

A Review Of Policy Options for Increasing Food Security and Income Security in British Columbia

A Discussion Paper

September 2007



***Prepared for Dr. John Millar by:
Steve Kerstetter
Michael Goldberg***

***“A collaborative effort... is needed to
address the underlying cause of food
insecurity – poverty.”
BC Provincial Health Officer’s
Report 2005***

Table of Contents

Foreword	4
Executive Summary	5
Background	5
Analysis and Policy Considerations	5
Concluding Remarks	7
Introduction	9
Income and Food Security	12
Direct Measures of Food Security	15
Indirect Measures of Food Insecurity	26
The Effects of Policy Changes for Reducing Food Insecurity	42
Families with Earned Income	46
Families on Welfare	53
Other Family Types	57
A Summary of Suggested Policy Options	62
Specific Policy Areas for Consideration	67
Income Thresholds	67
Minimum Wage	67
Earned Income Benefit	67
Affordable Child Care	67
Federal Child Benefits	67
Income Assistance Rates	68
The “Stacking Effect”.	68
Concluding Remarks	69

Foreword

Having access to nutritious food at all times is something most British Columbians take for granted. But for a relatively large number of people in this province, food security is an ongoing issue. In fact, BC has a higher rate of food insecurity than most other provinces in the country. At the same time, in comparison with other provinces BC also has a relatively high rate of poverty. These two issues are not unrelated.

In 2006, the PHSA commissioned this report in response to a request from the BC Population Health Network to provide a tool for facilitating informed discussion about policy options and other measures that might help address the issues of food security and income security in BC.

Clearly, the problem of food security cannot be solved simply by introducing policies to alleviate poverty. There are many other important aspects to this issue including the industrialized food system and community efforts to ensure the availability of locally grown nutritious foods. But a fundamental first step is ensuring poor families have enough money left for an adequate supply of nutritious food, after paying for such other basic needs as shelter, transportation and clothing.

Increasing available income for low-income individuals and families will not invariably lead to better nutrition for everyone living in poverty. Throughout our society there are people who do not have the necessary knowledge, skills, motivation or capacity to make appropriate nutrition choices. As a result, they may spend their money in ways that others of us might consider inappropriate. However, it can be assumed (as there are no studies of this issue) that in most cases, and particularly among poor families, increased income would be welcomed as an opportunity to improve living conditions for the children, with improved nutrition as a high priority.

It is my hope that this document will prove to be useful and help contribute to solutions that improve food security for all British Columbians in need.

John Millar
PHSA Executive Director
Population Health Surveillance & Disease Control Planning

Executive Summary

Background

Canada is faced with a rising prevalence of chronic diseases such as diabetes, hypertension, cardiac disease and cancer, which in turn are exacerbated by the growing problem of obesity. Obesity is the result of a sedentary lifestyle coupled with poor nutrition, particularly increased calorie consumption. There is growing evidence that families who cannot afford to buy adequate amounts of nutritious food (i.e. food insecure families) respond by consuming more energy-dense, nutrient-poor food products, and that this is contributing to our rising incidence of obesity.

From national survey data, the incidence of food insecurity in Canada in the late 1990s was approximately 10 percent, and rose to 14.7 percent in 2001. The prevalence of food insecurity was highest among households with low incomes and was especially high among households which relied on social assistance. Families with adequate incomes reported very low levels of food insecurity.

For BC, the most recent version of the Canadian Community Health Survey (2005) revealed that 5.4 percent of British Columbians aged 12 and older had experienced food insecurity within the previous year. (This apparent reduction from previous years in the provincial rate of food insecurity may be largely explained by changes in the survey methodology introduced for both the 2004 and 2005 surveys.) The data further showed that people in BC on welfare had a food insecurity rate of 59.2 percent, the highest of any group. The rate for people whose main source of income was wages or salaries was 5.5 percent, and the rate for people getting Canada Pension Plan benefits was 5.6 percent. These findings are also reflected in studies published by the Dietitians of Canada, which show that BC families living in poverty cannot afford to buy adequate amounts of nutritious food.

In 2004, the poverty rate for BC families was 23.4 percent, the second highest in Canada after Newfoundland and Labrador at 23.5 percent. The national average was 20.3 percent. A recent BC Progress Board report has set a goal of moving BC from the 9th ranked province for “social condition” (poverty) to being first or second for social condition in Canada. The Progress Board has recommended several measures to achieve this goal. These include implementing an earned income tax benefit, indexing income assistance, establishing a strong program of early childhood education, and improving the employment insurance system.

Analysis and Policy Considerations

This report examines the issues of low income and food insecurity in BC and outlines a number of policy considerations for improving food security for BC’s most vulnerable residents.

To assess the impact of various policy options for addressing food insecurity, the report analyzes the budgets of seven “typical” low-income BC family households. The family types selected for analysis were deemed to be at high risk of food insecurity and included:

- A couple with two children and one of the parents working 40 hours per week in a job that pays \$11 an hour;

- A family with two children headed by a single parent (mother) working 30 hours per week in a job paying \$11 an hour;
- A couple with two children and both parents in the paid labour force - one parent working 35 hours per week and earning \$11 an hour, and the other working 20 hours per week and earning \$9 an hour;
- A single parent (mother) with one child, living on welfare;
- A single man classified as a “person with a disability” living on welfare;
- A single man working half the year in a minimum wage job and relying on welfare for the other half of the year;
- A single elderly woman living on Old Age Security and the Guaranteed Income Supplement.

Based on the financial analyses completed for each of these low-income household situations, and the relative impacts of various income-affecting policies, the report offers for consideration the following list of suggested policy options for raising income levels and improving food security for low-income British Columbians.

From the financial analysis provided in the report it appears that broad implementation of all seven policy options outlined below could offer the most effective means of addressing food insecurity in BC.

1. Income Thresholds

Develop recommended income thresholds (i.e. the income levels which qualify for social benefits and income tax concessions) and consistent guidelines for determining those thresholds. Guidelines could be based on either a market basket approach (based on the actual monthly cost of groceries and other essentials) or a statistical approach (e.g. based on measures developed by Statistics Canada) and made available to stakeholders and the public to support a broader understanding of how income thresholds are calculated.

2. Minimum Wage

Increase the minimum wage to \$10 per hour and index it to the annual cost of living. The minimum could be increased to the \$10 level in stages over two years to help minimize disemployment or other perceived economic impacts.

3. Earned Income Benefit

Ensure that federal and provincial earned income benefits work to augment the incomes of people who are normally in the paid labour force. People in low-wage jobs, people who cannot get enough work to meet their basic requirements and people who have to periodically rely on Employment Insurance might all benefit from well-designed earned income benefits. However, the BC Earned Income Benefit has been declining in value and the proposed new federal benefit would not add much to the income security of low-wage Canadians.

4. Affordable Child Care

Develop an affordable child care system for British Columbia. While estimates suggest that a fully funded child care system for children six and under in BC would cost about \$1.4 billion if totally funded by the province, establishing an affordable child care system supports employment continuity, leading to greater food security for both single and dual caregiver families. There is also considerable evidence for a substantial return on investment from an affordable child care system, based on increased employability of parents, increases in earned income and taxes, and savings to the social welfare system.

5. Federal Child Benefits

Combine the Canada Child Tax Benefit base benefit and National Child Benefit Supplement into a single refundable benefit of \$5,000 per child, available to all low-income families. This measure would only be effective if provincial income assistance rates are not reduced to offset the increase in the federal benefit. As well, income thresholds and benefit reductions may need to be revised to avoid undue hardship on lower-income families as their work incomes rise.

6. Income Assistance Rates

Increase welfare rates by 50 percent and index the rates to annual increases in the cost of living. About half of this suggested increase would offset the erosion in purchasing power due to inflation since 1994.

7. The “Stacking Effect”

Examine the tax and benefit systems to ensure that people with low incomes are not paying effective marginal tax rates that are onerously high. As the earnings of many low-income families increase, their benefits from a variety of government programs decrease. Many of these reductions take place within the same income range – a problem known as “stacking.”

Better coordination in the design of each specific benefit may help reduce the worst effects of stacking, but a more thorough overhaul of the tax and benefit system may be necessary to fully address the problem.

Concluding Remarks

“Placing a priority on ensuring that low-income families can afford to purchase nutritious food would be an important step towards reducing food insecurity in BC and fostering a healthier population”

BC Provincial Health Officer’s Report, 2003

This report outlines a number of policy options for increasing the food security of British Columbians.

In recognition of the strong correlation between food security and income security, the policy considerations presented for discussion all involve measures to increase income security. Ensuring that low-income families in BC have enough money for all their essential needs – including housing, transportation and clothing, as

well as an adequate supply of nutritious food – is seen as a fundamental requirement for improved food security.

Although there is no existing research on this issue, it can be assumed that in most cases low-income British Columbians would use additional income to improve their living conditions, with increased food security and improved nutrition as a natural consequence. Among poor families, increased income would almost certainly translate into better nutrition for their children.

It should be acknowledged that not all people in BC have the necessary knowledge, skills, motivation or capacity to make appropriate nutrition choices. As a result, for some of these individuals increased income may not be spent in ways that necessarily improve their food security and nutrition.

This simply underscores the fact that there are many dimensions to the issue. Although policies that improve income security for British Columbians can provide an essential foundation for improving food security, such policies should also be considered within the larger context. At a high level, this includes consideration of the industrialized food system and of community-based food security initiatives focused on capacity building and community development. Consideration should also be given to the array of services and support required for people who do not have the necessary nutritional knowledge, skills and capacity, and who lack the motivation and personal support required for making appropriate changes in their lives.

Introduction

Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.

Canada's Action Plan for Food Security, 1998¹

*A collaborative effort at the community, provincial and national level is needed to address the underlying cause of household food insecurity – poverty.*²

BC Provincial Health Officer's Report 2005

Food security encompasses food production and processing (the supply side) and the distribution and consumption of food (the access side). Needless to say, there are a host of ministries within provincial governments and departments within the federal government that are involved with various aspects of food security.

This report provides a review and analysis of policies and specific low-income situations that contribute to food insecurity and that can be seen as part of the much larger challenge of ensuring food security for all British Columbians. From the outset of this review it was recognized that no single dimension of food security takes precedence over all others. However, there appears to be relatively little written on the links between food security and government income policies. Elaine Power and Valerie Tarasuk made a similar observation during their presentation to a Health Canada policy forum in 2006. "The interventions proposed in the Pan-Canadian Healthy Living Strategy are unlikely to improve nutrition among low-income Canadians. The key issue underlying health inequities and healthy eating for low-income Canadians, income, is not addressed."³

Poverty has been linked to chronic diseases such as cardiovascular diseases and diabetes and to such risk factors as poor diet and obesity. "The evidence is clear that poverty and chronic disease are related," Dr. Catherine Donovan told the Chronic Disease Prevention Alliance of Canada in 2006. "It is time to radically reduce family and child poverty in Canada!"⁴

British Columbia's Provincial Health Officer P.R.W. Kendall underlined the connection between income and food security in his 2005 annual report and made 16 recommendations for individuals, communities and governments to address the problem. As he put it, "A collaborative effort at the community, provincial and national level is needed to address the underlying cause of household food insecurity – poverty."⁵

In British Columbia, there appears to be growing recognition of the importance of healthy eating by the provincial government. One of the "five great goals" outlined in the 2005 budget speech was for the province to lead the way in healthy living. In this regard, the most recent service plan of the Ministry of Health mentions the ActNow BC initiatives to promote healthy lifestyle choices, including healthy eating, and to work to reduce inequalities in health status, with a particular concern for BC's aboriginal people.

1 Canada's Action Plan for Food Security (1998) A Response to the World Food Summit Plan of Action

2 *Food, Health and Well-Being in British Columbia*. (2006). Provincial Health Officer's Annual Report 2005.

3 Elaine Power and Valerie Tarasuk (2006). *The Impact of Income on Healthy Eating in Canada*. Health Canada Policy Forum #60 power point presentation.

4 News Release from the Chronic Disease Prevention Alliance of Canada, Nov. 8, 2006.

5 *Food, Health and Well-Being in British Columbia*. (2006). Provincial Health Officer's Annual Report 2005.

As stated in the Ministry of Health service plan, “We want to support the excellent health status of the majority of our citizens while also helping those in the population who do not enjoy good health or are at risk of diminishing health from factors such as poor dietary habits, obesity, inactivity, injuries, tobacco use and problematic substance use.”⁶

However, neither the “five great goals” nor the Ministry of Health service plan make explicit connections between their desired outcomes and income policies. For example, the goal of promoting healthy eating habits and the challenge of minimizing poor eating habits related to low income. The literature on food security contains numerous references to obesity among low income groups and the problem of people living on low incomes turning to “empty calorie” foods because they are less expensive than more nutritious foods.⁷

The BC Progress Board has been tracking poverty, low birth-weight babies, crime, welfare caseloads and long-term unemployment. Together, these five markers make up a category the board calls “social condition.” The board’s objective is to make BC first or second among Canada’s provinces in social condition by 2010. In its December 2006 report on social condition, the board made several recommendations for increased support for low-income earners and people on income assistance in BC.⁸

The current report will further examine the issue of low income and food security in BC and offer a number of policy options to be considered for discussion toward improving food security for BC’s most vulnerable residents.

Fully addressing the issue of food security requires more than simply introducing policies to alleviate poverty. But ensuring that poor families have enough money to buy an adequate amount of nutritious food, after paying for their other basic costs of living (e.g. housing, transportation, clothing) is a fundamental first step. Furthermore, increasing available income to poor families will not invariably lead to better nutrition. Not all British Columbians have the necessary skills, motivation, capacity and personal supports to make appropriate nutritional choices. Consequently, in some cases increased available income may not result in an improved diet. However, although there have been no studies of this issue, it can be assumed that in most cases, particularly among poor families, increased income would be welcomed as an opportunity to improve living conditions for their children, with improved nutrition as a high priority.

Policies affecting income security can be an important complement to community-based food security programs. Such community-based programs have been described as “substitution strategies” and include a strong focus on capacity building and community development.⁹ British Columbia has already had extensive experience with these programs in recent years.¹⁰

6 BC Ministry of Health, 2007/08-2009/10 Service Plan.

7 Raine, KD. Overweight and Obesity in Canada: A Population Health Perspective. Canadian Population Health Initiative (2004)

8 Banting, K. The Social Condition in British Columbia. BC Progress Board. December 15, 2006.

9 A National Environmental Scan of Strategies for Influencing Policy to Build Food Security. 2004. Nova Scotia Nutrition Council and Atlantic Health Promotion Research Centre Food Security Research Projects.

10 See, for example, the case studies in *Implementing Community Food Action in British Columbia: Criteria for Success and the Role of the Health Sector* 2006. Provincial Health Services Authority.

On a final point concerning methodology, this report uses data from the 2005 Canadian Community Health Survey (CCHS) – the most recent data available. In that survey, the questions concerning food security were changed from those used in the 1999 and 2001 CCHS surveys to better assess the severity of food insecurity. This and additional changes to the methodology from the 2004 survey may explain why there was an across-the-board decline in the reported rate of food insecurity in Canada in 2005 compared with 2004.

Income and Food Security

It is clear from the Canadian literature that there is a strong connection between low income and food insecurity.¹¹ This connection is shown by the results from the first two cycles of Canadian survey research that asked directly about food insecurity as part of the larger population health surveys. Both the National Population Health Survey 1998/99 and the Canadian Community Health Survey 2000/01 asked the following three questions of respondents:

In the past 12 months, did you or anyone in the household:

1. Worry that there would not be enough to eat because of a lack of money?
2. Not eat the quality or variety of foods that you wanted because of a lack of money?
3. Not have enough food to eat because of a lack of money?

A supplemental question was asked in the 1998/99 survey of those who responded yes to one or more of the above three questions about problems with food acquisition, coping strategies and food insecurity among children.

It has been noted both conceptually and empirically that food insecurity is not a dichotomous situation where one is either food secure or insecure. Households may experience food insecurity due to a change in circumstances, such as the loss of a job, illness, or death of a breadwinner. Episodes of food insecurity may occur because of unexpected essential expenditures, such as having to replace a major appliance or because a senior on a fixed income has an extraordinarily large heating bill due to a severe cold snap during the winter.

Food insecurity may also be chronic or regular, such as when families on income assistance find there is “too much month at the end of the money.”¹² Food insecurity may also be constant in some cases, such as for people who are homeless or others who do not have a regular source of sufficient income.¹³

While absolute food deprivation and hunger are rarely on-going, day-to-day events in Canada, all of these examples indicate either chronic shortages of money or situations of low income where little or no money can be put aside for that proverbial rainy day.

The incidence of food insecurity in the late 1990s in Canada was approximately 10 percent, based on the results from the 1998/99 survey, and 14.7 percent a few years later, based on the results from the 2000/01 survey. The prevalence of food insecurity was highest among households with low incomes and was especially high among households which relied on social assistance.¹⁴

11 Janet Che and Jiajian Chen. *Food Insecurity in Canadian Households*. *Health Reports* Vol. 12. No. 4. August 2001. Statistics Canada Catalogue No. 83-003. Ingrid Ledrou and Jean Gervais. *Food Insecurity*. *Health Reports* Vol. 16. No. 3. May 2005.

12 Bruno Rainville and Satya Brink (2001) *Food Insecurity in Canada*. Human Resources Development Canada.

13 Valerie Tarasuk (2001) *Discussion Paper on Household and Individual Food Insecurity*. Health Canada.

14 Che and Chen *op cit.* and Ledrou and Gervais *op cit.*

The questions concerning food insecurity were changed for both the 2004 and 2005 Canadian Community Health Surveys. In part, this reflected a shift from the simpler and more straightforward questions in the previous surveys to a more nuanced set of questions that could examine more closely the severity of food insecurity. The 18 questions closely follow those asked in the annual U.S. survey about food insecurity. The results from the 2005 Canadian survey will be discussed later in this report.

The United States has been conducting annual national surveys on food security since 1995. The food security survey is conducted and the data are analysed as a supplement to the December Current Population Survey administered by the U.S. Census Bureau. The survey is sponsored by the U.S. Department of Agriculture and the data is analyzed by Economic Research Services (ERS).¹⁵ This survey uses an 18-item survey instrument “that assesses whether the household has experienced increasingly severe circumstances of food insufficiency...”¹⁶ Households are classified as: “food secure,” “food insecure without hunger,” “food insecure with moderate hunger evident,” and “food insecure with severe hunger evident.” The later two are often combined into one broader category labeled “food insecure with hunger.”¹⁷

In the U.S., households are classified in one of the above categories based on the number of items they respond yes to. A household is considered food insecure without hunger if it responded yes to at least three of the 18 core food security questions. Households are classified “food insecure with hunger” if at a minimum, respondents reported that they ate less than they should or needed to, in addition to responding yes to the more general food insecure questions.

On this basis, the ERS estimates that 11.9 percent of U.S. households were food insecure in 2004. At some time during the year, an estimated 13.5 million U.S. households reported having difficulty providing enough food because of a lack of resources. The ERS reports that approximately 3.9 percent of all U.S. households experienced food insecurity with hunger because of a lack of resources.

The use of the term hunger as a classification has been questioned in a recent review of the measure.¹⁸ The panel conducting the assessment argues that hunger is a concept distinct from food insecurity although it may be an outcome of food insecurity. It says that food insecurity is a household measure, but hunger is an individual phenomenon. The panel goes on to recommend that hunger be “measured at the individual level, distinct from, but in the context of food insecurity.”¹⁹

This issue of terminology needs to be considered in light of changes to the Canadian measure, as Canada now uses a set of questions similar to those in the U.S. survey, and also categorizes households in a similar way.

While a fairly extensive literature on food security has developed in the U.S., searches of the websites of the Luxembourg Income Study and the Organization for Economic Co-operation and Development (OECD) produced limited results. Both sites have a wide range of material on poverty, but there was little on food security on the Luxembourg site and most of the OECD studies on food security addressed conditions

¹⁵ ERS Report Summary: Food Assistance. October 2005. Available at www.ers.usda.gov.

¹⁶ *Understanding Food Security Data and Methodology*. Hunger Issue Brief March 2004. Food Security Institute: Brandeis University.

¹⁷ *Ibid.*

¹⁸ Gooloo S. Wunderlich and Janet L. Norwood, eds. (2006) *Food Insecurity and Hunger in the United States: An Assessment of the Measure*. The National Academies Press. Washington, DC. (Executive summary available at www.nap.edu).

¹⁹ *Ibid.*

in developing countries. There was one significant report prepared by the OECD that provided some comparative information on food security in the developed countries.

