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THE COST OF POVERTY

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The Cost of Poverty

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INTRODUCTION

The Cost of Poverty has been developed by the National Council of Welfare (NCW) to draw the attention of the public and policy-makers to how expensive poverty really is. In the 2001 Speech from the Throne, the federal government signalled a commitment to end poverty. In the view of the Council, this is not only welcomed and necessary, it is possible. Given our lack of success in the past 20 years, however, it also clearly requires a new nation-wide approach. The existing patchwork of programs across the country is as full of barriers as supports and this situation urgently needs to change.

This paper was conceived prior to the September 11, 2001 attacks on the United States and the beginning of the war on terrorism. These events, however, make the subject of this paper even more critical. As much as we despise the horrific acts perpetrated by a relatively few terrorists, we must face the reality that poverty and the great gap between the “haves” and the “have-nots” in our society, within and between countries, is a core issue in this and many conflicts.

The Council has, over the years, documented and described poverty in Canada in publications such as *Welfare Incomes*, *Poverty Profile*, *Justice and the Poor* and, most recently,

Child Poverty Profile. The statistics in these publications show the extent of poverty, how deeply in poverty many people live and who is most vulnerable.

The Cost of Poverty is not about the people who live in poverty at any given time. Instead it reflects a challenge to our assumptions about poverty itself - and about whom it hurts - so that we can find more innovative, lasting ways to prevent it. If you are among those who are well-off, or at least relatively comfortable, and think that poverty does not affect you, you could not be more wrong. Canada cannot afford the human misery or the economic liability that poverty brings.

WHAT IS POVERTY?

Canada does not have an official poverty line, although there are several measures commonly used, primarily Statistics Canada's Low-Income Cut-Offs (LICOs), which show how many people in Canada spend significantly more than the average on the necessities of life. The LICOs also allow us to see how deep in poverty or how very far below the cut-off some people live. All measures of poverty are relative. The issue is not so much about measurement as it is about values. How poor and excluded are we are willing to allow some people to be in our wealthy society? Questions about poverty measurement are often used to distract attention from what is really important, such as trends, which tell us whether we are doing better or not, and patterns, which tell us what circumstances make some people more vulnerable to poverty.

Poverty rates can vary a great deal depending on government policies and priorities. For example, a comparative study of poverty rates for lone-parent mothers shows marked differences among countries with comparable economic wealth, from 47% in the United States and 40% in Canada to 25% in France to an amazingly low 3% in Sweden¹.

Poverty is usually measured in terms of income, but people can also be impoverished by lack of access to other resources, by social exclusion and by the stress of insecurity. With changing family and work patterns, there is growing recognition of the problem of time poverty. If you have a young child or a disabled family member who requires care, for example, you have fewer hours available in a day for other activities such as paid work, a training course or even sleep. We live in a very fast-paced society where average Canadians purchase time-saving goods and services, such as cars, bus rides, convenience foods, microwave ovens, bulk supplies and babysitting services, which are not possible if you are living in poverty. This makes poverty itself very time-consuming, something that is rarely taken into account in designing income support, education or labour market policies. While everyone must make trade-offs between time and money, the choices available to people living in poverty are severely constrained.

Lack of access to other resources is also closely associated with poverty. Safe, adequate and affordable housing is critical. It is not just a matter of physical shelter, because housing is also a site of economic activity where food is produced, children are raised,

self-employment can be generated and community ties are built.

Education is another example. Some people living in poverty, such as university students, will move out of poverty quickly and stay out because they are developing skills and knowledge to help them earn good incomes. On the other hand, people living in poverty who have minimal education and great difficulty accessing further education or training, are likely to suffer prolonged poverty.

For adults and children, poverty also can mean loneliness and exclusion from sports, recreation, culture and other activities around which individual confidence, friendships and other positive social relationships are built. For children, especially, this can have long-lasting effects. Access to safety and security is also an issue. Poverty for many women and children is often directly linked to domestic violence and abuse. Many criminal offenders have been abused as children. And children who grow up in neighbourhoods where street crime and violence are prevalent are vulnerable to adopting this kind of behaviour or being victims of it.

