

Bucking the National Trend:

The Campbell Cuts and Poverty Among Lone Mother in B.C.

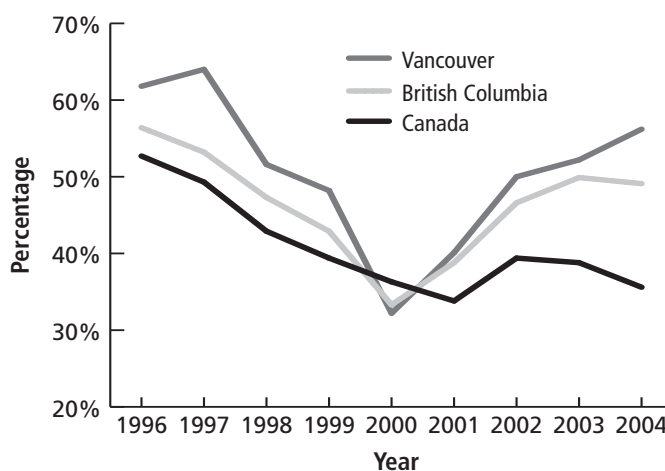
British Columbia has the highest poverty rate in Canada, the worst in particular for lone mothers, writes researcher **Jane Pulkingham**. Low market income and inadequate income supports leave too many lone mothers in poverty.

BEHIND THE BANNER headlines about record housing starts, construction booms, and decades-low unemployment, there is a dark side to B.C.'s economic recovery. The persistence of poverty among plenty is striking. Even though the overall poverty rate in B.C. dipped slightly in 2004 (the last year for which Statistics Canada has produced data¹), it remains the highest in Canada, and higher than the national average for almost every demographic group.

The gap between Canada and B.C. is most evident in the alarmingly high poverty rate for lone mothers, a statistic that tells us a lot about changes to provincial social policy priorities.

The latest figures from Statistics Canada show an improvement in the lot of Canada's poor, especially poor lone mothers and their kids, over the last decade. Today, just over one-third (36%) of Canada's lone mothers are poor compared to more than one-half (53%) in 1996 (see Figure 1). One-third is still too many. But it certainly beats one-half.

FIGURE 1. Percentage of Female Lone-Parent Families with Low Incomes: 1996–2004

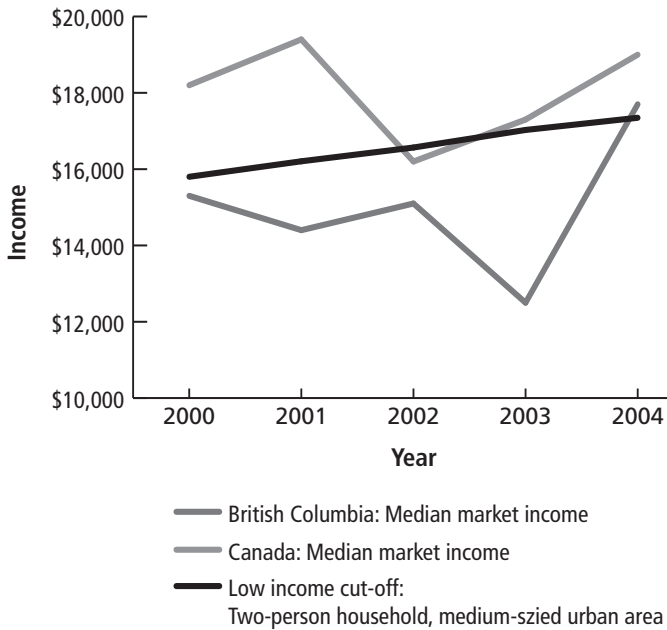


B.C. used to be part of this “good news” story. Until 2001, the poverty rate in BC had dropped faster and further than the national rate. Unfortunately, things shifted in 2001 when the poverty rate for lone mothers began to climb back up. With one-half (49%) of lone mothers in poverty in B.C. today, B.C.'s poverty rate is higher than the national average by a wide margin. In B.C., poverty among lone mothers rose an astounding 15.8 percentage points between 2000 and 2004; in Vancouver, it rose a staggering 24 percentage points.

So why did lone mothers' poverty rates rise?

¹ The poverty data is based on the percentage of lone parents who have after-tax income below the after-tax low income cut off (LICO).

FIGURE 2. **Median Market Income for Female Lone-Parent 2000–2004**



The simple reason is that their incomes dropped due to a combination of unstable market incomes and declining government transfers.

To begin with, in 2000 median market incomes in B.C. were well below their national comparator. But matters got worse because nationally, lone mothers' median market incomes rose every year except one (2001) while in B.C. no such trend is apparent (*see Figure 2*).

But market income is only part of the story.

