

Beyond Compassion:

***Measuring the External Costs of Poverty
In Sault Ste. Marie***

Prepared by

Community Quality Improvement

For

**The District of Sault Ste. Marie Social Services
Administration Board**

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Executive Summary

This report highlights the community-wide benefits that can be achieved through reductions in the level of poverty in Sault Ste. Marie, ON. The external costs of poverty are examined, with emphasis on health care and education. The study suggests that if poverty is reduced, education levels will rise, improving the community's workforce, and supporting economic development. With lower poverty and higher education levels will come improved overall health of the community's citizens. Benefits will accrue directly in terms of awareness of health issues and prevention, as well as indirectly, with a reduction of preventable illnesses. Decreased need for hospital services will have a substantial impact on public health expenditures, improving the effectiveness of public health agencies; this in turn will make the community more attractive to existing residents, newcomers and businesses.

Individuals who do not complete high school are more likely to live in poverty later in life than those who do earn a diploma. Students from low-income families are more than twice as likely to leave high school before completion than those from families of higher socio-economic status. The average income earned for an individual without a high school certificate is only slightly higher than the low-income cut-off (LICO) after-tax for one person (\$14,380), and is far below the cut-off for a two person family (\$17,502). The difference in average income earned in one year between varying certificate levels is significant. The income not earned with lower education attainment is seen as a cost of poverty, as this is an unrealized resource. There is less money paid into income taxes while more money is transferred in the form of social assistance and subsidized services such as housing and childcare.

This study points to the need for an integrated, collaborative approach to poverty reduction. It is critical to engage non-traditional players from the fields of economic development and education in this effort. In addition, the report highlights the importance of investing more money in social assistance programs as a critical component of a comprehensive poverty reduction strategy. Higher levels of social spending have a direct positive impact on poverty levels. Investment in education is

another key to poverty reduction. By establishing programs that encourage young people to complete high school, more people would move on to earn post-secondary degrees or skilled trade certificates and will be more active members of the economy and their communities.

Introduction

Poverty reduction and mitigation of the impacts of poverty are fundamental components of the mandate of social service agencies and charities. Perhaps it is the label “social services” that suggests this work should be undertaken only by organizations under this umbrella. While it is necessary and proper to leave the design of strategies to ease the burden of poverty in the hands of the experts, it can now be proven that both the costs of poverty and benefits of poverty reduction accrue to the community in general. In light of this, it can be argued that the obligation to reduce poverty rests with all members of society, not simply those administering social service programs. Furthermore, there is an obligation of public policy makers to address the systemic barriers to break the cycle of poverty. These include a lack of adequate and affordable housing, lack of access to post secondary education and inadequate payments to those on social assistance.

This report examines the broader impacts of poverty on society, not merely the effects felt by those directly involved. Particular attention is paid to child poverty, as it is at this point when the cycle begins, and it is at this crucial point that efforts to break that cycle can have the greatest impact.

In 2008, 760,000 Canadian children lived in poverty (Campaign 2000, 2008). It is well documented that children living in poverty are more likely to experience greater incidence of illness, hospital stays, accidental injuries, mental health problems, lower achievement in school and run a higher risk of dropping out early (Canadian Institute on Children’s Health, 2000).

Children growing up in poverty suffer more from hypertension and low self-esteem than do their non-poor peers (Campaign 2000, 2008). Poverty causes a loss of

dignity among those affected. Individuals living in such straitened circumstances likely do not spend as much time thinking creatively and being innovative as they would if their living conditions were better.

Poverty negatively impacts all of society; the burden is not borne just by those experiencing it directly. In this study, these “external costs” of poverty in Sault Ste. Marie are discussed. In particular, education and health care are explored, with the relationship between poverty and access to these services at the forefront of this research.

In some studies it is also suggested that criminal activity and the subsequent costs to society are also linked to poverty. Longitudinal studies have revealed that children who live in poverty, especially in concentrated areas of disadvantage, are more likely to engage in criminal activity later in life. Research by the Canadian Council on Social Development (CCSD) and many other organizations also shows that interventions to help “at risk” youth can substantially decrease crime rates (CCSD 2008). While the relationship between crime and poverty bear further investigation, it is not a focus of this research.

This study replicates similar research conducted in Calgary by the Centre for Health and Policy Studies, University of Calgary and Institute of Health Economics. Their report, The External Costs of Poverty: A Conservative Assessment provides a clear definition and explanation of external costs of poverty.

There is no question that poverty, particularly sustained poverty, imposes loss of well-being on those who experience it. In addition, poverty also imposes costs on members of society beyond those deemed ‘poor’. These ‘external’ costs include increased spending on health care and special education for example. If the external costs of poverty are high enough then we all stand to benefit from a reduction in its incidence. A case can be made for poverty reduction strategies therefore independent of any appeal to social justice. It may be in each of our interests to reduce poverty.

(Sheill and Zhang, 2004)

This report will highlight the benefits to society that can be achieved through reductions in the level of poverty in Sault Ste. Marie. While it is commonplace to argue for poverty reduction on the grounds of social justice, our work will suggest that a strong argument can be made for reducing poverty from an economic development perspective. A city with higher than normal levels of poverty will likely have a population with lower than average education levels. Such a city will expend more resources on health care due to poorer than average health experienced by those living in poverty. With proper resource allocation and program development, poverty levels can be reduced at a cost that is lower than the financial benefits to be gained. All citizens, not only those directly experiencing poverty, will experience the positive influence of sustained poverty reduction.

Those involved in economic development recognize that the overall skills and education of the local labour pool heavily influence the type of industry that will be attracted to a city. Knowing that low education attainment is a direct result of poverty, it stands to reason that communities with high poverty rates would have low relative education levels, limiting the type of businesses and industries that would be attracted to the area. Businesses in the fields of information technology and energy, for example, require well educated employees, and pay higher than average salaries. These career positions and the resultant economic prosperity they generate are lost opportunities to a community that does not address poverty.

A shift is occurring within industry in the twenty first century: companies are now relocating to those centers where the highly skilled people live, rather than the highly skilled people moving to where the jobs are (Florida, 2002). Many peripheral regions, such as Northern Ontario, struggle to attract and retain talent; this is a symptom of limited educational and economic opportunities. Increasing post-secondary educational opportunities on the periphery is one way to ensure human capital is developed and remains in Sault Ste. Marie as the shift from a resource-based economy to a knowledge-based economy takes place. New education opportunities, coupled with a simultaneous emphasis on creating corresponding job opportunities is needed to slow or reverse the export of the region's trained work force (Hall and Donald, 2009).

A closer working relationship between economic development organizations and education institutions could create a strategic partnership focused on preparing the local labour pool with adequate training to attract higher paying jobs. The community's workforce will be strengthened as education levels increase, thus supporting economic development. This in turn will make the community more attractive to existing residents, newcomers and businesses. An increased municipal tax base, housing construction, and more money being spent in the local commercial sector are just a few of the benefits.

