In the 2005 Speech from the Throne, the Government of Newfoundland and Labrador committed to refine and implement a comprehensive poverty reduction strategy in collaboration with stakeholders both within and outside the government. This document is designed to provide readers with background information on poverty in the province, current initiatives being undertaken by the provincial government and ideas for future action.

This document is a call for partners to come forward to help work out the best way to reduce poverty in our province. As is discussed in the paper, a comprehensive approach with a mix of policy options is required to have a significant impact on poverty. The development of a comprehensive strategy requires input from all orders of government, community-based groups, business, labour, and individuals about the best approaches and policy mix to reduce poverty in the province.
MESSAGE FROM THE PREMIER

My government firmly believes that economic and social policy go hand-in-hand. Sound social initiatives promote economic growth. At the same time, steps to generate more jobs, investment and diversification will also generate the revenues we need to finance high-quality social programs.

As a government, we remain committed to reducing the province’s poverty rate and transforming Newfoundland and Labrador from a province with the most poverty to one with the least. This discussion document represents a significant step in our efforts to reach that goal. Poverty is a complicated issue and will demand a long-term, integrated approach. Our government has worked diligently to turn the province’s economic situation around, and we have made great progress. Our focus and main priority is to ensure that future generations of Newfoundlanders and Labradorians have a solid foundation of economic stability and opportunities for success and prosperity. Addressing the issue of poverty is key to implementing our vision for this province, and I look forward to the results of this very important process.

This is why the input of a broad range of stakeholders will be critical to our success. I encourage you to become involved, to share your knowledge, ideas and expertise and help us make a meaningful impact on reducing poverty.

Danny Williams, Q.C.

Premier
MESSAGE FROM THE MINISTER

I am very pleased that my department, Human Resources, Labour and Employment, is taking a coordinating role in the development of a strategy to reduce the level and depth of poverty in our province.

This will be a multi-departmental strategy and will build on a number of initiatives announced in Budget 2005 to help alleviate and reduce poverty. Examples include $1.8 million to increase income support rates for couples and single clients without children, funding to increase the 1st child benefit of the Newfoundland and Labrador Child Benefit and $350,000 for an improved earning exemption for working income support clients. In the area of health care, there is $1.6 million this year in conjunction with a total of $16.8 million of federal funding over five years to increase the number of low income families accessing the Child Care Services Subsidy program. On the education front, funding was provided to our post-secondary institutions to allow them to extend a freeze on tuition, and additional funding was provided for Adult Basic Education Level 1 pilot programs.

Because of the complex nature of poverty, it is clear that a broad, integrated approach is necessary and must involve the input of our community partners. This discussion paper is designed to stimulate your thoughts and ideas on how best government can move forward on this very important initiative.

Joan Burke

Minister of Human Resources, Labour and Employment
Minister Responsible for the Status of Women
Minister Responsible for Newfoundland and Labrador Housing
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

CONTENTS

Foreword.................................................................................................................................i
Message from the Premier ....................................................................................................iii
Message from the Minister ....................................................................................................v
Introduction .............................................................................................................................1
Background: Poverty and its Determinants ................................................................. 2
Profile of those Living in Poverty ........................................................................................ 3
  Note on Measurement ........................................................................................................ 3
  Low income in Newfoundland and Labrador ................................................................. 3
    Incidence of Poverty ...................................................................................................... 3
    Key Characteristics of those Living in Poverty ............................................................ 5
      Vulnerability to Poverty ............................................................................................ 5
      Rural and Urban Poverty ......................................................................................... 6
      Depth of Poverty ...................................................................................................... 6
      Persistence of Poverty ............................................................................................... 7
    Factors Influencing Poverty ....................................................................................... 7
The Provincial Labour Market ...............................................................................................9
Current Government Context .............................................................................................9
  Current Initiatives of the Government of Newfoundland and Labrador .......................9
    Funding of community-based/integrated approaches ..............................................10
    Income Support Program .........................................................................................10
    Career, Employment and Youth Services ................................................................10
    Newfoundland and Labrador Child Benefit (NLCB) ...............................................11
    Low Income Tax Reduction Program ....................................................................11
    Initiatives for Children and Families .......................................................................11
    Initiatives to Increase Women’s Economic Security ................................................12
    Development of Rural Economies ...........................................................................12
    Education ....................................................................................................................13
    Increases to the Minimum Wage .............................................................................14
    Housing Supports .......................................................................................................14
    Additional Supports for those vulnerable to poverty ................................................14
What Are other Jurisdictions Doing to Reduce Poverty? ................................................15
  Quebec .............................................................................................................................15
  Other Jurisdictions in Canada ......................................................................................15
  Ireland and Scotland ......................................................................................................16
Recommendations from Community-Based Groups .....................................................17
  Tax Relief .......................................................................................................................17
  Asset Building Approaches .........................................................................................18
  Projects Involving Integration of Services ................................................................18
Options to Reduce Poverty - Finding the Right Policy Mix ..............................................19
Endnotes ................................................................................................................................21
Bibliography ......................................................................................................................23
Workbook ............................................................................................................................27
INTRODUCTION

Much has been written on poverty and social exclusion, including debate over how to define poverty, analyses of root causes and examinations of approaches used to combat poverty in countries with the lowest levels of poverty. The United Nations Office of the High Commissioner for Human Rights has defined poverty as:

> a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights.

The term “poverty” is used in this discussion paper not only to reflect a lack of adequate financial resources, but also the social exclusion which is both a consequence and a cause of poverty. Social exclusion refers to individuals not being able to participate fully in the social and economic activities of society and thereby develop to their full potential. Poverty is the most significant barrier to the healthy development of children and the well-being of all who experience it, but also has a detrimental impact on the social and economic well-being of our communities. Sustainable economic growth requires reducing poverty and increasing social development.

Poverty Reduction efforts “must focus not on policy alone but on the net outcomes of the interplay between changes in government policy, changes in the family and society and changes in labour market conditions.”

