



Reducing Poverty:

An Action Plan for
Newfoundland and Labrador

June 2006

Published under the authority of:

The Honourable Paul Shelley

Minister for Human Resources, Labour and Employment
Minister Responsible for the Newfoundland and Labrador
Housing Corporation, the Labour Relations Agency,
Workplace Health, Safety and Compensation Commission
and Labrador Affairs

All data are current as of May 2006

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ISBN : 1-55146-277-X



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Reducing Poverty:

**An Action Plan for
Newfoundland and Labrador**

June 2006

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MESSAGE FROM THE PREMIER

I am pleased to release our Government's Poverty Reduction Strategy. Newfoundland and Labrador is only the second province in Canada to address poverty reduction with a comprehensive and integrated strategy. We are establishing a solid foundation to meet our goal to transform Newfoundland and Labrador into the province with the least poverty in the country.

This plan is the result of working together with many stakeholders and community groups who are engaged in poverty prevention and reduction. As we move forward, we intend to continue to work collaboratively with our community partners. We will take a long-term approach and find a balance of policies that works for all people. We will continue to consult regularly and dialogue with community-based agencies involved in poverty reduction. Together, we can find solutions to address the needs of persons who are living with poverty in our province.

The Poverty Reduction Strategy builds on our Budget 2006 commitments. We are making investments of over \$30 million in 2006-07 and over \$60 million annually to support expanded eligibility for the prescription drug program, the elimination of school fees, increases to income support programs, and enhanced Adult Basic Education (ABE) offerings. Government is investing in our social safety-net to ensure that poverty reduction occurs in a meaningful way over time.

This approach will lead to a more self-reliant population. We will reduce disincentives to employment and increase the inclusiveness of our education system. This will enable more people to enter the workforce and achieve self-reliance.

Our priority is to ensure that future generations of Newfoundlanders and Labradorians are afforded every opportunity to be successful and contribute to our province's prosperity. I encourage citizens to become more informed and to get involved in finding meaningful solutions to tackle poverty. Let's work together to prevent, reduce and finally eliminate poverty in Newfoundland and Labrador.

Danny Williams, Q.C.

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Premier

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MESSAGE FROM THE MINISTER

As lead Minister for the Poverty Reduction Strategy and the Minister of Human Resources, Labour and Employment, I am pleased to present the results of intensive work over the past year both within government and the community. The province's Poverty Reduction Strategy is a Government-wide integrated approach based on the principles of social inclusion and collaboration.

Last June, Government released a background report to launch the formal consultation process. Government heard from hundreds of people through a series of workshop and focus group sessions as well as telephone and e-mail input. The submissions and advice guided our deliberations and helped develop the strategy. Government values the ongoing work of community and the perspective this experience brings. Together with the Ministerial Committee for the Poverty Reduction Strategy, I look forward to continued collaborative work to reduce poverty.

Poverty is a multi-dimensional problem. This was reflected during the consultations. Income support clients identified barriers to education and employment. Community stakeholders pointed to the need to better coordinate service delivery. Educational advocates and parents emphasized early learning and better preparation for post-secondary education and employment. Discussions occurred on linkages between poor health and low income, between low income employment and limited economic development, between poverty and violence and impacts on women's equality, and the need to support persons with disabilities.

There is consensus that the systemic causes of poverty cannot be addressed overnight. Government is moving forward with a long-term, integrated and strategic approach, but cannot do it alone. Together, we will act on the goals and objectives contained in this document. Government will regularly reflect and consult with the community to achieve the best mix of policy and programs.

Reducing poverty restores the balance of opportunity for all citizens in society. The Poverty Reduction Strategy is a starting point for this journey. Working in partnership, citizens, government and the community can achieve positive change.

Paul Shelley, MHA

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Minister of Human Resources, Labour and Employment
Minister Responsible for Labrador Affairs

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EXECUTIVE SUMMARY

Tackling poverty is essential to ensuring a healthy future for our province. Poverty reduction is about both improving the well-being and quality of life of those living in poverty and ensuring a strong and prosperous future for our province.

Vision for Our Province

The vision is of a province where poverty has been eliminated. This will be a prosperous, diverse province where all individuals are valued, can develop to their full potential and have access to the supports they need to participate fully in the social and economic benefits of Newfoundland and Labrador.


Guiding Principles

The Government of Newfoundland and Labrador is committed to the following principles as we work with our partners to achieve our key directions of reducing, alleviating and preventing poverty:

- Taking a long-term approach
- Focussing on prevention
- Building on partnerships
- Finding the right policy mix
- Demonstrating accountability and measuring progress
- Taking an integrated and coordinated approach
- Addressing rural and urban differences
- Consideration of gender
- Consideration of aboriginal issues

Poverty in Newfoundland and Labrador: The Extent of the Problem

Using Statistics Canada's after-tax Low-Income Cut Offs (LICO), in 2004 in Newfoundland and Labrador, approximately 62,000 individuals in 33,000 families lived in poverty. The complexity of the problem, indicating the need for a range of solutions and a policy mix, is underlined by the fact that this includes about 17,000 children and 18,000 single adults. While the reasons for poverty occurring in each group are diverse and complex, there are varied underlying causes that require different mixes of responses in order to reduce poverty levels.