Methodologies

Methodologies in this research loosely follow those used by the Centre for Health and Policy Studies, University of Calgary and Institute of Health Economics in the 2004 report, The External Costs of Poverty: A Conservative Assessment, based on poverty levels in Calgary. The after tax low-income cut off (LICO) is used as the poverty measure, supported primarily by Statistics Canada census data.

Quantitative research methods are used in this study, as they more effectively identify economic, rather than social impacts of poverty. The economic approach measures and analyzes society's allocation of scarce resources; the methodology applied avoids the analysis of "human" costs. These human costs include the distress and adverse social consequences that accompany a life of poverty. Children living in poverty experience deprivation of material resources, but also the emotional resources needed to develop and achieve their full potential. Furthermore, income security has been identified as a key social determinant of health (Raphael, 2004).

Although these human costs are significant, they are not the subject of this study. Instead, the costs measured here are regarded as "forgone resources" – that is, financial resources that must be committed to addressing the consequences of poverty and so cannot be applied to other beneficial activities (Sheill and Zhang, 2004). Following the approach of Sheill and Zhang, we attempt to provide a financial valuation of these resources.

Income characteristics, education levels and demographic information are used to

calculate local rates of education participation and income earnings as well as health care access. Collectively, this is the first time these calculations appear in a report focused on Sault Ste. Marie. To find differences in lifetime earnings of individuals with different levels of education attainment, wages earned in Sault Ste. Marie for various education levels are identified, and then multiplied by forty years, that being the estimated average length of time an individual is employed.

Costs for in-patient hospital care are determined by examining the various rates of hospital use of individuals and their respective income. The total number of households is divided among five groups based upon household income. Using the approach introduced by Noralou Roos and Cameron Mustard in their 1997 study, Variations in Health and Health Care Use by Socioeconomic Status in Winnipeg, Canada and replicated in The External Costs of Poverty: A Conservative Assessment (2004), Sault Ste. Marie's hospital days and costs are apportioned to these income groups. Those in the lowest group represent almost twice as many in-hospital days experienced than do those in the highest group, supporting the hypothesis that reducing poverty would result in a decrease in health care demand, and therefore health care costs.

Discussion of Poverty Measurements

Canada does not have an official measure of poverty. As a result, there are three main methods for measuring poverty in Canada. These are the Market Basket Measure, the Low Income Measure, and the Low Income Cut Off (before tax and after tax). The most widely accepted is the Low Income Cut-Off (LICO) after tax, which will be used in this research because supporting data is most readily available.

The Market Basket Measure (MBM) is based on average household expenditures and is determined by calculating the cost of a "basket" of goods and services - including food, shelter, clothing and transportation - in several communities. Thresholds are then determined to represent the level of income needed to cover the costs of these basic goods and services (CCSD 2008). If available, this would be the

ideal measurement to use, as it is a more exact measure, however, the MBM is too new to rely on; there is not yet adequate data for Sault Ste. Marie for the years included in this research. Interestingly, the MBM calculates the total Canadian population in poverty to be 2% higher than does the LICO.

Unlike the low-income cut-off, the Low Income Measure (LIM) is not based on the proportion of income spent on food, clothing and shelter, but is based directly on income. The measure is based on one-half of median gross income, where median income is first adjusted for family size and composition. Fifty per cent of adjusted median income becomes the basic LIM for one person, and adjustments are made upwards according to the size and composition of the household. Unlike the LICO, no adjustment is made for community size (Ross 2000).

The low income cut off (LICO) indicates the level of income at which a family may be in “straitened circumstances” because it spends a greater proportion of its income - 20 percent or more – on basic necessities (food, shelter and clothing) than does the average family of a similar size. The LICO is not a poverty line; instead, it identifies those that are substantially worse off than average. Using this measure, one considers the average household income that is spent on necessities, and uses this average to then calculate where other households fall in the continuum. To further illustrate this point, consider the following: the average Canadian household spends 35% of its income on food, shelter and clothing. A family with household spending on these same items amounting to 55% or more of its total income would therefore fall below the LICO (Survey of Household Spending, 2006).

Separate low income cut-offs are determined for seven sizes of family - from unattached individuals to families of seven or more persons and for five sizes of communities, from rural areas to urban areas with a population of greater than 500,000. Sault Ste. Marie falls into the middle community size of between 30,000 and 99,999 residents (Canadian Council for Social Development, 2006). See figure 1.

Figure 1

Statistics Canada's After-tax LICOs, 2005 (1992 base)					
Family Size	Rural Areas	Population less than 30,000	30,000 to 99,999	100,000 to 499,999	Population 500,000 +
1 person	\$11,264	\$12,890	\$14,380	\$14,562	\$17,219
2 persons	\$13,709	\$15,690	\$17,502	\$17,723	\$20,956
3 persons	\$17,071	\$19,535	\$21,794	\$22,069	\$26,095
4 persons	\$21,296	\$24,373	\$27,190	\$27,532	\$32,556
5 persons	\$24,251	\$27,754	\$30,962	\$31,351	\$37,071
6 persons	\$26,895	\$30,780	\$34,338	\$34,769	\$41,113
7 + persons	\$29,539	\$33,806	\$37,713	\$38,187	\$45,155

(Statistics Canada, Low Income Cut-offs for 2005 and Low Income Measures for 2004, Cat. 75F0002MIE, 2006)

Sault Ste. Marie Community Profile

Income and Earnings

The 2006 Statistics Canada Census counted 77,290 people living in private households in Sault Ste. Marie, Ontario. Of this total population, 7,370 people (9.5%) live below the low income cut off (LICO) after tax. Using this same measure, the rate of youth under the age of 18 living below the LICO is 13.9%