Generally, it is agreed that solutions to address poverty must involve the federal, provincial and municipal governments, as well aboriginal people and their leaders, communities and community-based organizations, advocacy groups, business, labour, and individuals. Various initiatives to combat poverty are already in place, examples of which are described in the “Current Initiatives” section of this document. However, more needs to be done in our province to reduce significantly its poverty rates. The objective of this document is to generate discussion and feedback around proposed options.

To make it easier for you to give feedback, we have included a workbook with questions to get your views. A pre-paid envelope has been enclosed for your convenience, or you can send responses and comments by e-mail to povertyreduction@gov.nl.ca.
BACKGROUND: POVERTY AND ITS DETERMINANTS

Poverty is a complex problem and, while there is much debate around causes and solutions, one thing on which there is agreement is that there is no easy or low cost solution. There are examples from other countries, notably Ireland, which show economic growth alone does not necessarily lead to a significant reduction in poverty rates or depth. A comprehensive approach that includes economic development, as well as social and economic supports, and includes cooperation with key partners (e.g. the federal government, community-based groups) is necessary.

Consistently, three main determinants of poverty levels are described in the literature:

- social trends – social and family changes such as birth rate, family size, family type (in particular single parenthood), age of parents, educational levels of parents and educational levels in general. Of these, education level is the most powerful determinant at both the individual and community level;
- labour market conditions – such as the unemployment rate, wage levels and seasonality of employment; and
- government policies – such as taxation approaches, extensiveness of medical and income support programs, and the education system.

Groups most vulnerable to long-term poverty include families led by single mothers, unattached older individuals, persons with work-limiting disabilities, aboriginal peoples (nationally those living off reserves) and recent immigrants (something that is more of an issue nationally than in this province). It is also important to note that these groups are not mutually exclusive and that those who fall into more than one of these categories are at even greater risk of living in poverty. Further, women in these groups face particular challenges and tend to experience greater depth and duration of poverty. There is also a link between poverty and vulnerability to violence for both women and their children. Children raised in low income families are often deprived of the opportunity to develop their capabilities and low income adults are marginalized in the labour market and lack the social networks necessary for full participation in work and community life. Not surprisingly, therefore, growing up in poverty greatly increases the risk of living one’s adult life in poverty.

Interventions designed to address the impacts of poverty for vulnerable groups alone will not ensure overall sustainable poverty reduction. For example, considering the three main determinants above, think of the social and economic circumstances of a rural community that relies heavily on a seasonal resource-based industry and has lower education levels and an older workforce than the rest of the country. In such a case it is clear that there are broader social and economic issues which must be addressed in a holistic fashion.

Rather than focusing on one aspect of poverty, for example child poverty, the approach for the development of this strategy is intentionally broad as we strive to create a society without poverty where all can develop to their full potential. The objective is to identify policy options and measure what will have the greatest impact on those living in poverty and work in the longer term to prevent poverty.

While long-term strategies are necessary to reduce and prevent poverty and its negative effects, short and medium term initiatives are also important.
PROFILE OF THOSE LIVING IN POVERTY

Note on Measurement

There is no consensus on how to define poverty or how to measure it. When talking about poverty, it is generally agreed that it refers to the intersection of low income and other dimensions of “social exclusion”, including things such as access to adequate housing, essential goods and services, health and well-being and participating in one’s community. While it is also generally agreed that income is the most useful single indicator for poverty, particularly when measured over time, there is also no consensus over how to define or measure “low income”. Debate remains over whether to use more “absolute” measures, such as the Market Basket Measure (MBM), or more relative measures that establish relative poverty lines drawn at a given percentage of median incomes, such as Statistics Canada’s Low Income Cut Offs (LICO). Further, even within a given measure there is no agreement about what counts as income, whether to consider before or after tax income, or whether it is appropriate to use a value laden term such as poverty.

This debate is not particularly productive, and Canada has been held up by UNICEF as an example of the inaction that can happen when definitional debate gets in the way of establishing benchmarks and setting targets. Given that no measure is perfect, it is better to understand the nature of poverty in our province, be able to measure progress, and to focus on achieving results rather than getting bogged down in methodological debate. This paper primarily uses after-tax LICO, with the use of other measures to round out the picture as helpful. Recognizing the imperfection of this measure, it is presented here as a baseline from which to understand the nature and scope of the problem and to measure progress.

Low income in Newfoundland and Labrador

The purpose of this section is to give a brief overview of the incidence and its distribution, depth and duration of poverty as indicated by low income in Newfoundland and Labrador. A more detailed discussion, including background tables and further analysis, can be found in a companion technical report, A Profile of Poverty in Newfoundland and Labrador.

When measuring low income, particularly as it relates to poverty, there are three main dimensions - incidence, depth and duration. This section gives an overview of these dimensions, with a focus on incidence and its distribution.

Incidence of Poverty

It is important to have an accurate sense of who is living in poverty in the province so we can best tailor measures to address poverty. An analysis of the data available shows several trends, including differences in poverty based on family type, age, gender and geographic area.

Chart 1 shows trends in poverty levels in the province since 1980 compared with Canada, the Atlantic Provinces as a whole, and Prince Edward Island.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

In 2003, the most recent year for which data are available, there were approximately 61,000 persons living in 33,000 family units whose income levels fell below the Low Income Cut-off in the province. The following shows the key points from an analysis of the distribution of persons and family units in poverty by age, geographic area, family type, gender, and Income Support status. There is also a discussion of key risk factors.

Compared with other provinces we have:
- the third highest rate of child poverty and
- the lowest rate of seniors in poverty

Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Key Characteristics of those Living in Poverty

Vulnerability to Poverty

- Of all age groups, those 55-64 are the most likely to live in poverty with an estimated 20 percent falling below LICO. Fifteen and a half percent of children in the province are living in poverty, as are 2.1 percent of seniors (those aged 65 and over). Newfoundland and Labrador has the third highest rate of child poverty and the lowest rate of seniors in poverty compared with other provinces.

Children in poverty are a particular concern for a host reasons, but particularly because growing up in poverty limits children’s ability to develop to their full potential. That being said, the majority of those who live in poverty are single people. Solutions must address poverty among both families and single people.