The power to make decisions and plan your life to best meet your own needs is also a poverty issue. For some people, particularly for adults with disabilities and women with young children, lack of autonomy can make them vulnerable to poverty. If they are dependent on someone else in the household for

income and day-to-day help, they may not be able to make decisions in their own best interests and can be left in severe poverty if the relationship ends. Women over 55 with little labour force experience who don't yet qualify for old age security are a prime example. People living on social assistance can be further impoverished by such a complex web of rules, regulations and demeaning treatment that their own needs and abilities are undermined, leading to depression and hopelessness for the future.

WHO LIVES IN POVERTY IN CANADA?

Many Canadians may experience spells of poverty in their lifetime. Therefore, the share of the population directly affected by poverty is considerably larger than the poverty rate for any one year would indicate. Some Canadians, however, are especially vulnerable to high rates of poverty as well as deep and persistent poverty, including lone-parent mothers and their children, Aboriginal people, people with disabilities and immigrants who are visible minorities. Before the development of Canada's public pension system, senior citizens were among the poorest. Over the last 30 years, however, their economic situation

overall has improved significantly. Now, the face of poverty tends to be much younger, belonging often to children, especially preschoolers, and their parents. Even when both parents are employed the family can fall below the poverty line if the jobs pay low wages.

One of the most disturbing overall trends in Canada is the large and continuing gap between the rich and poor.

HOW CAN WE MEASURE THE COST OF POVERTY?

There are many indicators of the human cost of poverty, from low birth-weight babies and increased illness to lower labour force participation to family disintegration and young lives lost to homicide or suicide. Designing public policy, however, also means making decisions about what a society can afford in terms of money—how much a program will cost compared to its benefits—in order to set priorities.

One of the difficulties with measuring the cost of poverty, as well as other matters related to human well-being and quality of life, is that economic and social policy have historically developed on different tracks, without recognizing how interdependent they are. In very basic terms, economic policy has concerned itself with money and social policy with people. The way our economy has traditionally been measured provides an illustration. Economic performance, as determined by a country's Gross Domestic Product, measures the size of the market where money is exchanged. It does not consider what the money is used for. Per capita GDP may tell us how wealthy a country is compared to others but it does not tell us much about how people live in that country. At similar levels of per capita GDP, some countries have a few very wealthy people and massive poverty, while other societies have greater equality.

Many activities may contribute to economic growth but not to well-being. Many other activities contribute to well-being but do not show up as valuable to the economy. For example, the market economy grows when people buy illegal drugs or guns or when we have to clean up after human-caused disasters that result in permanent damage to the environment. But are we better off? On the other hand, socially valuable activities such as raising children, caring for relatives and friends when they are sick and keeping homes and communities clean and safe do not count in GDP if they are not done for pay. This is an enormous problem because the market cannot survive without household and volunteer work. In fact Canadians spend more time in unpaid than paid work. The household economy contributed the equivalent of about 12.8 million full-time jobs in 1992 at an estimated value of between \$235 and \$374 billion. This represents between 34% and 54.2% of GDP².

GDP can also seem to grow when production shifts from the non-market to the market sector of the economy. The steady increase in women's participation in the labour market over the last 30 years, for example, has led to an overstatement of economic growth³. In the extreme case, we could increase GDP by paying someone else for practically everything except eating and sleeping but what

would be the point if society falls apart for lack of human connections? Societies are built around human relationships and values, not market signals. We do not abandon our children the way factories or fields are disposed of when they fail to be profitable or if a better deal comes along.

In the view of the National Council of Welfare, government priorities have often been the wrong way around, going overboard in letting the market overshadow human needs. In fact, in Canada since the mid-1970s, GDP has risen a great deal but human well-being has not. We must look at the market as it really is—a valuable vehicle in the service of human well-being, but not the goal of human endeavour. For this reason, we are concerned when market-based terms are used when referring to human beings. For example, a term such as “human capital” tends to be used in a way that reduces the richness of human capacity and creativity to a set of skills that are useful in current market conditions. Similarly, the phrase “social capital” does not reflect the complexity of human relationships and belonging through families, culture, kinship, neighbourhoods and much more that sustains societies and economies. When the terrible events of September 11 occurred, people reached for their cell phones, not to demonstrate their technological skill but to call their loved ones.