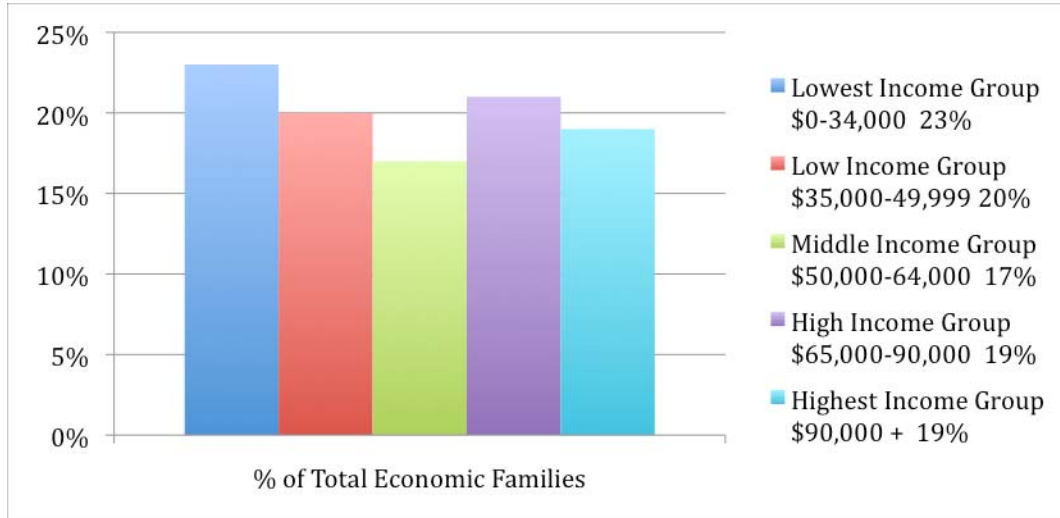
Residents of Sault Ste. Marie can be grouped into income groups by economic family¹. In 2006, there were a total of 23,530 economic families in the city, with total incomes for all members of the families ranging from below \$10,000 to above \$90,000. Figure 2 shows total economic families in 2006 divided into five income groups, each representing approximately 20% of the total number of income families. The columns represent the percent of the total number of economic families in each income group.

The five income groups exclude individuals 15 years of age and older not in an economic family. According to the 2006 Census, in Sault Ste. Marie there were 11,035 people 15 years and older not in an economic family (singles, widowed seniors, etc). The average after-tax income for this demographic was \$25,656 (Statistics Canada, 2006).

This segment of the population is not included because measuring total income of an economic family is the clearest way to understand earnings for the general population.

¹ An economic family is defined by Statistics Canada 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 or adoption. A couple may be of opposite or same sex. Foster children are included.

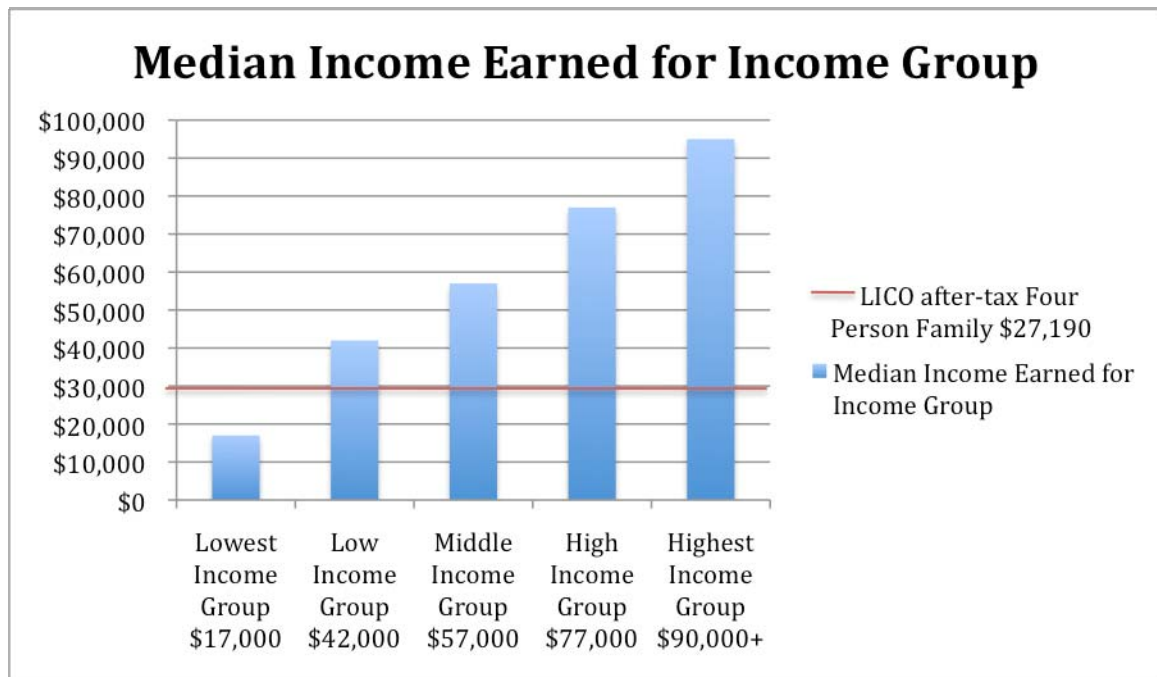
Figure 2



Statistics Canada , 2006 Census

Figure 3 depicts the median income earned for all members in an economic family in each income group. The low-income cut off for a family of four persons is shown on the graph to illustrate the distance above and below the LICO (after tax) for a family of four with the average income for each group.

Figure 3



Statistics Canada, 2006 Census

Employment

Sault Ste. Marie has a higher unemployment rate than the provincial and national averages. In March 2009, the unemployment rate in the city increased to 10.6% from 6.8% in March 2008, with the national average for March 2009 being 8% (Statistics Canada, The Daily, April 28, 2009). In February 2009, there were 3,410 people collecting Employment Insurance in Sault Ste. Marie, an increase of 29% in one year (Statistics Canada, The Daily, April 28, 2009).

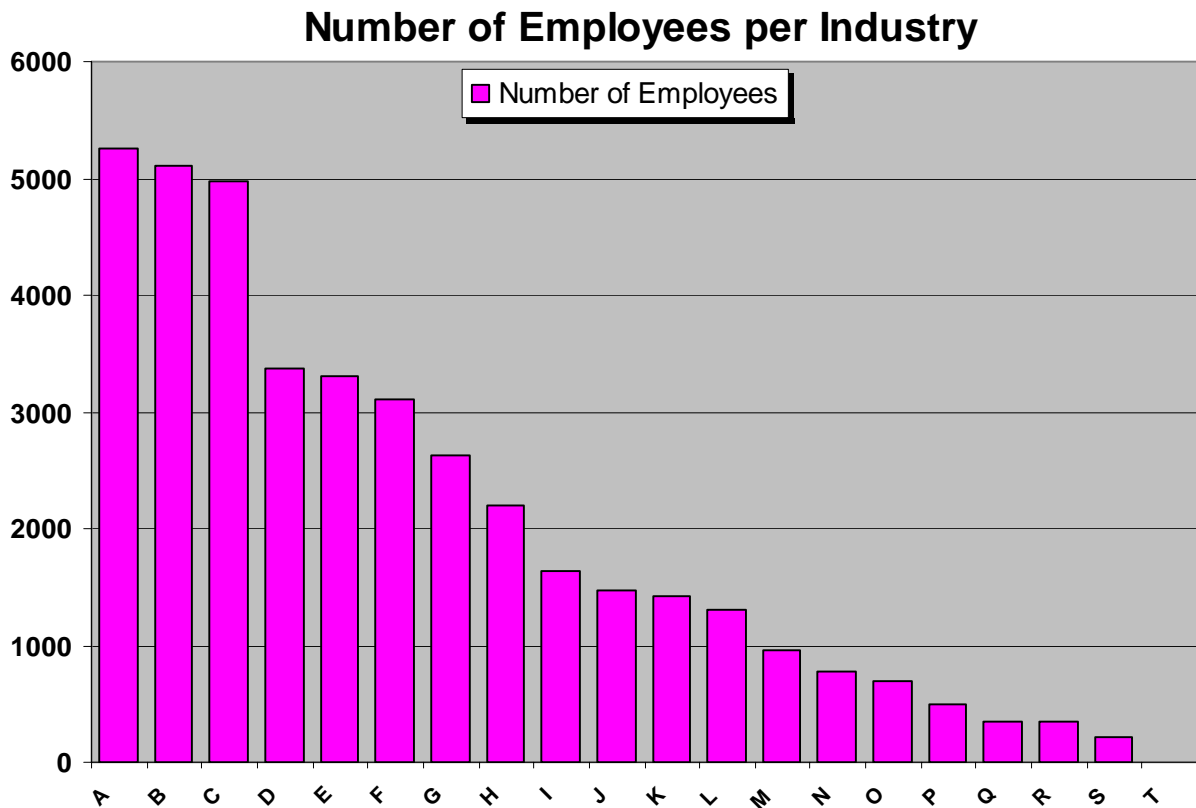
The sectors with the highest number of employees are health care and social services, retail trade, manufacturing, educational services and accommodation and food services (Sault Ste. Marie Economic Development Corporation 2007). With the exception of the health care and social services sector and educational services, these leading employment sectors in Sault Ste. Marie typically require low skilled workers. See full list and column graph of the number of employees per sector, figures 4 and 5.