- Single-parent families, almost all of whom are women, are more likely to be poor than any other family type. As Chart 2 shows, almost 44 percent of single parents fall below LICO compared with just under 8 percent of couples with children.


![Chart showing poverty rates for single parents and two-parent families with children from 1980 to 2003. The chart indicates that single parents have a significantly higher poverty rate compared to two-parent families, with the highest rate in 1988 at 43.6%.]

Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Table 1  Newfoundland and Labrador Families and Unattached Individuals in Low Income (2003) 
Low income cut-offs after tax, 1992 base

<table>
<thead>
<tr>
<th>Persons in low income</th>
<th>% in Poverty</th>
<th># of people in Poverty</th>
<th>Average low income gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons in economic families</td>
<td>9.1</td>
<td>42,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Single Parents</td>
<td>43.6</td>
<td>5,000</td>
<td>$3,700</td>
</tr>
<tr>
<td>Unattached individuals</td>
<td>38.4</td>
<td>19,000</td>
<td>$5,200</td>
</tr>
<tr>
<td>Unattached men, aged 18-64</td>
<td>49.4</td>
<td>10,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Unattached women, aged 18-64</td>
<td>54.5</td>
<td>8,000</td>
<td>$6,000</td>
</tr>
</tbody>
</table>


- Table 1 shows that a very high number of single people live in poverty. Further, the average amount below the LICO, called the “low income gap”, is much higher for single people, at $5,200 compared to $3,700 for single parents.15
- Single women are more likely to be poor than single men and on average live in greater depth of poverty.
- It is not just Income Support recipients who are living in poverty. Forty-four percent of all those who fall below LICO are Income Support clients and represent 60 percent of those on Income Support. Single parents in rural areas are the only family type that Income Support alone raises above the LICO.

Rural and Urban Poverty

- In comparing provinces, in 2000, the most recent year for which data are available16, Newfoundland and Labrador ranks at the bottom in terms of both urban and rural per capita incomes.17

In general, poverty is becoming an increasingly urban phenomenon in Canada, but there is no evidence of this trend in Newfoundland and Labrador. We have the highest percent of individuals in rural areas falling below LICO of all provinces, whereas we are closer to the middle for urban poverty rates with Quebec, Manitoba and British Columbia having higher rates.18 Additionally, it is important to note that some urban areas have the lowest income levels in the province, including two neighbourhoods in St. John’s that have median family income levels below $15,000.19 Therefore, solutions must address the circumstances in both rural and urban areas.

Depth of Poverty

The depth of poverty refers to how far below the poverty line a family falls and is often called the “poverty gap”. Table 2 shows the amount that families in poverty are falling below the LICO. More than 20 percent of poor families (approximately 6600 families) have a poverty gap in excess of $6,000 per year.20 As shown in Table 1 and noted earlier, single women between the ages of 18-64 have the highest gap of groups analyzed.
Persistence of Poverty

Some individuals, such as students, experience low incomes for short periods of time, whereas for others it is a persistent state. Experiencing low income over a period of years can lead to an inability to participate in community life, long-term health risks from poor nutrition and stress, safety risks from inadequate housing, and restricted opportunities for children, among other negative consequences. Therefore when considering poverty and possible ways to reduce poverty, duration is an important factor. The analysis above does not give a picture of the persistence of poverty.

In the six year period from 1996 and 2001, the most recent period for which an analysis of persistence is available, 26.3 percent of the population, or 131,000 individuals, experienced poverty at some time. As Table 3 shows, of those who experienced low income, almost 30 percent experienced only one year in the six year period.

Persistence of poverty is greatest for those aged 55 to 64 years and those with less than a high school level of education.

Factors Influencing Poverty

There are many factors influencing the rate, depth and persistence of poverty, and often it is the combination of risk factors that result in an individual being poor. In addition to those highlighted in the analysis above, some additional risk factors are:

### Table 2 Newfoundland and Labrador Families in Poverty by Amount below Low Income after Tax Income, 2003

<table>
<thead>
<tr>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Families in low income</td>
</tr>
<tr>
<td>Less than $2,000 below LICO</td>
</tr>
<tr>
<td>Between $2,000 &amp; $4,000 below LICO</td>
</tr>
<tr>
<td>Between $4,000 &amp; $6,000 below LICO</td>
</tr>
<tr>
<td>More than $6,000 below LICO</td>
</tr>
</tbody>
</table>

**Notes:**
(1) LICOs used in this table are for after-tax 2001 base year.
(2) Results estimated using the SPSD/M in consideration of after tax low-income, low-income counts and figures may differ from those published elsewhere.
(3) Family is Census Family definition, which includes unattached adults.

Source: Social Policy Simulation Database & Model (Version 9.2)

### Table 3 Persistence of Poverty:
Number of Years Below LICO (after tax) 1996-2001

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Percent</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year</td>
<td>29.8</td>
<td>39,000</td>
</tr>
<tr>
<td>Two years</td>
<td>19.8</td>
<td>26,000</td>
</tr>
<tr>
<td>Three years</td>
<td>8.3</td>
<td>11,000</td>
</tr>
<tr>
<td>Four years</td>
<td>15.3</td>
<td>20,000</td>
</tr>
<tr>
<td>Five years</td>
<td>15.3</td>
<td>20,000</td>
</tr>
<tr>
<td>Six years</td>
<td>11.5</td>
<td>15,000</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>131,000</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, Income
Trends in Canada 1980-2003
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

**Low Education Levels:** Education is the strongest predictor and most recognized factor in determining income levels. Almost 60 percent of those living in poverty have not completed high school, with 31 percent having a grade 8 or lower level of education, 23 percent have grade 9 or 10 and another 5 percent having higher than grade 10, but without graduation from high school.

**The Intergenerational Nature of Poverty:** Many studies show that growing up in poverty increases the risk of poverty in adulthood. A study done by the Department of Human Resources, Labour and Employment (HRLE) found that children who grow up in families that receive Income Support are about three and a half times more likely to receive Income Support before they are thirty than other people of the same age. They are also likely to have lower educational attainment: 32 percent of children growing up in families receiving income support did not graduate from high school, compared to 22 percent for all people the same age in the province.