There is as yet no internationally-recognized set of social indicators to measure human well-being comparable to the way GDP is accepted as a measure of the market

economy. But there is growing interest and there have been significant developments in this field, including government and non-government work in Canada⁴. There are also international efforts, such as the United Nations’ Human Development Index, which factors in inequality between women and men and inequality between rich and poor. The European Union is also working on a set of indicators. While GDP has one common denominator—money, social indicators include various measures of health, education, paid and unpaid work time, leisure and rest, earnings and other income, participation in public life and safety and security.

The next section provides both social and economic illustrations of how expensive poverty is and how much better off we would be in human and economic terms by lowering poverty rates and raising the living standards of people in deepest poverty.

HOW DOES POVERTY COST CANADIANS?



No one, to our knowledge, has attempted to put a global dollar figure on how much poverty costs. It is certainly beyond the Council's capacity to do so. There is ample evidence however, that poverty not only results in personal human misery, but it does not make good economic sense. The following is a sample selection of the ways in which poverty costs all of us and how wiser decisions would improve human well-being and produce real, long-term economic savings.

HEALTH

The health field provides a key example of how reducing and preventing poverty in the first place is more cost-effective than paying for its consequences. Population health evidence points to the increased costs to the health care system, and the decreases in the academic achievements, health and life spans, of those populations at the bottom end of the socio-economic scale.

Spending on health care, however, has a relatively minor effect on the health of a population compared to the effects of unemployment, for example, or of income and social status. The determinants of the health of a population include

social supports, working conditions, social environments, physical environments, biology and genetic endowment, gender, personal health practices and culture. Child development has a significant effect on lifelong health of individuals, and the overall health of populations. Health services are only a part of the picture—and an expensive part at that.

Again and again, population health researchers have shown the importance of income and social status. Even when people have all the basics such as adequate food and shelter, the higher their income and social status, the better people's health. A pioneering study in the field, the Whitehall Study, followed the health of more than 10,000 British civil servants for nearly 20 years. It showed that health and life expectancy improved at each level in the ranks of the civil service, even though all the people studied had adequate incomes, and all worked in "low risk" office jobs. Even when the study looked at "high risk" health behaviours such as smoking, researchers found that top people who smoked were much less likely to die of smoking-related causes⁵.

Population health experts demonstrate how stress is part of the explanation for these differences in health status. Living with prolonged stress hurts the biological systems of all animals—including

people—and makes them susceptible to illness. For example, children who lived with some stress and were exposed to streptococcal infections were more likely to become ill than were children who were similarly exposed but had not had stressful experiences⁶. When the Whitehall Study looked at the differences in coping with stress at each level within the hierarchy of the British civil service, it found that although all ranks in the study had similarly raised levels of stress when they were at work, the blood pressure of senior administrators dropped when they went home. For low-level workers it did not. Both animals and people who live in unsatisfactory, low-level social arrangements live in states of constant alert, never knowing when there will be another threat to their sense of well-being⁷.

These findings about stress help to explain some of the difficulties of parenting while coping with the pressures of high-stress, low-status, low-paying jobs, living as a single parent without a partner to share the burden, or living on welfare, in poor housing or in a run-down or dangerous neighbourhood. One result of these stresses is that the capacity of parents to provide the responsiveness and appropriate discipline essential for optimal child development is seriously compromised.

Health problems of poor children begin before birth and place these children at greater risk of death, disability and other health problems throughout infancy, childhood and adolescence. At birth, children from the poorest neighbourhoods in Canada have a life expectancy

between 2 and 5 ½ years shorter than that of children from the wealthiest neighbourhoods. Children from the poorest neighbourhoods can also expect to spend more of their lives with disabilities and other health problems. The rate of childhood disability was over twice as high for children from poor families than for children from rich families⁸.

Findings from Canada's National Longitudinal Survey of Children and Youth found similar overwhelming evidence. Again and again, the Children's Survey found that children at the lower end of the socio-economic scale had poorer health and developmental outcomes than children in the middle, and children at the top of the socio-economic scale had even better results.