Figure 4

Key to Figure 5: Number of Employees per Industry

	Industry		Industry
<u>A</u>	Health Care and Social Services	<u>K</u>	Construction
<u>B</u>	Retail Trade	<u>L</u>	Professional, Scientific, and Technical Services
<u>C</u>	Manufacturing	<u>M</u>	Finance and Insurance
<u>D</u>	Educational Services	<u>N</u>	Wholesale Trade
<u>E</u>	Accommodation and Food Services	<u>O</u>	Information
<u>F</u>	Transportation and Warehousing	<u>P</u>	Real Estate and Rental and Leasing
<u>G</u>	Administrative and Support and Waste Management and Remediation Services	<u>Q</u>	Agriculture, Forestry, Fishing and Hunting
<u>H</u>	Public Administration	<u>R</u>	Utilities
<u>I</u>	Other Services (except Public Admin.)	<u>S</u>	Management of Companies and Enterprises
<u>J</u>	Arts, Entertainment, and Recreation	<u>T</u>	Mining

Figure 5



Education

Sault Ste. Marie has seven high schools. Five are overseen by the Algoma District School Board, and two are operated by the Huron Superior Catholic District School Board. There are two post secondary institutions in Sault Ste. Marie Ontario, Algoma University and Sault College. In addition to these, Lake Superior State University in the neighbouring city of Sault Ste. Marie Michigan is often accessed by local residents.

Health Care

There are three organizations offering a variety of health care services in Sault Ste. Marie; Sault Area Hospital, Group Health Centre and Algoma Public Health.

The Sault Area Hospital (SAH) is housed in two buildings located adjacent to each other in the city's downtown. SAH is a 289-bed facility, serving a total catchment population of approximately 120,000 across the Algoma District. SAH has approximately 1,900 employees, over 400 volunteers and approximately 125 physicians on staff (Sault Area Hospital, 2009).

The Group Health Centre is an alternatively funded health care organization, serving 60,000 Algoma district residents. Group Health Centre is a progressive, multi-specialty, ambulatory care health organization and is one of Canada's first consumer-sponsored health care facilities built with private funds donated by local union members.

Algoma Public Health is the regional public health unit. Its mandate is to help all citizens in Algoma District attain an optimal level of physical, mental, emotional and social health. It is also committed to reducing communicable diseases, and ensuring citizens are protected from adverse health consequences of exposure to toxic substances and conditions in the home, public place or workplace.

The Impacts of Poverty

Education

Obtaining an education beyond high school is critical to avoiding or escaping poverty. Studies indicate that lower levels of education tend to result in lower paying jobs. People who drop out of high school before earning their diploma are more likely to live below the poverty line than those who complete high school (Hankivsky, 2008).

Young people from high-income families are twice as likely as those from low-income families to participate in university education in Canada (Raphael, 2009). In 2001, 45.6 percent of youth from high-income families (\$100,000 or more) had completed or were enrolled in university, compared to only 19.5 percent of youths from the lowest income families (less than \$25,000) (Raphael, 2009).

Average Income for Education Level Attained

Showing the average income earned for high school completion and non-completion as well as for different certificates earned illustrates the *private* (personal) rate of return on investment in education. That is, the amount earned by the individual. The *public* rate of return includes the benefits accrued by society resulting from higher levels of education among the population. These benefits include a larger tax base and greater collective buying power for everything from homes and cars to theatre tickets and dinners at restaurants.

The average annual income earned in Sault Ste. Marie for varying levels of education is shown in the table in figure 6 and is graphed in figure 7. The data indicates the private (personal) rate of return (i.e. higher earnings) for completing high school and for carrying on with post-secondary education. Income differences for men and women are also shown.

Figure 6 **Average Annual Income Earned per Certificate Level**

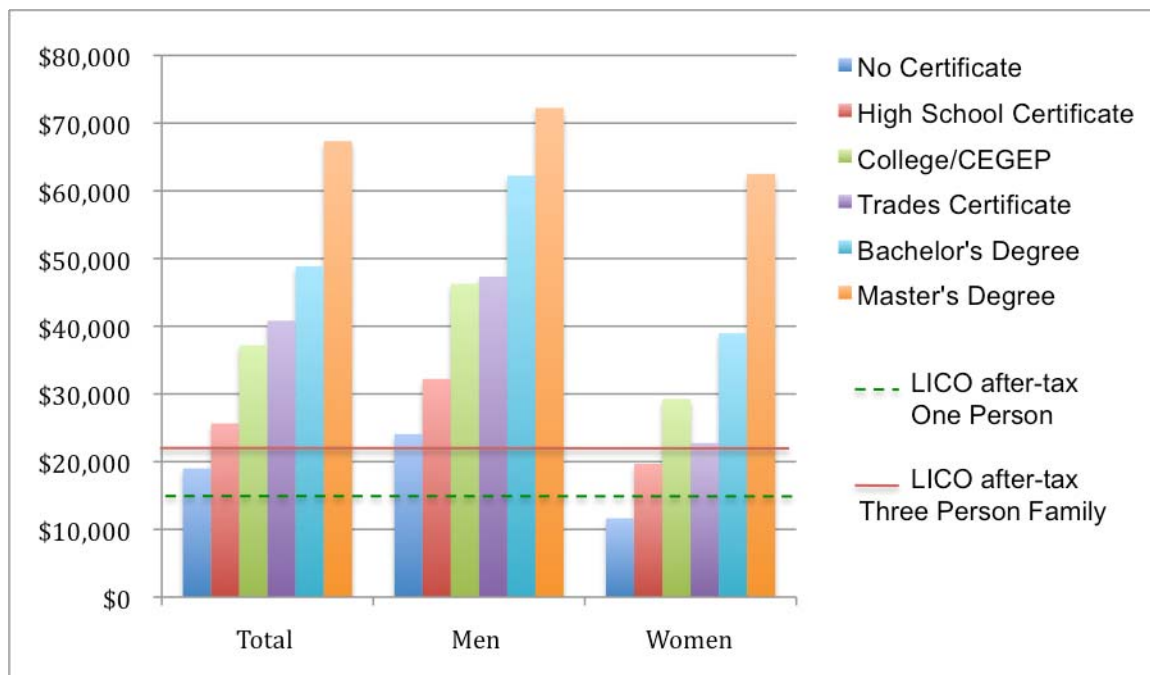
	No certificate	High School Certificate	College/CEGEP	Apprenticeship/Trades Certificate	Bachelor's Degree	Master's Degree
Total	\$18,975	\$25,654	\$37,173	\$40,817	\$48,870	\$67,347
Men	\$24,072	\$32,230	\$46,272	\$47,333	\$62,242	\$72,246
Women	\$11,635	\$19,684	\$29,283	\$22,749	\$38,957	\$62,509