**Aboriginal Peoples:** In Newfoundland and Labrador, aboriginal groups include Inuit, Innu, Metis and Mi’kmaq. LICO and income levels are not available separately for aboriginal peoples, however, various sources, particularly qualitative ones, indicate that while income levels vary greatly among aboriginal people, they are low compared with non-aboriginal levels.

**Persons with Disabilities:** Nationally, more than 55 percent of adults with disabilities live below the LICO. Persons with disabilities (physical, mental, developmental and/or social) are far more likely to be unemployed or underemployed. In this province, approximately one third of persons receiving Income Support are persons with disabilities.

**Working Poor:** The working poor are people working in full-time, part-time or seasonal jobs who have few, if any, benefits and inadequate wages or job stability and therefore live in low income despite working. This province has the highest rate of minimum wage workers, with approximately 8.5 percent of all employed persons (16,000 individuals) earning the minimum wage. The majority of minimum wage earners are women and part-time workers. They tend to be employed in the hospitality, retail and service sectors. In 2003, even a single person working full-time earning minimum wage fell below LICO and there was a large gap for families being supported by a minimum wage earner.

While many minimum wage workers such as students and members of couples may not live in poor families, it is important to note that even families with two full-time minimum wage workers fall below LICO if they have more than one child, with the exception of those in rural areas. Further, a national analysis of low income earners shows that of those working for low pay (defined as less than $10 per hour for those who are not full time students), only half will move up past the $10 mark within five years and that women are even less likely than men to do so. This is particularly troubling given that the majority of low wage earners are women. Nationally, about 30 percent of low paid workers live in low income families.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

The Provincial Labour Market

If you asked most individuals who are poor or why they are poor, answers would focus on a lack of decent paying jobs. While recognizing that it is not the only factor, it is important to acknowledge the relationship between the health of the labour market and economy in general to poverty levels. It is beyond the scope of this paper to analyse our labour market in general, however, it is worth noting that while urban areas in this province have a comparable proportion of the population participating in the labour market as other urban areas in the country, rural rates are lower. The province also has the highest unemployment rate in the country. An integral part of the Province’s current approach to reduce poverty is a focus on economic development in general and labour market development specifically.

Current Government Context

It is important to note that our federal system of government requires joint action on the parts of the federal and provincial governments to make significant reductions in poverty. The Government of Newfoundland and Labrador and the Government of Canada have been working cooperatively in a number of areas, such as the development of the National Child Benefit (NCB) which will be described in more detail later. An Agreement in Principle on Early Learning and Child Care has just been signed which will allow the Province to enhance our existing system and improve accessibility to quality child care and early learning opportunities for children in low income families. Government will continue to work cooperatively with the federal government towards our shared goal of reducing poverty.

The provincial government recognizes the need to bring together social and economic partners to develop and implement solutions. Creative approaches are necessary given the diversity of issues in the province, including a largely rural and dispersed population, the collapse of the groundfish fishery, and high past levels of out migration, all leading to fiscal challenges.

Current Initiatives of the Government of Newfoundland and Labrador

The Government of Newfoundland and Labrador has many initiatives designed to reduce poverty and alleviate its negative effects. These include programs delivered through the tax system such as the Harmonized Sales Tax (HST) Credit, Newfoundland and Labrador Seniors’ Benefit, Low Income Tax Reduction, and Non-Refundable Tax Credits for persons with disabilities. Government funds various community-based programs and has been piloting innovative and collaborative approaches with community-based partners. Further, government is focussing on developing both the supply and demand sides of our labour market and promoting economic growth in general. Some key initiatives are outlined below.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Current Government Context

Income Support Program

The provincial Income Support program provides financial and in-kind benefits (e.g. drug card, medical transportation, vision care and basic dental care) to individuals and families in need. The Income Support budget for 2005-06 is $211.2 million. In March 2005, 48,525 persons received Income Support in the province, representing 9.4 percent of the total population compared to 5.5 percent nationally. As discussed in the profile section, 60 percent of those receiving Income Support currently fall below LICO and Income Support clients make up 44 percent of all those below the poverty line.

The Department of Human Resources, Labour and Employment has been redesigning its programs and services to remove disincentives to employment and to increase self-reliance. This has included an extended drug card program that allows individuals and families who find employment and no longer require Income Support to maintain a drug card for six months. As well, increased earnings exemptions for those receiving Income Support who find work will come into effect July 2005. A High School Incentive Allowance will be introduced in September 2005 to offset the loss of federal and provincial child benefits that occurs when a child of a family on Income Support turns 18 but is still in school.

Career, Employment and Youth Services

The Department of Human Resources, Labour and Employment is focusing on supporting Income Support clients to find employment, with a particular focus on youth clients. The Department is taking a more proactive approach to work with Income Support clients to determine the employment and development supports required to assist them find and maintain employment. The range of supports include wage subsidies, earnings exemptions, labour market information, career planning, individualized supports for people with disabilities, and tutoring support to academically at-risk youth by high school students who, in turn, earn tuition vouchers. Human Resources, Labour and Employment works with many community partners to deliver services to particular groups. For example, a Supported Employment for Single Parents Program was piloted with the Single Parent Association of Newfoundland (SPAN) in the Avalon Region to assist single parents receiving Income Support to prepare for, find and keep employment. The Department also supports the Random North Development Association Bridging the Gap, a literacy and workplace learning program. Currently, a significant portion of the $6.78M budget for employment development programs in Human Resources, Labour and Employment is dedicated to active employment measures for Income Support clients.

Funding of community-based/integrated approaches.

