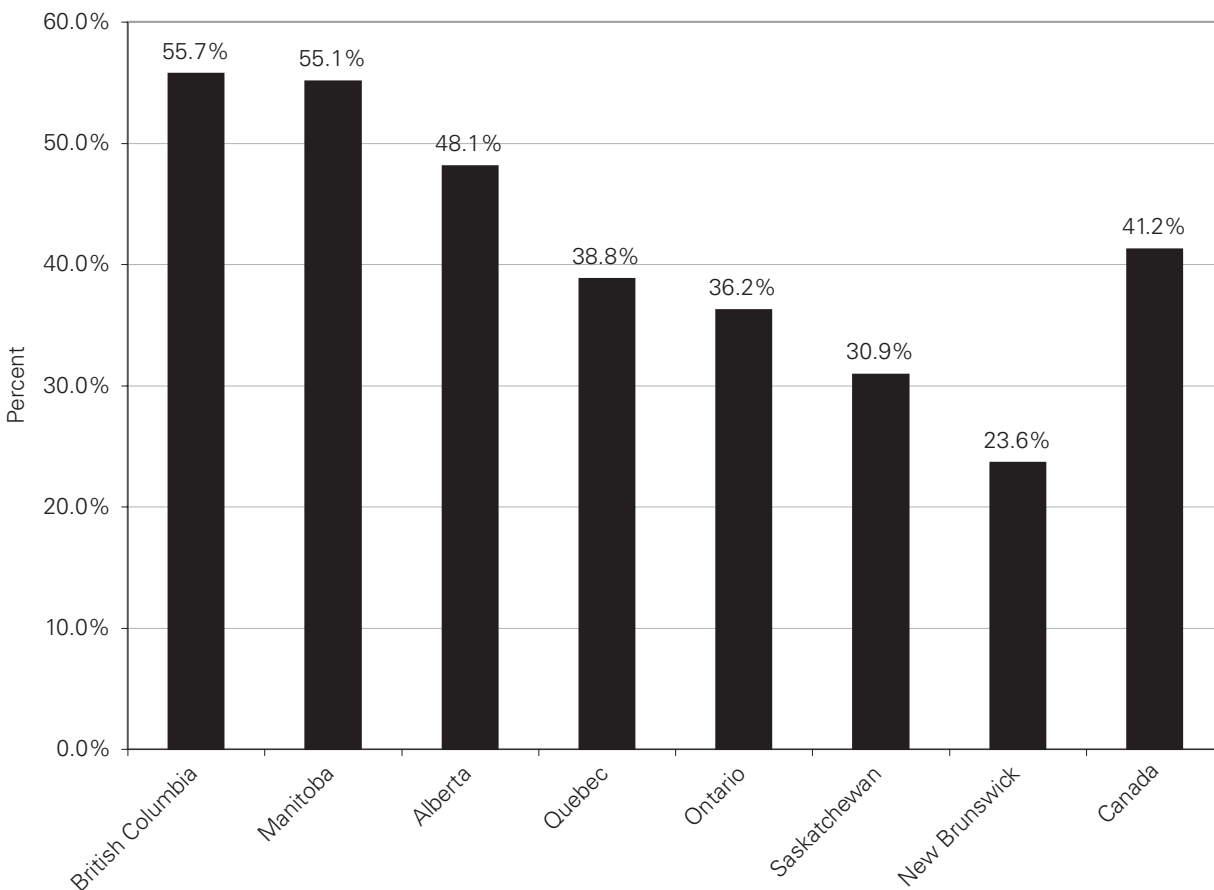
## CHILD POVERTY AND WORKING PARENTS FACT SHEET #5

November 24, 2009

The majority of poor children in BC live in families with some earned income. Over half of BC's poor children lived in families where at least one adult had a full-time full-year job (55.7%).

Within Canada, BC continued to have the highest proportion of children living in poverty with at least one member of their family having a full-time full-year job.