Statistics Canada, 2006 Census

As figure 7 illustrates, women in Sault Ste. Marie who have not graduated high school earn less than the low income cut off of \$14,380 for a one-person family. Female sole support parents represent the greatest demographic of people living in poverty in Sault Ste. Marie. Single mothers who are high school drop outs represent more than one in four welfare recipients in Canada (Hankivsky, 2008). The low income cut off for a family of three is \$21,793 (Statistics Canada 2006). On average, a single woman supporting two children will barely earn more than the low income cut off amount even with a high school and trades certificate.

Figure 7

Average Income in Sault Ste. Marie for Certificate Earned



Statistics Canada, 2006 Census

The difference in income earned between the various educational levels is substantial. In Sault Ste. Marie, the average income earned for an individual without a high school certificate is \$19,000, whereas the average income for a college graduate is slightly less than double that amount (\$37,173). A university graduate earns on average nearly twice as much as a high school graduate. This demonstrates that the costs associated with post secondary education are offset by higher annual earnings.

Following are some examples of differences in income earned between different certificate levels, over the course of a working lifetime, estimated at 40 years. The calculations are made by finding the difference in average income earned in one year between varying certificate levels, then multiplying that amount by 40 years. Thus, the difference (or 'gap') in annual income between a non-high school graduate and a high school graduate is \$6,679. Multiplied by the estimated length of one's working years, that figure grows to \$267,160. A tradesperson earns on average 2.7 times more than an individual who did not complete high school. The \$19,000 annual income gap between a tradesperson and a non-high school graduate grows to \$873,680 over the course of the 40 year employment period. A university graduate would earn nearly \$1M (\$928,640) more over 40 years of employment than would an individual with only a high school diploma.

Health care

Dr. Dennis Raphael discusses the social determinants of health in his most recent book, Social Determinants of Health (2008). Simply put, these are the economic and social conditions that shape the health of individuals and communities. Social determinants of health determine the extent to which a person possesses the physical and social resources necessary to satisfy needs and achieve personal goals. They include conditions of childhood, income, education, employment, food, housing, health and social services. Fundamentally, they reflect how a society organizes and distributes economic and social resources (Raphael 2008).

It is well known that people living in poverty tend to suffer from illness more often and for longer periods than people not living in poverty. Serious health problems that affect a child's functioning such as vision, hearing, speech, mobility and cognition are more than twice as likely to be found in poor children as in children from higher income

families. These problems also occur at exactly twice the levels of adults living in poverty than those who do not. Fully two-fifths of low-income adults have these health problems (Ross 2000). Adults in low-income households (less than \$30,000 income) are 4.6 times more likely to report being in poor or only fair health compared to high-income adults earning over \$60,000 (Ross 2000).

In the Algoma District, 56.7% of residents report their health as “Excellent” or “Very Good” compared to 60.85% for the province as a whole. A significant proportion of Algoma residents (34.3%, compared to 29.4% provincially) report being limited in their activities because of a physical or mental condition or health problem which has lasted or is expected to last longer than six months (Sault Area Hospital, 2008).

It should be noted that one reason for this difference may be Sault Ste. Marie’s higher proportion of senior residents than the Ontario average. Seniors (persons aged 65 and older) in Sault Ste. Marie account for 18% of the total population, while the Ontario average is 13.6% of the total population (Sault Area Hospital, Population Health Profile, 2008). This difference can influence the data, as seniors tend to be less active, and experience poorer health than younger people (Statistics Canada, A Portrait of Seniors in Canada, 2007).

Variations in Health and Health Care Use by Socioeconomic Status in Winnipeg, Canada, by Noralou Roos and Cameron Mustard (1997) is the research that was used to study the relationship between income and health care use in Sault Ste. Marie. It provides a clear approach to calculate the various health care costs associated with poverty. The study by Roos and Mustard examined health service use in Winnipeg in 1992 using neighbourhood income as its measure of socio-economic status.

In this study of Sault Ste. Marie, the percentage shares of in-patient hospital service costs attributable to each income division is calculated using the method employed by Roos and Mustard. This approach was also used in The External Costs of Poverty: A Conservative Assessment (2004) to calculate health care costs related to poverty in Calgary. Following this methodology, people in the lowest income division are assumed to use 27% of all in-patient hospital costs (12% plus 15% for the two lowest deciles in Manitoba). These expenditure shares are used to divide the estimated costs of in-patient hospital care in Sault Ste. Marie among the five income divisions.

