



BC CAMPAIGN 2000

WHAT IS CHILD POVERTY?

FACT SHEET #1
November 24, 2006

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 2004 (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	\$20,337	\$17,515	\$17,407	\$15,928	\$14,000
2 persons	\$25,319	\$21,804	\$21,669	\$19,828	\$17,429
3 persons	\$31,126	\$26,805	\$26,639	\$24,375	\$21,426
4 persons	\$37,791	\$32,546	\$32,345	\$29,596	\$26,015
5 persons	\$42,862	\$36,912	\$36,685	\$33,567	\$29,505
6 persons	\$48,341	\$41,631	\$41,375	\$37,858	\$33,278
7 or more persons	\$53,821	\$46,350	\$46,065	\$42,150	\$37,050

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 \$22,000 would be below the LICO and would be counted as living in poverty. A similar family in a smaller community like Prince George (population 77,000) 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.

The British Columbia Minister of Employment and Income Assistance has criticized using the before-tax LICOs for calculating poverty rates. As a result, 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 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. The after-tax LICO includes deductions for federal and provincial income taxes.

STATISTICS CANADA'S LOW INCOME CUT-OFFS FOR 2004 (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	16,853	14,253	14,075	12,617	11,025
2 persons	20,512	17,347	17,131	15,357	13,418
3 persons	25,542	21,601	21,332	19,121	16,709
4 persons	31,865	26,948	26,613	23,856	20,844
5 persons	36,285	30,686	30,305	27,165	23,736
6 persons	40,241	34,032	33,610	30,127	26,324
7 or more persons	44,197	37,378	36,913	33,089	28,912

Source: Statistics Canada, Catalogue No. 75F0002MIE2006004

The LICO levels for 2004 follow this trend of fewer people falling below the cut-offs in an after-tax scenario. This is demonstrated in the fact that the after-tax cut-offs are much lower than the before-tax cut-offs. The lower after-tax figures mean that fewer people will fall below the cut-offs determined for 2004. However, as will become evident in Fact Sheet #3, the overall trends are the same for the before- and after-tax poverty rates, even if the thresholds are different.

Throughout this report, unless specifically indicated, we will use the before-tax poverty rates for tracking historical change.



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BC HAD THE WORST RECORD – THREE YEARS IN A ROW

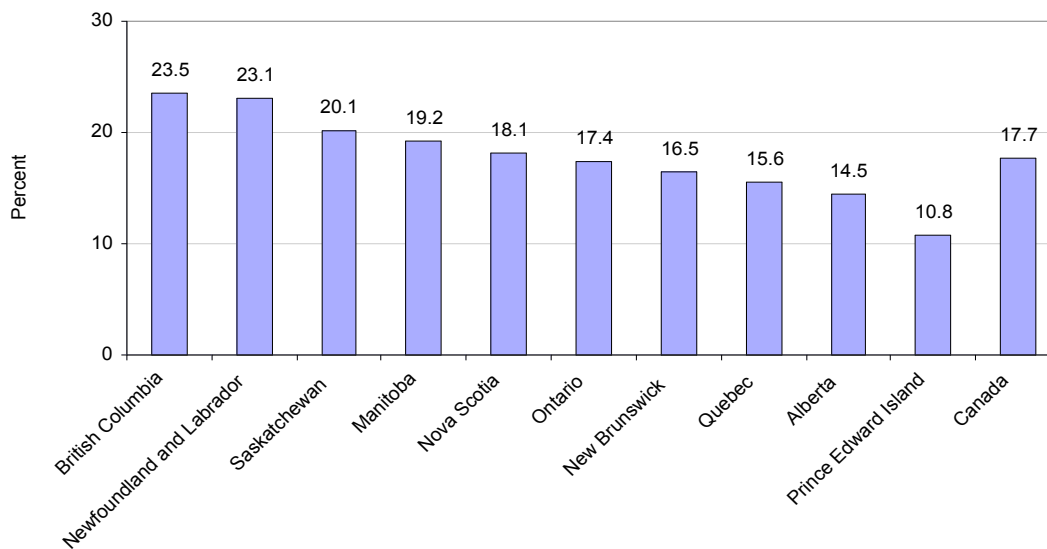
FACT SHEET #2

November 24, 2006

Despite claims by the Minister of Employment and Income Assistance that the child poverty rates being reported were relying on old data and that the rates have actually decreased, the latest data shows that British Columbia still had the highest child poverty rate of any province in 2004 for the third year in a row, according to the latest figures from Statistics Canada. The 2004 BC rate was 23.5% or nearly one of every four children. That was well above the national child poverty rate of 17.7%.

The estimated number of poor children in BC in 2004 was 196,000. That was almost the same as the entire population of Burnaby or the entire populations of Nanaimo, Kelowna and Williams Lake combined.

CHILD POVERTY RATES BY PROVINCE, 2004 (Before Tax)



Source: Statistics Canada's [Income Trends in Canada, 1980-2004](#), Cat. 13F0022XCB

This is the third year in a row that British Columbia had the highest child poverty rate in Canada. The rate in 2002 was 24.2%, which was also the highest child poverty rate ever reported in BC since Statistics Canada started publishing poverty data on an annual basis in 1980. The 2004 BC rate is a half percentage lower than in 2003, when the BC child poverty rate was 23.9%. The national child poverty rate in 2003 was 17.6%.