Government also collaborates with various community groups to deliver some programs. In addition to the Career, Employment and Youth Services examples above, other initiatives include the Newfoundland and Labrador Housing Corporation’s funding of community centers which deliver a variety of services and allow easier access to government programs and services; and the funding of Status of Women Councils for Women’s Centres to provide services to clients and advocate on their behalf; support for the Community Education Initiative, and work in the area of community mental health. Initiatives which provide links to services and community-based supports in trusted environments are effective for many individuals who experience social exclusion.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Newfoundland and Labrador Child Benefit (NLCB)

Investments in child benefits at both the national and provincial levels have been the primary policy vehicles to reduce the rate and depth of poverty for children and families. The National Child Benefit (NCB) was introduced in 1998 to prevent and reduce the depth of child poverty and help low income parents stay in jobs by ensuring that when parents leave welfare for work, they keep benefits and services for their children. Unlike other jurisdictions, Newfoundland and Labrador did not “clawback” or deduct the NCB from Income Support payments.

In 1999, the province redesigned its Income Support Program and introduced the Newfoundland and Labrador Child Benefit (NLCB) for Income Support and other low income families. Currently, there are approximately 19,000 families with 29,700 children receiving the NLCB. A family with two children in the province has seen a net increase in their child benefits from $170 per month in 1997 to $481.42 in 2004, including the NLCB. Effective July 2005, the maximum child benefit for a two child family will increase to $521.33 per month.

Initiatives for Children and Families

In May 2005 the Province signed an Agreement in Principle on Early Learning and Child Care (ELCC) with the Government of Canada. This is the fourth major federal-provincial initiative to support the development of quality services and programs for children and their families in Newfoundland and Labrador. Examples of programs supported by these initiatives include:

- regulated child care, in particular increased support for the subsidy program for low income families and the educational supplement provided to eligible early childhood educators working in child care centres;
- early intervention for children with developmental delay and disabilities;
- the Kinderstart program and early literacy grants; and
- the Family Resource Programs which focus on the well-being of children, their families, and communities by promoting and supporting healthy child and family development, and building capacity within communities.

The new ELCC agreement in principle will allow the Government of Newfoundland and Labrador to continue to develop the province’s early learning and child care system. Emphasis will be placed on increasing options for children and families by creating early learning and child care services that focus on quality, affordability and accessibility. Investments will be made in regulated early learning and child care programs and services for children under age six.

Low Income Tax Reduction Program

As of January 1st 2005, under the Low Income Tax Reduction Program, provincial income tax was eliminated for single individuals with net incomes up to $12,000, and partially eliminated for individuals with net incomes up to $14,600. For families, provincial income tax was eliminated on family net incomes up to $19,000, and partially eliminated on family net incomes up to $21,900. This type of targeted approach is more effective than adjusting the tax rate or tax brackets, as only those in low income benefit.
Initiatives to Increase Women’s Economic Security

The Government of Newfoundland and Labrador has a number of initiatives to increase women’s economic security. To increase women’s employment in well paying jobs in resource-based sectors, Government uses the Environmental Assessment Act to attach a condition to medium and large-scale resource development projects requiring the creation of a human resource plan with initiatives to increase the employment of women. The human resource plans are required to have initiatives which provide training opportunities for women, implement affirmative recruitment and hiring practices, and change workplace culture. Also, the Women in Resource Development Committee (WRDC) receives funding from the Province and through the Labour Market Development Agreement to deliver a variety of programs to reduce barriers women face in training for and gaining employment in technology and trades-related occupations in resource-based sectors. Through these varied efforts, more women are gaining employment in this area of growth.

Through the Women’s Policy Office, Government also funds eight Status of Women Councils to operate Women’s Centres throughout the province. These centres provide women with a variety of supports needed in their communities, including employment-related supports and referrals to needed services.

Poverty creates an increased vulnerability to violence for women and their children. Women’s economic independence and security is necessary for the elimination of violence. The Violence Prevention Initiative brings community and government partners together to look at the best ways to address violence, including considering systemic causes and implementing education and training programs to reduce violence.

Development of Rural Economies

Government recognizes that there are no quick fix solutions to the economic challenges in the Province. As such, Government is also committed to the longer term development of our rural communities and has demonstrated this through the establishment of the Rural Secretariat and a Regional Diversification Strategy, as well as numerous other initiatives including:

- investing $1.5 million to implement an aggressive marine technology development strategy for the province;
- investing $285,000 to assist with the establishment of high speed internet services for 24 communities on the southern Avalon Peninsula;
- initiating the development of a strategy to stimulate innovation in all sectors of the economy;
- investment of $720,000 to support Broadband throughout the province including the Irish Loop, Humber Valley, the Excite Corporation (Grand Falls), Nordic Economic Development Corporation (Great Northern Peninsula), Baccalieu Broadband, Gateway Connectivity, Baie Verte and area, Connaigre Network (Harbour Breton, Connaigre Peninsula), Smart Labrador;
- aquaculture working capital program;
- investment in the Irish Business Partnership; and
- establishing with business and labour, the Strategic Partnership Initiative to foster a new collaborative, consensus building approach to advancing the socio-economic interests of Newfoundland and Labrador. The partners have identified competitiveness and productivity as their main focus and work has begun to look at how to improve the province’s competitiveness and productivity in order for the economy to continue to grow and to improve the province’s standard of living.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Current Government Context

**Education**

As discussed in the profile section, low levels of formal education are strongly related to low incomes. Educational attainment levels in the province have improved significantly since 1971 when 68% of the population had less than high school compared to 35% in 2004. Further, there has been steady progress in student achievement levels as measured by provincial, national and international tests. Results of the 2003 Programme for International Student Assessment (PISA) showed Newfoundland and Labrador had made tremendous gains – both nationally and internationally – since the previous assessment in 2000. Our students scored above the international average in all testing areas, placing 5th in Canada in reading (up from 9th in 2000); 5th in science (up from 7th); and 6th in mathematics (up from 9th).

There have been increases in high school graduation rates, the percentage of high school graduates who go on to post-secondary studies, participation and graduation rates at the post-secondary level, and the percentage of the population with a university degree. However, concern remains about the number of individuals at all age levels who have very low or inadequate levels of education.