*Measures of Material Deprivation in OECD Countries*²⁰ notes that there is a dearth of comparative studies measuring deprivation. They report on the 11 OECD countries (including Canada) that provided data for the Pew Global Attitudes Project. The Pew project involved 38,000 interviews in 44 countries and asked respondents if in the past year, there were times when they didn't have enough money to buy food, clothing, or pay for the medical or health care the family needed. The Pew data showed that Canada ranked fifth out of eight OECD countries in terms of food security. The United States ranked eighth.

The Pew Global Attitudes project also provides findings comparing changes since 1974/75 on responses to the question: "Have there been times in the past year when you did not have enough money to buy food/ medical and health care your family needed?"²¹

One of the tables in the Pew report shows that of the ten countries with comparable data, five had a higher percentage of respondents reporting they could not afford food in 2002 compared to 1974/74 and seven had a higher percentage reporting they could not afford medical and health care in 2002 compared to 1974/75. Canada had a higher percentage who said they could not afford food or medical care in 2002 compared to 1974/75.

Measures of Material Deprivation in OECD Countries also provides information on 25 countries and draws comparisons from own-country surveys where similar (but not identical) questions were asked about food, clothing, health care and heating one's home. The researchers then derived a composite weighted average of the percentages that were not able to purchase items at some time in the past year because of a lack of money. Canada had a weighted score of eight percent, which was the same as the U.S. and New Zealand but significantly higher than Japan, Denmark, Sweden, and Luxembourg, which had scores of three percent or less.

The next part of this report examines the results of the 2005 Canadian Community Health Survey, which provides the most recent statistics on direct measures of food security in Canada and British Columbia. This is followed by an examination of indirect measures of food security in British Columbia. These variables include poverty rates for common household configurations, welfare caseloads and welfare rates, distribution of earnings by gender, changes to the value of the minimum wage over time, households in "core housing need," and the use of food banks over time.

20 Romina Boarini and Marco Mira d'Ercole (2006). *Measures of Material Deprivation in OECD Countries*. OECD.

21 Pew Global Attitudes Project (2003). *Commentary: Most of the World Still Does Without: Even the US*. (available at www.pewglobal.org/commentary/print.php?AnalysisID=75). The 1974/75 findings are from data collected by Gallup International.

Direct Measures of Food Security

A relatively small, but sizable number of British Columbians worry about putting food on the table or reduce their food intake so much that they go hungry, according to the latest estimates of food insecurity from Statistics Canada.

The 2005 version of the Canadian Community Health Survey, released in the fall of 2006, showed 183,026 British Columbians age 12 and older (5.4 percent of the population 12 and older) experienced food insecurity during the previous 12 months.²²

A total of 116,104 people, or 3.5 percent of the population 12 and older, were placed in the category “food insecure without hunger,” meaning some members of the household worried about running out of food or compromised their diets by choosing less desirable or less expensive foods. Another 53,480 persons or 1.6 percent were “food insecure with moderate hunger.” The adults in these households experienced hunger repeatedly during the previous year. The third and final category was “food insecure with severe hunger” and included 13,442 persons or 0.4 percent of the population. The adults in this category experienced hunger more often, and their children also experienced hunger.

The survey was the latest in a series that measured the health of Canadians. It included 132,947 respondents nationally and 15,407 respondents from British Columbia. Statistics Canada excluded people living on Indian reserves, residents of institutions and full-time members of the Canadian Forces from the survey. About 60 percent of the interviews were done by telephone, so homeless people and those without telephones were also excluded.

If these gaps in coverage were addressed and if children under the age of 12 were included, the total number of food insecure persons in British Columbia might have been significantly higher than the 183,026 reported.

Food security was among about four dozen health-related topics covered by the 2005 survey. The three main categories of food insecurity are calculated from the responses to a series of 18 questions adapted from a model first published in 2000 by the United States Department of Agriculture. The questions are regularly used in U.S. studies of food insecurity.

The Canadian Community Health Survey used the adapted questions in both 2004 and 2005. The 2004 survey covered food security in all provinces and territories. Only six provinces chose to have the food security questions asked in 2005, and the reported rates of food security were lower in all six provinces. In BC, for example, the overall rate of food insecurity was 8.4 percent in 2004 and 5.4 percent in 2005. Such a large difference in the reported incidence of food insecurity over one year may be explained, at least partially by differences in methodology, sample size and random statistical error. Some of the difference may be explained by the normal margin of error in surveys.²³ The results could also have occurred because of a change in the order of the questions on the CCHS questionnaire, a shift in favour of interviews by telephone

22 Except as noted, material in this section comes from the Public Use Microdata File for Cycle 3.1 (2005) of the Canadian Community Health Survey, Statistics Canada Catalogue No. 82M0013XCB.

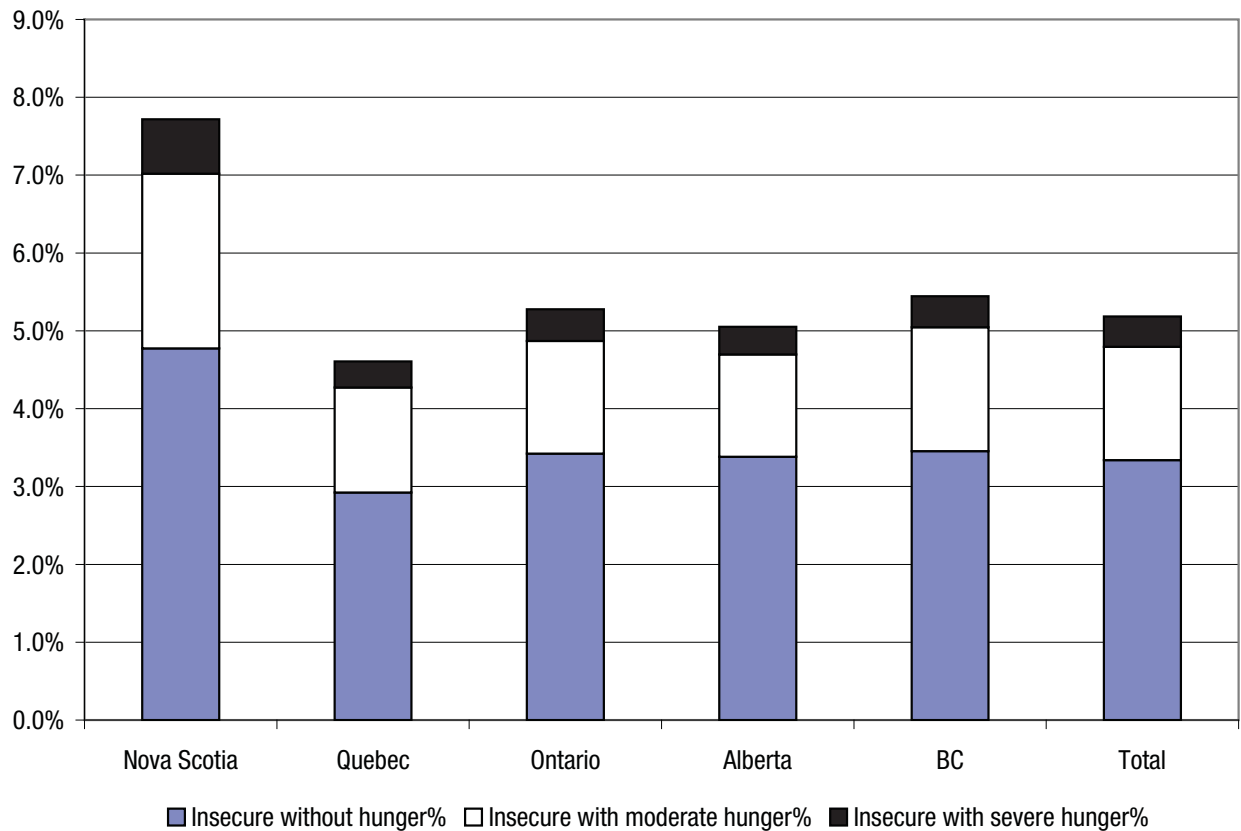
23 The margin of error is determined by the size of the sample. For example, if we assume hypothetically that both the 2004 and 2005 surveys had a margin of error of plus or minus 1.0 percentage points, this would mean that the incidence of BC food insecurity in 2004 could range from 7.4% – 9.4%: and in 2005 could range from 4.4% – 6.4%. Thus, year-to-year comparisons involving very small sub-populations like the percentage of the population that is food insecure need to be treated with caution.

in 2005 rather than the face-to-face interviews used in 2004 (mode effect)²⁴ and the large number of 'non-responders' in 2005.

Consequently, it is not possible to use the results from these latest two surveys to assess trends in food security. Researchers would need the results from three or four more surveys on food security using a common methodology to determine trends in food security over time.

Graph A shows the 2005 results for five of the six reporting provinces and for all six provinces combined. The sample size of the survey in Prince Edward Island was too small to allow a detailed breakdown, but the province's overall rate of food insecurity was 6.3 percent of the population 12 and older.

Graph A
Percentage of Food-Insecure People Age 12 and Older by Province (2005)



Nova Scotia had the highest rate of food insecurity at 7.7 percent, followed by British Columbia at 5.4 percent, Ontario at 5.3 percent, Alberta at 5.1 percent and Quebec at 4.6 percent. The bar marked "total" includes the five provinces shown in the graph, plus P.E.I.

²⁴ There was a very noticeable increase in the number of "not-stated" responses on food insecurity between the 2004 and 2005 surveys. Statistics Canada reported that there were 30,676 "not stated" responses in British Columbia in the 2004 survey compared to 240,930 such responses in the 2005 survey on the food insecurity sections of the survey.

In all provinces, the largest category was food insecure without hunger, followed by food insecure with moderate hunger and then food insecure with severe hunger.

The 2005 survey also showed considerable variation in food insecurity within BC and other provinces. Table 1 gives the overall numbers and rates of food insecurity for most of the 16 former BC health regions.²⁵ The sample sizes were too small to allow a breakdown of the totals into the three categories in all BC health regions, and the sample sizes were too small to be reliable to produce even overall totals for the Richmond and North Vancouver Island health regions. Statistics Canada combined the Northwest and Northeast regions to avoid sample size problems. Even so, the results for five of the 13 regions shown in the table are considered only marginally accurate under the bureau's statistical guidelines.

TABLE 1
Food Insecurity by BC Health Region – People 12 and Older, 2005

	Percentage of food insecure people	Number of food insecure people
Kootenay-Boundary	8.0%	5,417
Fraser East	7.7%	15,240
Central Vancouver Island	7.5%	15,441
Northwest & Northeast (combined)	6.5%	7,355
Okanagan	6.1%	16,066
East Kootenay	6.1%	4,138
North Shore/Coast Garibaldi	5.9%	12,819
Thompson/Cariboo	5.8%	10,081
South Vancouver Island	5.6%	15,852
Vancouver	5.3%	25,339
Fraser South	4.5%	21,981
Fraser North	4.4%	19,867
Northern Interior	2.5%	2,955

Source: Statistics Canada, Canadian Community Health Survey, 2005, Public Use Microdata File

Note: Sample sizes for Richmond and North Vancouver Island were too small to produce reliable results.

The rates of food insecurity ranged from a high of 8.0 percent of the population 12 and older in the Kootenay-Boundary Health Region to a low of 2.5 percent in the Northern Interior Health Region. The numbers of food insecure persons ranged from 25,339 in the Vancouver Health Region to 2,955 in the Northern Interior Health Region. The numbers in the Northern Interior Health Region may be significantly undercounted, since the survey did not include people living on Indian reserves. In addition, some people in the region may have relied heavily on gardening and hunting to help meet their food needs.

Both rates and numbers are important in terms of public policy. Policy-makers have to consider which groups of people are at highest risk of food insecurity, and then look to the percentage figures to identify

²⁵ Statistics Canada used the former health regions as a convenient area of measurement in the CCHS. The health regions were combined into the current health authority structures.

those groups. However, they also have to consider the distribution of persons with food insecurity, as shown by the numbers from one region to another.

A slightly more detailed look at food insecurity is possible when data from the health regions are combined according to their respective health authorities. Table 2 gives the breakdown by numbers and rates of food insecure persons, and Graph B shows the overall distribution of food insecure persons.

TABLE 2
Food Insecurity by Health Authority Area – People 12 and Older, 2005

	Total Food Insecurity		Without Hunger		With Hunger	
	Number	% of Population	Number	% of Population	Number	% of Population
Vancouver Island	37,882	6.5%	25,736	4.4%	12,146	2.1%
Interior	35,702	6.3%	22,448	3.9%	13,254	2.3%
Vancouver Coastal	42,045	5.0%	23,781	2.8%	18,264	2.2%
Fraser	57,088	5.0%	37,968	3.3%	19,120	1.7%
Northern	10,310	4.4%	6,171	2.7%	4,139	1.8%
All Areas	183,027	5.4%	116,104	3.5%	66,923	2.0%

Source: Statistics Canada, Canadian Community Health Survey, 2005, Public Use Microdata File

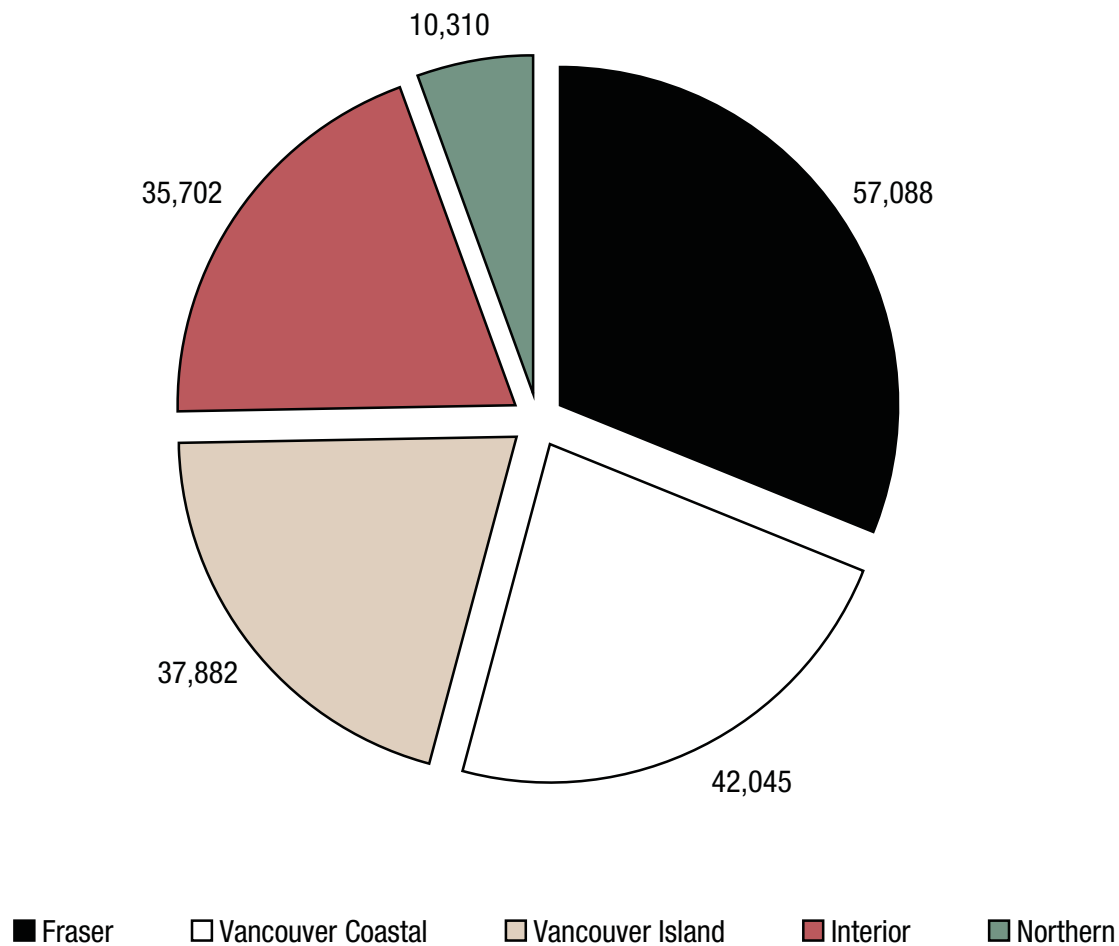
Note: All percentages are rounded to the nearest tenth of a decimal point.

The Vancouver Island Health Authority had the highest overall rate of food insecurity at 6.5 percent, while the largest number of food insecure persons was 57,088 in the Fraser Health.

In the areas covered by all five health authorities, most of the overall total was made up of persons who were food insecure without hunger. The category food insecure with hunger - a combination of the two standard categories of food insecure with moderate or severe hunger - was smaller.

Graph B underscores again the importance of looking at both rates and numbers of people with food insecurity. Fraser Health had a rate of food insecurity below the provincial average, but it also had the largest number of persons with food insecurity of any health authority - 57,088, or 31 percent of all food insecure people 12 and older in BC.

GRAPH B
Distribution of Food-Insecure People in BC by Health Authority (2005)



The three standard categories of food insecurity - without hunger, with moderate hunger and with severe hunger - are derived from answers to 18 detailed questions about food. People who did not answer one or more of the questions were placed in a “not stated” category, and their answers were not included in any of the three standard categories.

The answers to each of the 18 questions were also reported individually. The “not stated” category is smaller for some of these individual questions, and the number of people who were food insecure is therefore higher. For example, the survey shows that 284,624 persons sometimes or often worried about food running out, and it pegs the number of persons who actually ran out of food at least once at 204,622. Both those numbers are well above the overall total of 183,026 British Columbians living in food insecurity who answered all of the questions.

There were 117,868 adults in BC who skipped meals or cut the size of their meals because of the lack of money, there were 69,044 adults who were hungry because they could not afford to eat, and there were 24,651 adults who stopped eating for a whole day at least once in the previous year. About one-third of this latter group said they stopped eating for a whole day almost every month.

Children under 12 were not included directly in the 2005 survey, but some of the questions asked of the adults revealed the extent of food insecurity among children. A total of 52,068 people with children in the household were sometimes or often unable to give their children balanced meals. About half that number, or 24,617 people, said children in the household were not eating enough. And 9,728 persons said they cut the size of their children's meals because of a lack of money for food.

Other questions which asked specifically about children being hungry, children skipping meals, and children who did not eat all day produced results in BC that were too small to be reported. The six-province totals in the survey, however, showed 45,895 households where children went hungry, 33,408 households where children skipped meals, and 9,082 households where the children did not eat all day. Each of those totals is so small that it needs to be used with care.

The Canadian Community Health Survey also asked people about their incomes, living arrangements, work arrangements and a number of other questions. The Public Use Microdata File on the survey allows researchers to cross-tabulate these variables with food insecurity. That makes it possible to identify some of the main social and economic risk factors for food insecurity.

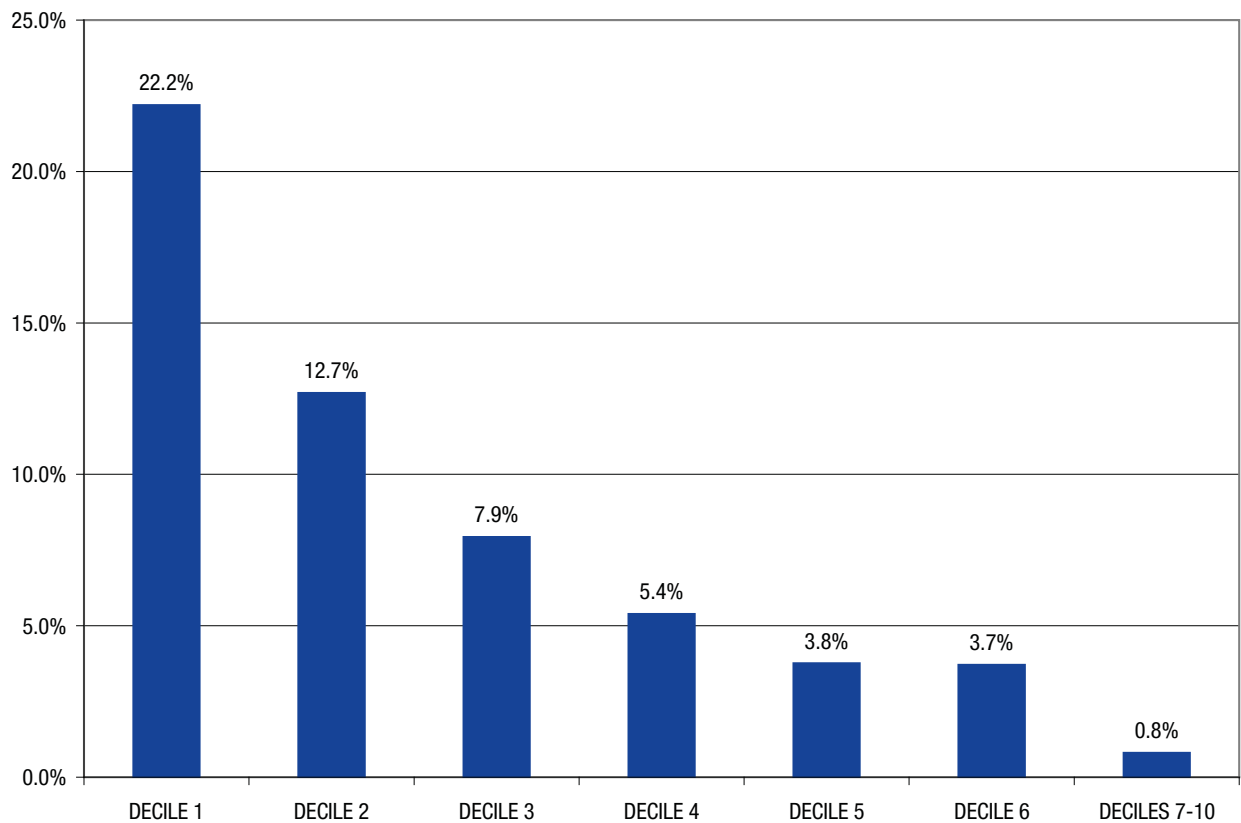
As in previous surveys of population health in Canada, the 2005 survey showed striking associations between low income and food insecurity. One cross-tabulation compared food insecurity with household income group. The overall food insecurity rate for households with incomes of less than \$15,000 was 25.9 percent - just over one in four persons with household income under \$15,000 was food insecure. The rate for the income group \$15,000 to \$30,000 was 13.4 percent. The rate for the group \$30,000 to \$50,000 was 7.0 percent. And the rate for households with income of \$50,000 or more was 2.2 percent.

