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*"Child Poverty:
Whose Baby Is It?"*

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Child Poverty: Whose Baby Is It?

Poverty among Canadian children needs to be addressed at both the systemic level of public policy and legislation, as well as at the practical level of services which aim to alleviate and prevent poverty and its attendant social problems. Child-related benefits, such as family allowance or social allowance, must be coordinated with one another **and** be delivered in concert with community-based services offered by support agencies and schools. These child-related benefits have to, in turn, be couched within a context of conducive employment policies and opportunities. Any effective approach to eradicating child poverty has to provide a continuum of income support, family support services, and community development.

Having said all of that with relative ease, I would like to concentrate today on the some of the nuts and bolts of public policies pertaining to employment and income support. In Canada, the quagmire of social problems associated with children living in low income families has been extensively documented¹. There is no doubt that a serious situation with grave social consequences **and** economic costs exists. Research published earlier this year suggests that Canada will pay a high price for child poverty if it continues to be ignored. Ross and Shillington² calculate that over the next 20 years, approximately 187,000 students will drop out of school for two poverty-related

¹ See *Fighting Child Poverty*, April 1990, a National Council of Welfare Brief presented to this sub-committee; *The Canadian Fact Book on Poverty, 1989*, by D. Ross & R. Shillington; *Child Poverty and Adult Social Problems*, December 1989, by the Standing Senate Committee on Social Affairs, Science and Technology; *Changed Lives; The Effects of the Perry Preschool Program on Youths Through Age 19*, High Scope Press, 1984; *Children, Schools, and Poverty*, Canadian Teachers' Federation, June 1989; *Early Childhood At Risk: Actions and Advocacy for Young Children*, V. Dimidjian, 1989; *Compensatory Education in the Pre-school -- A Canadian Approach*, M. Wright, 1983, among others.

² Ross, D. & R. Shillington, "Child Poverty and Poor Educational Attainment: The Economic Costs and Implications for Society", prepared for the Standing Senate Committee on Social Affairs, Science, and Technology, May 1990, published in the Committee's January, 1991 report *Children in Poverty: Toward a Better Future*, p. 54-56.

reasons: "a deprived material environment leads to many unmet needs and alienation, which is detrimental to providing a proper learning environment; and poor physical and mental health resulting from being raised in poverty makes learning difficult." This research estimates that the reduced participation of these Canadians in the economy will cost \$620 million in Unemployment Insurance and another \$710 million in social assistance payments, not to mention lost tax revenues and lower incomes generally.

It costs money to reduce child poverty; it also costs money to ignore it. We have a choice.

Federal Child Benefit Policies

The majority of poor children live in families (62.6%) in which income is derived from government transfer payments-- such as social assistance, unemployment insurance, or disability pensions-- or earned through part-time employment. The remaining 37.4% of poor children live in 'working poor' families in which the parents have a full-year of combined income. The importance, then, of universal benefits which address the needs of *all* of these children cannot be underestimated.

Stigma

In Canada there are three main government transfers which affect children specifically: family allowance, the non-refundable child tax credit, and cost-shared income support provided through the Canada Assistance Plan (CAP). The first two of these provisions are universal entitlements; the third is a targeted program which is means-tested. This distinction is an important one. The *stigma* of means-tested programs is a major obstacle to overcoming child poverty.

There is convincing evidence that the *stigma* of being 'poor' is as much an obstacle for low income families as the objective conditions of living in poverty. Children who grow up with the label 'welfare bum', for example, risk experiencing the world in relative exile from their peers who are not poor. Their poverty is not only economic deprivation but social segregation. Perhaps even more destructive is the internalization of these self-deprecating attitudes by children who live in poverty.

Some child advocates speak of *povertyism*, a reference to the prejudice and subsequent discrimination against people who are poor. More than just a low economic status, 'poor' implies a kind of moral inferiority. Akin to racism and sexism, the effects of this kind of discrimination are particularly adverse for children. Any policy which aims to assist children who live in poor families cannot stigmatize them.

As a general proposition, welfare and housing are stigmatized services whereas health and education are not. The reason for this is that social assistance and subsidized housing are means-tested whereas health and basic schooling are provided equally to all socioeconomic groups.