And parents at the lower end of the scale showed the effects of living in poverty. They suffered increased stress and poorer functioning with their children and higher levels of depression, both of which are bound to have serious effects on the capacity of parents to take the best care of their children^{9,10}.

Canada devotes a very large share of its wealth, effort and attention to trying to maintain or improve the health of the individuals that make up its population. These massive efforts are primarily channelled through the health care system, despite evidence that income, employment and social status would have a greater positive effect. As citizens and taxpayers, we are all bearing the costs.

JUSTICE

Spending on justice and crime is another area where we are putting a great deal of money into very expensive services, where results are questionable, if not in some cases the opposite of what we are trying to achieve.

The National Council of Welfare's *Justice and the Poor* (2000) report shows in detail how there is much in our criminal justice system that pushes young people into crime instead of helping them to stay out of it—and it is largely related to poverty. Although Canada has a relatively lower rate of crime, especially violent crime, than other industrialized countries, we have one of the highest rates of imprisonment of young people in the world, twice that of the United States.

The report provides examples of research that indicates that people from all levels of society commit crimes and that there is a near-universal tendency of adolescents, especially young men, to commit minor offences. But those who are arrested, detained without bail, jailed and given the harshest sentences are people with low income. They do not have the family connections, education, steady employment and other labels of “respectability” or the ability to hire lawyers and pay fines that the more well-off have. For example, lone mothers have been jailed because they could not afford fines or because they were unable to fulfil a community service sentence due to lack of affordable child care.

Low-income offenders of minor crimes thus get locked up with experienced criminals who give them advanced lessons in crime. In addition, their experience erodes their respect for the law, which can lead to future problems. Jailing often means people lose jobs, housing, their children and support from family and friends who could have helped them through a temporary period of difficulty. To make matters worse, they often lose their future because they obtain a record that makes it very difficult to get what they have lost back again. This is an extraordinary amount of damage for a minor offence.

This situation is not helped by cutbacks to health, welfare and employment services that put more mentally ill people, homeless families and unemployed youth into the streets where people are afraid of them. Work and family stress also does not help, nor does lack of attention in schools to training in conflict resolution.

Our current approach is thus very expensive in terms of high-cost incarceration and damage to human beings. And as with health, it is not only the poor but the rich and middle class who pay the bill. Supervision programs cost less than keeping the accused in jail while awaiting trial, for example. And the most effective ways of reducing crime itself have nothing to do with the criminal justice system. They involve support programs for families in vulnerable circumstances and the creation of opportunities for young people.

HUMAN RIGHTS AND HUMAN DEVELOPMENT

Related to justice is the area of human rights and human development. There are international legal instruments and Canada's own Charter of Rights and Freedoms that set out the responsibilities of governments to ensure that people can exercise their rights. These rights, which cover political and civil matters as well as social, economic and cultural ones, are a way of establishing the basic rules of society. In particular, "progressive", or "positive" rights such as the right to education and to a reasonable standard of living, provide that as a society increases its wealth and its ability to foster human development, these benefits should be shared without discrimination on grounds of sex, race and many other factors.

When there is a high level of social cohesion, a country can depend on a relatively peaceful existence in which its citizens have confidence in working co-operatively. The presence of strong social development shows in a society's ability to support collective action such as living under the rule of law, enforcing contracts between citizens, and supporting civil liberties¹¹—in general, those things that show that people are willing to work together for the common good. Countries who have the worst human rights records are usually those that are also the least politically stable and often depend on armed oppression to maintain a semblance of order. Even people who

are privileged have their lives constrained behind gates and walls and security systems out of fear of those who have been deprived.

There is a strong link to the economy as well. Recent work by economists supports the idea that economic growth, and in particular, the ability of economies to support shocks, depends on the coherence of the society and the existence of strong social development. Countries with societies that are divided along ethnic or economic lines and have weak, hostile or corrupt governments have been less likely to weather shocks, and more likely to collapse. When shocks hit in the 1970s and 1980s, countries with these weaknesses were not able to cope, and their economies suffered profoundly—and some of these economies have still not recovered¹².