The size of the households was not reported from this particular part of the survey, and there were no specific comparisons anywhere in the survey with Statistics Canada's low income cut-offs (LICOs). However, only one of the LICOs before taxes - the one for unattached persons living in rural areas - is lower than \$15,000. That means that almost every unattached person or family with household income under \$15,000 would be considered to be living under the "poverty line." Many of the people in the \$15,000 to \$30,000 would also be considered poor, depending on the size of their households and where they lived.

Another striking data set compared food insecurity with BC household income deciles. Deciles are ten groups of equal size ranked by income. Decile 1 is the ten percent of households with the lowest incomes, and decile 10 is the ten percent of households with the highest incomes.

The results of the cross-tabulation are shown in Graph C. The rate of food insecurity in the poorest decile was 22.2 percent, and the rate in the top four deciles combined was only 0.8 percent. Deciles 4, 5 and 6 had rates of food insecurity that met Statistics Canada's publication standards only marginally, while deciles 7 through 10 had to be combined to meet the publication standards.

GRAPH C
Percentage of Food-Insecure People in BC by Household Income Deciles (2005)



In this particular cross-tabulation, the numbers and rates of food insecure persons went hand in hand. The poorest group was also the largest - 63,240 food insecure persons - and the richest group was the smallest - only 9,073 food insecure persons in deciles 7 through 10.

The sample sizes were too small to allow a complete analysis of the three different categories of food insecurity, but cases of actual hunger were concentrated in the lower deciles. Most of the food insecurity reported in the higher deciles appeared to be concerns about food rather than actual hunger.

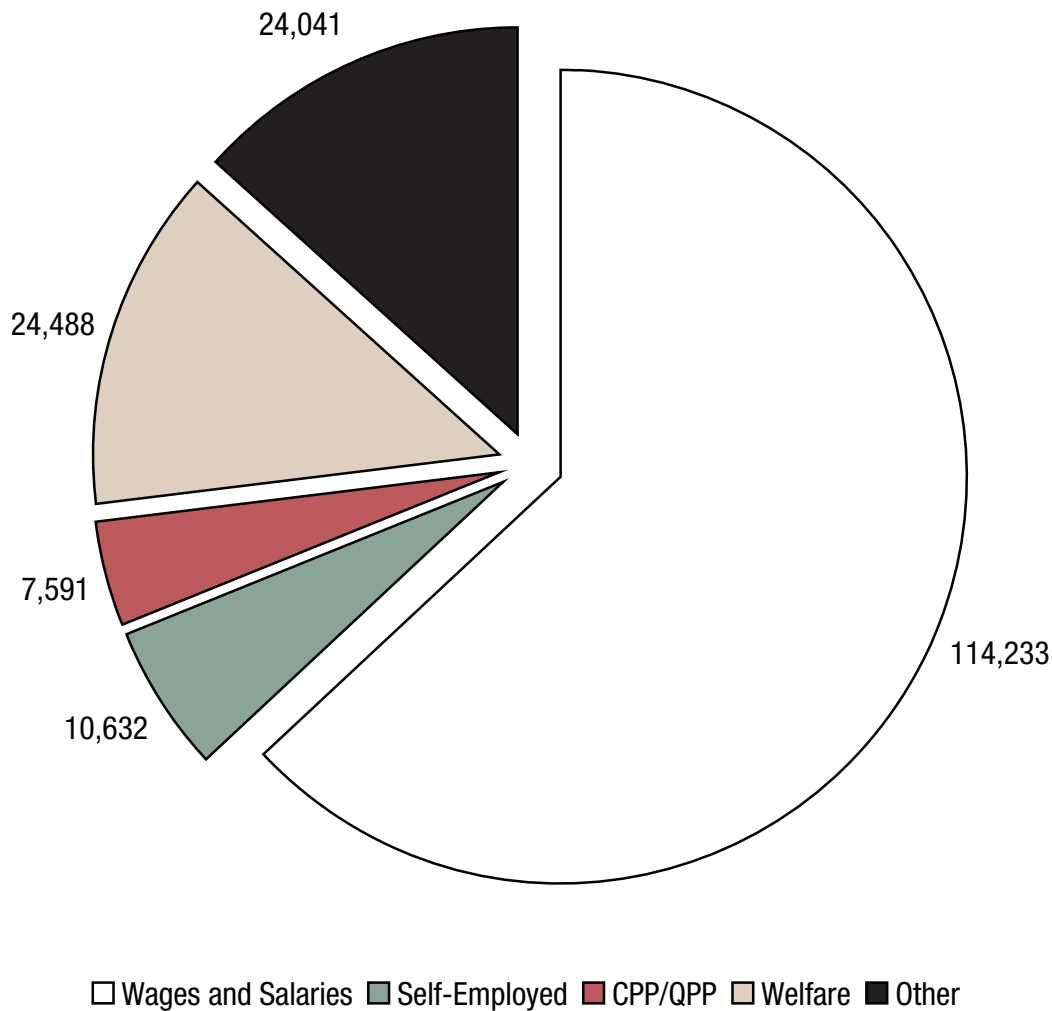
There were also significant differences in food insecurity according to major sources of household income. The Public Use Microdata File for the 2005 survey did not have this information in detail, but the BC Ministry of Health was able to break down some of the more important sources of income using its Share File data.²⁶

Persons on welfare had a food insecurity rate of 59.2 percent – by far the highest of any of the BC rates seen in the 2005 survey. The rate for people whose main source of income was wages or salaries was 5.5 percent, the rate for self-employed persons was 2.6 percent and the rate for persons getting Canada or Quebec Pension Plan benefits was 5.6 percent. The CPP/QPP group was made up largely of seniors getting retirement pensions, but it also included some recipients of disability or survivor pensions under age 65.

²⁶ A special thanks to Richard Mercer of the BC Ministry of Health for his help in processing the special cross-tabulations.

The distribution of people with food insecurity according to their major sources of income was also interesting. The results are shown in Graph D.

GRAPH D
Percentage of Food-Insecure People in BC by Major Source of Income (2005)



Although people who relied on wages and salaries for most of their income had a rate of food insecurity near the BC average, they accounted for the largest number of food insecure persons – 114,233 persons, or 63 percent of the total of 180,985 food insecure persons.²⁷ Food insecure persons on welfare made up 14 percent of the total, CPP/QPP beneficiaries made up four percent, self-employed persons made up six percent, and persons with other sources of income accounted for the remaining 13 percent.

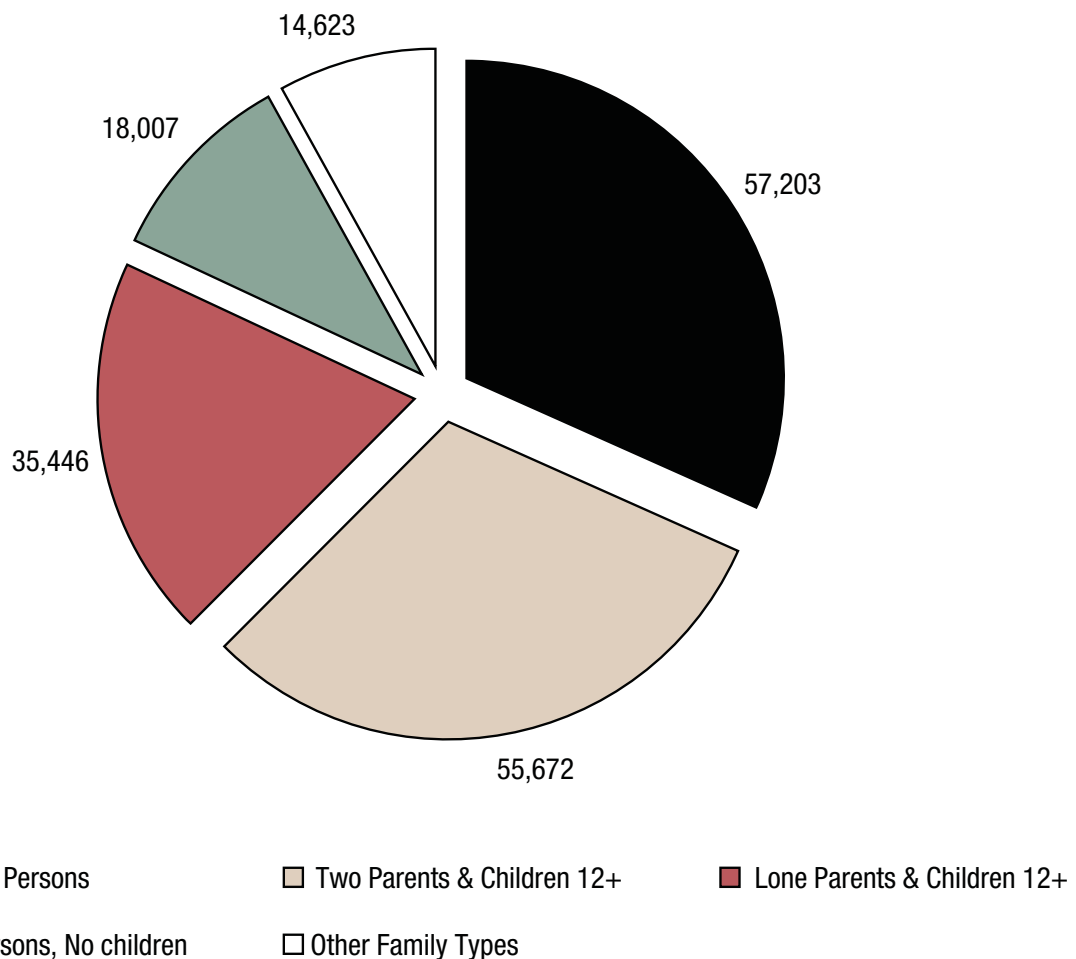
The rates of food insecurity also varied markedly by family type. Lone parents and their children 12 and older had the highest rate at 14.9 percent, or nearly three times the average for all family types. It can be assumed that the rate would have been similar if children under 12 had been included in the survey. Unattached

²⁷ There were a small number of survey respondents who were food insecure who did not answer the question on source of income.

persons, including people living on their own or with other unattached persons, had a food insecurity rate of 9.3 percent. The rate for married persons with children 12 and older was 4.3 percent, and the rate for married persons without children was 2.0 percent.

The picture is different when it comes to the distribution of food insecure persons by family type. This is due to the very large number of two-parent families with children compared to the relatively small number of lone-parent families.

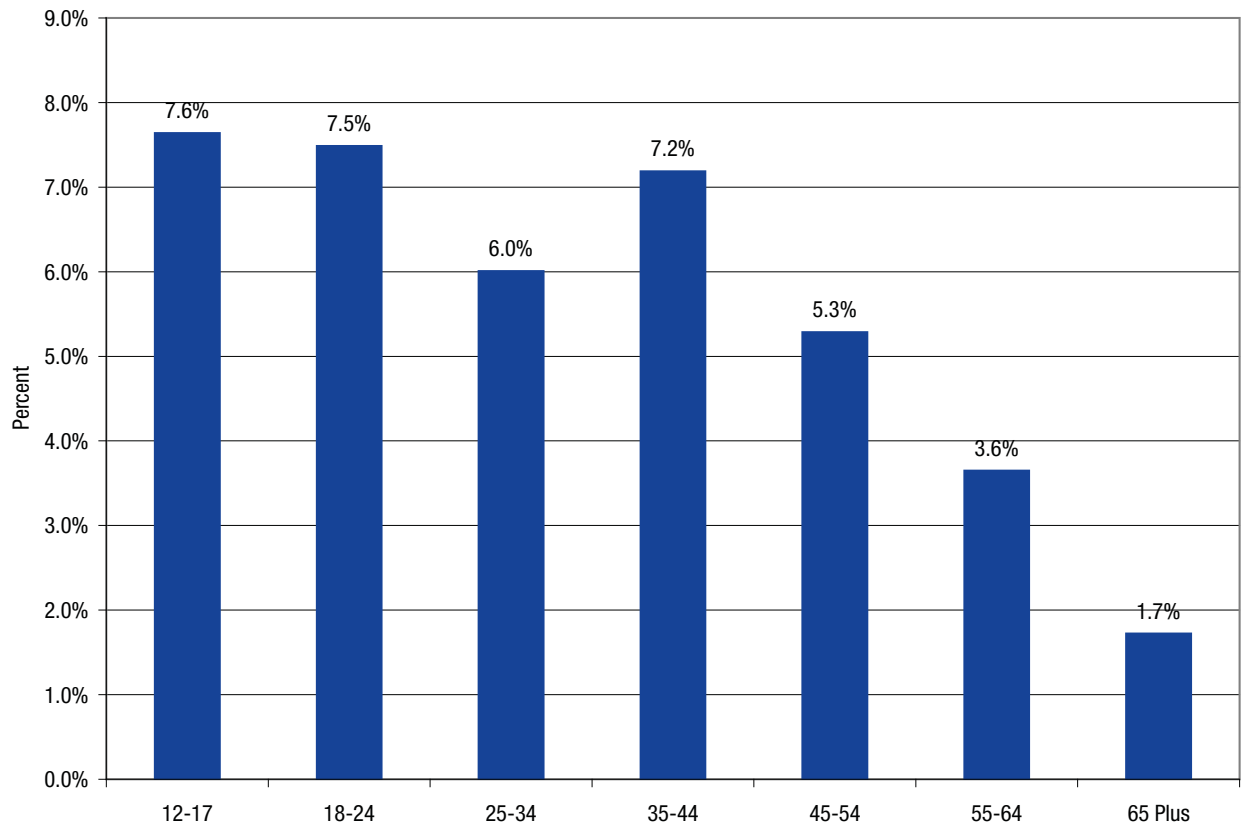
GRAPH E
Distribution of Food-Insecure People in BC by Family Type (2005)



Overall, unattached persons made up 32 percent of the persons who were food insecure, married persons and their children 12 and older accounted for 31 percent of the total, lone parents and their children 20 percent, and married persons without children 10 percent.

In general, food insecurity in British Columbia decreases with age, as shown in Graph F. The highest rate of food insecurity was 7.6 percent for the age group 12 to 17. The lowest was the rate of 1.7 percent for persons 65 and older.

GRAPH F
Percentage of Food-Insecure People in BC by Age Group (2005)



The rate of food insecurity for elderly people is relatively low compared to the annual poverty rates for elderly people reported by Statistics Canada. The poverty statistics show high rates of poverty for unattached persons 65 and older, especially older unattached women. On the other hand, most seniors living in poverty have incomes relatively close to the poverty line, whereas most poor people under 65 live on much lower incomes.²⁸

The total number of people 12 and older in British Columbia who were food insecure was 183,026. Although children under 12 were not included directly in the survey, there were certain questions asked of adults in the survey about children in their households under 12. The Public Use Microdata File contains little information beyond there being 62,140 food insecure households in BC with one or more children under 12.

²⁸ For more details, see the poverty statistics in the next section of this report. The statistics do not take account of the housing status of different family types. They simply compare income with the appropriate poverty lines. However, seniors living in institutions are not included in the Statistics Canada surveys.

Adding the 183,026 food insecure persons 12 and older and at least 62,140 food insecure children under 12 yields a total of at least 235,166 food insecure persons in British Columbia. The actual total is even higher, because an unknown number of food insecure households had more than one child under 12.

Several questions dealing with work status and disability status were asked during the survey. One cross-tabulation compared food insecurity with full-time and part-time work. The rate of food insecurity for persons working full time was 4.0 percent or slightly lower than the BC average. The rate for those working part time was nearly twice as high at 7.6 percent.

Special data runs by the BC Ministry of Health showed a strong link between food insecurity and normal hours of work. People who worked less than 20 hours a week had a food insecurity rate of 8.3 percent, people who worked 20 to 29 hours had a rate of 6.8 percent, people who worked 30 to 39 hours had a rate of 5.4 percent, and those who worked more than 40 hours a week had a rate of 3.6 percent.

The most revealing of the questions on disability was the one about people considered permanently unable to work. Their rate of food insecurity was 19.6 percent, or nearly four times the BC average.

The cross-tabulations on food insecurity and immigration in British Columbia produced surprising results. Immigrants living in BC who had arrived in Canada within the previous nine years had a food insecurity rate of only 3.6 percent in 2005. Immigrants who had arrived ten or more years previously had a rate of 4.3 percent. Both rates were slightly lower than the BC average.

The BC results were different from the six-province totals in the survey, although they varied by only a few percentage points. The overall rate of food insecurity in the six provinces combined was 5.2 percent. The rate for immigrants who arrived within the previous nine years was 6.9 percent, and the rate for immigrants who arrived ten or more years earlier was 4.7 percent.

Finally, there were no data on aboriginal people and food insecurity in the Public Use Microdata File, but the Ministry of Health was able to extract answers to two somewhat similar questions for aboriginal people living off the reserve.

One question asked survey participants if they were aboriginal persons – North American Indian, Metis or Inuit. In this group, 14.5 percent or 12,894 were found to be food insecure. The rate of food insecurity for this group was roughly three times the overall average for British Columbia.

A second question asked whether the ancestors of survey participants were North American Indians. In this group, 15.6 percent or 14,216 were deemed to be food insecure.

The results from the CCHS provide a conservative estimate of the number of people in BC who reported experiencing food insecurity.

Indirect Measures of Food Insecurity

Indirect measures of food insecurity provide another way of assessing the risk of hunger. They are less exact than the direct measures available through surveys such as the Canadian Community Health Survey, but they tend to mirror the same risk factors that appear in the survey data. Low income is one of the prime risk factors in the survey data, for example, and the low-income population is very well defined in the annual poverty statistics available from Statistics Canada.

On occasion, indirect measures are more useful than direct measures because they can be more timely or more revealing. Welfare data from the BC Ministry of Employment and Income Assistance, for example, are available monthly with only a short delay in reporting, the caseload can be grouped by reasons for assistance, and the statistics can be broken down into relatively small regions of the province. Another example is the annual poverty statistics, which take much better account of family type than the CCHS Public Use Microdata File.

This section of the report describes a number of indirect measures of food insecurity including poverty and welfare statistics, low-wage incomes, and food bank usage. It also looks at British Columbians in “core housing need” – another measure of inadequate income and therefore another risk factor for food insecurity.

Many of the indirect measures, like many of the direct measures, are interrelated. For example, being on welfare almost always means being poor. Living in a family led by a lone-parent mother carries a very high risk of being poor and also a very high risk of being on welfare.

British Columbia has been marked in recent years by poverty rates higher than the national average, and most poor people in the province live thousands of dollars below the poverty line – whether they get the bulk of their income from the marketplace or from government income support programs. BC families led by lone-parent mothers continue to have the highest poverty rates of any family type. BC’s welfare caseload has fallen dramatically, like the caseloads in other provinces, but the purchasing power of welfare incomes has fallen steadily as well.