CAP has been criticized for the negative impacts on poor children of receiving 'welfare'. Although it purports to be a 'safety net' for *all* Canadians, support provided through CAP manifests itself as several individual 'safety nets' for the needy. As soon as the public sees who is needy and who is not, stigma is attached to those who require public assistance. Many advocates of welfare reform contend that the dollars provided by CAP's stigmatizing programs should be redirected into more neutral benefits such as child tax credits³. I will return to this point in the final recommendations.

³ See *Transitions*, the Report of the Social Assistance Review Committee of Ontario, 1988.

Partial De-indexation

In 1986 the Federal Government introduced partial de-indexation for both family allowance and seniors' pensions. Realizing that such measure would erode their benefits significantly and continually over time, senior citizens across the country protested the proposed changes and won. Canadian children and their parents, particularly those living below the poverty line, did not organize to voice their concerns and so began the erosion of the value of family allowance benefits.

Increases in family allowance benefits is limited to the amount of inflation over 3% per year. In 1990 family allowances were \$400 per child; under the fully indexed system in place from 1973-84, they would have been \$463 per child in 1990⁴. Partial de-indexation also negatively affects the value of the non-refundable child tax credit. Increases in the refundable child tax credit will eventually be offset by the diminishing value of child-related benefits due to partial de-indexation.

Partial de-indexation of child-related benefits reflects government priorities. It means that assistance to mid and low income families deteriorates over time and that fewer and fewer low and middle income families will qualify for benefits. The question remains, "at whose expense?"

These benefits alone will not solve the problem of child poverty in Canada, but as long as they continue to be only partially indexed to the rate of inflation, this federal policy is actually exacerbating their poverty over time. To do nothing in the face of such a problem is bad; to contribute to it is even worse.

A common rebuttal to this line of reasoning is that dollars are scarce and Canadians must service the debt. What is not discussed is the

⁴ Ken Battle, *Child Benefits Reform*, July 1990.

debt we incur -- both in economic loss and social costs -- because of child poverty.

Bill C-69 (the capping of CAP)

The Canada Assistance Plan (CAP) is the most important anti-poverty legislation. Although the programs it funds are means-tested, it is one measure that aims to provide a basic income to Canadians in need. However, as part of what is an alarming trend, this too is being dismantled. Bill C-69 means that federal contributions through CAP will be frozen over the next five years to Alberta, B.C., and Ontario. Half of Canada's social assistance recipients live in these three provinces. Money is 'saved' at whose expense?

Social Assistance Rates

Defining poverty and determining what is adequate income support to provide the basic necessities is the subject of on-going debate in academic, political, and community circles. The fact remains that provincial social allowance rates are set *without* public debate and without reference to the *actual* cost of living and changes in costs over time.

A major focus of the Income Security Action Committee's activities has been the inadequacy of Alberta's social allowance rates. Recent changes in welfare policy have resulted in only marginal increases for most recipients. These rates fall far below estimates of the StatsCan low income cut-offs for 1991.

The chart below illustrates the new basic rates for social assistance in Alberta, as well as the corresponding poverty lines (or low income cut-offs) for people living in a city of over 500,000. In addition, it provides one measure of the *poverty gap*, the depth or severity of poverty based on how far short of the poverty line one's income falls.

Supports for Independence: Income Support in Alberta, 1991

	Single Employable	Single Disabled	Mother 2 children	Employable Couple 2 children
standard benefits per year**	\$5 640	\$9 060 (AISH*)	\$13 032	\$15 696
1991 low income cut-off (LICO***)	\$14 882	\$14 882	\$25 641	\$29 522
income as % of LICO (<i>poverty gap</i>)	38%	61%	51%	53%

notes: *AISH is Assured Income for the Severely Handicapped, a separate income support program for the permanently disabled.
 **This income does not count health benefits, such as basic dental care and prescriptions, which are provided in some cases.
 ***These are StatsCan low-income cut-offs for 1991 as estimated by the National Council of Welfare, based on 5.1% inflation. They are calculated for people living in a centre of 500,000 or more.

At this level of poverty will not be eradicated but perpetuated. Children living in low income families may survive physically, but they will --in all likelihood-- raise poor families themselves.

