THE DOLLARS AND SENSE OF SOLVING POVERTY: IN BRIEF

This brief accompanies the full Dollars and Sense of Solving Poverty report, available from the National Council of Welfare in print and electronic formats. The brief and publication are also available in French.

What is The Dollars and Sense of Solving Poverty about?

This report is about the high dollar cost we are currently paying for the consequences of poverty, and why investments to end poverty make better economic sense. There are different approaches to poverty. An approach based on short-term spending to help people in poverty get by can often carry indirect costs. It does not do a good job of reducing poverty itself.

In an investment model, the more resources devoted to preventing poverty and directly lifting people out of poverty, the greater the pay-off would be for all Canadians in reduced health care and other indirect costs. The wellbeing of people at the lower end of the income ladder would improve, and with less time needed just for survival, their opportunities to contribute to society and the economy would expand. These kinds of benefits need to be counted and made visible to a much greater extent so that Canadians can see the positive return we can get for our investment.

Many Canadians are concerned that reducing poverty means more spending on people living in poverty, leaving others worse off. The growing body of research and experience tells a very different story. It shows that reducing poverty benefits everyone.
How high is the cost of poverty?

Poverty is very expensive. A wide range of research reveals a consistent pattern of spending in the most costly areas that treat the consequences of poverty—many of them preventable. The goal of the report, therefore, is less about finding a definitive number for the cost of poverty and more about finding ways to change our costly spending patterns. The more we are able to do this, the greater the savings and the better the results.

Consider that in 2007, Canada had an overall poverty rate of 9.2%, and a poverty gap of $12.6 billion. That amount is what it would have taken to fill the gap so that all Canadians would have had an income above the poverty line. A cautious estimate of the public cost of poverty in 2007 suggests we spent almost double the $12.6 billion. In 2009, 3.2 million Canadians were still living in poverty, with a poverty rate of 9.6%. American and British studies show a similar pattern of high spending and persistent poverty rates.

What is driving up the costs of poverty?

The indirect impacts of poverty are driving up costs. They show up in the health care system, policing, and in the need for a wide range of services from food banks to homeless shelters. There are also high costs that result when people in poverty can’t be very productive. People living in poverty may have low literacy and education levels, or are living in situations that require a great deal of energy just to survive.

Whether their income comes from employment, benefits for children and seniors or other income supports, people living in poverty don’t have enough to meet their needs. That reality has consequences.

A family that can’t afford prescription medicine for a sick child is likely to end up in a hospital emergency ward requiring more intensive treatment. Emergency wards are one of the most expensive parts of our health care system, costing far more than the medicine would have. Similarly, poor nutrition and high stress can lead to diabetes, heart disease and other illnesses. About 20% of health care spending in Canada can be attributed to socio-economic factors, such as income-related disparities.
Homelessness is another area where we are allowing the problem to grow and then adopting high-cost responses. The yearly cost per person for emergency shelters in Calgary, for example, can run up to $42,000, while prison or psychiatric hospitals can cost up to $120,000. Supportive housing, where residents can access services they need, costs far less, ranging from $13,000 to $18,000. For people whose only need is for affordable housing, the bill is only $5,000 to $8,000.³

Poverty means our society and economy are also losing out on a great deal of talent and potential. The health problems of an impoverished child may hinder their learning and employment later in life. Billions of dollars of personal income and tax revenues would be added to our economy if adults facing a high risk of poverty, such as immigrants, Aboriginal people and lone parents, had the same likelihood of employment at the same average income as other Canadians.

If poverty is so expensive, why hasn’t Canada done more about it before now?

The report provides several insights into this dilemma. For example, there are a wide variety of policies and programs in Canada that have been developed in different historical periods, for different purposes, by different ministries, and in different jurisdictions. It is a challenge to put it all together to see the impacts. The examples in this report show patterns of impact, and help explain why some approaches are more successful than others.

In complex matters like raising families—and solving poverty—coordinating many things at once is a key to success. Canadian governments have taken a fairly cohesive approach to seniors’ poverty over several decades, and poverty rates have come down dramatically. Only recently has there been movement towards this kind of approach for other Canadian adults and for children.

Globally, economic policy and social policy have tended to develop on separate tracks, and they measure progress differently. That has limited our ability to see how interconnected they really are—and how big social problems generate big economic costs.

Another important factor is the way in which Canada spends on poverty. Many programs are based on a short-term spending model that enables people to survive or to be a little less disadvantaged. In medical terms this is like getting half a dose of antibiotic and having your infection ease up for a little while only to return worse than it was before.

An investment model is geared towards the longer term. It may require larger initial resources and may take time but there will be a far greater and more permanent pay-off.
Investment in childhood development, literacy, numeracy, and higher education is vital to modern societies and economic growth. One example of initiatives that work is an intensive program that has reduced the high school dropout rate for low-income youth in a Toronto neighbourhood from 56% to below 10%. Staying in school and continuing on to higher education benefits the students and the economy.

Sometimes savings and benefits can be achieved by finding different ways of dealing with a problem. One study looked at poverty-related inability to pay fines. It found that the cost of jail time for women who needed to pay off a $150 fine was $1,400 and that alternatives to jail were a much better deal.

Some of the most promising programs are small and directed to specific issues or population groups. This means that there is potential for far greater impact if they were expanded and adapted to fully meet the need.

The report also highlights the potential for direct, broad-based income solutions. In Canada, a guaranteed income experiment ran for 4 years in the 1970s. Everyone in the community where it was tested had the security of knowing they could access the income support if and when they

How much better off we can be is a matter of how well we invest.