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



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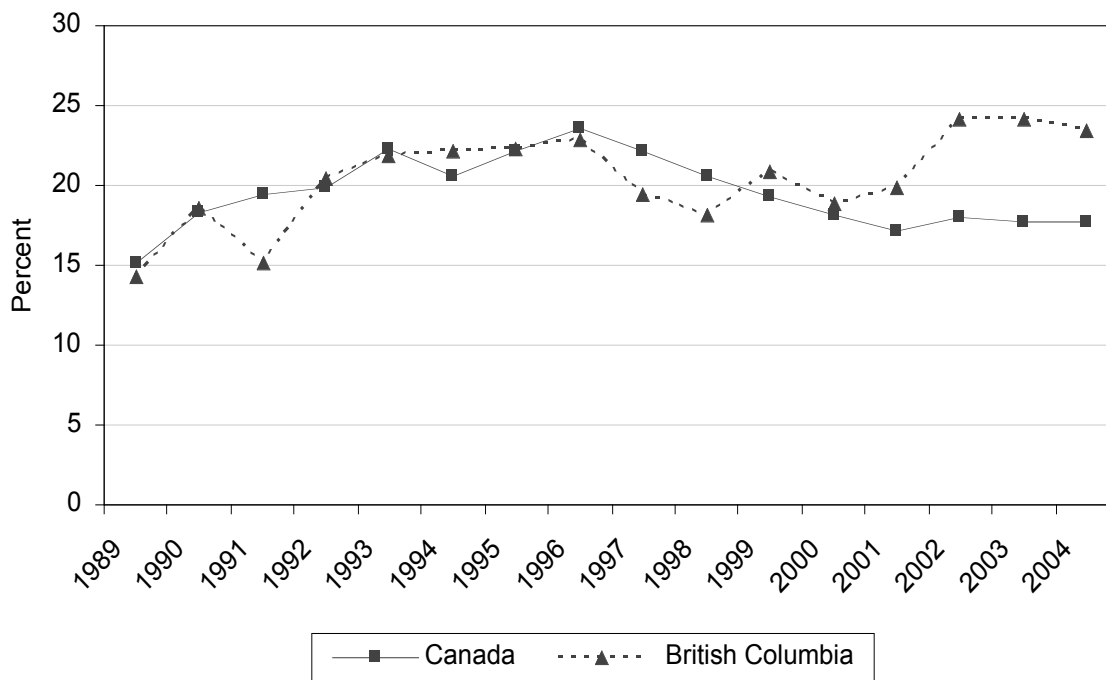
CHILD POVERTY OVER THE YEARS

FACT SHEET #3
November 24, 2006

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, a trend which continues.

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 starting in 1997, the rates began to fall as the economy improved through the rest of the decade to 2001, where again the trend line flattens. While BC's child poverty rates were lower than the national average in 1989; that is clearly no longer the case in 2004.

POVERTY RATES FOR CANADA AND BRITISH COLUMBIA 1989-2004 (Before Tax)



Source: Statistics Canada's Income Trends in Canada, 1980-2004, Cat. 13F0022XCB

For most of the years since 1989, the child poverty rate in British Columbia also went up and down with the state of the economy, but the situation changed dramatically in recent years. From 1998 through 2002, the BC trend in child poverty has been sharply upwards, flattening in 2003 and 2004.

The graph shows BC child poverty rates rising from 18.2% in 1998 to a record high 24.2% in 2002 and down marginally to 23.5% in 2004.

In 1980, when Statistics Canada first started publishing poverty statistics on an annual basis, BC had the lowest child poverty rate in Canada. The BC rate was 10.7%, well below the national rate of 16.2%.