Figure 8

Estimated Costs of Hospital Stays for Sault Ste. Marie by Income Division

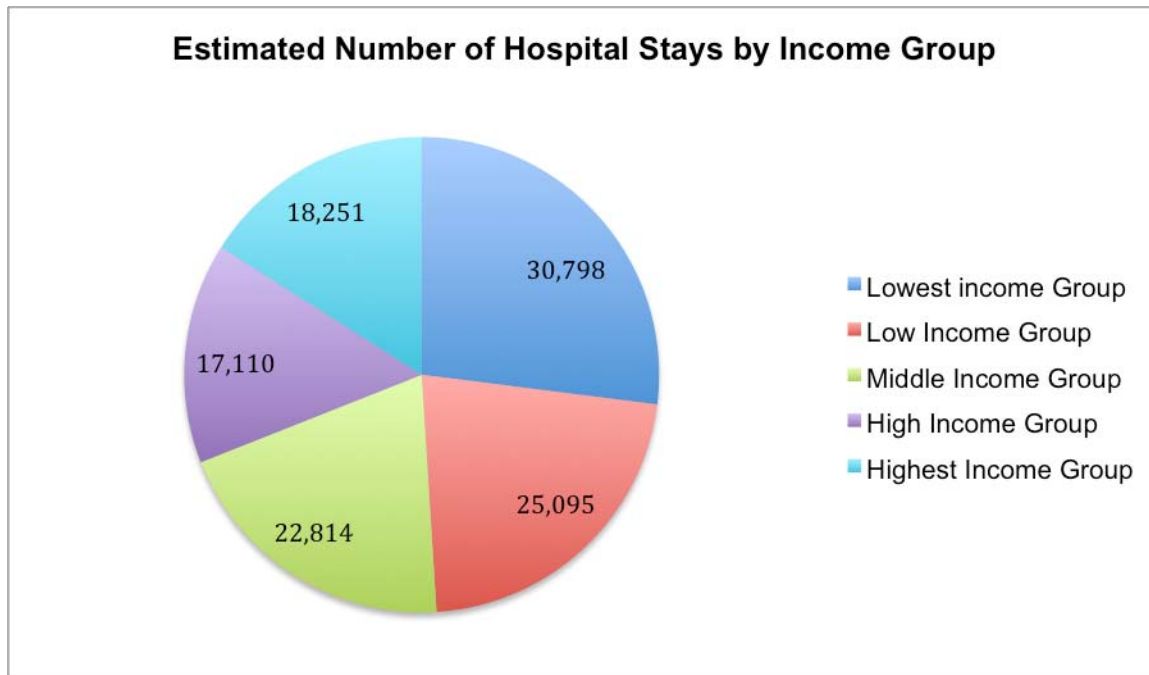
Income Group	Share of Hospital Stay Costs	Hospital Cost
Lowest	27%	\$12,596,529.24
Low	22%	\$10,263,838.64
Middle	20%	\$9,330,762.40
High	15%	\$6,998,071.80
Highest	16%	\$7,464,609.92
Total	100%	\$46,653,812.00

Author's calculations based on Roos and Mustard methodology

The average direct costs (i.e. not including administrative costs) related to in-patient care at Sault Area Hospital (SAH) in 2007/08 was \$409 (SAH Finance Department, 2008). The total number of patient days at SAH in 2007/08 was 114,068 (SAH, Annual Report, 2008). In 2007/08, \$46,653,812 was spent on in-patient care at Sault Area Hospital (\$409 x 114,068 patient days).

The lowest income group represents 27% of the 114,068 total hospital stays in Sault Ste. Marie in 2008, while people in the highest income group reflect only 16% of total hospital stays in 2008. People in the lowest income group in Sault Ste. Marie spent 12,547 more days in the hospital in 2008 than did those of the highest income group. The lowest income group reflects almost twice as many in-hospital days experienced than does the highest, supporting the hypothesis that reducing poverty would decrease health care demand, and therefore health care costs.

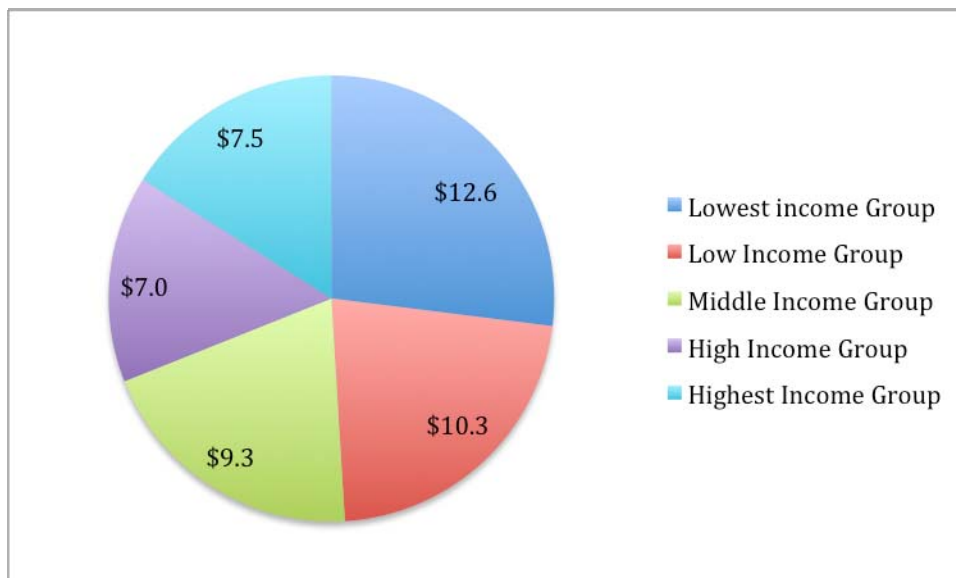
Figure 9



Author's calculations of hospital stays in Sault Ste. Marie based on Roos and Mustard Methodology

Using the same approach of percent shares of hospitalization among the income groups as Roos and Mustard, the total costs of hospitalization for each income group is calculated. \$12.5M (27%) of \$46.7M inpatient care costs in Sault Ste. Marie in 2008 was used for people in the lowest-income group, compared with \$7.5M for the highest income group. The added days that the community's poor spend in the hospital cost the institution almost double the amount spent on treating higher income people. It therefore stands to reason if poverty is reduced in Sault Ste. Marie, even slightly, there would be large savings to public health expenditures.

Figure 10



Author's calculations based on Roos and Mustard Methodology

An assumption could be made that increasing the income levels of people in the lowest income group to make them equal to those in the second group would eliminate the differences in health care utilization rates between these two groups. These reductions in use would be experienced by an estimated 5,340 people living in the bottom income group in Sault Ste. Marie. Thus, there would be 5,703 fewer days in hospital (the difference between the lowest and second lowest groups' shares of hospital days). The average cost of a day in hospital in Sault Ste. Marie is \$409 and so savings in hospital costs would amount to approximately \$2.33 million per year (5,703 x \$409).

It should be noted that Sault Ste. Marie's higher than average proportion of residents 55 years and older may have an impact on the demand of health care services. The median age in Sault Ste. Marie is 43.9, while the median age for Ontario is 39.0 (Statistics Canada 2006). There may be a correlation between age and income and demand of health care services. The average income of people 55-64 years of age in Sault Ste. Marie is \$37,030². The average income for people 65 years and older is \$29,383 (Statistics Canada 2006).

Although not a part of this study, it should be noted that further investigation is

² Income represents all forms of money brought in: wages, old age security, Canada Pension Plan, Employment Insurance, investment income, retirement pensions.

needed to determine the number of seniors that live in low income situations, and if these low income seniors experience a higher level of health care needs.

