

# \$547 Million to Eliminate Poverty in Saskatchewan

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Across Canada and in Saskatchewan a range of social programs provide financial help for those at low income – child benefits, tax credits, income for the elderly, and social assistance. These provide financial support beyond what individuals and families gain from their employment and other income. They help financially but in many cases are insufficient to prevent poverty.

This short report provides an estimate of the amount of increased financial assistance required to ensure that incomes of all Saskatchewan residents reach the poverty line. For the year 2017 we estimate the total cost for this to be \$547 million. We first show summary data on poverty in Saskatchewan, provide an explanation of our estimate, and conclude with options for eliminating poverty. Methodological notes and references follow.

## Poverty in Saskatchewan

The Official Poverty Line (OPL) was just under \$19,000 for a single adult in Saskatchewan in 2017; for a family of four it was between \$37,000 and \$38,000, depending on region of residence. Of the 1.1 million persons in Saskatchewan, 104 thousand, or 9.6 per cent, lived in households with incomes below the OPL. From Table 1, the rate of poverty was greatest among children in female lone-parent families (39.4 per cent) and adults aged 18-64 not living in families (31.6 per cent). In contrast, only 3.1 per cent of those aged 65 or over lived in households with an income below the OPL. For children and adults living in couple families, the poverty rate of 6 to 7 per cent was below the provincial average.

**Table 1. Persons in poverty and poverty gap, Saskatchewan, 2017**

Characteristic	Persons in poverty			Population size in thousands
	Number in thousands	Rate (%)	Poverty Gap (%)	
<b>Children under age 18</b>	<b>24</b>	<b>9.9</b>	<b>28</b>	<b>239</b>
In couple families	12	6.1	32	201
In female lone-parent families	9	39.4	22	23
<b>Persons aged 18-64</b>	<b>75</b>	<b>11.1</b>	<b>39</b>	<b>681</b>
In families	36	6.5	33	556
Not in families	39	31.6	44	125
<b>Seniors aged 65 plus</b>	<b>5</b>	<b>3.1</b>	<b>30</b>	<b>163</b>
Males – all ages	53	9.7	37	545
Females – all ages	51	9.5	35	538
<b>Total – all ages</b>	<b>104</b>	<b>9.6</b>	<b>36</b>	<b>1,083</b>

Source: CIS2017 PUMF

The poverty gap represents the average percentage that disposable incomes of persons in poverty fell below the OPL in 2017. The total poverty gap of 36 per cent means that the disposable income of persons in poverty averaged 36 per cent below the OPL. While most groups in Table 1 had similar poverty gaps, for adults aged 18-64 not living in families the poverty gap of 44 per cent was well above the provincial average.

### **Closing the poverty gap by raising all incomes to the Official Poverty Line**

Our calculation of the dollar amount that would be required to eliminate poverty is obtained from the reported poverty gap. To illustrate the method, for an adult not in a family the OPL was \$19,000. Suppose his or her employment and other income was \$10,000 in 2017, leaving a poverty gap of \$9,000, or 47 per cent of the OPL. By transferring \$9,000 to this person, he or she would have had \$19,000 in annual income – not well off, but at the OPL and not in the dire poverty of only a \$10,000 income. A similar calculation for each poor person or family yields an estimate of the transfer required to bring all to the OPL.

When the dollar gaps for all families and individuals in poverty are added, the total amount that would have been required to raise all persons and family members to the OPL in 2017 is \$547 million. This amount differs by type of family and Table 2 provides insight into which groups would require the greatest and least transfers of income to escape poverty.

**Table 2. Income transfer required to eliminate poverty (poverty gap) by type of family in poverty, Saskatchewan, 2017**

