

# Summary

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## The Cost of Poverty in BC

**LIVING IN POVERTY IS HARD.** Poverty means hunger and inadequate nutrition. It means substandard and unsafe housing, or no housing at all. It means impossible choices, like whether to pay the rent or feed the kids. It means stress and social isolation. And it takes an enormous toll on the people who experience it.

On this basis alone, most British Columbians believe that our provincial government should take action to dramatically reduce and eventually eliminate poverty. And they are right. But governments often balk at the price tag associated with poverty reduction policies like investing in new social housing, increasing welfare, or implementing universal access to child care. What governments often fail to consider, however, is the large amount of resources that we spend, year after year, paying for the consequences of poverty.

This study finds that the costs of inaction are so large that they far exceed the costs of poverty reduction. Poverty is consistently linked to poor health, lower literacy, poor school performance for children, more crime, and greater stress for family members. It is society as a whole that bears the costs of poverty, through higher public health care costs, increased policing and crime costs, lost productivity, and foregone economic activity. This study quantifies these economic costs.

The bottom line is that poverty in BC represents a direct cost to government alone of \$2.2 to \$2.3 billion annually, or close to 6 per cent of the provincial budget. The cost to society overall is considerably higher—\$8.1 to \$9.2 billion, or between 4.1 per cent and 4.7 per cent of BC's GDP (Gross Domestic Product, or the size of our economy). That is as much as \$2,100 for every man, woman and child in BC, or \$8,400 for a family of four, every year. In contrast, the estimated cost of a comprehensive poverty reduction plan in BC is \$3 to \$4 billion per year.

The estimated cost  
of a comprehensive  
poverty reduction plan  
in BC, per year:

**\$3 to \$4 billion**

The estimated yearly  
cost of doing nothing:

**\$8.1 to \$9.2 billion**

### Poverty in BC

- 12 per cent of British Columbians—more than half a million people—lived in poverty in 2009 (statistics are not yet available beyond 2009).
- BC has the highest poverty rate in Canada by far, and has had the highest child poverty rate for eight years running.
- Single mothers, Aboriginal people, recent immigrants and refugees, and people with disabilities are especially vulnerable to poverty.

## HEALTH CARE: **\$1.2 BILLION** (0.6% OF GDP)

Research shows that poverty is a fundamental determinant of both physical and mental health. This is not surprising, given that living in poverty means you are more likely to live in cold, damp or unsafe housing. You are more likely to have a chronic health condition, struggle with addiction, have poor nutrition, and experience high levels of stress. You are more likely to be exposed to health hazards in your physical environment at home or at work, such as higher levels of pollution, dangerous manual labour, or living in a higher-crime neighbourhood.

People with low incomes also struggle with the private costs of health care, and most do not have access to supplementary insurance plans through work. Yet services like dental and vision care, prescription drugs, and rehabilitation therapies (such as physiotherapy) can play a vital role in preventative health care, and help people with chronic conditions (who are more likely to be poor) to avoid expensive hospitalizations.

We calculate the health care costs of poverty as follows:

- Research shows that the lower your income, the more likely you are to use public health care resources. BC's poorest 20 per cent, or "quintile," of families use a

greater share of health care resources than any other group on the income ladder.

- If poverty reduction initiatives reduced health care use for families in the poorest 20 per cent to that of the next quintile, it would save BC's public health care system 6.7 per cent of total spending each year.
- These potential savings are equivalent to \$1.2 billion in annual provincial health care spending, or 0.6 per cent of BC's GDP.
- These savings represent the costs of our current high poverty rates; in other words, the costs of inaction are \$1.2 billion in health care spending.

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Click here to watch  
the video on youtube:

[http://www.youtube.com/  
watch?v=Pd\\_nkCi-pVo](http://www.youtube.com/watch?v=Pd_nkCi-pVo)

### A CLOSER LOOK AT QUINTILES

These five groups (20% each) represent the entire population of BC (100%)



Poorest 20% or  
1st quintile

2nd  
quintile

Middle or  
3rd quintile

4th  
quintile

Richest 20% or  
5th quintile



If the health care costs of the poorest 20% of British Columbians were reduced by raising their incomes to the levels of the 2nd quintile, it would save BC's public health care system:

**\$1.2 billion per year.**

## CRIME: \$745 MILLION (0.4% GDP)

People living in poverty are vastly overrepresented in Canada's prison population, and they are also more likely to be victims of crime.

It is very important not to overstate the connection between poverty and crime, and assume that all poor people are criminals. However, extreme poverty and financial stress can lead to crimes of desperation and/or living in unsafe situations. Research by the CCPA and Raise the Rates Coalition found that extremely low welfare rates lead people to make harmful "choices." These include staying with abusive partners, resorting to survival sex (trading sex for shelter, for example), panhandling, and stealing.