This report uses Statistics Canada’s low income cut-offs (LICOs) as its measure of poverty. Although LICOs provide only a rough measure, there are currently no suitable alternatives that enable consistent and reliable analysis of poverty, year after year in all ten provinces. The LICOs measure levels of income where people would have to spend a large portion of their income on food, shelter and clothing, leaving little for other necessities of life such as transportation, household furnishings and modest leisure activities.

There are two versions of the LICOs calculated by Statistics Canada – one using income after government transfer payments but before federal and provincial income taxes, and the other using income after income taxes. This report features the before-tax LICOs, the measures used by most social policy researchers in Canada. The poverty rates and numbers using the two sets of poverty lines are different, but the trend lines are the same.

Table 3 shows the before-tax LICOs for 2004. The LICOs increase each year in line with increases in the Consumer Price Index. At the time this report was prepared, the most recent poverty data published by Statistics Canada were for 2004.

TABLE 3
Statistics Canada's Low-Income Cut-Offs Before Income Taxes for 2004

Size of Family Unit	Cities 500,000+	100,000-499,999	30,000- 99,999	Less Than 30,000	Rural Areas
One	20,337	17,515	17,407	15,928	14,000
Two	25,319	21,804	21,669	19,828	17,429
Three	31,126	26,805	26,639	24,375	21,426
Four	37,791	32,546	32,345	29,596	26,015
Five	42,341	36,912	36,685	33,567	29,505
Six	48,341	41,631	41,375	37,858	33,278
Seven+	53,821	46,350	46,065	42,150	37,050

Source: Statistics Canada, Low Income Cut-offs for 2005 and Low Income Measures for 2004

Catalogue No. 75F0002MIE

One of the normal ways of describing poverty is to break down the statistics by family type. Table 4 shows the eight most common family types and the corresponding poverty statistics for each type. Altogether, the eight types account for 92 percent of all poor economic families and unattached individuals in British Columbia. There were too few BC male lone parents surveyed by Statistics Canada to allow the bureau to calculate reliable poverty statistics for this group.

Economic families are households where all the members are related by blood, adoption or marriage, including common-law and same-sex couples. Unattached individuals are persons who live alone or in households where they are not related to other household members by blood, adoption or marriage.

TABLE 4
Snapshot of Poverty in British Columbia, 2004

Family Type	Number Poor	Percentage Poor	Average Depth of Poverty
Married Couples 65+	14,000	4.8%	na*
Couples <65 without Children	22,000	7.9%	\$10,300
Two-Parent Families	51,000	14.2%	\$11,700
Female Lone-Parent Families	40,000	56.4%	\$11,400
Unattached Men 65+	14,000	28.9%	na
Unattached Women 65+	40,000	37.0%	\$3,700
Unattached Men <65	117,000	38.0%	\$8,300
Unattached Women <65	88,000	46.4%	\$10,100
All Family Units	420,000	23.4%	\$8,900

Notes: "All Family Units" includes male lone-parent families and a small number of other family types which are not listed separately in the table.

* Sample size too small and/or data too erratic to produce reliable results

Source: Statistics Canada, Income Trends in Canada, 1980-2004, using Statistics Canada's Low Income Cut-offs Before Income Taxes

All in all, there were 420,000 poor families and unattached individuals in BC in 2004 or 23.4 percent of all family units, that is, families and unattached individuals added together. The average depth of poverty or the difference between the average income of poor family units and the poverty line was \$8,900.

Two striking conclusions arise from the figures in the table. The highest poverty rates by far are those of family types with only one breadwinner - female lone-parent families and unattached men and women under and over age 65. The three types of couples on the first three lines of the table had poverty rates that were much lower. That's due in large part to the fact that couples often have two breadwinners, i.e. two people in the paid labour force or two recipients of pension income.

In terms of the numbers, female lone-parent families and unattached individuals accounted for close to three-quarters of all poor family types in the province in 2004 - 285,000 poor family units out of a total of 420,000.

The other striking conclusion is the depth of poverty for many of the family types in the table. The average depth of poverty for female lone-parent families, for example, was \$11,400 in 2004. In the Lower Mainland, where the LICO was \$25,319 for a family of two persons, that was equivalent to an income of only \$13,919.

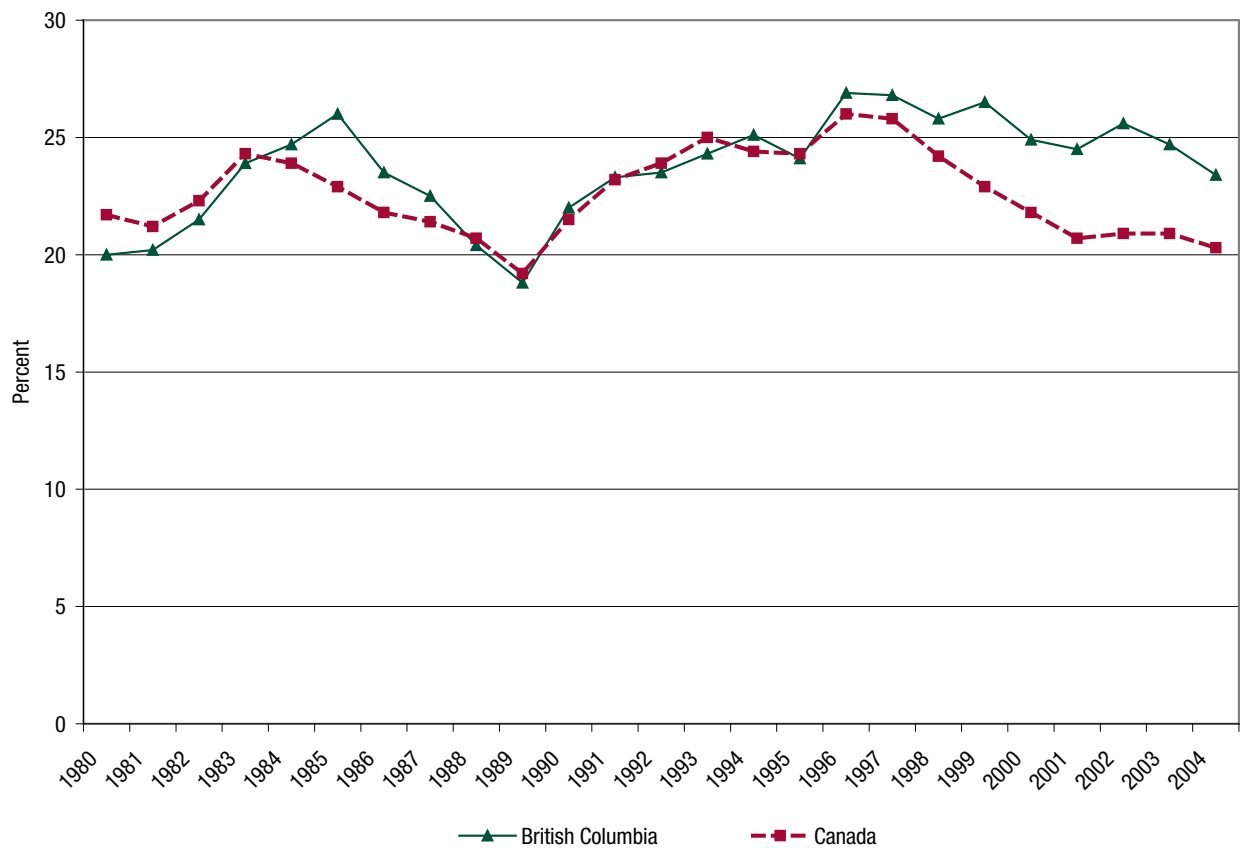
Seniors have a smaller depth of poverty, in large part because of the federal government's Old Age Security pension and Guaranteed Income Supplement and the Canada and Quebec Pension Plans. For example, the average depth of poverty for unattached women 65 and older in 2004 was \$3,700.

Poverty rates for seniors have fallen more or less steadily everywhere in Canada because of federal income security programs and other government initiatives dating back to the 1950s and 1960s.

Poverty rates for families and unattached persons under 65 tend to rise and fall with the overall state of the economy. However, the rates in BC have been detached from the normal pattern during the last decade. Graph G gives the details.²⁹

²⁹ Data in Graphs G, H, I and J all come from Income Trends in Canada, 1980-2004.

GRAPH G
Poverty Rates for All Family Units, Canada and BC



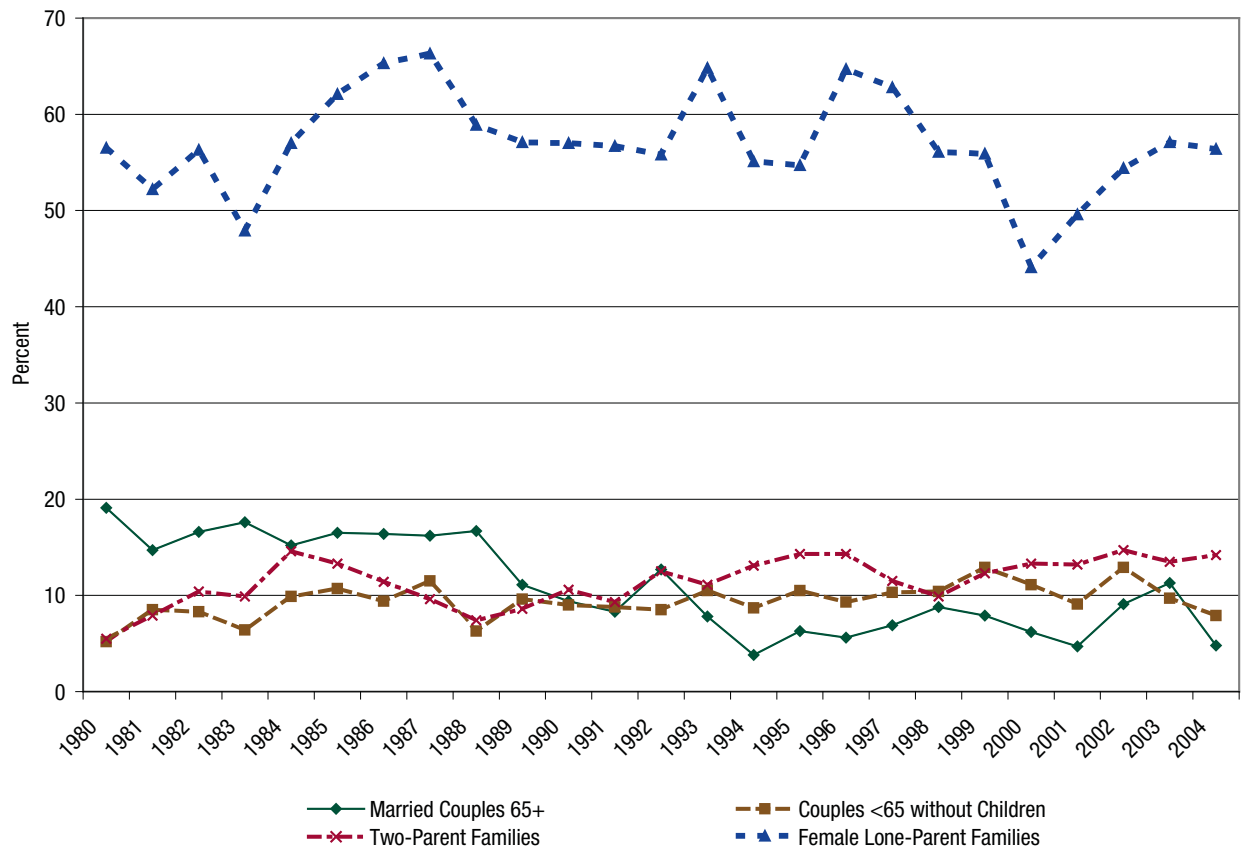
For most of the early years in the graph, poverty rates in BC were close to the national average. Starting in 1996, BC has been consistently higher than the national average. In 2004, the BC poverty rate for all family units was 23.4 percent, the second highest in Canada after Newfoundland and Labrador at 23.5 percent. The national average was 20.3 percent.

The reasons for BC’s below-par performance in recent years are not clear. A handful of studies using census data on incomes have linked higher BC poverty rates with the low incomes received by recent immigrants who settled in the Lower Mainland. Technical papers done by Statistics Canada at the request of the BC Progress Board suggested that decreased participation in the paid labour force in Vancouver was a more important factor than immigration, but overall the difference between BC and Canada remains unexplained.³⁰

The three graphs that follow plot the trends in poverty by family type.

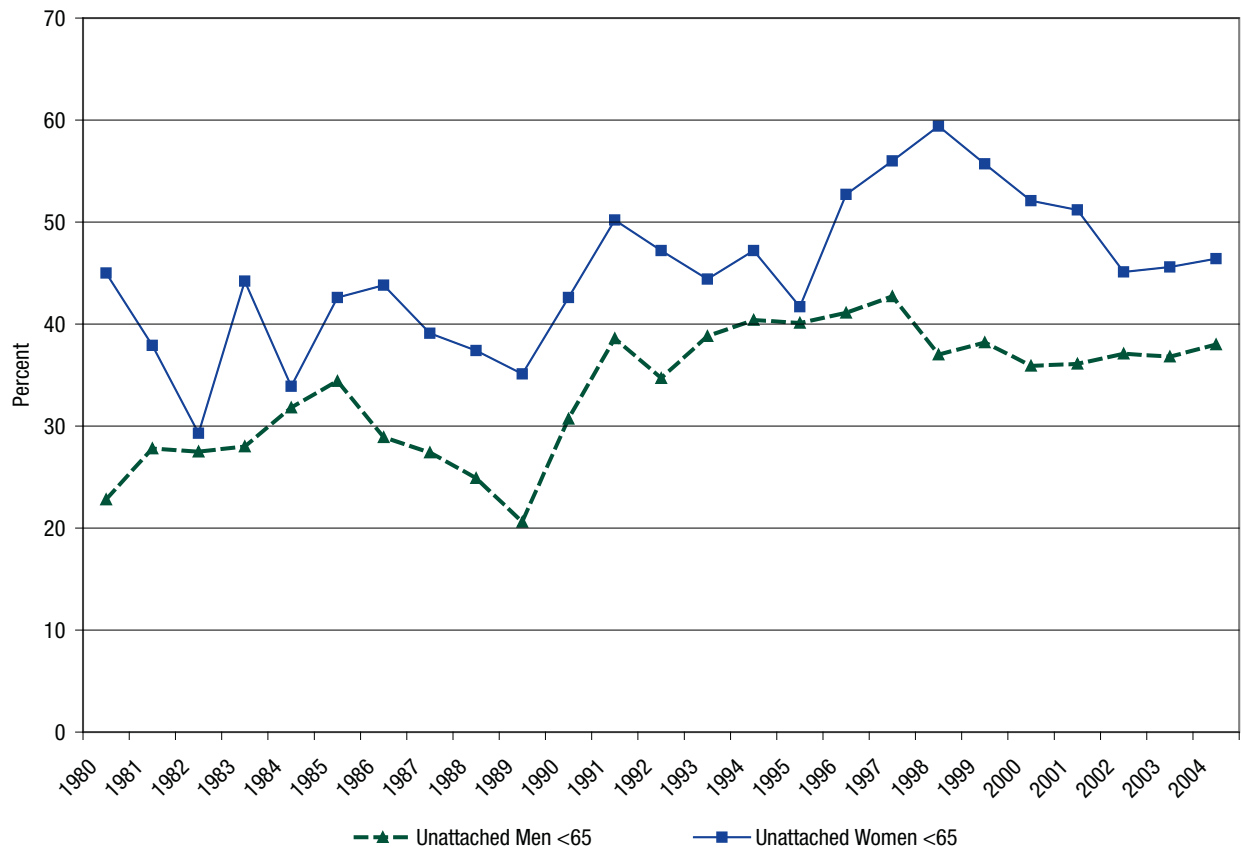
30 BC Progress Board (2005). Comparing BC’s Performance – Reaching Our Potential.

GRAPH H
BC Poverty Rates – Economic Families



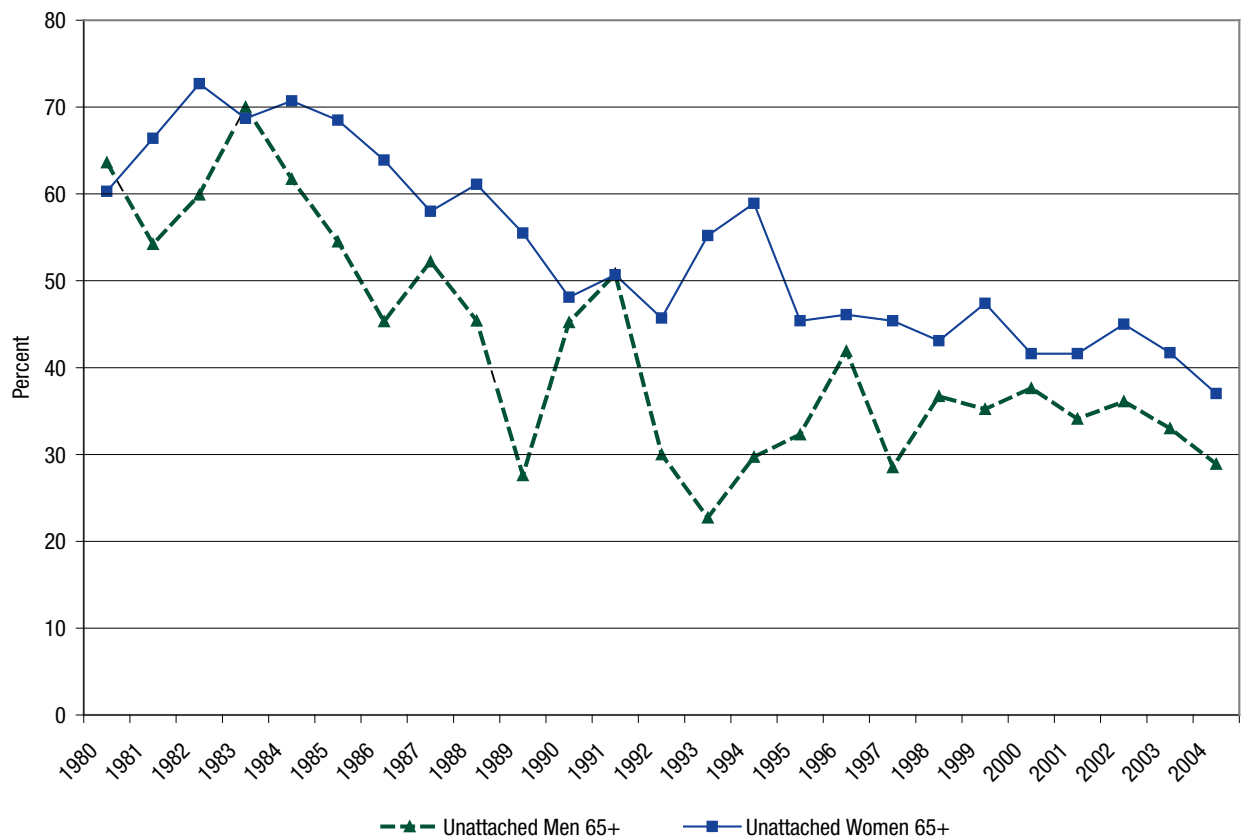
Graph H shows the poverty rates for the four main types of economic families. Three of the four have relatively low rates, while families headed by lone-parent mothers have very high rates.

GRAPH I
BC Poverty Rates – Unattached Individuals Under 65



Graph I shows the poverty rates for unattached persons under 65. Generally speaking, rates rose because of the recession of 1981-1982, declined for the rest of the 1980s, and rose again because of the recession of 1990-1991. Normally, the rates would decline following a recession and keep on declining as long as the economy keeps growing. However, the graph shows slight increases during the last several years that run counter to the economic cycle.

GRAPH J
BC Poverty Rates – Unattached Seniors



Graph J shows poverty among unattached seniors. Here, the long-term trends are clearly and strongly downward, although both unattached senior women and unattached senior men still have poverty rates that are higher than average.

Contrary to popular belief, most poor people in Canada under age 65 have ties to the labour market. Most of the rest under 65 rely on government income support programs, notably welfare. Most poor people 65 and older rely on federal income support programs and the Canada and Quebec Pension Plans rather than welfare.

Welfare caseloads across Canada have fallen dramatically in recent years, partly due to a strong economy overall and partly due to efforts by provincial and territorial governments to trim the rolls and promote paid work as an alternative to welfare. In British Columbia, the result has been a considerable change in the composition of the welfare caseload. The number of cases classified as employable has fallen sharply, but the number of cases with impediments to paid work has grown. The annual averages for 2005 are shown in Table 5.