Type of family or household	Poverty gap		Families in poverty		
	Average gap per family in thousands of dollars	Total gap in millions of dollars	Number of families in thousands	Average size of family	Total persons in families in thousands
<b>Families with children</b>					
Couple with children	\$13,088	\$72.9	5.6	4.5	24.8
Lone parent families	\$7,873	\$42.5	5.4	3.2	17.4
<b>Couple with no children</b>					
Non-elderly (ages 18 to 64)	\$8,780	\$28.5	3.2	2.0	6.5
Elderly (ages 65 plus)	\$9,181	\$9.3	1.0	2.0	2.0
<b>Persons not in a family or living with other relatives</b>					
Non-elderly (ages 18 to 64)	\$8,651	\$377.7	43.7	1.1	49.7
Elderly (ages 65 plus)	\$5,145	\$15.7	3.0	1.3	3.9
<b>Total</b>	<b>\$8,825</b>	<b>\$546.6</b>	<b>61.9</b>	<b>1.7</b>	<b>104.3</b>

Source: CIS2017 PUMF

From Table 2, the transfers required are greatest for poor adults aged 18-64 not living in families or living with other relatives (\$378 million). The total number of such household units was almost 44 thousand and the average amount they fall short of the OPL was \$8,651. With an average transfer of \$8,651 to each of these households, all 44 thousand would have had incomes equal to the poverty threshold. Given that relatively few elderly persons were in poverty, the amount required to eliminate senior poverty was much lower, totalling \$25 million (\$9.3 million for elderly couples and \$15.7 million for single persons).

The group “Families with Children” is composed of children and their parents (couples or lone-parents). There were 11 thousand such families in 2017 (5.6 thousand poor couples with children and 5.4 thousand poor lone-parent families) totalling 42 thousand persons in all. If all two-parent family received an average of an extra \$13,088 and lone-parent families received an average of \$7,873, their incomes would have risen to the OPL. In all, a transfer of \$115 million would have eliminated poverty for families with children.

**How much is \$547 million?**

\$547 million is a lot and, barring major changes in the province’s social and economic structure, a similar amount would be required each year to lift people out of poverty. At the same time, Saskatchewan is a well-off province in a wealthy country. Table 3 provides estimates of the resources of the province. Note that \$547 million required to eliminate poverty amounts to less than one per cent of the province’s GDP and is 1.3 per cent of the combined income of all persons in the province. Federal and provincial income, sales, and goods and services taxes raised approximately \$10 billion in revenue in 2017 – the cost of eliminating poverty is 5.7 per cent of that.

**Table 3. Economic indicators, Saskatchewan, 2017**

<b>Economic indicator</b>	<b>Amount in billions of dollars</b>	<b>\$547 million as a percentage of amount</b>
Saskatchewan Gross Domestic Product (GDP)	81.2	0.67
Total individual income before taxes	41.3	1.32
Total federal and provincial income tax paid	6.5	5.67
Provincial sales tax	2.0	
Federal goods and services tax	1.2	

Sources: Saskatchewan Bureau of Statistics, 2019; CIS2017 PUMF; Statistics Canada, 2019e

Estimates of the amounts received by Saskatchewan residents through federal or provincial government transfer programs to persons and families are given in Table 4. The total of such transfers in 2017 was \$2.7 billion. Seniors in Saskatchewan received \$1.2 billion through Old Age Security and Guaranteed Income Supplement payments. And families with children received \$723 million, primarily from the Canada Child Benefit, in 2017. Three years earlier, in 2014, the total of child benefits was only one-half that – improved federal child benefits amounted to approximately two-thirds of what eliminating poverty would cost. Social assistance payments in 2017 totalled \$510 million. Other transfers, totalling \$252 million, include the provincial Seniors Income Plan (SIP), sales tax credits, and the federal Working Income Tax Benefit. Note that benefits from the Canada Pension Plan, Employment Insurance, and Workers’ Compensation are not included in the total transfers of \$2.7 billion.

**Table 4. Income received by Saskatchewan residents from federal and provincial transfer programs, 2017**

<b>Income received by Saskatchewan residents from:</b>	<b>Amount in millions of dollars</b>
Old Age Security and Guaranteed Income Supplement	1,222
Federal and provincial child benefits	723
Social assistance benefits	510
Tax credits and other transfers	252
<b>Total</b>	<b>2,707</b>

Source: CIS2017 PUMF

While the \$547 million cost of eliminating poverty is substantial, the above data demonstrate that such an expenditure is affordable.