A Canadian example of the economic costs of inequality and social exclusion was provided in the Report of the Royal Commission on Aboriginal Peoples. The costs associated with the economic marginalization of Aboriginal people were estimated at \$7.5 billion in 1996. Of this, \$5.8 billion was estimated as the cost of foregone production because Aboriginal people are not able to fully participate to their potential in the economy and \$1.7 billion for extra expenditures on remedial programs to cope with social problems¹³.

In Canada, we have been moving in the direction of increasing privatization

and deregulation. We have been shifting from corporate to individual taxation, and cutting taxes that are the basis for programs that support the common public good. We have seen the downside of this recently in unsafe drinking water in some communities. Cuts to education were often accompanied by school fees for activities that poorer families cannot afford, making schools a site of social exclusion. We see growing stress as families and non-government organizations try to cope with fewer public services and growing consumption of luxury goods alongside increased use of food banks. At the same time, governments are increasingly addicted to gambling revenues to fund basic services.

This polarization increases societal tensions. It undermines the public good and the human dignity of people who are treated as clients or supplicants who may or may not be deemed worthy of charity, rather than as citizens. This costs society the creative and productive capacity of a large portion of the population, it costs governments the trust and support of the public and it costs a society its humanity.

WORK AND PRODUCTIVE CAPACITY

When we look at work and productive capacity we also see the unaffordably high costs of poverty to Canadians. For example, the Council's 1993 report,

Incentives and Disincentives to Work, underlined the sharp decline in the value of minimum wages since 1976 and the trend toward part-time, precarious and temporary jobs instead of well paid, secure jobs. One result of the diminishing minimum wage is that no minimum wage worker could even reach the 1998 poverty line by working 40 hours a week—even if the worker were without dependants. A worker with one child to support would have to work 58 hours a week to reach the poverty line in Vancouver where minimum wages are the highest in the country, and 103 hours a week in Winnipeg. A couple with two children would have to work 113 hours a week to reach the poverty line in Prince Edward Island, and 151 hours a week in Winnipeg.

This creates an enormous barrier to people entering and re-entering the paid workforce, especially when they have dependants. For lone-parent mothers, it is virtually an impossibility to raise children on a low wage job so they are often forced out of employment completely. The longer they are out, the harder it is to return. Another barrier to labour force participation is lack of education. Ironically, student loan policies have been made more accessible at the same time as most social assistance policies now make it almost impossible for recipients such as single mothers to pursue higher education or a meaningful training course. Given that a mother's education is also a strong determinant of her children's education, this is tragically short-sighted and destined to perpetuate the cycle of poverty.

The continued problems of inequality in the Canadian labour market create additional barriers for women workers trying to raise their families out of poverty. For many reasons, women's wages are likely to drop significantly when they have children, and especially when the children are young¹⁴.

The way social assistance and child care subsidy structures interact can also impact on the employment of lone parents. Recognizing that raising children requires parental involvement as well as money, it is simply not worth it for some parents to leave social assistance because high marginal tax rates, including the reduction of subsidies, mean that employment generates very little extra income. For example, one study estimates that someone on social assistance earning \$8,000 in a year could net a take-home increase of only \$2,300 compared to collecting only social assistance¹⁵. In real life, the cost of clothing, transportation and other job-related costs will reduce what is available to spend on the children. Add to that the reduced time available to supervise and interact with children, participate in their school functions or sports and recreation, cook meals and do laundry, and it may simply not be worth it.

The federal government's Self-Sufficiency Project is testing temporary income supplements to about 6,000 lone parents on welfare in New Brunswick and in British Columbia to see if it can help move them off social assistance on a more permanent basis. After 36 months, the Self-Sufficiency Project has shown modestly promising results. Parents had

higher employment and earnings, lower use of welfare and lower poverty rates. The related study that looked at the effects of the Self-Sufficiency Project on the developmental outcomes of children was mixed, however. One problem that was noted for some parents was the instability of child care arrangements.