### PERCENTAGE OF POOR CHILDREN WITH ONE OR MORE PARENTS EMPLOYED FULL-TIME FULL-YEAR BY PROVINCE, 2007

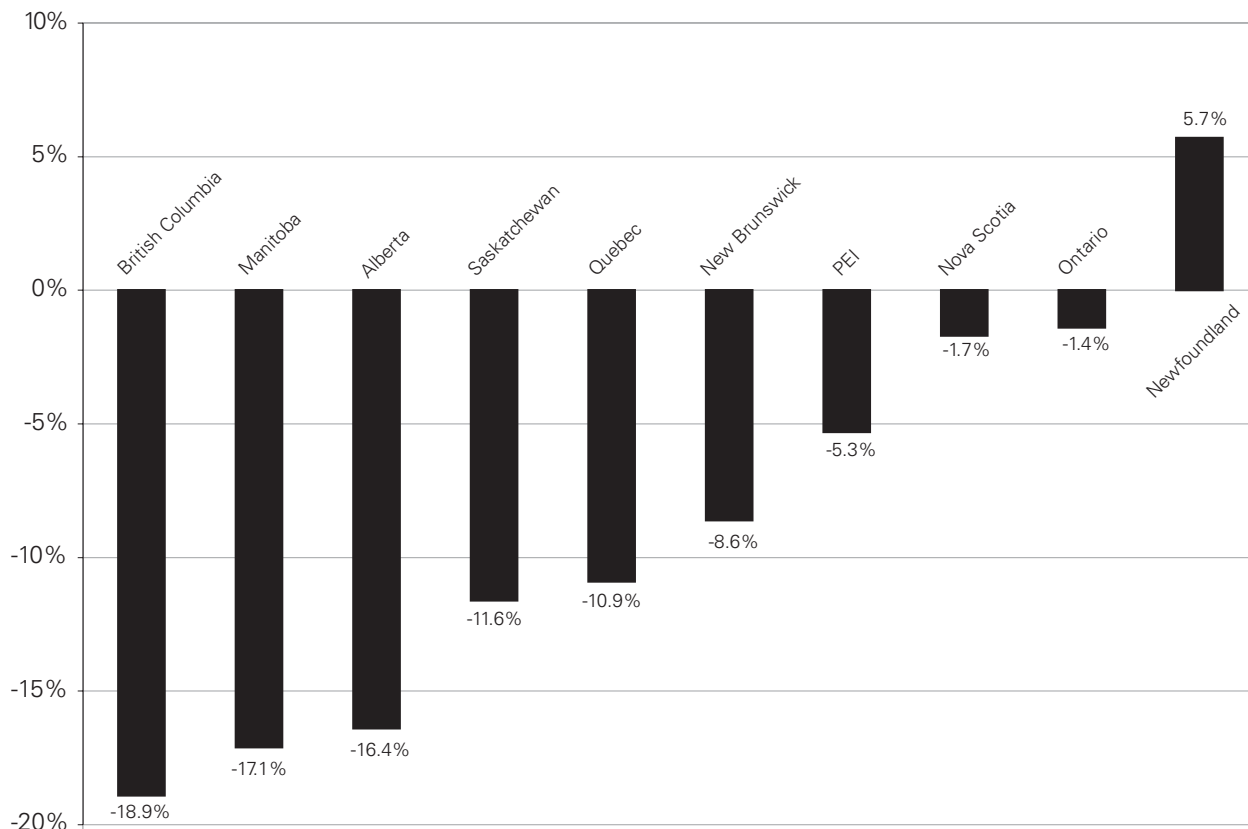


\* Note – Prince Edward Island, Nova Scotia and Newfoundland and Labrador figures were not published by Statistics Canada.

Source: Statistics Canada customized data

At the same time, BC has seen the greatest erosion in the value of the minimum wage since 1976.

**PERCENTAGE CHANGE IN VALUE OF PROVINCIAL MINIMUM WAGES FROM 1976 TO 2009 (IN 2009 CONSTANT DOLLARS)**



Source: Minimum wage historical data from HRSDC, value in constant dollars calculated by CUPE

**Since 1976, the real value of BC’s minimum wage has dropped nearly 19%, the largest drop of all provinces.** There were over 182,400 employees in BC earning less than \$10 an hour and another 165,000 employees that were paid between \$10 and \$11.99 an hour in 2008.

A single person working 40 hours a week for 52 weeks would have to earn \$10.80 an hour to reach the estimated poverty line for Vancouver in 2009.

A minimum wage would not be sufficient for families. Other calculations show that a two-earner family of four with two children and two adults would require a living wage of around \$17 an hour if they lived in Metro Vancouver or Greater Victoria.<sup>1</sup>

<sup>1</sup> See Living Wage for Families information at: <http://livingwageforfamilies.ca/>

## FAMILIES WITH CHILDREN ON WELFARE FACT SHEET #6

November 24, 2009

Look at the bottom of the income ladder, and you're certain to find BC welfare recipients.