**Programs to eliminate poverty**

In 2015 the Saskatchewan Advisory Group on Poverty Reduction recommended the province adopt the Market Basket Measure (MBM) as its measure of poverty; it also aimed to reduce the poverty rate to 5 per cent by the end of 2020. Since then the MBM has been adopted as the official poverty measure in Canada, and the poverty rate in Saskatchewan has declined from 10.6 per cent – the level used by the Advisory Group– to 9.6 per cent in 2017.

Many strategies exist for bridging the gap between people’s low income and the Official Poverty Line. Direct income supports delivered through the tax system, such as OAS, GIS, and SIP for seniors and the Canada Child Benefit for families, provide people with more disposable income. Other groups, such as persons with disabilities, benefit through direct disability related income supports, such as the Saskatchewan Assured Income for Disability Program (SAID). Increases to the benefit levels of all these programs would result in a reduction of poverty.

A Universal Basic Income, which provides a minimum income to every adult, is often touted as a means of reducing poverty. No such program currently exists in Canada, though there are pilot projects around the world. Such a program could replace the several targeted income supports and be particularly useful for adults aged 18 to 64 who are not in families. There are currently scant programs to address their poverty.

Many poor people are employed; however their wages or self-employment income are too low to bring their incomes to the poverty line. Labour force measures, such as increasing minimum wage to the level of a living wage and improving the Canada Workers Benefit could eliminate poverty for large numbers of the working poor. These would also reduce the total amount of government transfers required to raise everyone to the poverty line.

For those with children, besides increasing child benefits, improving funding and access to child care could lead to a major reduction in poverty.

## **Conclusion**

As a rich province in a wealthy country, Saskatchewan can afford to eliminate poverty. Determination on the part of the residents of the province and the provincial and federal governments will be required to achieve this. In past years, citizens and governments decided to increase and then maintain support for the elderly through a combination of OAS, GIS, SIP, and CPP. More recently, the federal government has improved child benefits. These programs have been successful in reducing poverty. But further programs will be necessary to eliminate poverty. Policy and programs to eliminate poverty can be achieved.

## **Acknowledgements**

Peter Gilmer of the Regina Anti-Poverty Ministry initiated this project in the spring of 2019 by asking the question “How much would it take to eliminate poverty in Saskatchewan?” Thanks to Kaetlyn Phillips of the University of Regina Library and to Statistics Canada staff for providing the CIS2017 PUMF data set.

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## Methodology

The data for this report come from the Canadian Income Survey 2017 (CIS2017), a survey conducted by Statistics Canada in the first six months of 2018, with results made available in 2019. Data concerning the incomes and poverty gap of individuals and families for the calendar year 2017 are obtained from the Public Use Microdata File (CIS2017 PUMF), released in September 2019 (Statistics Canada, 2019a, 2019b, and 2019f). To ensure confidentiality and privacy, results from this file may differ slightly from those Statistics Canada publishes (Statistics Canada, 2019c). This accounts for the small discrepancies between the numbers in Table 1 of this report and Table 1 of *Poverty in Saskatchewan – 2017* (Gingrich, 2019).

The sample size for CIS2017 was 7,217 – a cross section of the estimated 1,082,898 residents of Saskatchewan. Note that some residents of the province are not included in the survey. The most notable exclusion is “persons living on reserves and other Aboriginal settlements.” (Statistics Canada, 2019f). There were approximately 56 thousand Saskatchewan residents living on reserves in 2016 (Saskatchewan Bureau of Statistics, 2017). While data on income and poverty for these persons are not available from CIS2017, it is generally acknowledged that the poverty rate on reserves is high. Unfortunately, our estimate of the cost of eliminating poverty does not include these persons.

Incomes of families in this report refer to economic families, defined as follows: “An economic family is defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law, adoption or a foster relationship.” Those aged 18 or over who are not in economic families are persons living alone or “with others to whom he or she is unrelated, such as roommates or a lodger.” For the most part, these persons and families can be considered households, although there are sometimes difference between economic families and households. For more information and definitions consult Statistics Canada, 2019f, p. 13.