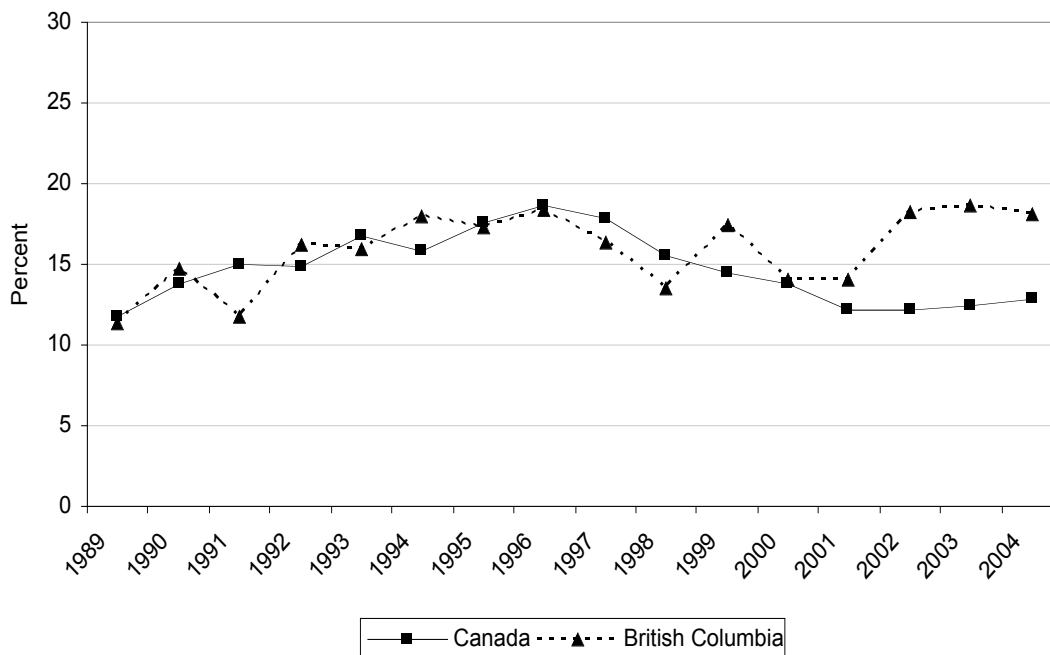
In 1989, the year of the House of Commons resolution, the BC child poverty rate was 14.3% and the national rate was 15.1%.

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%.

As of 2004, BC is the province with the largest increase in child poverty since 1980. It is the province with the largest increase in child poverty since the House of Commons resolution in 1989. And it is the only province where the child poverty rate was actually higher in 2004 than in 1997 despite increases in child benefits.

The after-tax child poverty figures for Canada and British Columbia show similar trend lines to the before-tax figures for 2004. BC's child poverty rate after taxes still sits close to its 2002 high at 18.1% in 2004. Even with the after-tax figures, BC still has the highest child poverty rate of all the provinces in 2004, and sits well above the national after-tax rate of 12.8%.

POVERTY RATES FOR CANADA AND BRITISH COLUMBIA 1989-2004 (After Tax)



Source: Statistics Canada's Income Trends in Canada, 1980-2004, Cat. 13F0022XCB



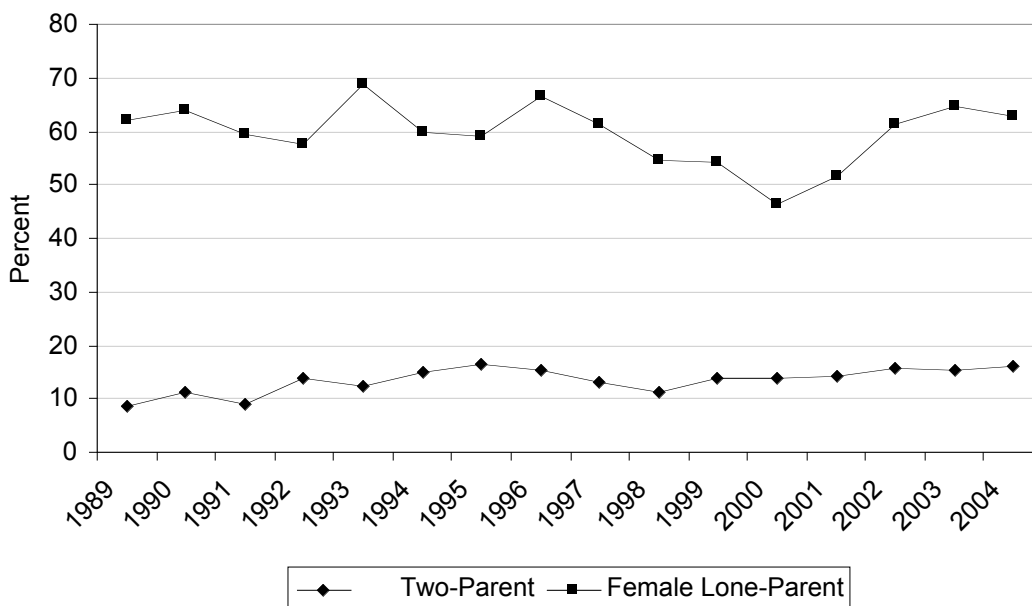
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CHILD POVERTY BY FAMILY TYPE

FACT SHEET #4
November 24, 2006

The risk of poverty varies greatly by family type. The poverty rate for BC children living in families headed by lone-parent mothers was 62.8% in 2004, while the poverty rate for BC children in two-parent families was 16.2%.

BC CHILD POVERTY BY FAMILY TYPE: 1989-2004



Source: Statistics Canada's Income Trends in Canada, 1980-2004, Cat. 13F0022XCB

Poverty rates for BC children in lone-parent families headed by women came down noticeably between 1996 and 2000 but have increased sharply until 2004. Poverty rates for BC children in two-parent families have been relatively constant over the years, but since 1998 have been increasing slightly.

Poor children typically live in families with incomes far below the poverty line, and the depth of poverty for families in British Columbia has been increasing in recent years. In 2004, the average depth of poverty for poor children in families headed by lone-parent mothers was \$11,400, and the average depth of poverty for children in two-parent families was \$11,700. The depth of poverty figures in BC are among the worst in Canada. The depth of poverty figure for female led lone-parent families was \$2,000 greater than the average depth of poverty in Canada and the figure for two-parent families in BC was \$1,300 higher than for the average depth of poverty in Canada for this family type.