TABLE 5
BC Welfare Cases by Category and Family Type, 2005

	Single Men	Single Women	Couples	Two-Parent Families	Lone-Parent Families	Total	Percentage Distribution
Expected to Work	7,744	4,345	766	1,199	5,291	19,345	19%
Expected to Work – Medical Condition	3,389	2,106	137	82	1,160	6,874	7%
Temporarily Excused from Work	680	666	242	33	5,571	7,190	7%
Persons with Persistent Multiple Barriers	4,866	3,228	186	74	1,426	9,780	10%
Disability Assistance	27,353	21,167	2,946	1,277	3,874	56,616	57%
Total	44,032	31,512	4,277	2,665	17,322	99,805	100%
Percentage Distribution	44%	32%	4%	3%	17%	100%	

Source: BC Ministry of Employment and Income Assistance web site

Of the total welfare caseload of 99,805 cases, 19 percent fell in the category “expected to work.” The other 81 percent were classified as disability assistance cases or placed in categories where paid work would not normally be an option. The category “temporarily excused from work,” for example, was made up mostly of lone-parent mothers with young children.

The distribution of welfare cases by family type is also revealing. Fully 93 percent of the cases in 2005 consisted of single men, single women and lone-parent families. These are the three family types that normally have only one breadwinner. Many of them will no doubt eventually exit the welfare rolls, but their prospects for rising above low-income status are less favourable.

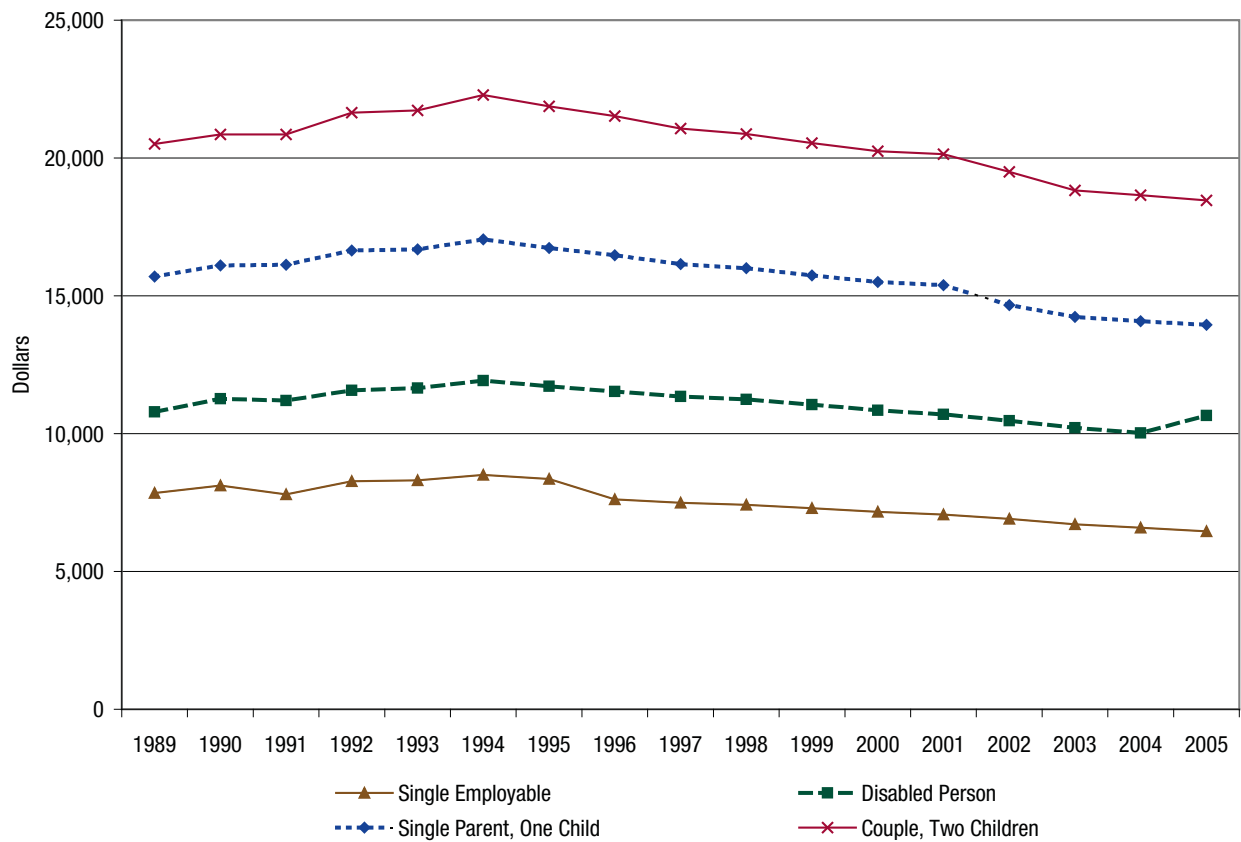
Welfare rates are low, and the purchasing power of welfare recipients has deteriorated in recent years. This is due in part to reductions in welfare benefits and to the lack of inflation protection. However, since the beginning of 2005, there have been some increases in welfare rates.³¹

Seniors in Canada are protected from increases in the cost of living by indexing, automatic increases in the Old Age Security pension, Guaranteed Income Supplement and Canada and Quebec Pension Plans. Welfare recipients in BC and most other provinces have no such protection. Every year that welfare rates remain the same, the purchasing power of welfare recipients loses ground to inflation.

The National Council of Welfare has been tracking welfare incomes since 1986 and on an annual basis since 1989. Graph K shows the results for four “typical” family types in BC. The incomes include incomes from all sources and are expressed in 2005 constant dollars to factor out the effects of inflation over the years.

³¹ The 2007 BC budget provided a \$50 a month increase in the maximum shelter allowance and a \$50 monthly increase in the support allowance for single employable persons, including single parents.

GRAPH K
BC Welfare Incomes in Constant 2005 Dollars



For the single employable person, welfare income peaked at \$8,504 in 1994 and fell to \$6,456 in 2005, or 31 percent of the poverty line. The income of the single person with a disability peaked at \$11,924, fell in the years that followed through 2004 and rebounded slightly in 2005 to \$10,656, or 51 percent of the poverty line. The welfare income for lone parents with one child was \$17,050 in 1994 and \$13,948 in 2005 or 54 percent of the poverty line. Finally, welfare income for couples with two children was \$22,285 in 1994 and \$18,466 in 2005 or 48 percent of the poverty line.

Most poor people under 65 in British Columbia and elsewhere in Canada rely on paid employment for a major share of their total income, but not all workers earn enough to make ends meet.

Canada is considered a “low-wage” country by the standards of the OECD, with roughly one-quarter of all workers paid at two-thirds the median national wage or less. Special Statistics Canada data runs done for the Canadian Labour Congress showed that 365,000 BC workers or 23 percent of the provincial labour force were low-wage workers as of 2002. That means they earned less than \$10.44 an hour, or two-thirds of the national median wage of \$15.65.³²

³² Data was made available by Andrew Jackson of the Canadian Labour Congress.

British Columbia and Vancouver also had disproportionately high percentages of workers who were poor in 2001 compared to other provinces and large metropolitan areas.³³

People who work full-time year-round tend to do well financially, but workers in part-time or part-year jobs tend to do poorly when it comes to annual income. And male workers tend to do better than female workers.

In 2004, BC men who worked full-time full-year jobs had average earnings of \$50,100, while BC women who worked full-time full-year jobs had average earnings of \$38,300, or 77 percent of the earnings of men. BC men who worked less than full-time full-year had average earnings of \$17,700, and the comparable group of BC women had average earnings of \$13,400.³⁴

The net result of these and other forces in the labour market is that a relatively high proportion of BC workers get relatively small amounts of income from paid work. Table 6 gives the details.

TABLE 6
Distribution of BC Male And Female Workers by Gross Annual Earnings in 2004

Earnings Group	Male Workers	Female Workers
Under \$10,000	22.8%	33.9%
\$10,000 to \$19,999	14.7%	20.6%
\$20,000 to \$29,999	11.0%	14.0%
\$30,000 to \$39,999	11.3%	11.7%
\$40,000 to \$49,999	11.5%	8.1%
\$50,000 to \$59,999	7.9%	3.8%
\$60,000 and More	20.7%	7.8%
Total	100.0%	100.0%

Source: Statistics Canada, *Income Trends in Canada, 1980-2004*

In 2004, 33.9 percent of BC female workers had earnings of less than \$10,000 a year, and another 20.6 percent had earnings of between \$10,000 and \$20,000. Together, 54.5 percent of the female labour force had incomes that would have put them at or below the poverty line if they were living as unattached persons in the Lower Mainland. The low-income cut-off before income taxes for the Lower Mainland in 2004 was \$20,337 for a single person.

Male workers fared better, but there were still 22.8 percent of male workers with earnings of less than \$10,000 a year and 14.7 percent with earnings of \$10,000 to \$20,000 for a combined total of 37.5 percent.

The statistics in the table are the earnings of individual workers rather than the earnings of households in the case of families. Obviously, a low-wage worker living in a family with a high-wage worker would be much better off financially than a household with only one low-wage income.

33 Dominique Fleury and Myriam Fortin (2006) *When Working is not enough to Escape Poverty: An Analysis of Canada's Working Poor*. Human Resources and Social Development Canada. Reasons for the findings about BC and Vancouver were not explored in the report.

34 *Income Trends in Canada, 1980-2004*.

Unattached persons have only one income by definition. If that income is at the low end of the earnings scale, they are almost certain to be at high risk of food insecurity.

At the very bottom of the wage scale are those workers who get paid the BC minimum wage of \$8 an hour, or the so-called training wage of \$6 an hour.

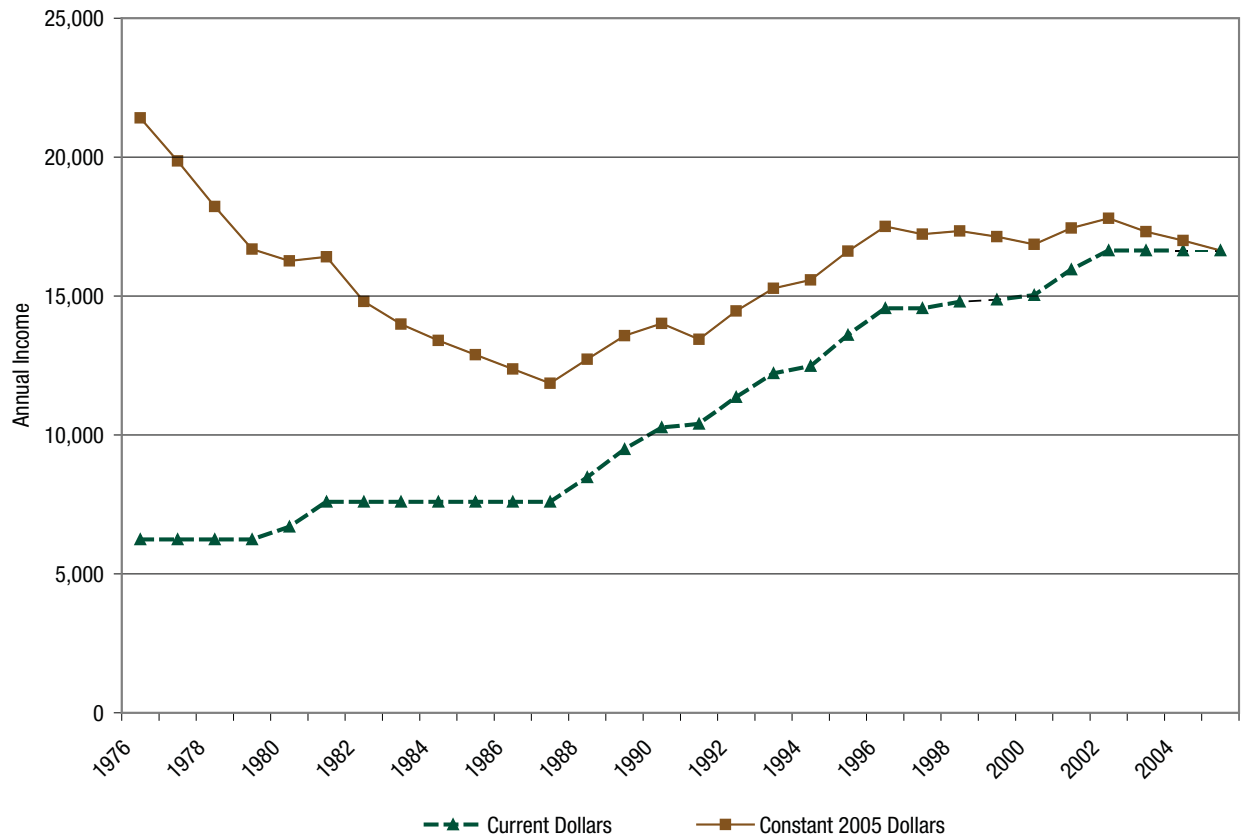
Studies of minimum-wage workers in British Columbia show there are relatively few workers who actually work at the minimum wage and very few who work full-time full-year at the minimum wage, but the \$8 an hour minimum sets a floor for wages that are a bit higher up the wage scale. Research suggests that increasing the minimum wage would have a ripple effect on other low-wage jobs.³⁵

BC's minimum wage is currently the highest of any province, but is not enough to put a single person above the poverty line. A minimum wage worker working 40 hours a week 52 weeks a year would have gross earnings of \$16,640 or 82 percent of the poverty line for a single person in the Lower Mainland. To reach the poverty line with wages alone would require a minimum wage of \$9.77 an hour.

Governments in British Columbia have increased the minimum wage from time to time, but the increases have been erratic. Graph L shows the trends in minimum-wage income over the years, expressed both in terms of actual dollars earned and in terms of constant 2005 dollars that factor out the effects of inflation.

³⁵ Minimum wage research done in British Columbia concluded that increases in the minimum wage have only marginal disemployment effects. See Michael Goldberg and David Green (1999) *Raising the Floor: the Social and Economic Benefits of Minimum Wages in Canada* published by the Canadian Centre for Policy Alternatives.

GRAPH L
Full-Time, Full-Year Minimum Wage Income in BC



The bottom line in the graph shows minimum wage income in current dollars. In 1976, the minimum wage was \$3 an hour and gross income from working 40 hours a week 52 weeks a year amounted to \$6,240.

Over the years, the minimum wage grew to its current value of \$8 an hour and current gross income of \$16,640.³⁶

A different picture emerges when we look at the top line representing minimum wage income expressed in 2005 dollars. It started out at \$21,411 in 1976 and fell sharply in the years that followed through a combination of high inflation rates and freezes in the wage for years at a time. Minimum wage income eventually started to rebound from its earlier losses, but the figure for 2005 was still 22 percent lower than the peak year of 1976.

Two other sets of statistics provide further insights into food insecurity in British Columbia. The first set is housing statistics from the federal government that focus on families having trouble paying for shelter – or by extension, having trouble paying for food and other necessities of life. The second set covers annual statistics from BC food banks through 2005.

Canada Mortgage and Housing Corporation (CMHC) reported a very strong link between low income and unacceptable housing conditions in the 2005 version of its publication, *Canadian Housing Observer*. CMHC said unattached individuals, lone-parent families, recent immigrants and aboriginal people living off the reserve were all at high risk of living in unacceptable conditions. Most of those at high risk were renters rather than homeowners.

At the national level in 2000, CMHC said 74 percent of all renters in “core housing need” had household incomes of less than \$20,000, and 61 percent of owners in “core housing need” had incomes of less than \$20,000.

Core housing need is a shorthand measure developed by CMHC to refer to housing that is inadequate, unsuitable or unaffordable. Inadequate means the housing requires major repairs. Unsuitable means there are not enough bedrooms to accommodate the number and composition of household members - a standard that varies with the adults and the age and sex of any children in the household. Unaffordable means the household is unable to pay the equivalent of median rent and utility costs for suitable rental housing without spending more than 30 percent of its income before taxes.

Core housing need refers specifically to ability to pay rather than the choices made freely by residents. It specifically excludes those households which spend more than 30 percent of their income on housing by their own choice – for example, to live in a particular neighbourhood, to have more than a minimum number of rooms, to pay off a mortgage as quickly as possible, or to pay more now to buy a house in the hope that the burden will decrease as family income increases in the future.

CMHC measures core housing need every five years using census data from Statistics Canada. The measure is not used for housing on Indian reserves, which is provided through band housing arrangements, or farm housing, where the cost of housing is not always easily separated from the expenses of other farm buildings.

Table 7 gives the latest available estimates of core housing need for renters, owners and all households in British Columbia in 2001. Overall, there were 223,670 households in core housing need or 15.8 percent of all BC households – the highest percentage of any province.

³⁶ The earlier calculations were done by the National Council of Welfare. The last several years were calculated by the authors.

TABLE 7
BC Households in “Core Housing Need,” 2001

	All Households	Renter Households	Owner Households
All Households	1,416,725	458,675	958,050
Households in “Core Housing Need”	223,670	144,180	79,490
% in “Core Housing Need”	15.8%	31.4%	8.3%
Average Monthly Income Before Taxes	\$1,561	\$1,461	\$1,741
Average Monthly Shelter Costs	\$711	\$662	\$799
Average Shelter Cost as % of Income	49%	50%	48%
Households in “Core Housing Need” and Spending 50% or More on Shelter	94,600	61,200	33,400
% of All Households	6.7%	13.3%	3.5%
Average Monthly Income Before Taxes	\$1,298	\$1,123	\$1,617
Average Monthly Shelter Costs	\$862	\$731	\$1,102
Average Shelter Cost as % of Income	68%	67%	70%

Sources: Canada Mortgage and Housing Corporation, *Canadian Housing Observer 2005*, and CMHC Research Highlight, “Households Spending at Least 50% of Their Income on Shelter” (April 2005)

Close to one-third or 31.4 percent of all renter households were in core housing need, compared to 8.3 percent of all owner households. Both groups paid roughly 50 percent of their before-tax income for housing - well above the threshold of 30 percent in the affordability standard for core housing need.

In fact, the bottom half of the table shows a sizeable number of people who paid 50 percent or more of their incomes for housing in 2001. They included 13.3 percent of all renter households and 3.5 percent of all owner households. The renters paid 67 percent of their incomes for housing on average, and the owners paid an average of 70 percent.

Housing affordability has been a problem everywhere in Canada, due in part to the withdrawal of federal financing for new units of “social housing” such as co-operative housing and various programs that allow rents to be geared to income.

CMHC’s own account of federal housing policy shows that federal support for the construction of new social housing peaked in the early 1980s, fell off rapidly in the years that followed and all but disappeared starting in 1993. Ottawa continued to subsidize the cost of existing social housing, but did not support new construction. That policy was eased a bit starting in 2003, when the federal government promised to contribute modest sums of money to help make housing more affordable.

The 2005/06 annual report of BC Housing shows the provincial government building a limited number of new housing units and providing financial subsidies to a number of other British Columbians, but the demand far outweighed the assistance available. BC Housing served a total of 59,427 households in 2005 - the equivalent of 27 percent of the 223,670 households in core housing need in 2001.³⁷

³⁷ BC Housing 2005/05 Annual Report, *Housing Solutions for Healthier Futures*.

For 2006, the province budgeted \$200 million for a variety of housing programs. About \$145 million of the \$200 million is for housing totally within provincial government control, and the remaining \$55 million is for cost-shared housing programs initiated under earlier federal-provincial financial arrangements. There is also approximately \$143 million in federal funding earmarked for housing.

Finally, food bank usage in Canada has grown more or less steadily since the country's first food bank opened in Edmonton in 1982. The annual Hunger Count tally prepared by the Canadian Association of Food Banks reported 823,856 persons used food banks in March 2005 or roughly 2.6 percent of the population of Canada. The figures for British Columbia were 75,413 users or less than two percent of the BC population.

Per-capita usage in British Columbia was the second lowest in Canada after Alberta. Usage was much higher than the national average in Manitoba and Newfoundland and Labrador.