In August of 2018, the federal government introduced an Official Poverty Line (OPL) for Canada, the Market Basket Measure (MBM). This is the measure of poverty used in this report – the cost of eliminating poverty is different if other low-income measures such as LICO or LIM are used. The MBM threshold is based on the annual cost of a specific basket of goods and services representing a modest, basic standard of living. It includes the costs of food, clothing, footwear, transportation, shelter and other expenses for a reference family of two adults aged 25-49 and two children (aged 9 and 13) (Statistics Canada, 2019f, p. 23). The MBM is the only low income measure that gives separate poverty thresholds for each province and regions within the province. For Saskatchewan, the MBM thresholds are given in Table 5 (Statistics Canada, 2019c).

**Table 5. MBM thresholds in dollars for Saskatchewan by region of the province and economic family size, 2017**

Region	Economic family size			
	1	2	3	4
Rural	18,606	26,312	32,226	37,211
Under 30,000	19,153	27,086	33,174	38,306
30,000-99,999	17,869	25,271	30,950	35,738
Regina	18,926	26,765	32,780	37,851
Saskatoon	18,978	26,840	32,872	37,957

The MBM threshold for family sizes larger than 4 is obtained by multiplying the MBM threshold for one person by the square root of the family size. Using the MBM as the Official Poverty Line, persons or families were in poverty if their disposable income for 2017 was below the threshold shown in Table 5.

Disposable income is the amount of income a person or family retains after non-discretionary items are deducted. In order to calculate disposable income, the total income before taxes from wages and salaries, self-employment, government transfers, and other sources is first obtained. Then income taxes, EI and CPP deductions, registered pension plan contributions, union dues, child care expenses incurred in order to hold a job, and support payments are deducted. In addition, some expenses for shelter and health and medical payments are deducted to produce disposable income. In terms of poverty reduction, note that if a child care program reducing child care costs is put in place, this would increase disposable income and lessen the poverty gap, thus reducing poverty. The same can be said about programs to provide more affordable housing.

In the CIS2017 PUMF data file, Statistics Canada provides information on the disposable income of persons and families. For those families with disposable incomes below the MBM threshold, the poverty gap is the amount by which disposable income falls short of the appropriate MBM threshold as shown in Table 5. As noted in the report, we consider the poverty gap in dollars to be the cost of eliminating poverty for each person or family. Adding the poverty gaps for each unit produces the total of \$547 million for 2017.

In calculating this estimate, there were a few glitches that needed to be addressed. The manner in which we addressed these is as follows:

**Negative incomes.** Some persons and families reported a negative disposable income, as a result of net losses from farm or self-employment income. We set all these negative incomes to zero, so their poverty gap equals the MBM threshold.

**Incomplete regional data.** The CIS2017 data file does not separate the under 30,000 and the 30,000 to 99,999 regions – presumably to ensure confidentiality. In order to estimate the poverty gap for those with positive disposable incomes in the combined under 100,000 region, the “Gap ratio – MBSCD08” in CIS2017 PUMF was used to estimate the dollar gap. For those with negative or zero disposable incomes in the under 100,000 region, an average of the Table 5 MBM thresholds for the two subregions was calculated, where the average was weighted by population size from the 2016 Census of Canada.

**Person or household estimates.** In Table 1, poverty rates are given for Saskatchewan persons – those living alone or in families. When estimating the cost of eliminating poverty in Table 2, estimates are provided by using the economic family identifier (EFID in CIS2017 PUMF). For persons living alone, the cost of eliminating poverty is the poverty gap for that person; for those in families, the cost is the poverty gap for the family. For the fifth and sixth rows of Table 2, persons living alone are grouped with persons living with other relatives. For the non-elderly, approximately 80 per cent of this group is comprised of persons living alone.

In summary, the \$547 million is an estimate and is subject to the sampling and non-sampling errors of the CIS2017 survey. The estimate varies year-by-year as the Statistics Canada survey sample and the structure of the province change. In our view though, \$547 million provides a good target for Saskatchewan residents, organizations working to eliminate poverty, and politicians at the federal, provincial, and municipal levels. If policies and programs can reach this target, Saskatchewan could become free of poverty.



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## Referencing this publication

Gingrich, Paul and David Rosenbluth. 2020. *\$547 Million to Eliminate Poverty in Saskatchewan*. URL: [uregina.ca/~gingrich/547mep](http://uregina.ca/~gingrich/547mep)

Last edited January 26, 2020