Examples of government investments include some provincial prescription drug plans that have been expanded to make medicine affordable to anyone with low income, not just social assistance recipients. This supports better health, reduces the use of hospital services, and removes part of the welfare trap.

In the private sector, studies revealed a 3% to 16% reduction in absenteeism and a return on investment of $2 to $6 for each dollar invested in company health improvement programs.  

Children who get off to a good start and adults who can maintain good health, develop literacy skills, and go on to higher education can become more economically and socially productive.

How do all Canadians benefit if we invest in ending poverty?

The report has many examples of the benefits we can realize. The examples come from governments, non-government organizations, the business sector and individuals. The benefits and returns in all cases are in a positive direction.
needed it. No one knew who was receiving it, so there was no stigma. There was also no significant reduction in work effort, as some had feared. There were, in fact, significant gains in wellbeing for the community as a whole, such as fewer doctor visits for mental health issues, fewer hospital visits for accidents and injuries, and an increase in secondary school graduation rates.7

An American study estimated that providing income grants to low-income households to bring them to a minimum middle-income level would take $397 billion a year—but the grants would save almost 4 times that much.8

**But isn’t poverty about more than money?**

Yes, poverty is about more than money because life is about more than money. Humans are social beings. Some of the most intriguing insights in the report come from human and medical sciences. They show how much societal relationships and status affect our **health and wellbeing**. They impact all aspects of our lives, including our economic decisions.

One key to the importance of status is found in studies showing that even in wealthy societies like Canada, where the majority of people have enough money to live healthy lives, there can be large differences in health outcomes. In general, more equal societies have fewer social problems such as stress-related illnesses and violent crime. This pattern shows up across different neighbourhoods and cities, as well as among countries.

The **daily wear and tear of stress** that affects everyone, including middle-class Canadians who face increasing insecurity and rising debt, **can physically damage our bodies and our brains**. The risks increase for people at the lower end of the income ladder who face more stressors with fewer resources to cope.

Living in poverty, however, is not the same as being at the bottom of the income ladder. It is similar to the difference between students at the bottom of a class who still pass and move on to the next grade, and students who have to repeat the grade. Getting out of poverty has been described as trying to run up a down escalator. One study suggests that if basic human needs are unmet, our motivation is more geared towards avoiding pain and hardship, rather than pursuing what we want or taking a chance at future reward.

That’s why wellbeing matters so much to how we solve poverty and how we measure success.
Strategies to solve poverty will be more successful if they contribute to respect, status and the sense of control over one’s life that is essential to wellness. The result will be greater wellbeing for all of us.

Both in Canada and internationally, good indicators of human wellbeing are being developed, and interdisciplinary approaches to society and the economy are expanding. This knowledge can make a valuable contribution to the design of policies and programs that can truly solve poverty.

Is Canada ready for the kind of change that is needed to solve poverty?

There will certainly need to be significant change. Much of the foundation, however, is already there. Canadians have success and experience on our side. In the 1960s, we created a retirement income system that includes public pensions, recognition of the work of raising children and a non-stigmatizing guaranteed income supplement. Poverty for older Canadians is not completely resolved but health and life expectancy have improved. Seniors also continue to contribute to society and the economy in ways that would have been impossible when poverty was the fate of the majority of the older population.

In large part, our current child benefits and working income tax benefits function the same way. We also have the experiment of the 1970s showing that providing a common form of income security to all age groups had wide-ranging benefits. We may have gaps, areas of inadequacy, and some policy interactions that work against each other, but we are certainly not starting from scratch.

Canada is a wealthy country. We have options. We have a long history of concern for fairness, mutual responsibility and support for public services that improve our quality of life. Canadians also have the seeds of the future growing in innovative programs that are especially important in meeting specific and multiple needs that go beyond income. Several provincial and territorial governments have developed coordinated strategies to reduce poverty that can improve effectiveness.

There is no doubt that solving poverty is sensible, affordable and within our grasp.

It is in the public interest for all governments in Canada’s federation to invest in preventing poverty and improving economic and social wellbeing.
How does the Council recommend getting from our present situation to a better solution?

For the National Council of Welfare, the way forward has four parts:

■ First, there needs to be a CANADA-WIDE STRATEGY FOR SOLVING POVERTY. This is a governance model that sets out a long-term vision and the coordination needed so everything works together. It identifies who is accountable for carrying out the plan, what resources are needed to make it work, and what measures will tell us how much progress we are making.

■ Within the strategy, a SUSTAINED INVESTMENT PLAN is the key to building human capacity, removing barriers, and creating opportunities. Such a plan takes into account the interrelationships among policies, and the changing realities of Canadians at all stages of their lives.

■ A CONSISTENT DESIGN FRAMEWORK will ensure that we get the most impact out of different policies and programs. The design framework should be based on fairness and reasonable reward for work effort, support for autonomy and initiative, flexibility, simplicity and other factors that add to human development and wellbeing.

■ An OPEN FORUM FOR CONVERSATION AND ACTION is the part that provides space to continuously learn, adapt and get better, where many partners can share ideas, questions, research, evidence, progress reports, and lived experience.

We believe that Canadians from all walks of life will get behind the action needed to invest in a better future for everyone.
About the National Council of Welfare

The National Council of Welfare is an advisory body to the federal government on issues related to poverty and the situation of low-income Canadians. Council members are appointed from across the country. All publications are available free of charge and we welcome your feedback.

Endnotes