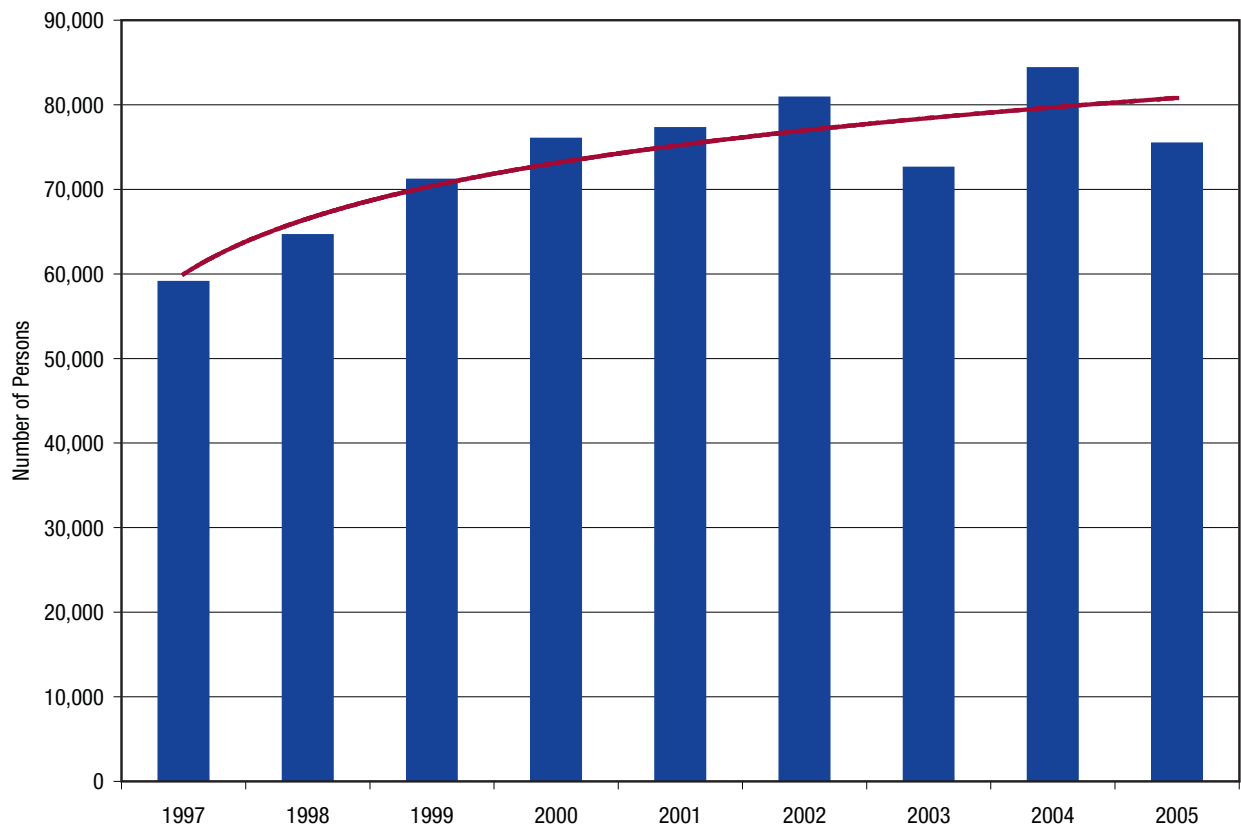
The two largest categories of food bank users by family type in British Columbia and most other provinces were single persons and members of lone-parent families. The breakdown by family type in BC in March 2005 was 40 percent single persons, 32 percent lone-parent families, 17 percent two-parent families, and 11 percent couples without children. Included in these figures, but broken out separately as well, were seven percent seniors and three percent students.

In every single province, welfare recipients were the largest single group of food bank users by source of income, but many others depended on other government programs for their livelihood. The BC figures for March 2005 were: 52 percent welfare recipients, 13 percent disability support recipients, 11 percent wage-earners, five percent pensioners, five percent Employment Insurance claimants, one percent student loan recipients, and six percent with income from other sources. The remaining seven percent said they had no income at all.

The growth in food banks in Canada over the years is one indication of people having trouble making ends meet, but the increase in food bank usage clearly reflects the growing number of food banks and their ability to collect and distribute food as well as the broader issue of food insecurity.

Graph M shows food bank usage in British Columbia based on the figures compiled by the Canadian Association of Food Banks. The figures must be interpreted with caution, however, because of gaps in reporting in all years. The results for 1997 and 1998 are based on approximately 50 percent of the food banks reporting (and the balance estimated), while the results for most recent years are based on over 90 percent of the food banks reporting and the balance estimated. Nonetheless, the trend line shown in the graph indicates that the growth in use of food banks may be leveling off in BC.

GRAPH M
Food Bank Usage in BC



The Canadian Association of Food Banks also commissions public opinion research about food banks in the population at large. Polling by Totum Research Inc. in September 2004 showed 23 percent of respondents believed hunger was a “very serious” problem in Canada, and another 48 percent believed it was a “serious” problem.³⁸

Sixty-five percent of those polled said governments have a great deal of responsibility for solving the problems that are reflected in growing food bank usage. Eighty-two percent blamed government cutbacks and inadequate social programs as a cause of hunger, but most respondents cited other reasons as well, including use of alcohol or drugs, mental health, disability or long-term illness, and unemployment.

³⁸ Totum Research Inc. (2004) Hunger in Canada: Perceptions of a Problem.

The Effects of Policy Changes for Reducing Food Insecurity

The previous two sections of this report provided the best data available as of 2005 for direct and indirect measures of food insecurity. This section builds on those findings by examining in detail the budgets of seven “typical” households and how they would be affected by changes to public policy aimed at alleviating food insecurity. The family types selected for this analysis were deemed to be at high risk of food insecurity. They are:

- a couple with two children and one of the parents working 40 hours per week in a low-wage job that pays \$11 an hour;
- a family with two children headed by a lone-parent mother working 30 hours per week in a low-wage job that pays \$11 an hour;
- a couple with two children and both parents in the paid labour force - one parent working 35 hours per week and earning \$11 an hour and the other working 20 hours per week and earning \$9 an hour;
- a lone-parent mother with one child living on welfare;
- a single man classified as a Person with a Disability living on welfare;
- a single man working half the year in a minimum wage job and relying on welfare for the other half of the year; and
- a single elderly woman living on Old Age Security and the Guaranteed Income Supplement.

Given the differences among these family types, it is evident that no single change in public policy can meet the needs of all seven family types. Households that depend on wages and salaries for the bulk of their income, for example, would not be helped by an increase in welfare rates. Families with children would benefit from a substantial boost in federal or provincial child benefits, but unattached persons or families without children would not.

The methodology used in this section is adapted from the work of the Social Planning and Research Council of British Columbia (SPARC BC) and the Dietitians of Canada, BC Region, together with the Community Nutritionists’ Council of BC. SPARC BC has been tracking BC welfare incomes for many years and comparing them with the cost of purchasing the goods and services needed for everyday living. Its most recent publication *Left Behind* contained calculations for 2005. The dietitians and nutritionists use the same basic methodology in their annual publication *The Cost of Eating in BC*, but focus specifically on the ability of households to purchase nutritious food. The 2005 version of their report was used in this review.

The SPARC BC basket was also selected as it provides a conservative estimate of disposable income thresholds compared to other estimates of disposable income as shown in Table 8.

TABLE 8
Disposable Income Thresholds in Lower Mainland, 2005

Measure	Family of Four	Single Person	Source
Low Income Cut-Offs (LICOs) After Income Taxes	\$32,566	\$17,219	Statistics Canada
Market Basket Measures (MBMs)	\$30,963	\$15,482	Human Resources and Social Development Canada, MBM for Vancouver CMA for 2002 increased by 6.975% for cost of living
SPARC BC Guidelines	\$29,669	\$14,798	Social Planning and Research Council of BC, <i>Left Behind</i>

Our adaptation of the methodology starts with a calculation of disposable income for each of the family types and then deducting, in order, housing and utility costs, the cost of a nutritious food basket, and other necessary expenses. The rationale is that housing and utility costs are more or less regular, invariable and unavoidable, so should be deducted first. What's left is then compared with the cost of a nutritious food basket. Finally, we look at any disposable income remaining after housing and food and compare it to the cost of such other normal expenses as clothing, personal care items and transportation.

The decision to look at food security within the larger household budget is based on the understanding that being able to afford the cost of a nutritious food basket should not be at the expense of all other normal costs of living. A family that is food secure should also be able to afford modest expenditures of a type that all British Columbians would regard as normal, from soap, toothpaste, and haircuts to a modest amount of leisure-time activities that are not free of charge. This view is fully in line with the dominant view of social policy analysts in Canada that poverty means social exclusion, or being cut off from the mainstream of Canadian life.

Table 9 shows the baseline income data for one of the seven family types in this section of the report, and the text describes how the calculations were completed. The reference year for all the family types is 2005. However, more recent changes in provincial and federal policy are outlined in the footnotes with an explanation of how they would have increased food security for some of the family types.

The first family type for analysis in this report is a low-wage family of four with two parents, a boy aged 13 and a girl aged seven. The family's main source of income is a full-time, full-year job that pays \$11 an hour. The wage rate is roughly two-thirds of the median national wage in Canada, the standard used by the OECD to delineate low-wage jobs.

TABLE 9
Example of Calculations – Family of Four with Two Children

	BASELINE 2005 One-Earner Family of Four	
	\$11 x 40 x 52	
	Annual	Monthly
Gross Income	22,880.00	1,906.67
GST Credit	689.00	57.42
Federal Child Benefits	5,261.32	438.44
BC Earned Income Benefit	537.51	44.79
BC Sales Tax Credit	52.40	4.37
Total Income	29,420.23	2,451.69
Payroll Deductions:	2,440.39	203.37
Federal Tax	822.38	68.53
BC Tax	212.54	17.71
CPP	959.31	79.94
EI	446.16	37.18
Disposable Income	26,979.84	2,248.32
Fixed Expenses:		
Rent - Three Bedrooms		875.00
Hydro/Phone		59.41
MSP Premiums		0.00
Income after Fixed Expenses		1,313.91
Food		654.46
Income after Food		659.45
Other Expenses:		1,112.85
Clothing		233.72
Household Supplies		51.12
Personal Care		69.57
Transit		209.00
Other Costs of Daily Living		549.44
Income after Other Expenses		-453.40

The family receives \$22,880 a year in gross income from earnings, or \$1,906.67 a month. The family also receives federal child benefits, the federal GST (Goods and Services Tax) credit, the BC Earned Income Benefit, and the BC Sales Tax Credit. None of the government benefits is taxable.

The payroll deductions for federal and provincial income taxes, Canada Pension Plan contributions and Employment Insurance premiums were calculated using a special tax and benefits calculator for 2005. Total income minus payroll deductions equals disposable income.

The cost of housing refers to the cost of housing in the lowest one-quarter of the rental market in the Lower Mainland and comes from data supplied to SPARC BC by CMHC. In the past, the cost of housing in the lowest one-quarter of the market was the standard established by the BC government for setting shelter allowances for welfare recipients. That standard has since been abandoned. The figure of \$875 in the table is for a three-bedroom apartment and includes the cost of heating. SPARC BC made separate calculations on the cost of electricity and local telephone service. The figure for MSP premiums is zero, because the family qualifies for 100 percent premium assistance. Disposable income in the table minus housing and utilities equals \$1,313.91.

The cost of food is the cost of purchasing the items in a nutritious food basket, a standardized measure developed some years ago by Health Canada. The dietitians and nutritionists calculated the cost of the basket in 2005 by pricing the individual items in 109 grocery stores in all health regions of British Columbia. "The food basket is neither an ideal diet nor the least expensive diet but it is consistent with the food purchases of ordinary Canadian households . . ." says the 2005 version of *The Cost of Eating in BC*. The calculations for the food basket vary by household size and the age group and gender of household members.

The total for "other expenses" in the table includes clothing, household supplies, personal care items, transportation and other costs of daily living. It does not include items such as dental care, savings, a small cash reserve for emergencies, the cost of life or home insurance, school supplies, or unplanned or one-time expenses such as major car repairs or replacing a household appliance or piece of furniture that gets worn out. In the SPARC BC calculations, the other costs of daily living include non-prescription medications, reading material, occasional meals outside the home, admission fees for events and other modest expenses for leisure and recreation.³⁹

The low-wage family had more than enough money to purchase the items in the nutritious food basket in 2005, but not enough to cover the other expenses listed at the bottom of the table. In fact, the family fell \$453.40 short each month of being able to meet ordinary, recurring daily expenditures.⁴⁰

This section of the report provides detailed analysis of the financial circumstances for the seven low-income family types and the way their circumstances would change with different policy choices, ranging from increases in wages to increases in several of the most important government income support programs.

There are three major points about the analysis that should be stated in advance. First, the calculations apply to all regions of British Columbia and are relevant to the whole of the province. Research by the federal government has shown that everyday living expenses in total do not vary significantly from one part of the province to another. Although certain types of expenses do vary from region to region, they are offset by other types of expenses. Rental housing, for example, is more expensive in the Lower Mainland, but transportation is more expensive in areas where people need a car or truck because their home towns are not served by public transit systems. The cost of food is also higher in areas outside the Lower Mainland. All in all, the differences from region to region balance out.⁴¹

39 Almost all market baskets of goods and services estimate "other costs" for miscellaneous expenses or for goods and services that vary greatly from one individual family to another. The total of \$549.44 shown in the table appears to be well below comparable "other" costs that are included in the allowances paid to foster parents, for example.

40 The expanded Rental Assistance Program announced in the 2007 BC budget would have eased the strain of housing expenses had it been in force in 2005. The calculator on the BC Housing web site estimates the benefit for this particular family at \$153.45 a month in the Lower Mainland and \$80.20 a month in other parts of the province. The 2007 federal budget would have wiped out the family's federal tax bill of \$68.53 by virtue of the proposed new non-refundable Child Tax Benefit and changes in the Spousal Amount.

41 Human Resources and Social Development Canada (2006) *Low Income in Canada: 2000-2002 Using the Market Basket Measure*.

Secondly, the analysis in this report is based on standardized family types and is intended to help inform the development of general public policy. Many families in BC will have special needs or special opportunities that are not represented or reflected in the tables that follow. For example, some families may be able to grow large amounts of their own food and therefore wouldn't need to buy many of the items in the nutritious food basket. Some families may live in subsidized housing, or they may own homes that have been in the family for years and are mortgage-free. On the other hand, some families have special dietary needs that cannot be met with the costs shown in the table. Persons with disabilities may need large amounts of money to obtain aids to daily living or access to the workplace.

Finally, the analysis in this report assumes consumer autonomy and the corresponding right of people to make bad choices as well as good choices. The nutritious food basket allows us to determine which family types are able to meet the costs needed for food security and healthy living, but it does not assume that everyone with those amounts of income will never make food choices that are unwise or uninformed. That in turn underlines the need for efforts by health authorities to promote the concepts of food security and proper nutrition in concert with broader efforts to eliminate food insecurity through better income supports.

Families with Earned Income

The first focus of this financial analysis of food security is on three family types that rely heavily on earned income to make ends meet, starting with the family type used above, consisting of two parents, a boy aged 13 and a girl aged seven. One of the parents has a full-time, full-year job that pays \$11 an hour or \$22,880 a year.

The family can afford to buy all the items in the nutritious food basket, but falls \$453.40 short of meeting their other expenses.⁴²

Two different scenarios are shown in Table 10. In the first, we assumed an increase in the wage rate by \$2 an hour to \$13. If there were an increase in the current minimum wage of \$8 an hour to \$10 an hour, it could result in corresponding increases in other wage rates at the lower end of the earnings scale. In the second scenario, we assumed a federal child benefit of \$5,000 per child as recommended by Campaign 2000, a national advocacy group dedicated to eliminating child poverty in Canada.

⁴² See footnote 35.

TABLE 10
Family of Four – Boy 13 and Girl 7

	BASELINE 2005		SCENARIO 1		SCENARIO 2	
	One-Earner Family of Four		RAISE WAGES BY \$2/HOUR		RAISE CHILD BENEFITS TO \$5,000/CHILD	
	\$11 x 40 x 52		Increase		Increase	
			Annual	Monthly	Annual	Monthly
	Annual	Monthly	Annual	Monthly	Annual	Monthly
Gross Income	22,880.00	1,906.67	27,040.00	2,253.33	22,880.00	1,906.67
GST Credit	689.00	57.42	689.00	57.42	689.00	57.42
Federal Child Benefits	5,261.32	438.44	4,314.92	359.58	10,000.00	833.33
BC Earned Income Benefit	537.51	44.79	0.00	0.00	537.51	44.79
BC Sales Tax Credit	52.40	4.37	0.00	0.00	52.40	4.37
Total Income	29,420.23	2,451.69	32,043.92	2,670.33	34,158.91	2,846.58
Payroll Deductions:	2,440.39	203.37	3,655.00	304.58	2,440.39	203
Federal Tax	822.38	68.53	1,403.32	116.94	822.38	68.53
BC Tax	212.54	17.71	559.17	46.60	212.54	17.71
CPP	959.31	79.94	1,165.23	97.10	959.31	79.94
EI	446.16	37.18	527.28	43.94	446.16	37.18
Disposable Income	26,979.84	2,248.32	28,388.92	2,365.74	31,718.52	2,643.21
Fixed Expenses:						
Rent - Three Bedrooms		875.00		875.00		875.00
Hydro/Phone		59.41		59.41		59.41
MSP Premiums		0.00		0.00		0.00
Income after Fixed Expenses		1,313.91		1,431.33		1,708.80
Food		654.46		654.46		654.46
Income after Food		659.45		776.87		1,054.34
Other Expenses:		1,112.85		1,112.85		1,112.85
Clothing		233.72				
Household Supplies		51.12				
Personal Care		69.57				
Transit		209.00				
Other Costs of Daily Living		549.44				
Income after Other Expenses		-453.40		-335.98		-58.51
Net Change from Baseline		Not Applicable		117.42		394.89

In the first scenario, gross income from wages rises significantly to \$13 an hour or \$27,040 a year. The increase works out to \$4,160 a year or \$346.67 a month. Unfortunately, the family's bottom line, or income after other expenses, increases by only \$117.42 a month. Seen another way, for every dollar of additional earnings, the family kept only 34 cents and lost 66 cents.

Two main forces are at work to keep the family from getting further ahead, even with a sizeable increase in earnings. The first is a substantial decline in federal child benefits from the baseline scenario. The National Child Benefit Supplement, an amount targeted to very low-income wage-earners with children, declined as earnings rose. The maximum benefit in the latter half of 2005 went to families with net income no greater than \$21,480. In scenario 1, the family had their federal benefits reduced by \$946.40 (from \$5,261.32 to \$4,314.92). Their provincial benefits were reduced by \$589.91, the entire amount of the BC Earned Income Benefit and the BC Sales Tax Credit noted in the baseline. The family in this scenario lost \$1,536.31 in total benefits.

The other setback occurs because of increases in federal and provincial income taxes and increased contributions to the CPP and EI. The largest of the increases was the increase in federal income taxes. Under the tax system in 2005, a two-parent family started paying federal tax as soon as its taxable income reached roughly \$17,000, and the tax bill increased with every additional dollar earned. The family in scenario 1 saw their federal taxes increase \$580.94 (from \$822.38 to \$1,403.32) and their provincial taxes by \$346.63 (from \$212.54 to \$559.17). CPP and EI contributions increased by \$287.04. In total, taxes and mandatory benefit contributions increased by \$1,214.61.

Scenario 2 keeps the hourly wage rate at \$11, but increases the maximum child benefit to \$5,000 per child. We also raised the threshold for maximum benefits so the family could retain the entire \$5,000 per child.

Federal child benefits, the federal GST Credit, the BC Earned Income Benefit and the BC Sales Tax Credit all are non-taxable benefits, and all are calculated independently of each other. An increase in taxable income from earnings, for example, might trigger reductions in all four benefits, but an increase in one of the benefits does not affect any of the other benefits.

The calculations in the table show that the entire increase in child benefits of \$4,738.68 a year or \$394.89 a month is kept by the family. That in turn raises family income to the point where the family can cover most of its day-to-day expenses. It winds up with a bottom line that is just \$58.51 a month short of covering all the expenses shown.

The situation is slightly different for the second family type with earned income, the lone-parent mother with a boy 13 and girl seven shown in Table 11. The parent earns \$11 an hour like one of the parents in the first family type, but she works only 30 hours a week instead of 40 hours because of her family responsibilities. The bottom line in the baseline is a deficit of \$315.19 a month.⁴³

⁴³ The value of the 2007 Rental Assistance Program for this family is \$269.76 a month in the Lower Mainland and \$184.61 in other parts of the province. Changes in the 2007 federal budget would have wiped out \$1.97 a month in federal taxes, and the proposed Working Income Tax Benefit would have added income of \$50.08 a month. This was the only family type that would have reached the income threshold for food security, as defined in this report, thanks to proposals in the 2007 federal and provincial budgets.