A number of initiatives are currently underway to support continued growth. A Ministerial Council for Early Childhood Learning, chaired by the Minister of Education, has been established, prompting a renewed focus on creating a solid foundation for students’ later school success.

At the K-12 level, an expanded provincial assessment program is at the heart of a school development approach through which schools use data from provincial testing at Grades One, Three, Six and Nine not only to respond to individual learning needs, but also to plan for school-wide improved achievement levels. Professional development initiatives have targeted primary and elementary language arts and mathematics.

To increase graduation rates, there is a continued commitment to providing comprehensive student support services for at risk students, including an expanded focus on programming to respond to the needs of students with behaviour issues. An “applied” route to graduation is being developed for students who are at risk of not graduating, and as described earlier Income Support rules have been changed to support families whose children turn 18 while still in the school system. New graduation requirements include a mandatory career education course.

At the post-secondary level, participation is encouraged through the continued tuition freeze, the introduction of improvements to the student financial assistance program, and the Tutoring for Tuition program which provides opportunities for high school students to earn tuition vouchers. The Department of Education has established the Division of Adult Learning and Literacy to move forward with research and program changes to increase the participation of adults with low levels of education. Priorities include revision to Adult Basic Education curriculum and delivery, the development of preparatory programs for adults availing of high school equivalency testing, financial support to Literacy Centres, and research to investigate the barriers to the participation of adults in education programs. The department has also undertaken research and development activities to address concerns regarding the progressive employment of apprentices required for program completion.
**Increases to the Minimum Wage**

After an extensive review of the minimum wage and consultations that resulted in over 150 submissions, in January 2005, government approved a $1.00 raise to the hourly minimum wage rate, bringing it in phased increases from $6.00 to $7.00 per hour by January 2007.

**Housing Supports**

The Newfoundland and Labrador Housing Corporation (NLHC) helps provide safe and affordable housing to those with low income through a number of programs including:

- the Provincial Home Repair Program which assists low income homeowners make essential repairs to their homes;
- providing access to rental housing in its own units; and
- a Rent Supplement Program.

The Government of Newfoundland and Labrador has also signed an Affordable Housing Program Agreement with the Government of Canada. This cost-shared program is designed to create more affordable housing units in the province. The provincial government is currently in discussions with the federal government around the next phase of this agreement. It is hoped that this program can be tailored to suit the specific needs of this province.

**Additional Supports for those vulnerable to poverty**

Health and Community Services (HCS) has an increased focus on longer-term preventative measures, including a number of initiatives developed to support groups in our society vulnerable to poverty. These include initiatives focused on seniors, persons with disabilities and those with mental health conditions. Specifically, HCS has:

- established of a Division of Aging and Seniors, a Provincial Advisory Council and Ministerial Council of Aging and Seniors. These initiatives focus on seeking the input of seniors. Given our aging population it is key to engage seniors in planning for the future.
- begun work on a revitalization plan for the long-term care and supported living system. Through a stronger focus on expanding the choices and options available to those with long-term conditions, the service framework will promote a partnership approach with individuals and families that emphasizes quality of life and social well being
- developed a mental health and addictions policy framework – Working Together for Mental Health – that positions primary mental health services (which are community based) as the core or foundation of the system.
- committed to the development of a wellness plan that will complement the on-going work of community organizations and the six regional wellness coalitions by concentrating on improving healthy eating, reducing obesity, reducing smoking rates, reducing injury rates and increasing physical activity.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

WHAT ARE OTHER JURISDICTIONS DOING TO REDUCE POVERTY?

Quebec

The only province in Canada that has implemented a comprehensive strategy to combat poverty is Quebec. In 2004, Quebec introduced The Government Action Plan to Combat Poverty and Social Exclusion in an attempt to fulfill the objectives outlined in the Act to Combat Poverty and Social Exclusion. Over the next five years, the Government of Quebec plans to invest $2.5 billion by focusing on various initiatives such as raising the minimum wage, constructing additional housing, adapting housing for persons with disabilities, and providing additional social and child assistance as well as implementing participation and work premiums.34

To date, the Government of Quebec has implemented several measures aimed at providing assistance to those living in poverty. In particular, the government has indexed social assistance benefits so that low-income individuals may maintain a certain level of purchasing power. These benefits will continue to be indexed January 1 of every year. Additionally, the Government of Quebec implemented a new work premium offered to all low-income households as well as introduced a universal Child Assistance measure. Under this new Child Assistance measure low-income parents gain increased support per child – $2,000 for one child, $3,000 for two children, $4,000 for three children, and $5,000 for four children.35

Other Jurisdictions in Canada

Even though other jurisdictions do not have specific poverty reduction strategies in place, as is the case in Quebec, all are implementing various initiatives and programs to help reduce poverty and its negative effects. Such initiatives include increasing the minimum wage, increasing income and housing supports, increasing child assistance supports, providing education and training services, encouraging community development and making investments in employment programs. In Prince Edward Island, for example, the provincial government has implemented a number of programs to enable low income families maintain a certain quality of life. With the help of the NCB, The Healthy Child Allowance is provided to families with children under the age of 18 as a means to fund sports participation, recreation and other cultural activities.36 As another example, British Columbia has introduced the BC Family Bonus and the BC Earned Income Benefit. These benefits are tax-free monthly payments intended to help low income families with the costs of raising children. The BC Earned Income Benefit is an additional benefit given to individuals with a working income. This benefit is phased in for individuals with a working family income between $3,750 and $10,000 and phased out for individuals with a family net income greater than $20,921.37

As well, other provinces are re-assessing current programs to determine whether or not they can be improved upon. In Nova Scotia, for example, the government is currently in the process of reviewing personal allowance and shelter rates for its Income Support program. Similarly, the Manitoba government has moved to reform income assistance regulations as well as terminate the clawback of the National Child Benefit Supplement.
Ireland and Scotland

Many other countries and jurisdictions within countries have been tackling poverty. Particularly relevant examples include Ireland and Scotland. In 1995, the Government of Ireland developed a 10 Year National Poverty Strategy to be implemented by an Inter-Departmental Policy Committee (IDPC). The goal of the National Poverty Strategy was to reduce the numbers of individuals living below 50-60 percent of the average income, from 15 percent of the population down to 5-10 percent. In doing so, the Irish government has focused on several key objectives, namely: facilitating participation in employment; facilitating universal access to resources, rights, goods and services; preventing the risks of social exclusion; and helping those most vulnerable in society. By 2000, the number of people living in ‘consistent poverty’ dropped considerably. According to the Department of the Taoiseach, the numbers of such individuals fell from 15.1 to 6.2 percent, meaning over 400,000 individuals have entered the workforce and have risen above the poverty line.