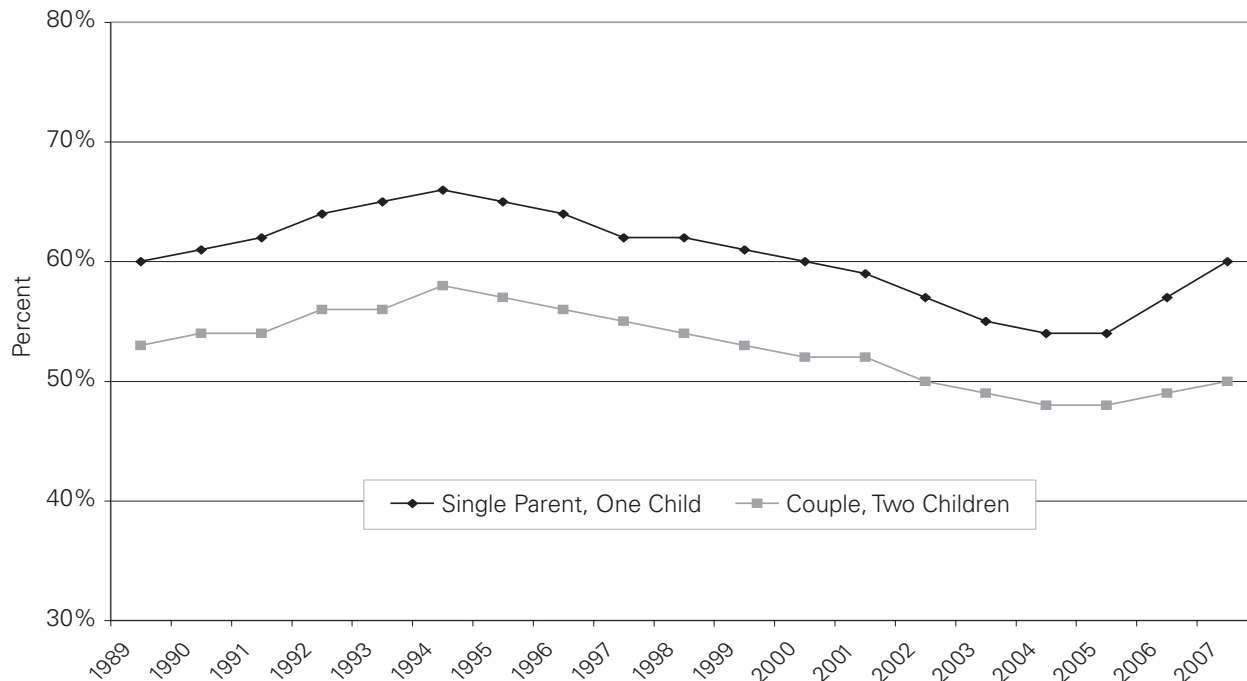
The National Council of Welfare calculated that a BC two-parent family with two children aged 10 and 15 received a total income of \$20,283 in 2007. That's a whopping \$19,976 less than the Statistics Canada poverty line for a large urban area like Vancouver.

A BC lone-parent family with one child aged two received \$16,230 or \$10,742 less than the poverty line.

The BC Ministry of Housing and Social Development says there was an average of 27,868 children in families on welfare in 2007. Most of those children were in lone-parent families, mostly families led by lone-parent mothers.

Throughout recent years, welfare recipients in British Columbia and other provinces have always received incomes well below the poverty line. In 2007, the sample BC two-parent family was at 50% of the poverty line for a large city, and the BC lone-parent family was at 60% of the poverty line.