The other—more important—part of the story has to do with the impact of government policies. Here too, we have a “made in B.C.” story. During the 2001–2004 period, average government transfers to lone mothers declined by a whopping \$2,300, compared to a national drop of only \$200. The bulk of the transfer cuts

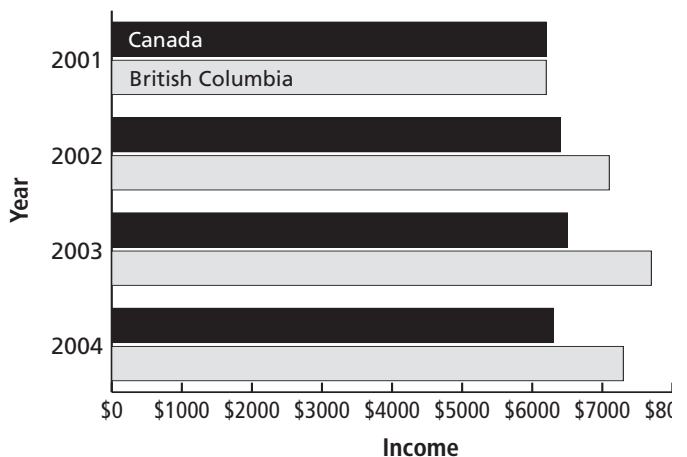
in B.C. occurred in two years—2002 and 2003—when the Campbell government introduced sweeping changes to an array of social programs, including welfare. The net result was to reduce its financial commitment to lone mothers in significant ways.

Declining transfers is the key to understanding lone mothers' declining after-tax income and rising poverty rates in B.C. For lone mothers with welfare income and no earnings, cuts to welfare rates caused part of the decline in transfers. These cuts meant that they were (and are) poorer than they used to be—the poverty “gap” (the difference between average incomes and the poverty line) among these lone mothers has grown (*see Figure 3*). These changes do not affect their overall poverty rate because their incomes already fell below the poverty line.

The poverty rate for lone mothers has risen

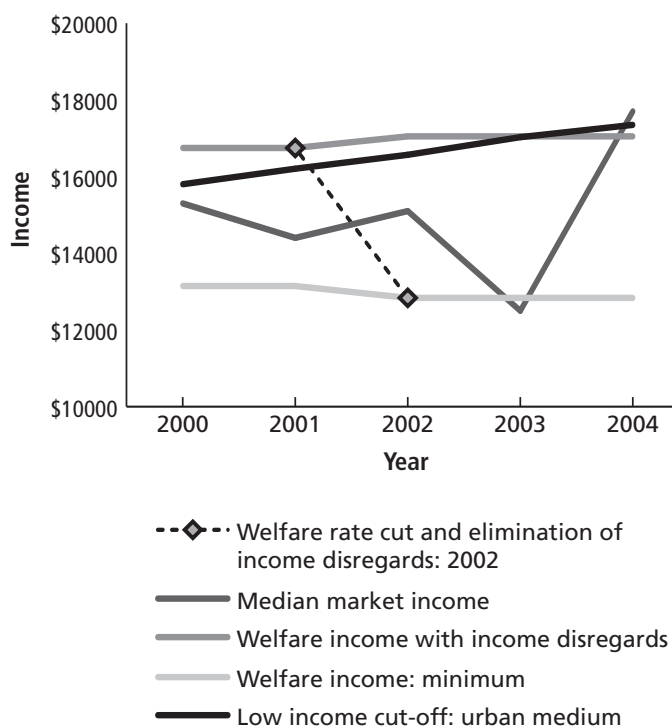
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FIGURE 3. **Average Poverty Gap for Female Lone-Parent: 2001–2004**



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FIGURE 4. **Welfare, Median Market Income, and Income Exemptions: 2000–2004, British Columbia**



- Welfare benefit rates were cut by \$43 a month;
- People without a recognized disability are no longer eligible for earnings exemptions, a rule change that costs many single mothers up to \$200 per month; and
- The child maintenance exemption of \$100 per month was eliminated.

Together, these changes explain why lone mothers' after tax incomes plummeted and why they were catapulted into poverty in staggering numbers. Not only did the market fail lone mothers in B.C. during this period, so did our government because of its failure to provide adequate income supports.

On a more promising note, in 2004, lone mothers' median market income in B.C. rose sharply and for the first time in more than five years, hovered just above the poverty line (for a family consisting of a lone parent and one child) (see Figure 2). Even so, in B.C. lone mothers' median market incomes still fall well below the national comparator and it remains to be seen whether the most recent improvement in market earnings in B.C. will continue into the future. But whether or not market incomes continue to rise, significant reductions in the poverty rate among lone mothers will require the provincial government to provide adequate income supports for mothers who rely on income assistance as well as income top-ups for mothers with employment earnings. ■

because, prior to 2002, many single mothers could combine income assistance, paid employment, and child support payments in such a way that, in the course of a year, their incomes could reach just above the poverty line. As of 2002, however, welfare benefit cuts and rule changes mean they can no longer do so. B.C. is the only province to not allow welfare recipients without a recognized disability to keep any earned income.

Over the course of a year, a lone mother with one child saw her potential income decline by more than \$3,900 because of these changes (see Figure 4):