The majority of poor children (56%) live in two-parent families.



BC CAMPAIGN 2000 CHILD POVERTY AND WORKING PARENTS

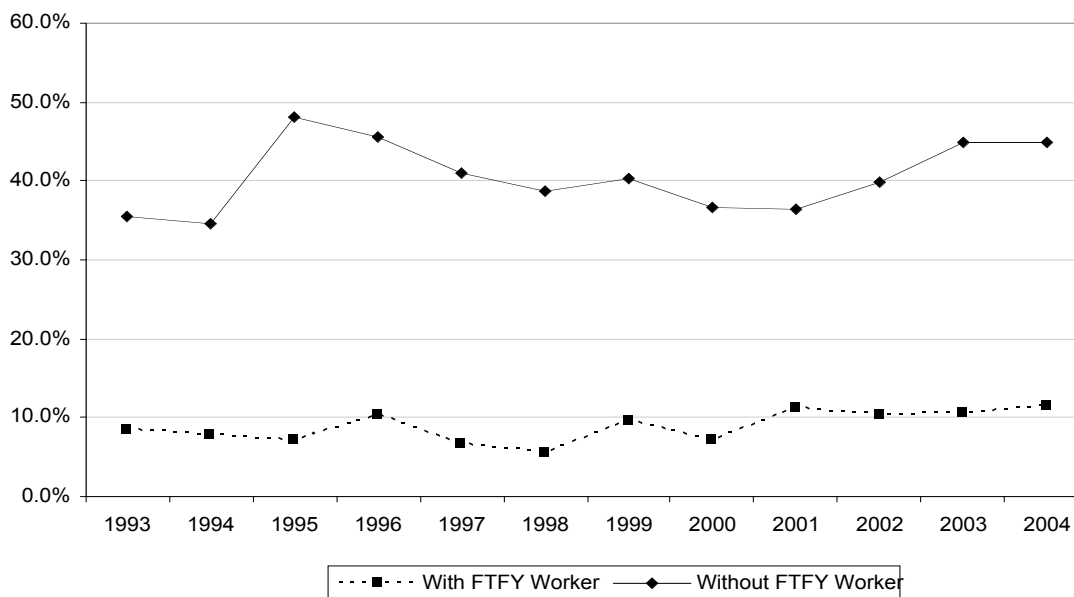
FACT SHEET #5
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Paid work is often the first line of defense against poverty, but only if the jobs are good jobs. The vast majority of poor children in BC (67.6%) live in families with some earned income, but not enough to get them over the poverty line.

Part of the problem is inadequate hours of work. The odds of being poor increase greatly when there is no one in the family with a full-time, full-year job. As shown in the graph below, the poverty rates for children in these families have been as high as 48% in recent years. The poverty rate was 40% in 2002 and 44.5% in 2003 and 2004.

The comparable rate for children in families with at least one full-time, full-year worker was 11.4% in 2004. The poverty rate for families with a full-time, full-year worker increased from 2003, when the rate was 10.5%. This trend has been on the rise since 2000, which indicates that it is getting more and more difficult for these families to make ends meet. Over 60,000 children live in families where there is at least one full-time, full-year worker.

CHILD POVERTY IN BC WITH AND WITHOUT A FULL-TIME, FULL-YEAR WORKER: 1993-2004



Source: Canadian Council on Social Development (CCSD); Based on Statistics Canada's Survey of Labour and Income Dynamics (SLID) masterfile data 1993 to 2004

Another part of the problem is low wages. A person working 40 hours a week for 52 weeks would have to earn \$9.78 an hour to reach the poverty line for a single person in Vancouver. The current BC minimum wage is \$8, and the so-called training wage for new workers 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.