TABLE 11
Lone Parent Mother – Boy 13, Girl 7

	BASELINE 2005		SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Lone-Parent Mother with Two Children		RAISE HOURS TO 40/ WEEK		RAISE PAY TO \$13/HOUR		RAISE CHILD BENEFITS TO \$5,000/CHILD	
	\$11 x 30 x 52		Increase		Increase		Increase	
			Annual	Monthly	Annual	Monthly	Annual	Monthly
	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
Gross Income	17,160.00	1,430.00	22,880.00	1,906.67	20,280.00	1,690.00	17,160.00	1,430.00
GST Credit	689.00	57.42	689.00	57.42	689.00	57.42	689.00	57.42
Federal Child Benefits	5,451.00	454.25	5,261.32	438.44	5,451.00	454.25	10,000.00	833.33
BC Earned Income Benefit	691.00	57.58	537.51	44.79	691.00	57.58	691.00	57.58
BC Sales Tax Credit	31.80	2.65	0.00	0.00	0.00	0.00	31.80	2.65
Total Income	24,022.80	2,001.90	29,367.83	2,447.32	27,111.00	2,259.25	28,571.80	2,380.98
Payroll Deductions:	1,034.37	86.20	2,440.39	203.37	1,685.36	140.45	1,034.37	86.20
Federal Tax	23.58	1.97	822.38	68.53	459.29	38.27	23.58	1.97
BC Tax	0.00	0.00	212.54	17.71	0.00	0.00	0.00	0.00
CPP	676.17	56.35	959.31	79.94	830.61	69.22	676.17	56.35
EI	334.62	27.89	446.16	37.18	395.46	32.96	334.62	27.89
Disposable Income	22,988.43	1,915.70	26,927.41	2,243.95	25,425.60	2,118.80	27,537.39	2,294.78
Fixed Expenses:								
Rent - Three Bedrooms		875.00		875.00		875.00		875.00
Hydro/Phone		59.41		59.41		59.41		59.41
MSP Premiums		0.00		0.00		0.00		0.00
Income after Fixed Expenses		981.29		1,309.54		1,184.39		1,360.37
Food		477.39		477.39		477.39		477.39
Income after Food		503.90		832.15		707.00		882.98
Other Expenses:		819.09		819.09		819.09		819.09
Clothing		161.78						
Household Supplies		39.08						
Personal Care		46.53						
Transit		140.00						
Other Costs of Daily Living		431.70						
Income after Other Expenses		-315.19		13.06		-112.09		63.89
Net Change from Baseline		Not Applicable		328.25		203.10		379.08

In the first scenario for the lone parent, we raised the hours of work to 40 hours a week, which has the effect of raising gross income from earnings by a third - an increase of \$5,720 a year or \$476.67 a month. Because earnings after the increase were still relatively low, there was no major reduction in federal child benefits or any of the other benefits shown. However, there was a noticeable increase in taxes and other payroll deductions. The family ended up keeping 69 cents of every additional dollar earned and had enough income to meet all the expenses shown. The bottom line rose from the fairly large deficit in the baseline calculations to a tiny surplus of \$13.06 per month.

In the second scenario, we kept the hours of work at 30 and increased the wage rate from \$11 to \$13. The increase in total income was somewhat smaller than the first scenario, the rise in payroll deductions was also somewhat smaller, and so was the impact on the family's bottom line. The family was better off than the baseline, and it got to keep 78 cents of every dollar of the increased earnings. However, the bottom line was a deficit of \$112.09 a month.

The third scenario was an increase in federal child benefits to \$5,000 per child. As with the two-parent family with earnings, the entire increase was retained by the lone-parent family, and it wound up being able to meet all the expenses shown in the table with \$63.90 per month to spare.

In the next example, one of the parents has a low-wage job that pays \$11 an hour and works 35 hours a week. The other parent has a job that pays \$9 an hour and works 20 hours a week. We have assumed that the family uses after-school child care for their seven-year-old girl.

TABLE 12
Two Parents (Both Working) – Boy 13, Girl 7

	BASELINE 2005		SCENARIO 1		SCENARIO 2	
	Two-Earner Family of Four		RAISE WAGES BY \$2/HOUR		RAISE CHILD BENEFITS TO \$5,000/CHILD	
			Increase		Increase	
	\$11 x 35 x 52 = \$20,020		Annual	Monthly	Annual	Monthly
	\$9 x 20 x 52 = \$9,360		5,720.00	476.67	5,603.18	466.93
	Annual	Monthly	Annual	Monthly	Annual	Monthly
Gross Income	29,380.00	2,448.33	35,100.00	2,925.00	29,380.00	2,448.33
GST Credit	689.00	57.42	537.53	44.79	689.00	57.42
Federal Child Benefits	4,396.82	366.40	3,095.52	257.96	10,000.00	833.33
BC Earned Income Benefit	0.00	0.00	0.00	0.00	0.00	0.00
BC Sales Tax Credit	0.00	0.00	0.00	0.00	0.00	0.00
Total Income	34,465.82	2,872.15	38,733.05	3,227.75	40,069.00	3,339.08
Payroll Deductions:	3,603.24	300.27	4,842.31	403.53	3,603.24	300.27
Federal Tax	1,524.58	127.05	2,032.91	169.41	1,524.58	127.05
BC Tax	397.94	33.16	734.00	61.17	397.94	33.16
CPP	1,107.81	92.32	1,390.95	115.91	1,107.81	92.32
EI	572.91	47.74	684.45	57.04	572.91	47.74
Disposable Income	30,862.58	2,571.88	33,890.74	2,824.23	36,465.76	3,038.81
Fixed Expenses:						
Rent - Three Bedrooms		875.00		875.00		875.00
Hydro, Phone		59.41		59.41		59.41
Child Care		225.00		225.00		225.00
MSP Premiums		0.00		43.20		0.00
Income after Fixed Expenses		1,412.47		1,621.62		1,879.40
Food		654.46		654.46		654.46
Income after Food		758.01		967.16		1,224.94
Total Other Expenses:		1,112.85		1,112.85		1,112.85
Clothing		233.72				
Household Supplies		51.12				
Personal Care		69.57				
Transit		209.00				
Other Costs of Daily Living		549.44				
Income after Other Expenses		-354.84		-145.69		112.09
Net Change from Baseline		Not Applicable		209.15		466.93

Table 12 shows the combined baseline gross income from earnings of \$29,380 or \$2,448.33 a month. The benefits were calculated on net family income, and the payroll deductions were calculated separately for each spouse based on his or her earnings. Child care expenses were deducted from the gross income of the earner with the smaller income to arrive at that person's net income for taxes.

The cost of child care is based on the average cost of after-school care for children on the East Side of Vancouver.⁴⁴ The 2005 provincial government increase in the income threshold for child care subsidies applied only to children who were six or younger. Consequently, the family in this example is obliged to pay the full cost of after-school child care.

Even with two breadwinners, the low-wage family still comes up with a budget deficit of \$354.84 a month in the baseline calculations.⁴⁵

Raising wages by \$2 an hour for both parents boosts gross income by \$5,720 a year or \$476.67 a month, but it reduces the family's GST credit and federal child benefits. It also boosts payroll deductions and drops the family into the premium assistance category of 60 percent assistance. That means it pays \$43.20 a month instead of getting 100 percent assistance.⁴⁶

The bottom line in scenario 1 is a deficit of \$145.69 per month. The family gets to keep only 44 percent of its wage increases and loses the remaining 56 percent to reduced benefits, increased taxes and increased payroll deductions.

Scenario 2 keeps the wage rates unchanged and instead raises federal child benefits to \$5,000 a child. The family gets to keep the entire increase of \$5,603.18 a year or \$466.93 a month, and it winds up with a budget surplus of \$112.09 a month.

The example of two employed parents shows the linkages between taxes and benefits and child care expenses. Child care expenses do not affect contributions to the CPP or unemployment insurance, but they are a deduction from taxable income for the parent with the lower earned income. They also reduce net family income and thereby cushion reductions in federal child benefits and the GST Credit. All in all, the family in the first scenario still has to pay the \$2,700 in child care fees out of pocket, but it gets a break of \$1,075.63 in terms of taxes and benefits.

44 Westcoast Child Care Resource Centre 2005 fee survey, available on the group's web site at www.wstcoast.org.

45 This family would not have benefited from the expanded 2007 BC Rental Assistance Program because its income was above \$28,000. However, it would have had its federal tax bill reduced by \$51.67 a month because of the new Child Tax Credit in the 2007 federal budget speech.

46 The family's "adjusted net income" in scenario 1 was \$23,400 - the income shown as gross income minus \$2,700 for child care expenses minus \$3,000 for the spouse and for each child.

Families on Welfare

Families and unattached persons on welfare are in much greater need than families and unattached persons with low-wage jobs. This is reflected in the high risk of food insecurity among welfare recipients, as shown in the previous section and in the baseline income calculations in the tables that follow.

In the past, people on welfare were able to do modest amounts of work to supplement their welfare incomes and were also able to keep modest amounts of other income - notably the first \$100 a month of any alimony or child support paid by a non-custodial parent. Most of these provisions were dropped from the welfare system by the provincial government in 2002. The special provisions regarding alimony and child support were dropped entirely, and the only persons currently allowed to keep a portion of any earnings are those classified as Persons with a Disability.

Table 13 shows the income of the first of two family types relying on welfare: a lone-parent mother with a child aged three.

TABLE 13
Lone Parent Mother with Three-year-old Child

	BASELINE 2005		SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Lone Parent, One Child		RAISE WELFARE RATES BY 50%		RAISE CHILD BENEFITS TO \$5,000/CHILD		RAISE BOTH	
			Increase		Increase		Increase	
			Annual	Monthly	Annual	Monthly	Annual	Monthly
	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
BC Income Assistance	10,146.96	845.58	15,220.44	1,268.37	10,146.96	845.58	15,220.44	1,268.37
GST Credit	570.00	47.50	570.00	47.50	570.00	47.50	570.00	47.50
Federal Child Benefits	3,075.50	256.29	3,075.50	256.29	5,000.00	416.67	5,000.00	416.67
BC Earned Income Benefit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BC Sales Tax Credit	75.00	6.25	70.59	5.88	75.00	6.25	70.59	5.88
Total Income	13,867.46	1,155.62	18,936.53	1,578.04	15,791.96	1,316.00	20,861.03	1,738.42
Payroll Deductions		0		0		0		0
Disposable Income	13,867.46	1,155.62	18,936.53	1,578.04	15,791.96	1,316.00	20,861.03	1,738.42
Fixed Expenses:								
Rent - Two Bedroom		790.00		790.00		790.00		790.00
Hydro/Phone		59.41		59.41		59.41		59.41
MSP Premiums		0.00		0.00		0.00		0.00
Income after Fixed Expenses		306.21		728.63		466.59		889.01
Food		247.02		247.02		247.02		247.02
Income after Food		59.19		481.61		219.57		641.99
Other Expenses:		560.32		560.32		560.32		560.32
Clothing		94.35						
Household Supplies		27.04						
Personal Care		29.97						
Transit		95.00						
Other Costs of Daily Living		313.96						
Income after Other Expenses		-501.13		-78.71		-340.75		81.67
Net Change from Baseline		Not Applicable		422.42		160.38		582.80

Income assistance is not subject to income tax. The family does not qualify for a BC Earned Income Benefit because it has no earned income, but it does get the other government benefits shown. Total income in the baseline is \$13,867.46 a year or \$1,155.62 a month.

Disposable income is the same as total income, because the family does not have to pay income taxes, CPP contributions or EI premiums. The family is able to afford all the items in the nutritious food basket, but it has only \$59.19 a month left over for all other expenses. The bottom line after the other expenses shown in the table is a deficit of \$501.13 a month.⁴⁷

The first scenario involves a 50 percent increase in welfare rates.⁴⁸ That would raise the family's total income and disposable income to \$18,936.53 a year or \$1,578.04 a month, and the family would get to keep the entire increase. However, it would still wind up with a deficit of \$78.71 a month.

Alternatively, we considered an increase in federal child benefits to \$5,000 a child, as in the scenarios for families with earned income in the previous section. With only one child, an increase to \$5,000 would have a modest effect on the family budget. The family would wind up \$160.38 a month ahead of the baseline calculations, but it would have a deficit of \$340.75 a month.

It would take both increases together, as in scenario 3, to allow the family to cover all the expenses shown in the table. The family would wind up with \$81.67 a month left over after all expenses based on a 50 percent increase in welfare rates together with a child benefit of \$5,000.

The second welfare type, a single man aged 25 to 49 classified as a Person with a Disability, also starts off with income below the amount needed for daily life, with a budget deficit of \$378.77 a month as shown in Table 14.⁴⁹

The figures in Table 14 do not take account of any aids to daily living that may be required. Some special aids might be provided by welfare, but they would be considered discretionary items. They could be provided on request by welfare workers in some cases and not in others.

47 The 2007 BC budget provided an additional \$50 a month in the maximum shelter allowance and an additional \$50 a month in the support allowance for a single parent. If these increases had been in effect in 2005, the budget deficit would have been \$401.13 a month instead of \$501.13.

48 This is the amount of increase proposed by the Raise the Rates coalition, an advocacy group promoting the need for higher welfare rates.

49 The 2007 BC budget provided an additional \$50 a month in the maximum shelter allowance for persons with disabilities.

TABLE 14
Single Male; Person with Disabilities

	BASELINE 2005		SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Single Male on Disability Assistance		RAISE WELFARE RATES BY 50%		MINIMUM WAGE JOB AT \$8/HOUR		MINIMUM WAGE JOB AT \$10/HOUR	
			Increase		Increase		Increase	
			Annual	Monthly	Annual	Monthly	Annual	Monthly
			5,138.52	428.21	6,362.96	530.25	10,522.96	876.91
	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
BC Income Assistance	10,277.04	856.42	15,415.56	1,284.63	16,640.00	1,386.67	20,800.00	1,733.33
GST Credit	284.64	23.72	344.50	28.71	344.50	28.71	344.50	28.71
Federal Child Benefits								
BC Earned Income Benefit								
BC Sales Tax Credit	75.00	6.25	66.69	5.56	42.20	3.52	0.00	0.00
Total Income	10,636.68	886.39	15,826.75	1,318.90	17,026.70	1,418.89	21,144.50	1,762.04
Payroll Deductions:		0.00		0.00	2,113.35	176.11	3,365.41	280.46
Federal Tax		0.00		0.00	1,052.56	87.71	1,633.51	136.13
BC Tax		0.00		0.00	85.88	7.16	469.95	39.16
CPP		0.00		0.00	650.43	54.20	856.35	71.36
EI		0.00		0.00	324.48	27.04	405.60	33.80
Disposable Income	10,636.68	886.39	15,826.75	1,318.90	14,913.35	1,242.78	17,779.09	1,481.59
Fixed Expenses:								
Rent - Bachelor		580.00		580.00		580.00		580.00
Hydro/Phone		54.13		54.13		54.13		54.13
MSP Premiums		0.00		0.00		0.00		0.00
Income after Fixed Expenses		252.26		684.77		608.65		847.46
Food		229.83		229.83		229.83		229.83
Income after Food		22.43		454.94		378.82		617.63
Total Other Expenses:		401.20		401.20		401.20		401.20
Clothing		71.94						
Household Supplies		15.00						
Personal Care		23.04						
Transit		95.00						
Other Costs of Daily Living		196.22						
Income after Other Expenses		-378.77		53.74		-22.38		216.43
Net Change from Baseline		Not Applicable		432.51		356.39		595.20

Raising welfare rates by 50 percent would allow the man to meet his normal living expenses and still have \$53.74 a month left over.

For people on welfare without children, raising the welfare rates is the most beneficial income security policy option. They have no children, so they would not benefit from an increase in federal child benefits. None of the other federal or provincial government benefits shown in the table is particularly generous. For example, the normal federal GST credit for an adult was \$227 a year in 2005, while the single person in the table started out with a baseline deficit of \$378.77 a month. The GST credit would have to be significantly increased to make an appreciable difference to the financial situation of most low-income single people.

However, because welfare rates for Persons with a Disability are higher than the rates for other persons on welfare, an increase of 50 percent would put income from welfare very close to the disposable income a person could get from a minimum-wage job. Scenario 2 in Table 14 provides the details.

Total income from a full-time, full-year job at \$8 per hour for 40 hours per week would be \$16,640 a year or \$1,386.67 a month, slightly better than the enhanced welfare income in scenario 1. However, the employed person would also face modest payroll deductions for income taxes, CPP contributions and EI premiums and would wind up with a deficit of \$22.38 a month.

Nonetheless, a substantial boost in welfare rates would make paid employment at \$8 an hour less financially rewarding than being on welfare for those with a disability. For that reason, we also considered the scenario with an increase in the minimum wage to \$10 an hour.

Assuming once again that a Person with a Disability could find a steady job at \$10 an hour, the income left on the bottom line would be \$216.43 a month as shown in Scenario 3. That would be noticeably higher than the income with a 50 percent increase in welfare rates and significantly higher than the baseline bottom line.

Information from the Participation and Activity Limitation Survey (PALS) shows that only 35 percent of men with a disability had full-time, full-year work in 2001, 28 percent had part-time and/or part-year work, and 37 percent did not work.⁵⁰ Information from the BC Ministry of Employment and Income Assistance shows less than 16 percent of Persons with a Disability receiving income assistance reported earnings from employment, even though earnings up to \$500 a month are exempt.⁵¹

Other Family Types

Two other family types remain: a single person 25 to 49 who works six months of the year at a minimum-wage job and spends the other six months on welfare, and an elderly woman aged 65 to 75 living on her own and relying on federal government income support payments.

The available statistics on minimum-wage workers suggest that few actually work full-time and full-year. In Table 15, gross income is composed of six months of earnings at \$8 an hour for 40 hours a week and six months of welfare at the rate for a single person who would be expected to work. The gross income from earnings is \$8,320 and from welfare for six months is \$3,060, for a total of \$11,380.

50 *A Profile of Disability in Canada, 2001* (2003) Statistics Canada Catalogue No. 89-577-XWE.

51 This information came from a provincial Access to Information return provided to the authors.

TABLE 15
Single Male; Half Minimum Wage Job and Half Welfare

	BASELINE 2005		SCENARIO 1		SCENARIO 2		SCENARIO 3:	
	Single Male, Half Work and Half Welfare		RAISE WELFARE RATES BY 50%		RAISE MINIMUM WAGE TO \$10/HOUR		RAISE BOTH	
			Increase		Increase		Increase	
			Annual	Monthly	Annual	Monthly	Annual	Monthly
	Annual	Monthly	Annual	Monthly	Annual	Monthly	Annual	Monthly
Gross Income	11,380.00	948.33	12,910.00	1,075.83	13,460.00	1,121.67	14,990.00	1,249.17
GST Credit	306.80	25.57	337.40	28.12	344.50	28.71	344.50	28.71
Federal Child Benefits								
BC Earned Income Benefit								
BC Sales Tax Credit	75.00	6.25	75.00	6.25	75.00	6.25	75.00	6.25
Total Income	11,761.80	980.15	13,322.40	1,110.20	13,879.50	1,156.63	15,409.50	1,284.13
Payroll Deductions:	392.83	32.74	392.83	32.74	725.50	60.46	725.50	60.46
Federal Tax	0.00	0.00	0.00	0.00	181.15	15.10	181.15	15.10
BC Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CPP	230.59	19.22	230.59	19.22	341.55	28.46	341.55	28.46
EI	162.24	13.52	162.24	13.52	202.80	16.90	202.80	16.90
Disposable Income	11,368.97	947.41	12,929.57	1,077.46	13,154.00	1,096.17	14,684.00	1,223.67
Fixed Expenses:								
Rent - Bachelor		580.00		580.00		580.00		580.00
Hydro/Phone		54.13		54.13		54.13		54.13
MSP Premiums		0.00		0.00		0.00		0.00
Income after Fixed Expenses		313.28		443.33		462.04		589.54
Food		229.83		229.83		229.83		229.83
Income after Food		83.45		213.50		232.21		359.71
Total Other Expenses:		401.20		401.20		401.20		401.20
Clothing		71.94						
Household Supplies		15.00						
Personal Care		23.04						
Transit		95.00						
Other Costs of Daily Living		196.22						
Income after Other Expenses		-317.75		-187.70		-168.99		-41.49
Net Change from Baseline		Not Applicable		130.05		148.75		276.25

In the baseline situation, only the \$8,320 in earnings are taxable, but the total amount is too low to be taxed. There are small payroll deductions for CPP contributions and EI premiums. After paying for a bachelor apartment, utilities and food, this individual has only \$83.45 a month left for all other expenses. After the other expenses shown in Table 15, he has a deficit of \$317.75 a month.⁵²

An increase of 50 percent in the welfare rate, as in Scenario 1, reduces the size of the budget deficit to \$187.70 a month. Raising the minimum wage to \$10 an hour, as in scenario 2, has much the same impact, leaving the man with a deficit of \$168.99 a month.

Scenario 3, combining both scenarios 1 and 2, is the most effective, but even that leaves this individual \$41.49 a month in the red.

The baseline is markedly better for the elderly woman who receives the federal OAS pension and the maximum GIS.

