



The glass is more full than empty...*

In 2008, Ontario introduced a Poverty Reduction Strategy whose major goal was to reduce child poverty by 25 percent within five years. To seal its commitment, the Government passed the *Poverty Reduction Act* the following year.

The *2013 Annual Report* noted significant progress since the introduction of the strategy:

.... the initiatives and strategic investments have helped low-income Ontarians and reduced child poverty in the province by lifting more than 47,000 children and their families out of poverty between 2008 and 2011. In 2011 alone, the strategy prevented an additional 61,000 children from living in poverty.

These figures appear to reflect good news. The child poverty rate dropped in Ontario from 15.2 percent in 2008 to 13.6 percent in 2011.

Despite the decline, it could be argued that the drop does not represent sufficient success relative to the original ‘25-in-5’ target, which meant lifting 103,000 children above the poverty line. While data for all five years of the initial strategy will not be available until 2015, it would have been helpful to present the ‘success’ in percentage terms – a reduction of 12.6 percent – relative to the identified target.

There are other challenges in assessing the effectiveness of the Poverty Reduction Strategy. Right from the get-go, the province acknowledged that success was predicated upon three conditions:

- Ontario investing in key poverty initiatives, such as the Ontario Child Benefit
- the federal government increasing the National Child Benefit Supplement by \$1,200 per child and doubling the amount of the Working Income Tax Benefit to \$2,000 a year per family

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<http://www.onpovertyreduction.ca/2014/05/glass-full-empty/>

- the provincial economy growing by an average of at least 2.5 percent annually.

The province did, in fact, create an Ontario Child Benefit in 2008 and increased its value from an annual maximum \$600 in July 2008 to \$1,310 as of July 2014. That measure represents one of the most powerful weapons in the war on poverty.

But the other two conditions upon which the 25-in-5 target was based were not met. Increases in federal child benefit funding and the anticipated growth in the province's economy never materialized. The Great Recession of 2008-09 hit the world very hard and Ontario's manufacturing sector had an especially rough ride.

Rather than raising the National Child Benefit Supplement by \$1,200 per child, Ottawa brought in a Universal Child Care Benefit (UCCB) in 2006 worth \$1,200 a year per child age 5 and under. (Because the program is subject to federal and provincial/territorial income taxation, it is worth less than the designated \$1,200 for couples. Single parents are exempt from taxation. Neither is it pegged to inflation so its value has dropped by 13 percent, from \$1,200 to \$1,038 in constant 2007 dollars.)

Another major weakness is that the UCCB is not delivered on an income-tested basis – unlike the Canada Child Tax Benefit (CCTB) and National Child Benefit Supplement (NCBS), which are tied directly to income. The UCCB goes to all families, rich, poor and in between, whereas the CCTB and NCBS are paid in a progressive fashion to poor and modest-income families.

The federal government did, however, raise the Working Income Tax Benefit (WITB). Annual payment for families went from an annual maximum \$1,000 when introduced in 2007 to \$1,680 in 2009. It almost reached the \$2,000 level identified by Ontario as a precondition for success – though the improvement was not necessarily a response to the provincial recommendation. With cost-of-living increases, the WITB is worth \$1,813 for families in 2014.

All this to say: The Ontario Poverty Reduction Strategy did not reach its five-year target for reducing child poverty in quantitative terms. But it can be too easy to become fixated on the numeric dimension of child poverty reduction. The Ontario Poverty Reduction Strategy has made noteworthy progress in strengthening both income supports and services.

So is the glass half full or half empty? I would argue that the glass is more full than empty. Here's why:

The strategy appears to have the right ingredients – even though it is difficult to determine with certainty the relative weight of its many components.

The challenge is that wide-ranging measures were introduced as part of a strategy which, by definition, has many constituent parts. All the diverse elements are meant to work together

toward a common objective. It is difficult to disentangle the impact of specific measures relative to actual outcome.

But here's what we *do* know.

1. Poverty is a complex problem and requires a comprehensive set of linked interventions. These appear to be present in the Ontario Poverty Reduction Strategy which includes, among other measures, income benefits for low-income households, child care subsidies, full-day kindergarten, investment in affordable housing and an increase in the minimum wage to \$10.25 in 2010. In fact, Ontario increased its minimum wage from \$10.25 to \$11.00 as of June 1, 2014, and is introducing legislation to index it the cost of living.
2. Support for early childhood development is crucial for success both now and in future. Improved educational attainment is another powerful way to tackle poverty in the longer term. These interventions, while vital, are not likely responsible for the reported drop in poverty over a relatively short period. But that reality does not make these measures any less important. Crucial interventions in the early years, quality education and training for unemployed workers must continue – even though their impact on poverty reduction will be seen down the road. The school readiness metric might be a more appropriate benchmark for monitoring change in this case.
3. Over the past few years, families with children have received additional money from higher wages and from the Ontario and federal governments through several sources. More money in the pocket, not surprisingly, helps reduce poverty. While it may be hard to assess the impact of various components of the Ontario Poverty Reduction Strategy, it is not difficult in the least to conclude that improved wages and transfers have played a vital role in reducing child poverty – *right now*.

In setting out the agenda for the next few years, the various ingredients must remain part of the recipe. But improved earnings and income transfers will always pack a formidable and immediate punch.

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