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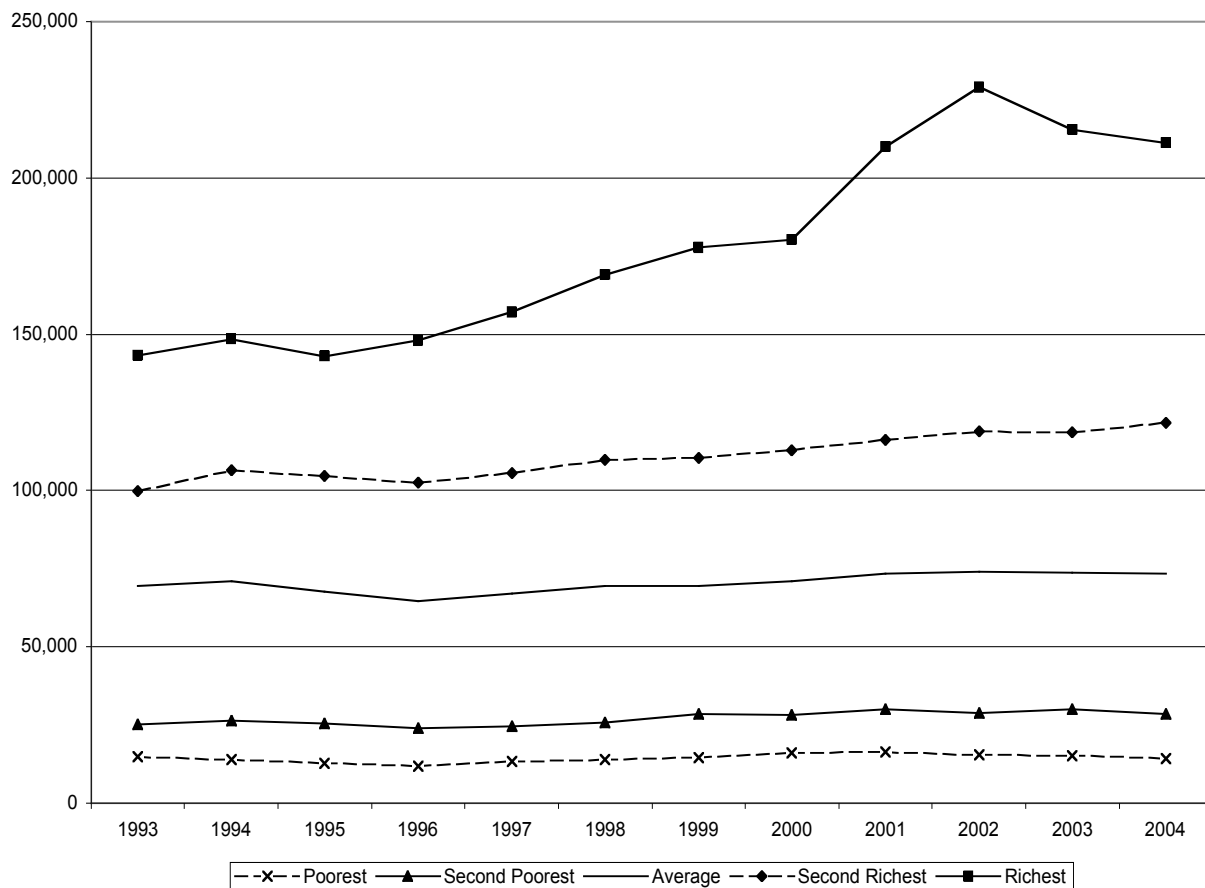
INCOMES OF FAMILIES WITH CHILDREN

FACT SHEET #6
November 24, 2006

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, especially since 2000 where there has been a sharp increase in average incomes for those in the top 10%.

The graph below outlines the situation for families with children in BC. 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 2004 Dollars)



Source: Canadian Council on Social Development (CCSD); Based on Statistics Canada's Survey of Labour and Income Dynamics (SLID) masterfile data 1993 to 2004.

BC families with children in the poorest 10% of the income spectrum saw their incomes decrease on average from \$14,824 in 1993 to \$14,475 in 2004, a decrease of \$349 in constant 2004 dollars. Meanwhile, families with children in the richest 10% went from \$143,338 to \$211,195, an increase of \$67,857 or 47%. Average family incomes were up from \$69,595 to \$73,434, an increase of \$3,839 or 6%.

This divergence in relative 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 relative and actual income. The relative income ratio between the top 10% and the bottom 10% in BC has increased from just over 10 to 1 in 1993 to just under 15 to 1 in 2004.



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FAMILIES WITH CHILDREN ON WELFARE

FACT SHEET #7
November 24, 2006

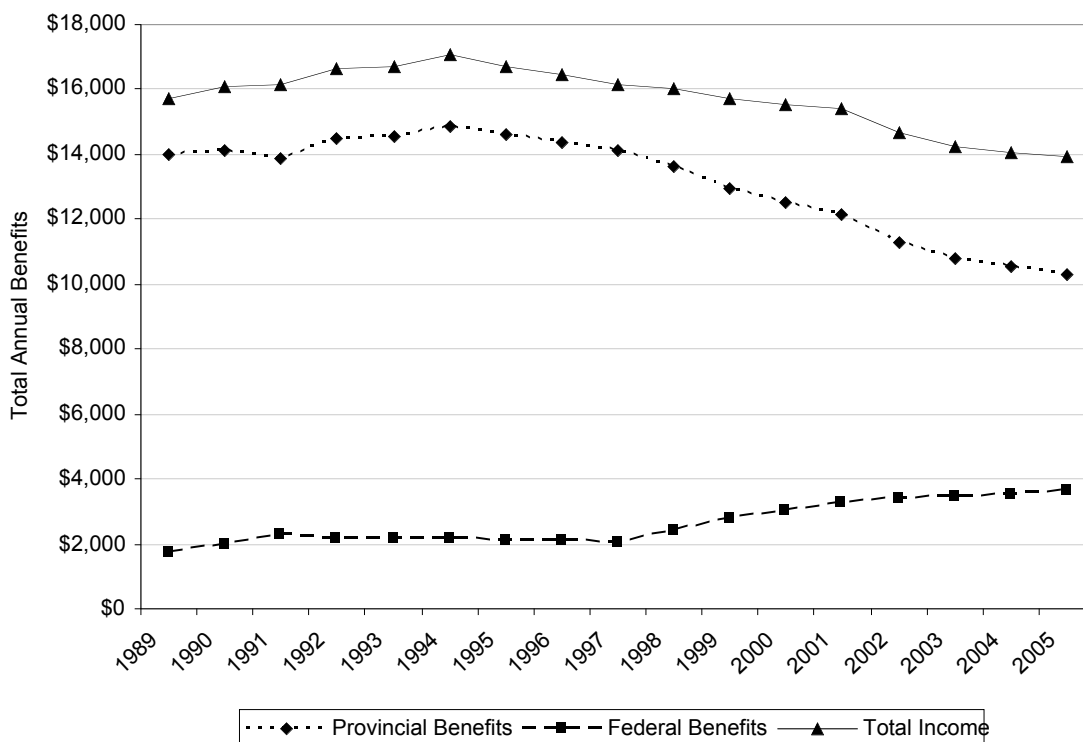
The incomes of British Columbia families with children on welfare fell to a 16-year low in 2005, according to the latest calculations by the National Council of Welfare.