In fact, many of the programs and policies that should support low-income people work at cross-purposes. Labour-force policies are inadequate to support low-income people trying to make their way into the labour market, inadequate education and training opportunities raise further barriers, and a dearth of child care spaces make it nearly impossible for many parents to participate fully in education, training and the job market. Cost savings to governments that come from cutting these programs—or neglecting to provide them adequately in the first place—raise costs elsewhere in the social system.

Students in education and training programs, for example, have greater difficulty learning and face greater risk of dropping out if they are stressed by money worries, lack of time, hunger or anxiety about child care arrangements. One study estimates that the loss to Canadian society due to failure to complete high school is \$4 billion annually in lost income tax revenue and the cost of providing government assistance during unemployment¹⁶. Given that most jobs, especially those that pay well enough to support a family, now require post-secondary studies, we cannot afford to neglect investment that will enable

low-income people to pursue further education and training.

Our 1997 report, *Another Look at Welfare Reform*, identifies how the push to get recipients off welfare, including lone parents with children as young as six months, happened without the provision of the family supports, training and child care that they would need to make a successful transition from welfare to the labour force.

When governments make a greater priority of moving people off welfare than actually reducing poverty or assisting parents to combine paid work and family life, the labour force also loses out. Many critics have noted the damaging effects of this approach to social policy on families, and particularly on families headed by women¹⁷. We are farther behind, not ahead, if welfare rolls are reduced because cutbacks or disqualifications force some women to return to abusive relationships or to place their children with child welfare agencies. The long-term costs associated with addressing violence or providing foster care and other child protection services can be many times higher than the social assistance funds that are saved.

When we look at work in its widest sense, there are problems in Canada that will cost us dearly in the future. There is a growing polarization of work. Some people have too little work while others have too much. Women with young children and a full-time job are among the most overworked and the most stressed with the demands of

underpaid work on the job and unpaid work at home. Regrettably, men are still nowhere near sharing responsibility for caring for children in an equitable way. On the other hand many people, including men with high incomes, are working very long paid hours which leaves no time for family. Given that lack of parental attention is a key cause of behavioural problems, including criminal behaviour, this carries an intergenerational cost.

In addition, Canada's population is aging and our labour force is shrinking. Yet the very people we will most count on as workers in the near future to sustain our labour force, our standard of living and our pensions are the people most vulnerable to poverty and disadvantage today: children, Aboriginal people who have a far younger population than non-Aboriginal Canadians and immigrants. We cannot afford to lose this potential by ignoring the human development of these populations.

CHILD DEVELOPMENT

The cost of child poverty is the last, and perhaps most important, area that we will address, because children are our future. And failing our children can have irreversible effects that limit their potential for the rest of their lives. Despite this, children have not been well served by public policy aside from basic education and this leaves out children in the critical early developmental years. One reason

is that they have little place in our preoccupation with the market economy because they don't earn income. In fact, they consume resources and limit their parents' ability to add to GDP.

The other side of this preoccupation is that care and human relationships have been devalued in our society. We do not pay for care as a public good through our taxes and we pay very little for it in the market. This is evidenced by the fact that out of 524 occupations in Canada ranked by income, babysitters and nannies are at the bottom, while the category of early childhood educators and assistants does only a little better at number 501¹⁸. This work continues to be done, however, mostly by women who have taken on the costs of this societal responsibility that benefits everyone. The cost of child poverty is therefore largely also a cost of gender discrimination. Interestingly, it is in relation to children that some of the most concrete cost/benefit calculations have been done.

Many studies of good early education programs for high-risk children and their families show a remarkable improvement in the development of children who have participated in such programs. Improvements ranged from better school outcomes to better health status, factors that have a direct effect on the costs of poverty to the governments of Canada. U.S. home visiting programs noted an impressive improvement in childhood injury rates¹⁹ and Swedish public day care programs found better scores on verbal tests and school subjects among children

who entered their programs at an early age²⁰. U.S. Head Start programs found improvements in immunization and nutrition as well as IQ scores. Many U.S. programs have found that children who attended good quality early childhood programs are less likely to be placed in special education programs, less likely to fail a grade, more likely to achieve higher levels of school and less likely to come in conflict with the law²¹.