**BC WELFARE INCOMES AS A PERCENTAGE OF THE POVERTY LINE, 1989-2007**



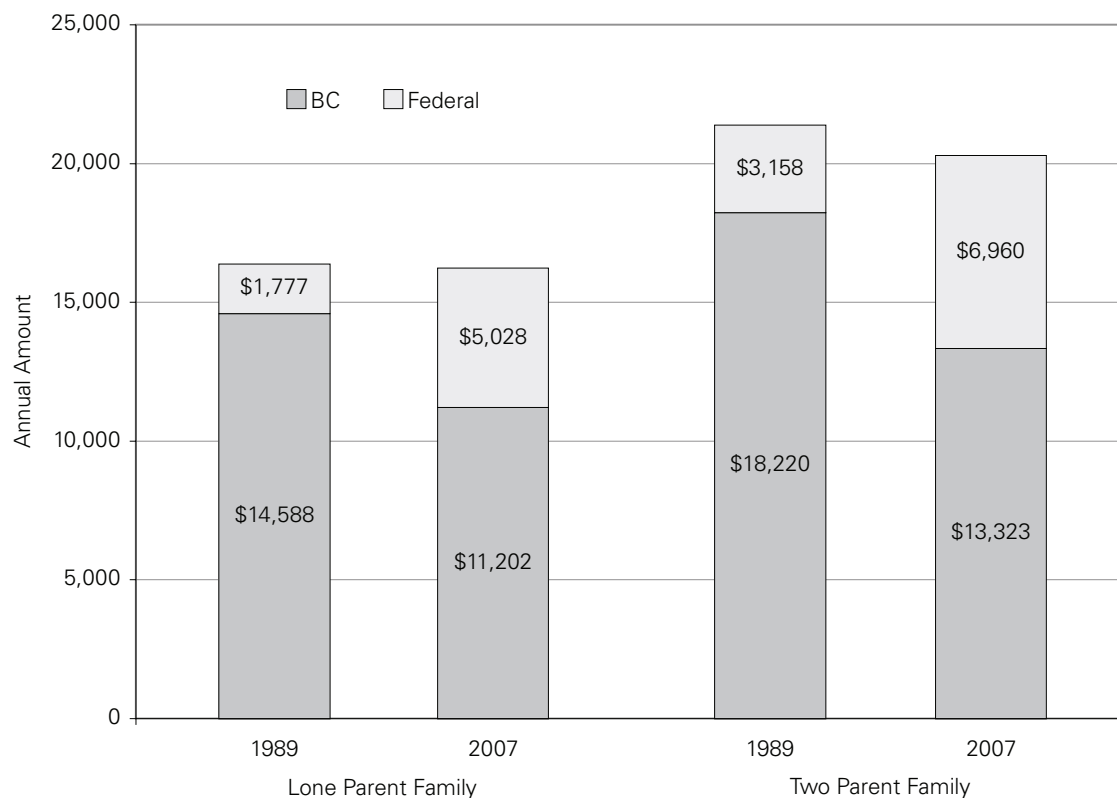
Source: National Council of Welfare, *Welfare Incomes, 2006 and 2007*

The graph shows clearly that welfare incomes have been consistently depressed for the past two decades under Social Credit, New Democratic Party and Liberal provincial governments. The so-called high point for welfare incomes was 1994. The low point was 2005.

Funding for welfare programs has changed significantly in recent years. The federal government got rid of cost-sharing for welfare in favour of block grants to the provinces. Another important change was the introduction of the Canada Child Tax Benefit, which increased federal benefits for parents and also allowed provinces to “claw back” part of the payments they made for welfare. A third change was the new federal Universal Child Care Benefit of \$1,200 a year for children under six.

The next graph shows the changes in federal and BC payments to two-parent and one-parent families, as calculated by the National Council of Welfare.

**FEDERAL AND PROVINCIAL SHARES OF WELFARE INCOMES, 1989 AND 2007**



Source: National Council of Welfare, *Welfare Incomes, 2006 and 2007*

While total welfare incomes decreased slightly between 1989 and 2007, the amount of federal payments to families more than doubled. The very large increase for the lone-parent family occurred because it started to receive the Universal Child Care Benefit. Meanwhile, the provincial payments for welfare for both families declined significantly. The drop between 1989 and 2007 was 27% for the two-parent family and 23% for the lone-parent family.