A single parent with one child on welfare in BC had a total income of \$13,948 - or \$11,919 below the poverty line for Vancouver, according to the Council's report *Welfare Incomes 2005*. A couple with two children had a total welfare income of \$18,466 - or \$20,144 below the poverty line for Vancouver.

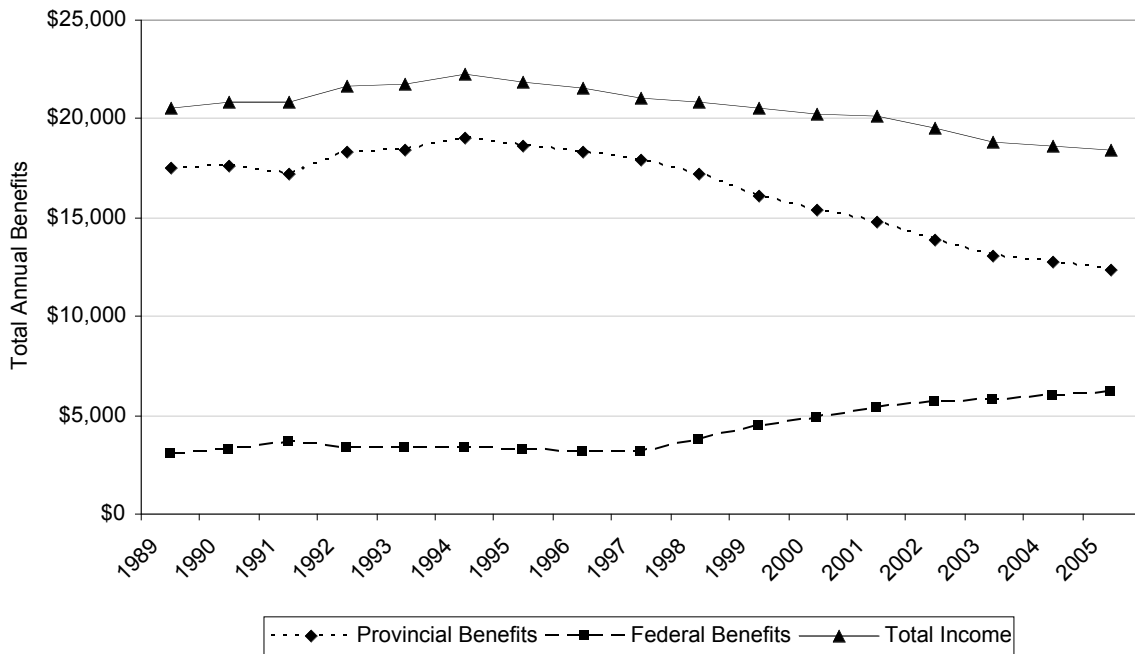
The following graphs show total welfare incomes over the years for the two main types of families with children and the portions of total income provided by the BC and federal governments. The incomes are in 2005 dollars to reflect their purchasing power after inflation.

Total welfare incomes in BC, shown in the top line of each graph, rose slightly in the early 1990s, peaked in 1994 and have been getting worse ever since. The totals for 2005 are the result of eleven consecutive years of decline. The incomes of families with children on welfare were 22% lower for lone-parent families with one child and 21% lower for couples with two children in 2005 than they were in 1994.

BC WELFARE BENEFITS – LONE PARENT, ONE CHILD



BC WELFARE BENEFITS – TWO PARENTS, TWO CHILDREN



Source: *Welfare Incomes 2005*. National Council of Welfare.

The federal share of welfare incomes has increased since 1998 because of increases in the Canada Child Tax Benefit. The federal increases, however, have been more than offset by reductions in provincial benefits. British Columbia is one of several provinces and territories that have “clawed back” the federal increases in child benefits from families on welfare.

BC welfare incomes are also down because of selective cuts in welfare benefits by the former NDP provincial government and the current BC Liberal government and because welfare benefits are not indexed or increased automatically with the cost of living. Beneficiaries of most federal government programs in Canada have their benefits indexed so their purchasing power is not eroded by inflation.

