

## THE SOCIAL CONDITION IN BRITISH COLUMBIA

### *Executive Summary*

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The BC Progress Board, established by Premier Gordon Campbell in July 2001, is an independent Panel of 18 senior business and academic leaders. The Board benchmarks BC economic, innovation, education, environment, health and social performance over time and relative to other jurisdictions. The Board also provides advice on ways to improve provincial performance.

The progress of a society is judged in many ways. But one of the most compelling considerations is its “social condition,” and in particular the opportunities it creates for its most vulnerable citizens. On this dimension, British Columbia faces challenges.

The BC Progress Board has been puzzled by evidence emerging from its benchmarking project, which suggests that BC is lagging in a number of dimensions of the social condition. This report digs down to understand what is happening. The most troubling social indicator is the proportion of British Columbians living below Statistics Canada’s low income threshold, which is often informally referred to as the “poverty line.” The proportion of the BC population living in low income has been greater than in other provinces through much of this decade. More worrying, one in ten British Columbians lives in low income for extended periods.

To understand the situation better, the BC Progress Board commissioned a special study by Statistics Canada to explain the difference in low income rates in BC and Canada. The study concluded that the level of employment is the most important factor explaining the BC-Canada gap. In comparison, demographic factors such as family structures and the age structure of the population were not significant factors. The higher proportion of immigrants in BC than in Canada generally was a secondary factor, and there is some evidence that low income families in the province receive less from government transfers. Beyond these quantifiable factors emphasized in the Statistics Canada report, it is also possible that some portion of the BC-Canada gap reflects faster growth in the underground economy in BC than in Canada as a whole since 1995, when the low income gap began to open up.

The central role of employment in explaining the BC-Canada gap suggest the gap between BC and Canada may well be narrowing already. The rate of economic growth in BC is now faster than in the country as a whole, and is likely narrowing the gap. A rising tide does lift many boats. However, even if the BC rate is converging on the Canadian level, the issue of low income remains compelling. The Canadian low income rate itself is high by international standards, and merely hoping to get down to the Canadian average will not meet the needs of British Columbians who live in low income.

Low income matters for two reasons. First, equality of opportunity is an important goal in British Columbia. All children, irrespective of their social background, should have an equal chance to succeed in the province, and there is compelling evidence that children from low income families are at greater risk. Second, governments and society as a whole bear important collective costs that flow from high levels of economic marginalization in the province. The fact that one in ten British Columbians lives on the economic margins for extended periods stands as a pressing policy challenge. But one in ten is not an insurmountable challenge. Progress is possible.

To assess avenues for progress, the report tracks recent policy developments in two key areas: income transfers; and, education and training, or what many now call “investment in human capital.” Over the last decade, successive provincial governments and the federal government have sent a powerful message to low income families and individuals. By restructuring income transfer programs, they have told able-bodied, low income individuals to look to the labour market to ensure their economic well-being. Reductions in the federal Employment Insurance program and BC Income Assistance have been significant. However, this strategy in turn generates three powerful policy imperatives.

- *Work should pay.* Governments need to extend supports to low wage workers to ensure they are better off in employment than on welfare, that they face reasonable marginal effective tax rates, and that they can meet the needs of their families through work.
- *Educational equality should be a key priority.* As governments shift people from income support to the labour force, they acquire an even greater responsibility to help low income individuals gain the education and skills needed to participate effectively in the economic mainstream.
- *Those who cannot be expected to work should be well supported.* Even the most effective investments in education and skills will not meet the needs of those who, by reason of disabilities or other persistent barriers, cannot be expected to work. These people should receive the support needed to live in dignity.

This report presents a number of policy suggestions designed to help make progress on all three fronts. The recommendations focus on income transfers and education and skills development, and are directed to both the federal and BC governments, as both have important responsibilities in this field.

## **Income Transfers**

There is still considerable distance to go in making an employment-oriented social policy both fair and effective. First, there has been little progress on the agenda of making work pay. A common misunderstanding is that those in low income do not work. In reality, however, a large proportion of those in low income are “working poor,” a term often used to describe people in low wage employment. A key part of an employment-oriented social strategy is to support such workers to ensure that they are better off in work than on welfare. A lot remains to be done here. Second, the core income support programs need attention to assure that they respond effectively to people in need of temporary support, and that they support those who cannot work with dignity. The report therefore makes several suggestions:

- In order to help make work pay, the British Columbia government should support the introduction of a strong federal Earned Income Tax Benefit, and cooperate in the integration of its income-tested programs with the federal program.
- Given the erosion of the role of the federal Employment Insurance program in provinces such as British Columbia, the province of British Columbia should urge the federal government to reform its program structure to provide temporary income support for unemployed Canadians in an even-handed way across the country as a whole.
- BC Income Assistance benefits should be indexed to changes in the cost of living.

## **Investing in Human Capital**

One of the most persistent and pervasive findings of the research on human development is that children's educational attainment, health and long-term prospects are influenced by the social and economic context in which they grow up. Children and young people growing up in disadvantaged families tend to do less well in school, are less likely to graduate from secondary school, and are less successful in entering the labour market. To ensure that an employment-oriented social policy is fair and effective, governments need to take strong action to enhance the education and skill development of disadvantaged people.

BC has a distance to go here as well. Three concerns stand out: financing; evaluation; and, coordination. While the province does have a number of programs in this field, they are small and under-funded. Indeed, the provincial government has reduced its financial support in several key areas in recent years. It is time to re-invest. In addition, other jurisdictions are showing a much stronger commitment to evaluation and evidence-based policy design of programs in this field. And finally, responsibility for key programs in BC is fragmented across a variety of ministries whose priority attention is inevitably drawn elsewhere. BC can do better.

Action is important at all levels of the learning ladder: early childhood, primary and secondary schooling, post-secondary education, and adult training:

- The BC government should give “Strong Start” itself a strong start, by rolling out a program that is based on evidence of what works, that is strongly funded, and that has strong evaluation component. The province should also reinvest in the Child Care Subsidy Program.
- BC should build on the base of CommunityLinks by reversing the slow erosion of the budget in real terms, drawing on real evidence of what works and demanding a strong evaluation component for the program.
- The administration of related programs designed to lower the social gradient in education and development should be consolidated in an agency whose primary purpose is to enhance the development of children.
- The province should strengthen support for low income students by reinvesting in the BC Loan Reduction Program, follow up vigorously on the evaluation of the experimental bursary program, and extend support to students in one year programs.
- The province should respond to the recommendations concerning literacy advanced by the Premier's Advisory Panel on Literacy and by the report of the BC Progress Board on education. In addition, the province should review and strengthen its support for adult basic education training to ensure that there is a “second chance” in BC.

## **An Opportunity Package**

Several other Canadian provinces have introduced integrated anti-poverty programs in recent years, to focus cross-ministry attention and energy on the issue. To reflect the optimistic spirit of British Columbia, such a package might be framed as an Opportunity Package. The key elements of such a package are clear: programs to make work pay; investments in lowering the social gradient in education and development; and strong support for those who cannot be expected to work. Such an Opportunity Package holds out the promise of making British Columbia the best place to live for everyone in the province.