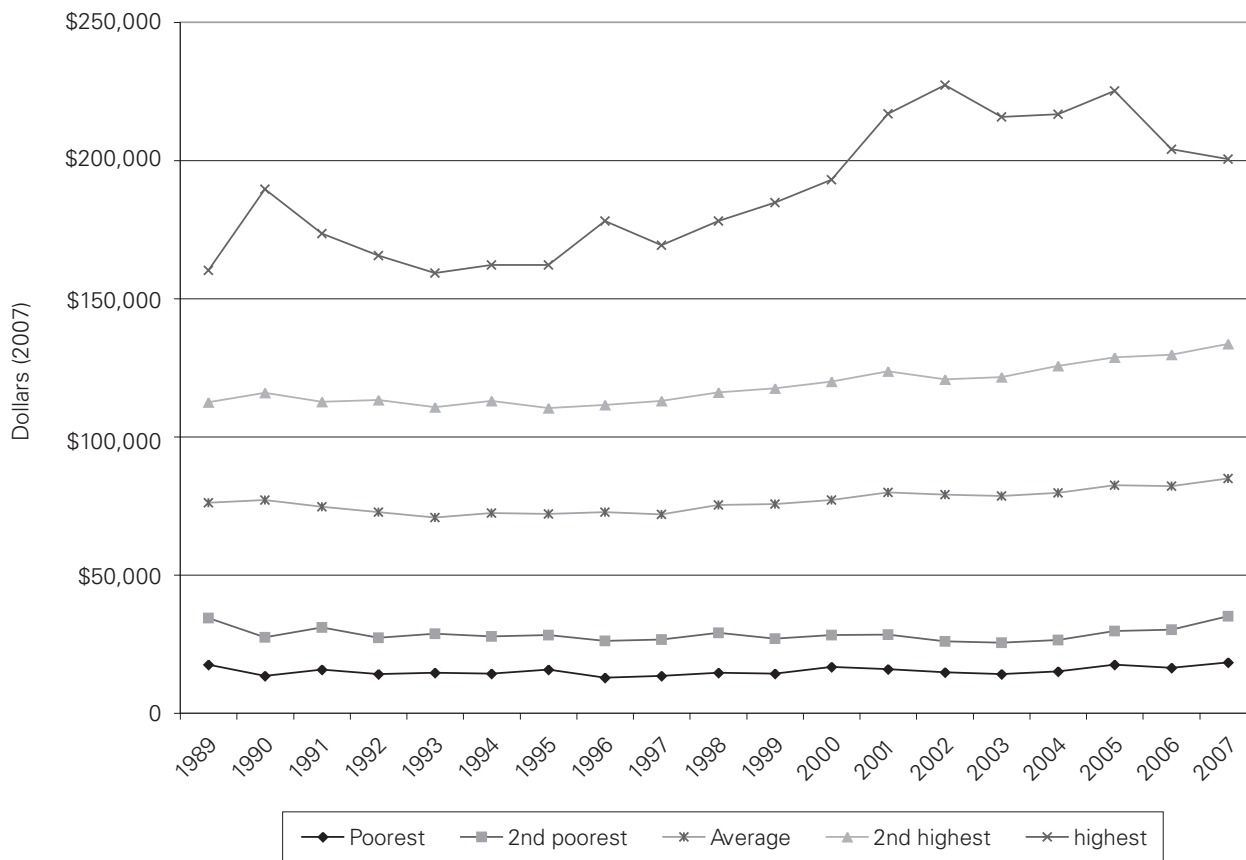
## INCOMES OF FAMILIES WITH CHILDREN FACT SHEET #7

November 24, 2009

Average incomes in BC were fairly flat through the mid 1990s in the wake of the last recession. While the average income has gone up since then, the wealthiest 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 wealthiest 10%, and the wealthiest 10%. Total income refers to all 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  
IN CONSTANT 2007 DOLLARS, 1989-2007**



Source: Canadian Centre for Policy Alternatives based on Statistics Canada data

As shown in the table below, families with children in the bottom five income deciles (10% groups) made no significant gains in their average incomes between 1989 and 2007. Two of the groups (deciles 3 and 4) actually saw a significant decline in their incomes. Only those in the upper half of the income distribution, with average incomes above \$75,957 in 1989, saw significant increases. The wealthiest 10% of BC's families had a gain of \$40,233 or about 25% in their average income.

**CHANGES IN AVERAGE TOTAL INCOME BY DECILE GROUP,  
ALL BC FAMILIES WITH CHILDREN, IN CONSTANT 2007 DOLLARS**

Decile	1989	2007	Difference
<i>Poorest</i> 1	17,507	18,396	889
<i>Second Poorest</i> 2	34,364	35,087	723
3	48,767	43,882	(4,885)
4	59,058	55,229	(3,829)
5	67,571	67,821	250
6	75,957	80,984	5,027
7	86,189	96,511	10,322
8	97,836	115,092	17,256
<i>Second Wealthiest</i> 9	112,474	133,601	21,128
<i>Wealthiest</i> 10	160,251	200,484	40,233
All Families (Average)	76,069	84,829	8,760

Source: Canadian Centre for Policy Alternatives based on Statistics Canada data

**These changes in income underline the increasing inequality in the BC economy. Despite continued economic growth, poor families have seen no real improvement in their situation, while wealthy families have typically had increases in their incomes. The income ratio between the wealthiest and poorest 10% of families with children in BC has risen from 9 to 1 in 1989 to 11 to 1 in 2007.**