Current Poverty Reduction Efforts and Opportunities

Sault Ste. Marie has a relatively high number of people living below the LICO, especially among those under the age of 18. The city also has one of the lowest average education levels in the province. These two facts support the need to develop and implement a sustainable plan to improve academic achievement which in turn will help reduce poverty, diversify the economy and increase the community's overall prosperity. Fortunately, there are a number of initiatives and opportunities that can help address this issue.

The Province of Ontario can be commended for developing initiatives within the past few years which are strengthening economic development and beginning to break the cycle of poverty. The government of Ontario has taken a positive step forward with the Poverty Reduction Strategy. The goal of this program is to reduce the number of children living in poverty by 25% over five years (Province of Ontario 2009). It also includes an increase to the Ontario Child Benefit, which provides low-income families with financial support to pay for essentials such as food and shelter for their children. The Poverty Reduction Strategy highlights investments in education by increasing the number of Parenting and Family Resource Centres across the province; investing in an After School Program; and by introducing full-day learning for four and five year old children. The Province of Ontario is also investing in communities through the Community Opportunities Fund for the coordination of community-revitalization projects. There has also been an increase in funding of the Youth Opportunities Strategy which offers children in priority neighborhoods access to jobs and training. Finally the Province continues to fund the provincial Rent Bank Program to provide temporary financial assistance to people facing possible eviction.

On the local front, Sault Ste. Marie's post secondary institutions are growing, and becoming increasingly more competitive with other Ontario schools. Both Sault College and Algoma University are recruiting students from across Ontario and around the globe

and are offering more local high school graduates with the opportunity to access a quality education at home. Sault College is dramatically renovating its campus, and introduced a new Fitness and Health Promotion program in September 2008, which places particular emphasis on working with 'special populations', including low income families.

In 2008 Algoma University was granted independence from Sudbury's Laurentian University creating opportunities for growth and expansion. In 2008 the University introduced the first Masters Degree program in Sault Ste. Marie. The Master in Computer Gaming is helping to develop a new pool of experts and has already proven to benefit Sault Ste. Marie with business development in the gaming industry. A second graduate degree program offered in Sault Ste. Marie is a Master of Business Administration with emphasis in Community Economic Development, offered through Cape Breton University on site at Sault College. The first class of twelve students, all from Sault Ste. Marie, Batchewana First Nation and Garden River First Nation, commenced studies in 2007. A new cohort will enter the program in September, 2009 in Sault Ste. Marie.

The growth of these education institutions will provide greater opportunities for local youth to access the level of education necessary to succeed.

Local social services are also playing a significant role in improving the situation and increasing opportunities for those in poverty. In addition to soup kitchens and food banks, one unique program in particular, Community Assistance Trust (CAT) administers a number of funding programs intended to provide temporary relief to those experiencing financial hardship. CAT oversees the Consolidated Homelessness Prevention Program, the Emergency Energy Fund, the Rent Bank, Child and Family Investment Fund and the Ontario Works Non-Subsidizable program, each targeted at a specific issue. In 2008 alone CAT fielded over 15,000 phone calls, and approved more than \$170,000 in disbursements to individuals and families requesting assistance.

As a result of these programs and new developments, the capacity of Sault Ste. Marie to address the issues of poverty is improving. Acting on lessons from other regions and countries as cited in this study can further inform discussions on local

strategies, but it cannot be accomplished by social service providers alone. A true multi-sectoral approach will offer the best chance of success.

Recommendations for Additional Approaches to Poverty Reduction

Increased Investment in Social Services

In this research, funding of social services is not identified as a “cost” to society. Welfare payments are considered to be a transfer of wealth from one sector of society to another (in this case from tax-payers to Ontario Works recipients). They are not in themselves a payment for resources. The transfer of money does not change the aggregate amount of resources available.

It is however, important to highlight the number of families who depend on social assistance in Sault Ste. Marie in order to gain an appreciation of the need for these services. From December 2007 to December 2008, the number of Ontario Works (OW) cases in Sault Ste. Marie increased 11.5%, from 1,584 to 1,703 total cases³. Looking at specific family structure caseloads (the types of families accepting assistance) couples with children qualifying for assistance increased by 18.3% in the one-year period, from 180 to 200. In the same period, single parents’ cases increased by 0.7% (Ministry of Community and Social Services, 2008). While these increases may not seem remarkable, it is the number of cases in this category that tells the real story: in 2007, 949 single parents accessed this service, climbing to 986 by December 2008.

The numbers of Ontario Disabilities Support Program (ODSP) cases is also worth noting, although changes from year to year are at a much lower rate than OW cases. From December 2007 to December 2008, the number of individuals or families accessing ODSP in Sault Ste. Marie increased 2.7%, from 3,327 to 3,417 total cases. Looking at specific family structure caseloads, single parents with children qualifying for assistance increased by 3.5% in the same one-year period, from 401 to 415. In the same period, the number of dependent children under 18 increased from 895 in 2007 to 917 in 2008 (Ministry of Community and Social Services, 2008).

Redistribution of wealth through government programs is an important factor in

³ A case refers to a single individual or family unit on social assistance; a family on social assistance is counted as one case.

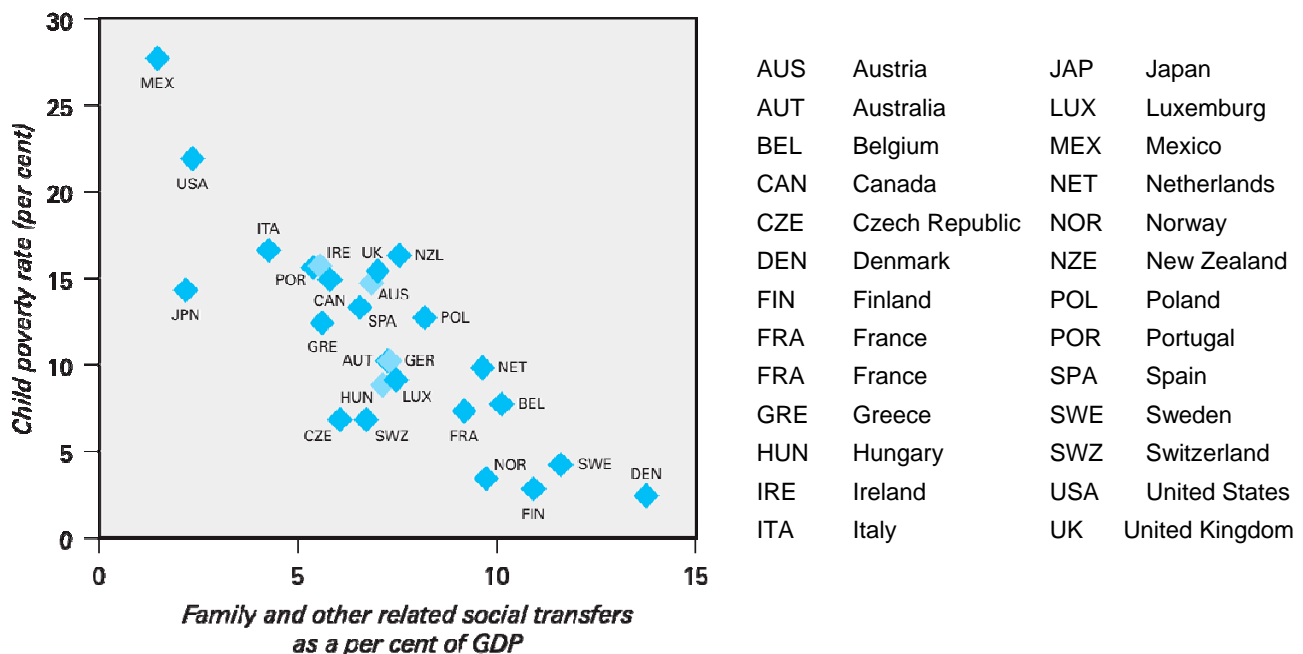
reducing the gap between rich and poor. It is income redistribution, not income growth that will lead to the reduction in the number of people who live in poverty. Income growth would shift everyone's income upward, including the low-income cut-off. Income redistribution would bring the top and bottom closer together, without adjusting the LICO.