Only the OAS portion of gross income is taxable, but the total amount for the year is too small to require the woman to pay any income taxes. Her bottom line, as shown in Table 16, is a deficit of \$187.73 a month based on the senior renting a one-bedroom apartment. This deficit is much lower than the baseline bottom line for the single man with a disability on welfare or the single man relying on both welfare and earnings.

⁵² The person would have received a Working Income Tax Benefit of \$41.67 a month to supplement his earnings under proposals in the 2007 federal budget.

TABLE 16
Single Female; 65-74 Years Old

	BASELINE 2005		SCENARIO 1	
	Senior Woman on OAS/GIS		ADD SAFER GRANT	
			Increase	
			Annual	Monthly
	Annual	Monthly	Annual	Monthly
Gross Income	12,488.91	1,040.74	12,488.91	1,040.74
GST Credit	328.98	27.42	328.98	27.42
BC Sales Tax Credit	75.00	6.25	75.00	6.25
SAFER			4,078.92	339.91
Total Income	12,892.89	1,074.41	16,971.81	1,414.32
Payroll Deductions	0.00	0.00	0.00	0.00
Disposable Income	12,892.89	1,074.41	16,971.81	1,414.32
Fixed Expenses:				
Rent - One Bedroom		670.00		670.00
Hydro/Phone		54.84		54.84
MSP Premiums		0.00		0.00
Income after Fixed Expenses		349.57		689.48
Food		162.10		162.10
Income after Food		187.47		527.38
Other Expenses:				
Clothing		71.94		
Household Supplies		15.00		
Personal Care		23.04		
Transit		69.00		
Other Costs of Daily Living		196.22		
Income after Other Expenses		-187.73		152.18
Net Change from Baseline		Not Applicable		339.91

Most BC seniors who rent their housing and who receive only OAS and GIS would be eligible for the provincial government program known as Shelter Aid for Elderly Renters (SAFER). Scenario 1 in the table shows, based on the BC Housing website calculator for SAFER, that a senior in this situation living in the Lower Mainland would likely be eligible for a SAFER allowance of \$339.91 a month. SAFER thus enables the woman to cover all the expenses shown in the table and still leave her with a modest surplus of \$152.18 a month.

The findings in Table 16 help explain why the incidence of reported food insecurity is lowest among seniors compared to all other age groups. However, not all seniors are eligible for the maximum OAS and some seniors may not apply for GIS and SAFER. Richard Shillington, a statistician and social policy analyst from Manotick, Ontario, estimated several years ago that approximately 300,000 low-income seniors in Canada who were eligible for GIS did not apply for the benefit. The Auditor General of Canada reported later that administrative changes had reduced the figure to roughly 135,000.⁵³

⁵³ Shillington's initial finding was the subject of a report by the Commons Standing Committee on Human Resources Development and the Status of Persons with Disabilities entitled *The Guaranteed Income Supplement: The Duty to Reach All* (December 2001). The Auditor General's report for 2006 said Human Resources and Social Development Canada had plans for further evaluations of GIS take-up rates.

A Summary of Suggested Policy Options

The calculations in the previous section strongly suggest that policy changes targeted at raising income levels for low-income families and individuals could help address the problem of food insecurity. None of the family types examined in this report started out with incomes that enabled them to meet the normal costs of daily living. And every one of the seven family types was noticeably better off with the application of suggested policy changes. Some families required changes in more than one policy area to help them fully address their food security needs.

This section presents a summary of possible policy options that would likely increase food security for low-income British Columbians. These policy options include such measures as increasing the minimum wage, increasing child benefits paid by the federal government, and changing welfare policy in British Columbia. It also looks at such income-affecting issues as taxation, housing and child care, which also have relevance for food security.

It is certainly possible that the policy options suggested in this report, taken together, could significantly reduce the extent of food insecurity in the province and reduce the number of British Columbians living below the “poverty line.” What’s more, these outcomes are fully consistent with the provincial government’s stated goal of making the years ahead a “golden decade” for British Columbia.

Critical to the success of the policy options offered here is an underlying need for establishing income thresholds for British Columbians. In the previous section, the SPARC BC guidelines were used for establishing disposable income thresholds. These thresholds were then used to determine what effects specific policy changes would have on the baseline scenario presented for the seven family configurations. Other methods, such as the Market Basket Measures (MBMs) or the Low Income Cut-Offs (LICOs) offer alternative approaches for establishing income thresholds. Whichever approach is adopted, the requirement is for open and transparent income guidelines supported by a readily available explanation for how the thresholds are determined.

The first major area examined in this report was wage policy – specifically the effects of raising the BC minimum wage from \$8 an hour to \$10. It was assumed that such an increase would also add \$2 an hour to the wage rates of some other low-wage workers, as indicated in some of the scenarios presented.

The advantage of promoting higher wages is that wages are paid by employers rather than government. Governments actually benefit from the higher tax revenues that result from higher wages.

For the employers, higher wages mean increased payroll costs. This may reduce the incentive to hire additional workers – what is often referred to as the “disemployment effect” of raising the minimum wage. Higher wages are also almost always passed on to consumers through increased costs for goods and services.

Even for workers and their families, higher wages are not an unmixed blessing within certain income ranges. Higher wages also trigger higher income taxes, higher contributions to the Canada Pension Plan and Employment Insurance, and lead to lower benefits from many types of government programs. Some of the family types in the previous scenarios saw significant increases in payroll deductions and significant reductions in federal child benefits due to increased wages. The one-earner couple with two children fared

the worst, getting to keep only 34 percent of their increased earnings. The rest went to higher payroll deductions and lower government benefits.

There are even some scenarios where earning a few extra dollars actually leaves a household further behind. For example, a family which relies mainly on earned income, lives in subsidized housing and receives a variety of child benefits, tax credits, subsidies for child care, and MSP assistance. All these social benefits have thresholds for maximum benefits, and all provide for reductions in benefits as income grows past those thresholds. Add increases in taxes and other payroll deductions, and the total losses could actually outweigh the total gains at certain income levels.

It is important to find ways of reducing the “stacking effects” when benefits have different income thresholds and different reduction rates. For example, families in social housing with rent-geared-to-income see a reduction of 30 percent in their rent subsidy for every new dollar earned, based on their gross income, until the rent reaches the market rent for their unit. While such an approach can be rationalized when examining social housing on its own merits, the negative effect of the interaction between rent-geared-to-income housing and changes in income could be mitigated simply by basing social housing policy on net income rather than gross income.

Another dilemma is that the minimum wage is not increased on a regular basis. Consequently, the minimum has often had to play “catch up” with increases in the cost of living. For example, the minimum wage in BC would have had to increase to \$8.86 an hour at the end of 2005 just to have the same purchasing power as the \$8 minimum in 2001. Any concerns about the effects of raising the minimum wage could be greatly alleviated if the minimum wage was established to meet a threshold and then maintained through automatic annual increases based on the cost of living.

As noted earlier, increases in the minimum wage do not offer a perfect solution for addressing food insecurity caused by a lack of income. This is particularly the case for families with children. Another labour market option is to increase the number of hours worked. As shown in the previous section of this report, a single mother with one child is further ahead financially if she can increase her working hours from 30 to 40 hours per week. In that scenario, we assumed that the mother would not have any out-of-pocket child care expenses. This would only be the case where the cost of care was equal to the fee subsidy the parent received. It is unclear what the ramifications will be with the recent introduction of the Universal Child Care Allowance by the federal government and the subsequent withdrawal of federal child care program funding on the availability of affordable, accessible, quality child care in BC. Increasing the number of hours per week at work may also have the unintended consequence of reducing the amount of time parents would have to purchase and prepare nutritious meals, especially in the case of a single parent working full-time.

Federal child benefits are among the largest and most important sources of income received by millions of Canadian families, and these are discussed below. The quarterly GST credit does provide some redress for low-income families and individuals and the threshold before reductions take place is relatively high.

The other government benefits reviewed seem to provide relatively little help to low-income people. The BC Earned Income Benefit has become less and less significant over time. The BC Sales Tax Credit is also quite

small – \$150 per year for couples with net family income of \$18,000 or less. The credit is claimed at tax time as a lump sum and is the equivalent of just under \$13 per month.

Beyond these benefits, there are relatively few public policy levers available to governments that would make an appreciable difference to low-income families and unattached persons without significant cost to the public purse. The papers released with the 2006 federal budget speech put the total cost of the various tax cuts at \$11 billion for the 2006-2007 fiscal year. However, the budget papers show these tax cuts will only save Canada's poorest citizens an average of \$96 a year in 2007, or 26 cents a day. People with incomes of \$15,000 to \$30,000 will save an estimated \$298 on average in 2007, or 82 cents a day.⁵⁴

One tax change that warrants further study is a low-income tax credit along the lines of the BC Tax Reduction Credit introduced in 2005. The BC credit is aimed exclusively at persons with taxable income below \$26,000 a year. However, the maximum benefit is only \$360 a year for people with taxable income of \$16,000. An expanded low-income tax credit that provided more help to more people further up the income scale would be worth exploring for the future.

Another possibility is a much larger work income supplement or earned income benefit to augment income from wages and salaries for people with low-income jobs. This type of support is essential for ensuring that low-income workers are better off employed than on welfare.

Most provincial work income supplements are on the small side, as noted earlier. The Working Income Tax Benefit proposed in the 2007 federal budget speech offers relatively little support for low-income Canadians. The maximum benefit is only \$500 a year for a single person and \$1,000 a year for a family, and the income ranges for maximum benefits are far too low to allow most working poor people to qualify. Those who do qualify still wind up many thousands of dollars below the poverty line.⁵⁵

The second major policy area studied was federal child benefits, the Canada Child Tax Benefit base benefit and the National Child Benefit Supplement. Federal child benefits have become a major source of income for many families with children in recent years. Meanwhile, the BC Family Bonus and BC Earned Income Benefit have disappeared as sources of income for most families with children. Residual amounts of the earned income benefit appeared in some of the scenario calculations in the previous section of this report.

Of the four family types with children studied, all four benefited from an increase in federal child benefits to \$5,000 per child per year. However, the lone-parent mother on welfare with one child still had a rather large budget deficit even after the increase. The difficulty was that the family's welfare income was so low at baseline that an increase in child benefits alone was not enough.

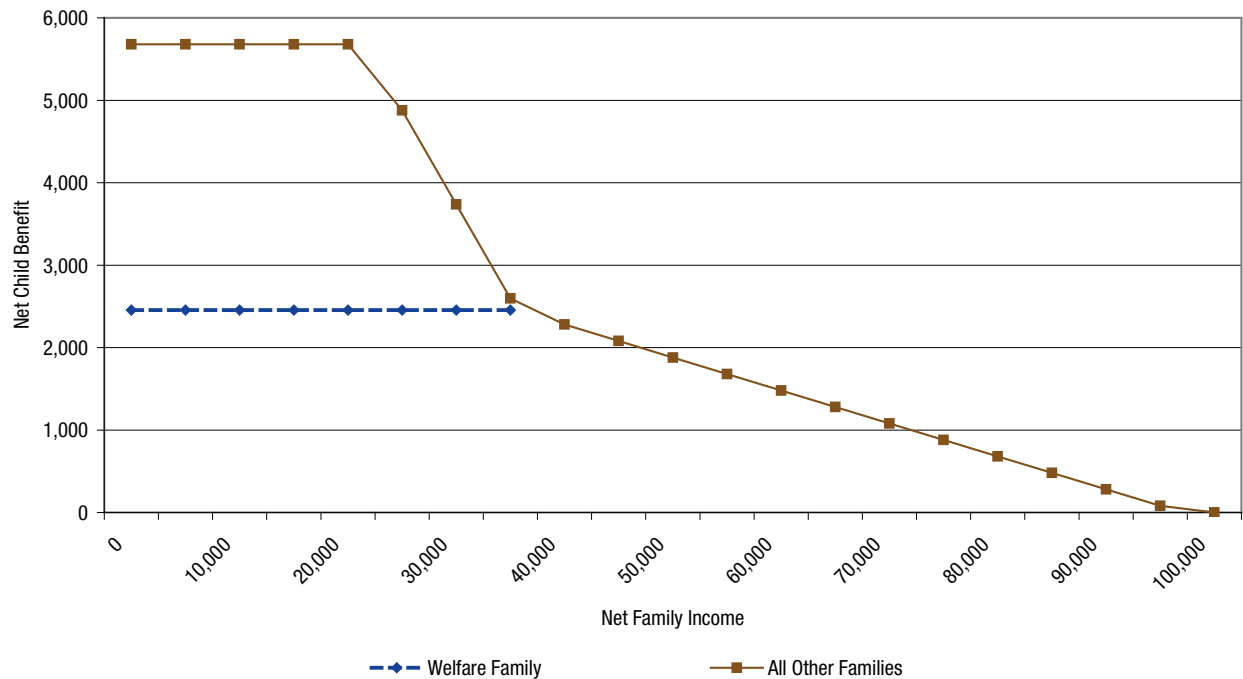
Our research also highlighted chronic problems with the way federal child benefits are designed as far as many low-income families are concerned.

Federal child benefits consist of a base benefit and a supplement. Graph N shows the details as of July 2005 for a family with two children between the ages of seven and 17.

54 *The Budget Plan 2006: Focusing on Priorities*. Department of Finance Canada.

55 For details of the proposal, see *The Budget Plan 2007: Aspire to a Stronger, Safer, Better Canada*, pages 375-377. Department of Finance Canada.

GRAPH N



There is a base benefit of \$1,228 a year per child that goes to most families with children. The full benefit goes to families with net family incomes of \$35,595 or less. The benefit is reduced as family income rises past \$35,595, and the benefit eventually disappears.

There is also a National Child Benefit Supplement (NCBS) of \$1,722 a year for the first child and \$1,502 for the second child that goes only to families with low incomes. Families on welfare get the supplement directly from the federal government, but the province says the amount helps cover the cost of welfare for the children in the family. In effect, the federal payment is claimed by the provincial government, because it replaces what used to be paid directly by the province. Families not on welfare also receive the supplement directly from Ottawa, but for them it is extra money that was not there previously.

Another problem with the supplement is that the maximum benefit only goes to families with net family incomes of \$21,480 or less as of July 2005. Families with net family incomes over \$21,480 have their supplements reduced as their incomes rise, and the entire supplement disappears at net family income of \$35,595.

The reductions in the NCBS proved to be a major problem for the two-parent families with earned income in our calculations. As their income from earnings increased, some of it was lost through reductions in the NCBS. The lone-parent mother working only 30 hours a week was not affected by reductions in the NCBS, but only because her earnings remained lower than the threshold of \$21,480.

The third policy area studied in this report is welfare, the program that provides the least income support and, not coincidentally, carries the highest risk of food insecurity. Research by the National Council of Welfare shows that welfare incomes everywhere in Canada are far below Statistics Canada's low income cut-offs.⁵⁶

Similar concerns about food security have been in the news in Ontario, a province with welfare rates higher than BC rates and living costs that are more or less comparable. Doctors, nurses and dietitians have been holding special diet clinics to help Ontario residents on welfare get supplementary nutritional assistance to augment their welfare cheques by \$10 to \$50 a month. The Ontario government has responded by raising the bar for welfare recipients to qualify for this extra assistance.⁵⁷

More recently, Dr. David McKeown and the Toronto Board of Health have urged the Ontario government to raise welfare rates to ensure that all welfare recipients could afford to buy the food included in the Nutritious Food Basket developed by Health Canada.⁵⁸

In BC, all three of the family types we studied that had welfare as one of their usual sources of income were living very close to the edge in our baseline calculations. After paying for housing and utilities and the cost of a Nutritious Food Basket, there was very little money left to pay for the other costs of daily living.

All three of the family types were noticeably better off with an increase of 50 percent in the welfare portion of their incomes. However, the lone-parent mother with one child and the single man on welfare half the year and working at the minimum wage the rest of the year needed other policy changes to eliminate their budget deficits entirely.

As with minimum wage, one of the dilemmas is that welfare rates are not indexed to increases in the cost of living. As shown earlier in the report, the real value of income assistance in BC has been steadily declining since 1994.

56 Even with the increases announced in the BC 2007 budget, persons on welfare would remain far below the poverty line.

57 "Poverty is a medical condition." Toronto Star Dec. 15, 2006.

58 "Meal subsidy sought for poor." Toronto Star Jan. 30, 2007.

Specific Policy Areas for Consideration

Based on the analyses provided in this report and the summary of possible policy options provided above, following are some specific policy areas to consider for improving food security and raising income levels for low-income British Columbians.

Income Thresholds

Develop recommended income thresholds (i.e. the income levels which qualify for social benefits and income tax concessions) and consistent guidelines for determining those thresholds. Guidelines could be based on either a market basket approach (based on the actual monthly cost of groceries and other essentials) or a statistical approach (e.g. based on measures developed by Statistics Canada) and made available to stakeholders and the public to support a broader understanding of how income thresholds are calculated.

Minimum Wage

Increase the minimum wage to \$10 per hour (in 2005 dollars) and index it to the annual cost of living. The minimum could be increased to the \$10 level in stages over two years to help minimize disemployment or other perceived economic impacts.

Earned Income Benefit

Ensure that federal and provincial earned income benefits work to augment the incomes of people who are normally in the paid labour force. People in low-wage jobs, people who cannot get enough work to meet their basic requirements and people who have to periodically rely on Employment Insurance might all benefit from well-designed earned income benefits. However, the BC Earned Income Benefit has been declining in value and the proposed new federal benefit would not add much to the income security of low-wage Canadians.

Affordable Child Care

Develop an affordable child care system for British Columbia. While estimates suggest that a fully funded child care system for children six and under in BC would cost about \$1.4 billion if totally funded by the province, establishing an affordable child care system supports employment continuity, leading to greater food security for both single and dual caregiver families. There is also considerable evidence for a substantial return on investment from an affordable child care system, based on increased employability of parents, increases in earned income and taxes, and savings to the social welfare system.

Federal Child Benefits

Combine the Canada Child Tax Benefit base benefit and National Child Benefit Supplement into a single refundable benefit of \$5,000 per child, available to all low-income families. This measure would only be

effective if provincial income assistance rates are not reduced to offset the increase in the federal benefit. As well, income thresholds and benefit reductions may need to be revised to avoid undue hardship on lower-income families as their work incomes rise. Campaign 2000 has estimated the annual cost for such a system in Canada would be \$10 billion.⁵⁹

Income Assistance Rates

Increase welfare rates by 50 percent and index the rates to annual increases in the cost of living. About half of the 50 percent increase is required to make up for the erosion in purchasing power since 1994. The rates may require further adjustment following the establishment of new income thresholds for the province.

The Canadian Centre for Policy Alternatives estimates that the cost of increasing welfare rates by 50 percent in BC would be approximately \$500 million per year based on current caseloads. Making income assistance more accessible would likely add another \$200 million to the annual costs.⁶⁰

The “Stacking Effect”

The tax and benefit systems should be examined to make sure that people with low incomes are not paying effective marginal tax rates that are onerously high. As the earnings of many low-income families increase, their benefits from a variety of government programs decrease. Many of these reductions take place within the same income range – a problem known as “stacking.”

Better coordination in the design of each specific benefit may help reduce the worst effects of stacking, but a more thorough overhaul of the tax and benefit system may be necessary to fully address the problem.

59 Christa Freiler, Laurel Rothman and Pedro Barata (2004). *Pathways to Progress: Structural Solutions to Address Child Poverty*. Campaign 2000.

60 “Taking Action on Poverty.” Canadian Centre for Policy Alternatives, Brief prepared for the BC Budget 2007 Consultation.

Concluding Remarks

In recognition of the strong correlation between food security and income security, the policy considerations presented for discussion in this report all involve measures to increase income security. Ensuring that low-income families in BC have enough money for all their essential needs – including housing, transportation and clothing, as well as an adequate supply of nutritious food – is seen as a fundamental requirement for improved food security

Although there is no existing research on this issue, it can be assumed that in most cases low-income British Columbians would use additional income to improve their living conditions, with increased food security and improved nutrition as a natural consequence. Among poor families, increased income would almost certainly translate into better nutrition for their children.

It should be acknowledged that not all people in BC have the necessary knowledge, skills, motivation or capacity to make appropriate nutrition choices. As a result, for some of these individuals increased income may not be spent in ways that necessarily improve their food security and nutrition.

This simply underscores the fact that there are many dimensions to the issue. Although policies that improve income security for British Columbians can provide an essential foundation for improving food security, such policies should also be considered within the larger context. At a high level, this includes consideration of the industrialized food system and of community-based food security initiatives focused on capacity building and community development. Consideration should also be given to the array of services and support required for people who do not have the necessary nutritional knowledge, skills and capacity, and who lack the motivation and personal support required for making appropriate changes in their lives.