The issue here is basic needs: should government income support programs provide for the mere physical survival of families that are poor, or should it allow for participation in basic community activities and social acceptance? Should a 'welfare mom' have enough money to pay for child care and bus fare to attend a community league meeting, or not? Should a low income family be afforded an income which covers school field trips, or a Ninja turtles

lunchbox? A consensus on this question will not be reached easily, but the fact remains that the public has not been asked.

To the extent that children from low income families become social outcasts because welfare rates are insufficient, rates must be raised accordingly. It is a serious social problem that many low income families cannot even meet their basic physical needs, let alone the costs of social acceptance and community participation.

Employment

Child poverty is not an isolated phenomenon; it is only part of a larger 'poverty pie' baked in a crust of unemployment, underemployment, a lack of education and related job skills. To solve the problem of children's poverty, one must address the issue of inadequate family income. Increased employment income, then, is one major response to poverty generally, and thus to child poverty.

Minimum Wage

There must be employment for the parents of poor children, employment at rates of pay which permit the family to reach beyond the level of measured poverty.... Adequacy is not a question to be confined to assistance rates alone: it must be addressed directly in consideration of the minimum wage. ⁵ ...

The coordination of employment policy and legislation with that of income support should not be a novel idea. However, to date concerted efforts to assess the compatibility of these policies have been few. Basic barriers to workforce participation, such as loss of children's health benefits or a lack of affordable child care, are only beginning to be addressed. Under present social assistance systems, recipients often experience a drastic cut in their benefits once they begin working. "Providing working-poor families with benefits

⁵ Professor Allan Moscovitch, Witness to the Standing Senate Committee on Social Affairs, Science and Technology. See *Children in Poverty: Toward a Better Future*, p. 20.

similar to those received by social assistance recipients will serve to eliminate the 'disincentive to work' and will facilitate a smoother transition from 'welfare' to work.⁶ "

Alberta is at the bottom of the heap in terms of minimum wage rates as a percentage of the poverty line. Presently, a single parent with one child working full-time at the minimum wage earns less than \$9000 per year or 46.3% of the poverty line⁷. Even a family of three with one child and both parents working at the minimum wage does not earn enough to reach the poverty line. This reality challenges the prevailing myth that being employed and working hard make families immune to poverty.

Lone Parent Families

While most poor children live in two parent families, children from female-headed lone parent families are grossly over-represented in child poverty statistics. Although families headed by a single mother comprise only 10% of Canadian families, they account for 35.9% of all poor children (Ross & Shillington, 1989). In 1987 the average income for a male-led lone parent family in Canada was \$46 510 and for the equivalent female-led family, \$21 800 (StatsCan Cat. 13-207).

Throughout the 1980s wages in Alberta remained relatively constant while the cost of living continued to rise. The result was a decrease in buying power for many families, and a subsequent increase in poverty for many more. Most adversely affected were lone parent families in which, at best, there is usually a single breadwinner. Many two parent families coped with their eroding income by the other parent engaging in paid work -- either full or part-time. Clearly, this was not an option for lone parent families, particularly those led by women.

⁶ Ibid., p.29.

⁷ Ibid., p. 20.

Recommendations for Policy Development

Guidelines for change:

- recognize the need to increase the amount of support available to low income families with children.
- remove children from the social assistance rolls and redirect CAP funds through a less stigmatizing, more universal system of child benefits⁸.
- coordinate minimum wage legislation with other child-related benefits; if social assistance programs are retained, disincentives to entering the labour force must be removed through a comprehensive package of 'transitional benefits'.
- restore indexation of family allowance and the Refundable Child Tax Credit, so that the value of benefits to poor children do not continue to erode over time.
- recognize that employment income is the most critical source, or potential source, of support to poor families; better access to better terms of employment -- to provide a living wage⁹ -- should be the goal of all economic and social policy developed by the federal and provincial governments. Accordingly, increase the federal minimum wage.

⁸ Details of a revenue-neutral approach which incorporates these ideas have been articulated by Ken Battle in his report submitted to the Standing Senate Committee on Social Affairs, Science and Technology, Appendix II, p. 89.

⁹ For the purpose of definition, living wage here refers to the StatsCan low-income cut-off, depending on family size and place of residence (rural/urban).