# CHILD POVERTY AND THE IMPORTANCE OF GOVERNMENT HELP

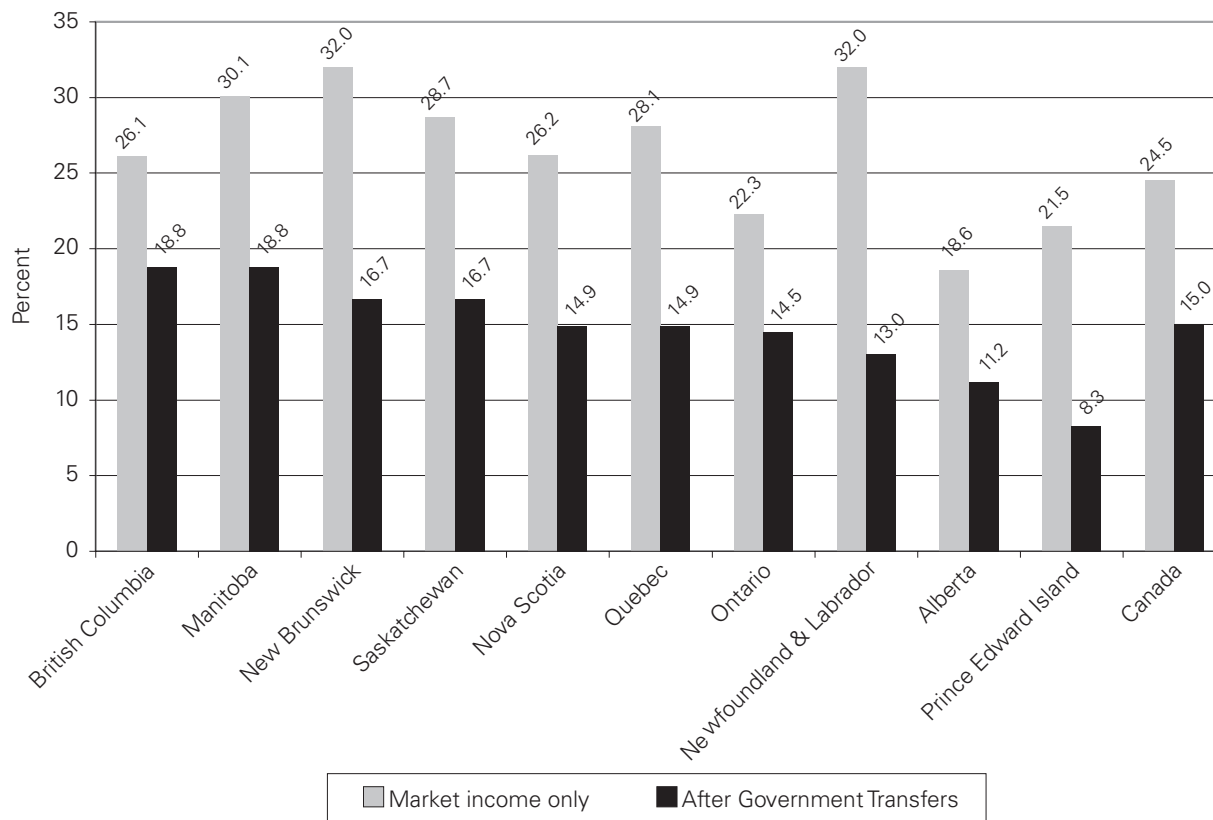
## FACT SHEET #8

November 24, 2009

Federal and provincial government income support programs play a huge role in reducing child poverty in British Columbia and all other provinces. In 2007, the child poverty rate was 18.8% 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 26.1%. This means that government transfers reduced the market child poverty rate by 28%, or more than 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 32%; after government transfers, the rate dropped to 13%. This means that government transfers in Newfoundland and Labrador reduced the market child poverty rate by 59.4%.

**CHILD POVERTY RATES WITH AND WITHOUT GOVERNMENT HELP, 2007<sup>1</sup>**



Source: Statistics Canada custom tabulation

<sup>1</sup> Provinces are arranged by highest to lowest poverty rates after government help.



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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 for children under 18 and the Universal Child Care Benefit for children under six. The federal government also pays a quarterly GST credit to low-income families and individuals. Ottawa 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 (CST). The CST is a government-to-government transfer designed to defray the costs of welfare and social services, early childhood development, early learning and childcare, and post-secondary education.

The BC government also assists some low income families directly with a rent supplement and/or a childcare subsidy. While they benefit some families, each of these programs has limited reach. Many low-income families do not meet the eligibility criteria for the rent supplement. Similarly, childcare subsidy dollars frequently do not cover the actual cost of childcare fees, leaving low-income families to make up the difference.



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## WHAT NEEDS TO HAPPEN

### FACT SHEET #9

November 24, 2009

#### Broken Promises

In 1989, Canada signed the UN Convention on the Rights of the Child and the House of Commons unanimously passed a resolution “to seek to achieve the goal of eliminating poverty among Canadian children by the year 2000.” On the 20th anniversary of these two commitments, one in five children in BC still lives in poverty. Despite years of unprecedented economic prosperity in BC, we have allowed income inequality to increase.

#### Time to Act

It is beyond time to mobilize our resources for a provincial strategy with targets and timelines for the reduction of child and family poverty across BC. BC Campaign 2000 believes that British Columbians and Canadians everywhere have made an overwhelming and eloquent case for tackling this problem now. We have comprehensive research evidence and strong public support for urgent government action, especially in the face of a recession, when more families are falling into poverty.

Both the federal and BC governments are guilty of ignoring the research evidence, the public desire for action and the proven solutions. Dangerously, our provincial government is weakening the social safety net and reducing investments in prevention services in a time of recession, when help is most needed.