In March 2005, there were an estimated 17,322 single-parent families on welfare and an estimated 2,665 two-parent families on welfare in British Columbia. The average number of dependent children on welfare was 33,385. The decline in numbers from 2005 does not necessarily mean that fewer people are in need of income assistance. Since 2002, the number of people claiming income assistance has been consistently dropping as a result of changes to the income assistance policies, making it more difficult to access the system.

About 48% of the two-parent families and 37% of the lone-parent families were classified as “expected to work” plus “expected to work – medical condition.” The rest were temporary assistance cases, persons with disabilities or persons with persistent multiple barriers.



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FAMILY POVERTY AND THE IMPORTANCE OF GOVERNMENT HELP

FACT SHEET #8

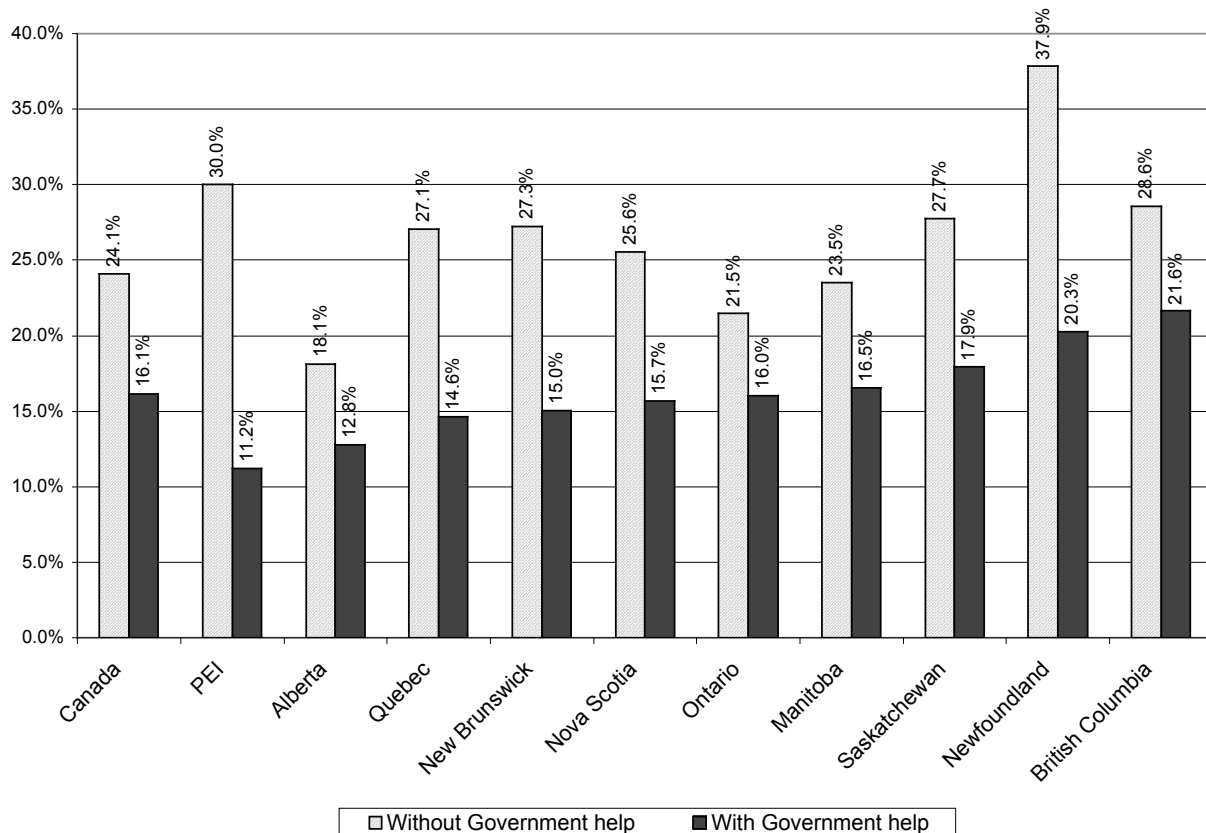
November 24, 2006

Federal and provincial government income support programs play a role in reducing child poverty in British Columbia and in all other provinces.

In 2004, there were 95,100 families with children living in poverty in BC and the poverty rate for families with children was 21.6%. If BC parents had been forced to rely only on earnings, income from investments and other sources of market income, the number of poor families would have been 125,600 and the family poverty rate would have been 28.6%.

Similarly, Canada had 587,100 poor families with children in 2004 and a poverty rate of 16.1%. Without the income provided by various government programs, the number of poor families would have been 877,000, and the family poverty rate would have been 24.1%.