The Innocenti Research Centre's Child Poverty in Rich Countries 2005 report commissioned by the United Nations Children's Fund (UNICEF) reveals that no country belonging to the Organization for Economic Co-operation and Development (OECD) devoting 10 per cent or more of gross domestic product (GDP) to social spending has a child poverty rate higher than 10 per cent. And no country devoting less than 5 per cent of GDP to such benefits has a child poverty rate lower than 15 per cent (UNICEF, 2005).

The data in Figure 11 is taken from the UNICEF report, and sets each country's child poverty rate against its level of government social transfers. Social transfers in the graph are those going towards family allowances, disability and sickness benefits, formal day care provision and unemployment insurance. Government expenditure on health and education is not included.

Figure 11

Social transfers relating to family economic security



Improved Public Policies

Higher levels of social spending can have a positive impact on poverty levels, especially when coupled with better education policies, more investment in early years programs and increased investments in social capital. It can be argued that as a result of these efforts, more children will prosper in school (i.e. graduate high school, and move on to College/University), thus improving the community's labour pool. In turn, companies with higher paying jobs will be attracted to the community, with higher average incomes and more sustainable employment. This in turn will produce a larger tax base and overall community prosperity as the end result.

Despite this, there exist challenges to provincial policies in place which attempt to address the systemic barriers that keep people in poverty. The Social Planning Council of Ontario states:

When 45% of Ontario children living in poverty are in families where at least one parent is working full-year, full-time, as Ontario CAMPAIGN 2000 reports, the problem is hardly an issue of cultural dependency or intergenerational poverty. Rather the barriers to escaping poverty for this shamefully high number of children and families lie in:

- *inadequate income support programs;*
- *labour market conditions such as low wage levels and the lack of good jobs;*
- *inaccessibility to essential family supports such as affordable and quality childcare; and the cost of housing*

(Social Planning Network of Ontario, Submission on Bill 152, April 2009).

There is a need for integrated human services policy development, planning and investment to support the goal of creating a vibrant, high quality labour pool that will thrive in an innovative, progressive economic environment.

Increased Investment in Education

Direct investment in education and skills training is needed to help bring people out of poverty. The province of Nova Scotia has made significant investment in poverty reduction and has thus seen a significant reduction in poverty levels. The number of people living in low-income situations in Nova Scotia dropped from 128,000 in 1997 to 76,000 in 2006. The number of children living in low-income families has fallen from 19.3 per cent in 1997 to 8.7 percent in 2006 (Province of Nova Scotia, 2009). A review of that province's poverty reduction strategies, specific to education and employment programs is relevant here as Sault Ste. Marie and Ontario can learn from the Nova Scotia experience.

One of the most dominant barriers to continuing post secondary education is affordability. By investing \$180M into a strategy to freeze tuition, Nova Scotia was the only province to report a tuition decrease for 2008–2009. As well, low-cost loans, bursaries, and grants help make a university or college education more attainable. More than \$100 million is invested annually in bursaries (\$66 million), loans (\$40 million), scholarships for African Nova Scotian students, and programs to help students pay off their loans (Province of Nova Scotia, 2009).

Co-operative education is offered in 70 per cent of high schools, providing students with hands-on learning opportunities through neighbourhood employers. Another program, *Options and Opportunities (O2)* takes disengaged students, re-engages them in learning, and connects them with employers to show them how schoolwork leads to better employment (Province of Nova Scotia, 2009). These innovative and hands-on programs contribute to Nova Scotia having one of the lowest high school dropout rates.

As a result of these efforts, Nova Scotia has been able to demonstrate a direct correlation between improving access to educational opportunities and reducing poverty.

Engaging Non-Traditional Players in Poverty Reduction Strategies

Poverty has a dramatic negative impact on education levels, which impacts the community's ability to create jobs and attract investment. The private sector has an important role to play in poverty reduction. Secondary and post secondary education institutions can be influential in changing how poverty is dealt with in society. By teaming up with private sector players and collaboratively developing programs that best prepare young people to enter the labour force, a community can provide the business sector with the labour pool necessary to create a strong economy and vibrant community.

The relationship between education and poverty reduction is very clear: educated people have higher income earning potential, and are better able to improve the quality of their lives. Persons with at least a basic education are more likely to avail themselves of a range of social services, and to participate more actively in local and national government through voting and community involvement. They are less likely to be marginalized within the larger society. Education empowers; it helps people become more proactive, gain control over their lives, and widen the range of available choices. In fact, the opposite of marginalization is empowerment, and basic education is one of the keys to empowerment, both for individuals and groups. The combination of increased earning ability, political and social empowerment, and enhanced capacity to participate in community governance is a powerful instrument for helping break the poverty cycle. Education is the primary vehicle by which economically and socially marginalized adults and children can lift themselves out of poverty and obtain the means to participate fully in their communities (United Nations Educational, Scientific and Cultural Organization, 1997).

Final Thoughts

This report demonstrates that the impact of poverty is experienced by an entire community, not simply those experiencing it directly. Knowing this, it becomes obvious that approaches to poverty reduction should involve players from throughout the

community. By encouraging education institutions, health care organizations and economic development agencies to work in partnership with social service agencies, measurable and lasting results can be achieved in reducing poverty levels.

The challenges are great, but the opportunities are growing in Sault Ste. Marie. Discussion and action around poverty reduction strategies are shifting; Sault Ste. Marie is well poised to take a leadership role in this change, and become a role model for communities both small and large across the province and country.

It is our hope that key stakeholders from the various sectors identified will use this report, and the recommendations contained herein as a foundation for discussion and collaboration.

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