A prominent U.S. program assessed the cost-effectiveness of its work with "high-risk" children at a saving of \$7.16 for every dollar spent on preschool. The program spent on average \$12,356 on each child for two years of preschool. When researchers followed up with the children at age 27, they calculated a savings of \$6,287 in elementary, secondary and post-secondary education costs because children were less likely to repeat grades or use extra services such as special education or residential schooling. People who attended the preschool were more likely to have higher earnings as adults, and the increase in the taxes they paid was worth \$8,847 for every person. The preschool alumni were less likely to be involved in crime—either as victims or as perpetrators—and the value was calculated at \$12,796 in savings to the justice system and \$57,585 in reduced costs for victims of crime. Savings to the welfare system were valued at \$2,918 a person²².

Other U.S. research also points to high-quality early intervention for socially disadvantaged children and their families as a sound economic investment—for the children and their families, as well

as for society. Empirical evidence points strongly to the economic value of these investments for taxpayers, despite their high costs, indicating that shouldering the costs of creating these services should not be a major obstacle to public policy²³.

There is Canadian evidence as well, that when early childhood education programs also provide care that allows parents to leave their children during the day to finish their educations and take jobs, they further increase the value of the programming to the economy. A 1998 study by economists at the University of Toronto estimated the benefits of a high-quality, affordable universal system of child care and early childhood education that cost \$7.9 billion. They calculated that the value of the increased employment of mothers if such a system existed would be worth \$6.2 billion, and the improvement in child development would be worth \$4.3 billion—in all, a savings of about \$2 for every dollar spent²⁴.

Also in Canada, a preliminary study of Quebec's universal, \$5-a-day child care system indicated it had succeeded in reducing the number of single mothers on welfare by 37%²⁵. Although the program has been plagued by problems of long waiting lists and cost-overruns, its early impacts are impressive. Welfare cost-savings of this nature could easily compensate for the costs of implementation of the child care system. Further evaluation of the effects Quebec's family policies should provide additional information on child and family outcomes, the equality of women and men in the

workforce, and the overall cost of these policies to the health, education and social service system.

At McMaster University a project is currently studying the effects of direct services on 765 single-mother families and 1,300 children who had been on welfare for four years. The study provided a variety of direct services that are commonly used by families in this situation: subsidized child care or recreation services for the children, public health nurses for the mothers, employment training for the mothers, or a combination of all four types of services.

The study then tracked the health status, health care and social services expenditures and welfare status of the families. Almost half (45%) of the mothers in the study had the signs and symptoms of major depression when the project began. Depressed parents also had higher annual expenditures for the use they and their children made of the public health care and social services.

After two years in the study, researchers found that the depression rates of mothers dropped to only 20% from almost half. The social adjustment scores of mothers improved. Each of the services offered to the families resulted in an increased departure from welfare. The researchers estimate that the increase in parents who leave welfare is worth \$300,000 a year for every 100 mothers. The savings in reduced use of the public health care system are additional. As well, all the costs of providing these services were completely offset by

the reduction in the costs of parents' and children's use of the services of physicians, other professionals and the child protection system. Providing child care and recreation services—even without the combination of other services—proved to be the most effective, and the most cost-effective²⁶.

Despite this concrete evidence that poverty is costing us in many ways, however, little has changed. The National Council of Welfare's detailed analysis of Statistics Canada data for work that is soon to be published in *Poverty Profile 1999* shows that we have barely made a dent in child poverty, that preschool children are the most likely of any age group to live in poverty for several years and that the situation of lone-parent mothers has not improved significantly in 20 years. It also shows that more people experience poverty over time than yearly figures indicate. We cannot afford to let this situation continue.

WHAT NEEDS TO BE DONE?

The National Council of Welfare believes that our approach to poverty and welfare needs to change. What is needed, as a priority, includes.

1) LEADERSHIP AND POLITICAL WILL

There is a great deal of research, analysis, evidence and ideas that can be put into action. What is missing is the leadership, championship and will, especially needed at the federal level, to enable Canadians to achieve real quality of life gains.

The market has not and cannot provide the social infrastructure and services that support the public good and the national public interest—this is the role of responsible governments.