In addressing the country’s poverty issue, the Irish government implemented several key initiatives. In training and development, for example, the government invested the equivalent of approximately $21.7 billion in an Employment and Human Resources Operational Program whereby predominantly vulnerable areas of the country were provided with higher levels of investment. As well, social assistance levels are being significantly increased.

Within the Scottish context, a great emphasis has been placed on community development. In 2004, the Scottish government announced the creation of an approximately $235 million anti-poverty fund. This fund, officially known as the Community Regeneration Fund, is to be used as the primary tool in regenerating some of the underprivileged neighbourhoods. In doing so, it is hoped that members of these communities will eventually take advantage of job opportunities and thus improve the quality of their life.

Additionally, the government has also proposed a financial inclusion plan as a means of closing the opportunity gap. Some of the chosen methods of reducing this gap include: offering financial services; providing further advice and support; and improving financial education within the aged 3-18 school curriculum.
Over time, community-based groups have successfully influenced government policy relating to poverty in a number of areas, including the development and implementation of programs such as the National Child Benefit Program and related provincial programs such as the Newfoundland and Labrador Child Benefit. This section focuses on changes for which community-based groups are currently advocating.

A key recommendation made by most groups working to combat poverty is that governments set measurable targets for poverty reduction. Various measures and rates are suggested, for example, UNICEF calls for “all OECD governments to establish credible targets and timetables for the progressive reduction of child poverty” with the suggestion that bringing rates below 10 percent is a realistic target.

In terms of broad areas for action, several key suggestions are made. National community-based advocacy groups such as Campaign 2000 and the National Anti-Poverty Organization (NAPO) call for governments to:

- Expand affordable housing;
- Build a universally accessible child care and early learning system both so that children experience optimal early development and parents can work or receive training;
- Raise the minimum wage to a living wage ($10 per hour), increase availability of “good jobs at living wages” and provide better protection through the Employment Insurance (EI) Program;
- Renew the national social safety net including increased federal funding and improved accountability for provincially delivered social services, including social assistance;
- Increase the child tax benefit (to $4,900 per child in a consolidated program); and
- Work with community groups made up of those among whom poverty is predominant.

Of these, the call for the renewal of the national social safety net is the most complex and would require federal-provincial cooperation.

Outside of these broad suggestions, various specific measures have been proposed to governments. Key areas include:

**Tax Relief**

In the area of tax relief, NAPO and others argue that a reduction or modifications to consumption taxes is a good way to have a positive impact on poverty with the least impact on government’s revenue. In particular, rebates for consumption taxes such as the HST are very desirable because they ensure that those who spend the most still pay the most in tax, while using a refund to negate the impact of these taxes on those with low income. Changes to the income tax system beyond credits such as the HST rebate have limited benefit for low income families, largely because those who fall below the low income cut off already pay little or no income tax. As mentioned in the previous section, it is also put forward that the child tax benefit should be increased to $4,900 per child.
Asset Building Approaches

Another suggested approach is to foster independence and help break lifelong and even intergenerational cycles of poverty by providing low income individuals with incentives “to save their way out of poverty”. The focus is usually on helping individual build assets to continue education, take skills training, start a business or buy a house. The idea here is to take a policy approach that moves beyond thinking only of the present to increasing adequacy of resources over time.45

Such programs have been piloted in different provinces and funded by federal programs as well as provincial governments, including Ontario. They generally provide at least dollar to dollar matching on any savings with rates being as high as three to one.46 These programs are designed to be empowering.

Critics of these programs argue that those with low incomes cannot save enough to make the programs have any meaningful effect. Those who benefit tend to be of middle rather than low income. As these programs are very new in Canada and quite new in general, it is too early to assess their impact.

Projects Involving Integration of Services

Community-based groups also promote a range of initiatives involving integrating services for those in low income or at risk of low income. These include looking at integration in a specific area (such as early childhood services)47 as well as broad service provision in a community or neighbourhood. The idea is to make services more accessible as well as more appropriately delivered for those who need them. Tailoring and integrating services can increase both their effectiveness and efficiency.
Through a review of literature on poverty reduction, the experience and efforts in other jurisdictions, and the experiences here in our province, the Government of Newfoundland and Labrador has been exploring options for poverty reduction. Research, as well as experience, generally agrees that a mix of approaches is needed to address this complex issue. The question that needs to be answered, therefore, is “What policy mix will have the greatest impact on poverty?”.

There are a wide variety of options with different focuses, including those primarily aimed at reducing the number of people living in poverty and the depth of poverty, those aimed at alleviating the negative effects of poverty, and those aimed at preventing poverty. All of these are important goals. Some options focus on different groups such as youth, persons with disabilities, single parents, Income Support clients, the working poor, and aboriginal peoples. Options also need to include different partners – some measures can be carried out by the provincial government alone, whereas others require cooperative efforts with the federal government, aboriginal groups, community-based groups, business and labour. Options themselves could range from things such as increasing Income Support rates and/or indexing rates, changing the taxation system (including increasing child benefits), strengthening supports to increase attachment to the labour market, introducing prescription drug coverage for those in low income, further increasing the minimum wage, supporting community economic development and improving education and training supports in the primary, secondary and post-secondary systems.

Our hope is that through this document we will engage citizens, community-based groups, business and labour to provide their different perspectives on the most important elements and the right mix to best tackle the issue of poverty in our province.
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

Endnotes

1 See Selected Bibliography at the end of this document for sources of particular relevance.


3 This is argued not only by community-based advocacy groups but also by economic development organizations such as the OECD.