FAMILY POVERTY RATES WITH AND WITHOUT GOVERNMENT HELP, 2004

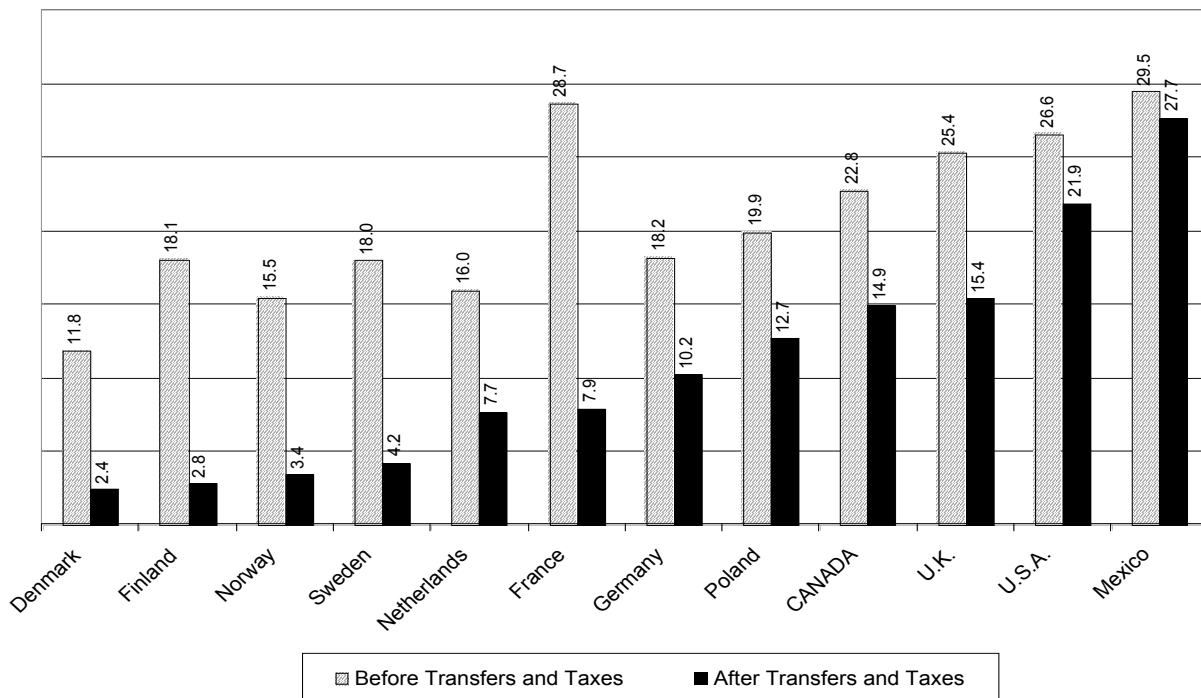


Source: Canadian Council on Social Development (CCSD); Based on Statistics Canada's Survey of Labour and Income Dynamics (SLID) masterfile data 1993 to 2004

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. 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. All in all, British Columbia had the worst record in Canada when it came to reducing market poverty with government help. The reduction was the smallest of any province in percentage terms and well below the national average. The reductions in market poverty were much more dramatic in Prince Edward Island, Quebec, New Brunswick and Newfoundland and Labrador.

By international standards, Canada does a very poor job of fighting child poverty. Government programs in Canada reduce child poverty by roughly one-third - from 22.8% to 14.9% as shown in the graph. That was better than the United States and Mexico, but much worse than most other developed countries.

CHILD POVERTY RATES BEFORE AND AFTER GOVERNMENT TRANSFERS



Source: UNICEF Innocenti Research Centre, Child Poverty in Rich Countries 2005
Poverty rates are based on percent of children in families with less than half the median income in their respective country.

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 with 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 2006 report on global competitiveness.



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WHAT NEEDS TO HAPPEN

FACT SHEET #9
November 24, 2006

Both the Federal and BC governments need to develop a poverty reduction strategy with credible targets and timetables.

The provincial government needs to:

1. Develop actions to create good jobs with decent wages and working conditions

- Increase the minimum wage to \$10/hour.
- Eliminate the \$6/hour training wage.
- Increase the minimum call out from two to four hours.
- Repeal legislation (Bill 37) that reduced the work start age from 15 to 12.

2. Provide reasonable and realistic income support to people on welfare

- Raise the welfare rates by 50%.
- Index welfare rates to inflation.

3. Develop a child care plan

- Pass legislation that commits BC to building a quality, accessible, publicly funded child care system.
- Shift the burden of the cost of child care from user fees to public funding.

The federal government needs to:

4. Further income security through an enhanced Child Tax Benefit

- Develop a multi-year plan with targets and timetables to consolidate the Canada Child Tax Benefit into a single program that provides a maximum of \$5,000 per child per year.
- End the “clawback” of National Child Benefit funds from families on social assistance in BC.

5. Put in place a pan-Canadian system of Early Learning and Child Care

- Enact federal child care legislation.
- Use designated federal funds to develop and sustain quality, universal, affordable, inclusive **regulated** and **licensed** child care.

6. Create a comprehensive Canadian housing strategy

- Increase annual federal funding of \$625 million per year.
- Develop a minimum of 25,000 affordable units across Canada annually.

7. Increase and stabilize funding of the Canada Social Transfer (CST)

- Establish enforceable principles that ensure adequate support is available to those in need.
- Increase federal funds for social services and social assistance.