2) COMPREHENSIVE AND HOLISTIC PLANNING

The National Council of Welfare has frequently noted the difficulties low-income people have in negotiating the maze of community-level social programs, and the lack of integration of the various services and policies of all

levels of government that should work together to support people.

Governments need to look seriously at how much poverty costs in the time, effort and money that are wasted by simply moving costs around from one program to another, as people shift from Employment Insurance to social assistance and back again, or move into the health care or criminal justice systems because they have been overburdened as individuals.

All policies, from taxation to employment, education and justice matters, should be tested, and the results made available to the public, to ensure they will help reduce the gap between rich and poor or at the very least do no further harm.

If in Europe different countries are able to come together to develop human rights-based action plans, set targets, develop indicators and evaluate progress, surely we can do as well in one country. The recent difficult history of federal-provincial/territorial relations and the growing disparity across the country does not reflect what Canadians hold in common and it is high time for this to change.

3) BUILDING ON SUCCESS

There are good examples of what works in Canada and in other countries. Canada's universal health care system is one that is a national icon. And our public pension system is another shining example of how dramatically poverty, in this case among seniors, can be reduced if there is the will to do it. These programs may not be perfect but they have made a real difference. They recognize that anyone can get sick and everyone gets older, that people share common concerns regardless of whether they are students, employees or caregivers.

If we adopt targeted measures as well as universal ones, we must at least stop targeting people in favour of targeting the circumstances that make people vulnerable to poverty. These measures would include improving minimum wages, reducing the severely high marginal tax rates for people with low income, adopting more progressive subsidies for supports such as training and child care, correcting for gender discrimination and improving overall societal support for families with children.

4) STARTING WITH FAMILIES WITH YOUNG CHILDREN

Quite simply, Canada needs a coherent family policy as it does not have one. This is the area of highest risk of loss if we do not act. Canadians are solidly behind universal support, through publicly-funded education, for all children from kindergarten to grade 12, and we value the difference it makes to our children's futures. Given what we know about the importance of early childhood development, we should provide at least the same level of public support for children from birth to age six. To do this we need to immediately start the process of rebuilding universality and national standards into our policies affecting preschool children, such as tax recognition and child care subsidies, and parental access to the supports they need to meet the income and care needs of their families. Access to these supports, including to post-secondary education, must be available to social assistance recipients.

The example of supporting families through recent improvements to maternity and parental benefits is a good one, but it is only of benefit to those parents who are already well attached to the labour force and earning good incomes, not the families where it is most needed. An

equivalent benefit for the babies and parents who do not qualify for Employment Insurance would go a long way to help prevent poverty, stress, depression and family disintegration and would improve child outcomes. It could be considered an advance on future EI contributions, given that the vast majority of young mothers today will spend decades in the labour force over their adult lives.

There is no escaping the need for a national program for affordable, accessible, quality child care and development.

Far greater efforts must be made, within the context of reducing overall poverty rates, to bringing those at the very bottom up. The National Child Benefit System, for example, despite its positive aspects, is failing families on social assistance and lone-parent families in particular, because it does not recognize the time limitations of their lives.

CONCLUSION

Poverty is costing all of us dearly. Some costs, those of personal human suffering, are simply incalculable but they are nonetheless preventable. Other costs, the more economic ones, may still be very difficult to calculate precisely. What really matters, however, is not that we put an exact number on the cost of poverty. What we as a society need is to set clear goals, compare the benefits to the costs over the short and the long term, evaluate

our progress and understand that we get what we pay for. The foundation for a sustainable high quality of life does not come cheaply. But let us invest wisely now, for the public good and the positive results that will benefit all Canadians.

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MANDATE

The National Council of Welfare was established by the *Government Organization Act* in 1969, as an arm's length advisory body to the federal government. It advises the Minister of Human Resources and Social Development on matters of concern to low-income Canadians.

The Council consists of members drawn from across Canada and appointed by the Governor-in-Council. All members serve in their personal capacities rather than as representatives of organizations or agencies. Council membership over the years has reflected expertise in a wide range of social development and social security issues. Members have also reflected varied backgrounds, from education and social work to voluntary sector organization and policy analysis, including experience living in poverty.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

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