4 For example please refer to: UNICEF, Report Card No. 6, Child Poverty in Rich Countries (Florence: Innocenti Research Centre, 2005) p. 20

5 See pages 9-14.


8 A well-written, easy to understand description of the various poverty measurements can be found in:


For an additional description of the various poverty measures including an up to date description of the Market Basket Measure please refer to:


10 Three main sources are used – the after tax Low Income Cut Off (LICO), an analysis based on Statistics Canada’s Social Policy Simulation Database Model (SPSD/M) carried out by the Newfoundland and Labrador Statistics Agency and median family income. While SPSD/M uses LICO, it is a modeling technique to examine individuals and families and their economic relationships through the tax system and as such presents estimates which may vary from the published LICOs.

11 This paper will be available at www.gov.nl.ca/HRLE as of July 2005.

12 Unless otherwise indicated, all data in this document come from Statistics Canada’s After Tax LICO based on tables obtained from the Newfoundland and Labrador Statistics Agency. All data from this source are publicly available from Statistics Canada.

13 Most data on income and poverty are organized around the family unit assuming that all members of a household pool their income, and in turn, have equal access to the family’s economic resources. The definition of family used by Statistics Canada and used in this report is the “economic family”, defined as all occupants of a dwelling that are related by blood, marriage, adoption or common law relationships.

14 Low income gap is discussed in more detail in the “Depth of Poverty” section on page 6

15 Because of sample sizes, Urban and Rural analysis is not possible based on the Survey of Labour and Income Dynamics (SLID) – the survey data usually used for LICO estimates. This analysis uses census data.


17 Note the actual numbers are not directly comparable to others reported in this paper as Singh uses Before Tax LICO rather than After Tax LICO in his analysis. The before tax LICO in rural areas in Newfoundland and Labrador is 19.3 percent compared with 18.3 percent in urban areas.


19 This includes all census family types, including unattached individuals..

20 Please see the bibliography for a number of studies in this area.


22 HRLE administrative data.

23 Prior to the current increases, a minimum wage earner working 35 hours per week and 50 weeks in a year would earn $10,500, falling below the low income cut off by anywhere from $321 for a single person in a rural area to $15,951 for a family of four in St. John’s.


25 For example please refer to Ibid., pp. 25-26..

26 For a useful report on this topic please refer to:

Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution


29 HRLE administrative data. Income Support eligibility policies vary between jurisdictions and this should be taken into account when considering comparisons.


31 The NCB has allowed the province to provide broader programs to low income families, such as the extended drug card, family resource centres and child care services.

32 This supplements their generally low wages - averaging $8.00 an hour - and encourages them to remain in the workforce.

33 There are currently 19 family resource programs supported through National Child Benefit and Early Childhood Development funding. Some programs offered by family resource centres include Healthy Baby Clubs (pre-natal support), drop-in play groups, and parent education. These are in addition to the 9 family resource programs funded directly by the federal government.


40 All dollar amounts reported are Canadian.


45 An overview can be found in:


46 An example of such a project is the LearnSave program where low-income individuals are to use matched funds for training, education or for initiating small businesses. For more information on LearnSave, please refer to:


47 For example please refer to:

BIBLIOGRAPHY


Callan, Tim, Mary Keeney, Brian Nolan, and Bertrand Maître. Why is Relative Income Poverty So High in Ireland? Dublin: The Economic and Social Research Institute, 2004.


Canada. Speech from the Throne to Open the First Session of the Thirty-eighth Parliament of Canada. 5 October 2004.

Canada with Newfoundland and Labrador. Moving Forward on Early Learning and Child Care – Agreement-in-principle Between the Government of Canada and the Government of Newfoundland and Labrador. 13 May 2005


Curtin, Chris, Trutz Haase, and Hilary Tovey, eds. Poverty in Rural Ireland – A Political Economy Perspective. Dublin: Oak Tree Press, 1996.


Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution


Fawcett, Gail, Corsy Ciceri, Spyridoula Tsoukalas and Angela Gibson-Kierstead. “Supports and Services for Adults and Children Aged 5-14 with Disabilities in Canada: An analysis of data on needs and gaps.” Canadian Council on Social Development. 3 December 2004.


IHDR. “Interdepartmental Committee on Social Supportive Housing Provincial Study – Final Report.” August 2002.


Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution


Newfoundland and Labrador. Speech from the Throne, delivered at the Opening of the First Session of the Forty-Fifth General Assembly of the Province of Newfoundland and Labrador. 18 March 2004.


Bibliography


1. Specifically, what role do you think community-based organizations should play in the development and implementation of a Poverty Reduction Strategy? What about businesses and employers? Unions? Other orders of government?
Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution

2. How can we best include those living in poverty in the development and implementation of a comprehensive poverty reduction strategy?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

3. Are there any approaches to reducing poverty that you think would work in this province, in your region, or in your community that are not discussed in the paper? If so, please describe them.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
4. What do you think the most important thing is for the Government of Newfoundland and Labrador to do to reduce poverty in the province?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

5. What do you think the most important thing is for the Government of Newfoundland and Labrador to do to reduce poverty in your community?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
6. What options or initiatives do you think would best address poverty in rural areas of the province?

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

7. What options or initiatives do you think would best address poverty in urban areas of the province?

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________
8. All options to reduce poverty have costs, some of them very high. Please give the top 5 options, ranking them from the one that you think is most essential (1) to the one that, while a priority, would be the lowest priority on your top five list (5). You can both take options from the paper and add your own.

__________________________________________________________

__________________________________________________________

__________________________________________________________

__________________________________________________________

__________________________________________________________

9. Are there options discussed in the paper that you think it would not be wise to undertake? If so, why?

__________________________________________________________

__________________________________________________________

__________________________________________________________

__________________________________________________________

__________________________________________________________
10. Any other comments or suggestions:
Reducing Poverty in Newfoundland and Labrador:

Working Towards a Solution

Government of Newfoundland and Labrador