A recent report on preventing crime among children and youth, from the Vancouver Board of Trade and the Justice Institute of BC, argues that poverty does not lead to crime directly—but it does increase the risk of crime by creating high-stress family environments where parents may not be able to spend quality time with their children, or deal with problem behaviours if they arise.

Growing up poor is also closely linked to low school achievement and lower literacy rates. A number of studies have found that school performance in adolescence is among the strongest predictors of whether a person will get in trouble with the law, whether as a youth or adult. Programs offering high quality parenting supports and early childhood learning for families living in poverty have successfully helped the children who participate to stay out of trouble.

We calculate the crime-related costs of poverty as follows:

- According to Statistics Canada, one of the strongest predictors of being incarcerated is low literacy. In turn, one of the strongest predictors of low literacy is poverty.
- Research published by the federal Department of Justice calculated the total costs of crime in Canada at \$99.6 billion (including direct costs, such as policing and the criminal justice system, as well as intangible costs, such as pain and suffering and loss of life). Based on that report, we estimated the total cost of crime in BC at \$18.6 billion.
- Based on the statistical relationship between literacy, income, and crime, we calculate that the poverty-related costs of crime in BC were \$745 million in 2008.

## LOST ECONOMIC ACTIVITY:

## \$6.2 TO \$7.3 BILLION

### (3.2% TO 3.7% GDP)

The largest cost of poverty comes in the form of lost productivity and foregone earnings. Most people living in poverty could have much higher incomes if they weren't dealing with unemployment (not able to find work), underemployment (not able to find enough work), or low wages (not able to find work that pays a decent wage). As a society, we are underutilizing the productive potential of a large portion of the labour force.

The income that the unemployed poor could earn from working, or that the working poor could earn from full-time jobs with decent wages, can be thought of as a loss to the total value of the economy, or the collective wealth of our society. We all stand to benefit from increasing the wages of lower income British Columbians, which would increase economic activity and provide a boost to local economies (where lower income earners are most likely to spend). Wage increases would also generate increased tax revenues for the provincial and federal governments. Reduced unemployment would mean lower costs to government for income supports and other transfers.

We calculate the foregone productivity costs of poverty as follows:

- If poor households were able to escape poverty and raise their after-tax earnings to \$33,500 (the average for the second-lowest quintile on the income ladder), overall incomes (GDP) in BC would increase by \$6.2 billion.
- The bulk of this additional income (\$5.3 billion) would go directly to families in higher after-tax income, while the remainder (\$938 million) would go to the federal and provincial governments in income taxes and savings from reduced spending on social assistance, EI and other income-tested transfers.
- We calculate that the cost of poverty in reduced economic activity, foregone earnings and government savings amounts to between \$6.2 and \$7.3 billion per year.

If poor households raised their after-tax earnings to \$33,500 (the average for the second-lowest quintile), overall incomes (GDP) in BC would increase by: **\$6.2 billion.**

# DO THE MATH:

## INACTION VS. POVERTY REDUCTION

The bottom line is that poverty is not just a hardship for those who experience it; it is costly to British Columbians as a whole. We all pay for the negative consequences of poverty.

The estimates we present in this report are conservative—we chose to err on the side of underestimating the costs of poverty. For example, we did not include the costs of providing social services to people living in poverty. We also did not attempt to measure many of its less tangible costs, such as the impacts of high poverty levels on social cohesion or our feelings of safety. Nor did we capture the considerable economic resources funnelled into security-related expenses by those who are better off, such as home insurance or private security.

Our findings suggest that BC is spending between \$8.1 and \$9.2 billion per year to maintain the status quo of poverty. That's more than double the \$3 to \$4 billion needed to implement a comprehensive poverty reduction plan.

Purely on economic grounds, it makes more sense to tackle poverty directly than to continue to pay out year after year for its long-term consequences. The real question is not “Can we afford to reduce poverty?” but “Can we afford not to?”

## A POVERTY REDUCTION PLAN FOR BC

It is entirely within the provincial government's power to significantly reduce poverty in BC and, in partnership with the federal government, eliminate it altogether. A commitment to poverty reduction means taking action to:

- End homelessness, and make sure all British Columbians have access to safe, affordable housing;
- Make sure no one in BC goes hungry;
- Improve pay and working conditions for people in low-wage jobs;
- Provide access to high quality, public child care; and
- Make training and education more accessible to low-income earners.

These are among the most immediate solutions to reduce the costs of inaction in BC. For more information see the 2008 CCPA report, *A Poverty Reduction Plan for BC*.

Help change the conversation about poverty:

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CANADIAN CENTRE  
for POLICY ALTERNATIVES  
BC Office

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