#### BC Campaign 2000 Recommendations

Nationally, Campaign 2000 calls on all provinces and the federal government to commit themselves to a target of a 50% reduction in poverty among all Canadians by 2020. Here in BC, because we have so much ground to make up, we are calling for the following reductions in the rates using the before-tax LICOs:

1. A reduction in the child poverty rate by the year 2013 to 14%; and
2. A child poverty rate by the year 2020 of 7%.

We are also calling for the appointment of a BC 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.

The critical next step is for the BC government to accept firm targets and timelines. There are many elements that can help government achieve these targets that we have recommended in the past. These key elements include:<sup>1</sup>

- The BC government should raise the minimum wage to \$10.80 an hour and index it to increases in the cost of living. The \$6 an hour “training wage” should be abolished.
- No family with a full-time full-year worker should live in poverty. Governments at all levels should make sure their direct and indirect employees are paid a living wage that allows them to meet their basic needs, properly support their children and avoid chronic financial stress.

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<sup>1</sup> See Campaign 2000, [Summoned to Stewardship: Make Poverty Reduction a Collective Legacy](http://www.campaign2000.ca/) for further details on the strategy. Available at <http://www.campaign2000.ca/>

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- 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.
  - The province should restore welfare earnings exemptions for recipients classified as employable and the income exemption for child support payments.
  - The federal government should increase the Canada Child Tax Benefit to \$5,400 per child. The increases should go to families without regard to whether earnings or government transfers are the family's main source of income.
  - Provincial support for access to post-secondary education should be increased to remove financial barriers for low-income students and lower student debt levels, including rescinding the rule that does not allow welfare recipients to retain benefits while attending a post-secondary institution.
  - Cuts in Employment Insurance made by successive federal governments should be rescinded, so that most workers are protected during a temporary loss of wages and receive a benefit they can live on while they look for new employment.
  - Universal access to high quality, accessible childcare is absolutely necessary if most parents with young children are to remain in the paid labour force. Universal access to high quality childcare and early learning would also ensure that all children have the best possible start in their early years. This requires significant investments from both federal and provincial governments.
  - The federal and provincial governments need to increase 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 expand and stabilize coverage for all and reduce costs through economies of scale.

**The long-term benefits of poverty reduction and prevention will be felt by all Canadians. There is good evidence that as a society we either share the collective responsibility to prevent child and family poverty, or we face rising costs in health care services, criminal justice and education. In times of economic uncertainty, a comprehensive poverty reduction plan not only works to restore social justice, it makes good economic sense. Our choice is clear – we can pay now or pay later.**

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## MELANIE'S STORY – THE HUMAN FACE OF CHILD POVERTY

Melanie is a sociable 10 year old girl who loves school; she has many friends both at school and in the low-rent apartment complex where she lives with her mom. Mel's mother works long hours at two low paying jobs in order to provide the basic necessities. In the past, life was easier for this single mom and her daughter; for ten years she worked for a hospital, was well paid and worked a regular 40-hour week. She and Mel had time to do fun things together. However, that job was 'contracted out' and she had to look for new work.

This brought big changes into their lives – they had to move to lower cost housing and mom now works two low wage jobs, often 50 hours a week, to provide for their basic necessities. Mom is always tired and doesn't have the time, money or energy to do some of the things they used to enjoy doing together.

One day Mel brings home a letter from school announcing free swimming lessons for everyone in Grade 5. When Melanie tells her mom that she needs a swimsuit for Monday, her mother tells her that she won't be paid until later in the week and can't even get to the thrift store to look for a second hand one because she has to work. Mel tells her mother that she will be the only one who won't be going and that she will look stupid if she can't go. Mom tells Mel she doesn't understand how hard it is for her to say she can't afford things and the evening ends in tears, anger and guilt.

On swimming day Mel tells her mother that she is sick and can't go to school. Mom knows what is happening but has to rush out to work and tells Mel to stay indoors all day and she will try and get home early.

After a couple of hours Mel is bored and angry and she decides to walk to the mall on her own – something she is not allowed to do. She wanders around looking at swimsuits and the thought goes through her mind that she could probably take one and no one would notice. However, she decides against that and just mooches around trying on clothes. Her mother phones home to see how she is, and when no one answers the phone after several calls, Mom is frantic and calls a neighbour to ask her to check up on Mel. The neighbour goes over to their apartment and finds that Mel isn't at home. Mom rushes home, missing two hours of work, to find Mel arriving back from the mall, and another angry scene erupts.

Next day her mom makes sure that Mel goes to school and Mel tells the other children that she is sick and isn't allowed to swim. She tells them that she doesn't like swimming anyway so she is pleased she doesn't have to go with them. Mel spends the time they are at swimming in the secretary's office doing some school work. When everyone comes back full of enthusiasm from their swimming lessons, she feigns indifference and walks away.

After a number of events like this, and a couple of birthday parties she can't attend because she can't afford a present, Mel progressively excludes herself from her group of friends, feels angry and her school work starts to suffer. Her mother doesn't know what is happening to her once happy, sociable daughter and feels anxious, helpless and a failure as a parent.

## APPENDIX MEASURES OF POVERTY

November 24, 2009

Canada does not have an official way of measuring poverty. This report uses the before-tax Low Income Cut-Offs (LICOs) produced by Statistics Canada. Another method, developed by Human Resources and Skills Development Canada in response to a request from federal, provincial and territorial ministers responsible for social services, is the Market Basket Measure (MBM). Each approach, and its related income thresholds, is briefly described below.

The LICOs 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 income thresholds are based on findings from the 1992 Survey of Household Spending as a base year, and Statistics Canada updates the thresholds each year by the changes in the Consumer Price Index. The 1992 survey showed that the average family spent 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 spent 54.3% (an additional 20 percentage points) or more of their income on these three items.

The LICOs consist of income lines that vary with the size of the household and the size of the community. As the tables show, large urban communities have higher income thresholds. Thresholds have been developed for total income from all sources both before income tax and after income tax based on annual surveys of incomes by Statistics Canada.

### STATISTICS CANADA’S LOW INCOME CUT-OFFS FOR 2007 (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	21,666	18,659	18,544	16,968	14,914
2 persons	26,972	23,228	23,084	21,123	18,567
3 persons	33,159	28,556	28,379	25,968	22,826
4 persons	40,259	34,671	34,457	31,529	27,714

*Source: Statistics Canada, Low income cut-offs for 2008 and low income measures for 2007, Cat. no. 75F0002M2009002*

A single parent, for example, with one child living in Vancouver with total annual income of \$25,000 before tax would be below the LICO and would be counted as living in poverty. A similar family in a smaller community like Prince George (population 83,225) would be above the LICO and would be counted as not living in poverty.

The same Survey of Household Spending also showed 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 2007 (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	17,954	15,184	14,944	13,441	11,745
2 persons	21,851	18,480	18,250	16,360	14,295
3 persons	27,210	23,011	22,725	20,370	17,800
4 persons	33,946	28,709	28,352	25,414	22,206

Source: Statistics Canada, Low income cut-offs for 2008 and low income measures for 2007, Cat. no. 75F0002M2009002

The MBM is based on the specific cost of goods and services for food, shelter, clothing and transportation and computes other costs as a percentage of the cost of food and clothing in cities across Canada. Thus the MBM is sensitive to differences in housing costs in similar sized communities and recognizes the increased cost of transportation in smaller communities. Consequently, there are smaller overall differences between small and large communities using the MBMs compared to the LICOs before or after tax.

### MARKET BASKET MEASURES FOR 2007 (After-Tax Disposable Income)

Size of Household	Metropolitan – 500,000 or more	100,000 – 499,999	30,000 – 99,999	Less than 30,000	Rural Areas
1 person	15,884	15,478	13,788	14,698	14,609
2 persons	22,238	21,669	19,303	20,577	20,452
3 persons	27,003	26,313	23,439	24,986	24,834
4 persons	31,768	30,956	27,575	29,395	29,217

Source: Human Resources and Skills Development Canada, August 2009, Low Income in Canada: 2000-2007 Using the Market Basket Measure (Table includes BC Campaign 2000 calculations.)

The MBM uses a measure of “disposable income” whereby total income is reduced for out-of-pocket expenses for childcare, prescribed medical expenses, and all statutory deductions as reported on income tax forms.

For example, let’s say a two-parent, two-child family (the reference family for the MBM), had total income before deductions and expenses of \$40,000. Let’s further assume that they had income tax and CPP and EI premium deductions of \$7,000 and childcare and medical expenses of \$2,000 as reported on their tax form. The family would have a disposable income of \$31,000 and would thus be considered poor if they lived in Vancouver, where the disposable income threshold is \$31,768.

The fact sheets in this report use the LICO before-tax data. These data are available for a longer time frame than the MBM data and are more reliable at the provincial level than the LICO after-tax data.

It is important to remember that most low-income families have total or disposable 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.



## **What is First Call?**

First Call is a cross-sectoral, non-partisan coalition of provincial and regional organizations, engaged communities and individuals whose aim is to raise public awareness and mobilize communities around the importance of public policy and social investments that support the well-being of children, youth and families.

## **Our coalition partners are committed to the Four Keys to Success for Children and Youth:**

### **A Strong Commitment to Early Childhood Development**

- Improve 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

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