*In 2004
approximately
62,000 individuals
in 33,000 families
lived in poverty
in Newfoundland
and Labrador*

While the percentage of people living with low incomes has declined somewhat since the mid 1990s, there has been a slight upward trend since 2001. Compared to other provinces, Newfoundland and Labrador has the second highest rate of poverty overall and of child poverty, falling after British Columbia. The overall poverty rate for 2004 is 12.2 percent. The child poverty rate is 16.7 percent. The Government of Newfoundland and Labrador is determined to reverse this upward trend.

It is important to consider who lives in poverty in our province and the experience of different groups in terms of their depth and duration of poverty. The groups most vulnerable to poverty include:

- families led by single mothers
- single people
- people aged 55-64
- persons with work-limiting disabilities
- Aboriginal people

Government's Commitment and Approach to Poverty Reduction

The 2005 *Speech from the Throne* affirmed Government's *Blueprint* commitment to transform Newfoundland and Labrador over a ten-year period from a province with the most poverty to a province with the least poverty.

Best practices for addressing poverty point to a broad, integrated approach that engages community partners as well as all orders of government. To determine Government's action plan for reducing poverty, existing research and best practices were examined, current government programs and services were reviewed, and consultations were carried out. These approaches will continue through the life of this long-term strategy.

A high level of Government commitment is also necessary to tackle poverty. As part of the Government of Newfoundland and Labrador's commitment, a Ministerial Committee was established to work on this issue. The members include:

- The Minister for Human Resources, Labour and Employment, and the Minister Responsible for the Newfoundland and Labrador Housing Corporation, the Labour Relations Agency, Workplace Health, Safety and Compensation Commission and Labrador Affairs (Lead)
- The Minister Responsible for Aboriginal Affairs
- The Minister of Education and the Minister Responsible for the Status of Women
- The Minister of Finance
- The Minister of Health and Community Services
- The Minister of Innovation, Trade and Rural Development and the Minister Responsible for the Rural Secretariat and
- The Minister of Justice

The Ministerial Committee will continue to guide the work of the strategy and will be supported by a Deputy Ministers' Committee and an Interdepartmental Working Group.

There are several key elements to approaching poverty reduction, particularly working with our partners and developing an integrated approach. Government is committed to act in areas where it has the capacity and jurisdiction to do so. In order to be successful, many partners are necessary and Government is also committed to continue to work cooperatively with them. A priority is to work with the federal government, other provincial governments, Aboriginal governments and organizations, community-based groups and individuals living in poverty, and business and labour in order to ensure change happens.

As also highlighted in our guiding principles, an integrated approach is crucial to success. Poverty is complex and requires a variety of coordinated and interrelated actions. Finding the right policy mix is crucial to reducing poverty. An integrated approach will be supported through a variety of ways, including:

- The ongoing work of the Ministerial Committee for the poverty reduction strategy and the corresponding Deputy Ministers' Committee and the Interdepartmental Working Group;
- The analysis of combined impacts of existing and new programs as part of program development, including tax implications;
- Consideration of the accessibility of programs and services to those in low income, including application processes and eligibility criteria, with the goal of creating streamlined, easy, accessible and fair processes;
- Consideration of low-income residents in the development of new policy directions, including making links to other Government social and economic strategies to ensure poverty is considered in the development of all Government policy; and
- Ongoing dialogue with our partners, including the community-based sector and individuals living in poverty, to ensure that our programs and policies are working for those with low incomes.

The Poverty Reduction Strategy is closely related to a variety of ongoing Government initiatives. Education, economic development, employment generation and labour force development are essential to poverty reduction and social inclusion. Reducing poverty is also closely linked to the goal of improving the overall health and well-being of our citizens. Significant work in these areas is underway and reflects Government's commitment to reducing poverty and creating a healthier, stronger, and more prosperous province. Poverty reduction is an integral part of Government's overall policy development process and will continue to link with major Government initiatives.

Consultations and Community Involvement

Input received on how best to reduce poverty from individuals living in poverty, community-based groups, business and labour has been critical to both the development of this strategy and the Budget 2006 process.

It is important to the success of the Poverty Reduction Strategy that all of our partners continue to be involved. In order to ensure ongoing dialogue and to build on the knowledge of our community partners, a variety of means have been identified, including:

- biennial round tables on poverty reduction;
- existing consultation processes, including the pre-budget consultations, departmental consultations in relevant areas and other priority specific consultations;
- using existing mechanisms such as the Provincial Advisory Council on the Status of Women, the Labour Market Committee, the Youth Advisory Committee, Literacy Newfoundland and Labrador, and various relevant boards to solicit and receive input;
- assistance with long-term advice and planning at the regional level from the Rural Secretariat.

Other means will also be used and added as necessary.

Research, Policy Development and the 2006 Budget

Based on the research and consultations, policy development work was undertaken as part of the development of this strategy. This included looking at what the Government of Newfoundland and Labrador could do immediately to respond to issues identified as priority areas, as well as identifying areas where further research and a longer policy development process is necessary. This led to a series of integrated initiatives which were announced as part of the 2006 Budget. These initiatives are discussed in detail in Appendix A and include an investment of \$30.5 million in 2006/07 and \$64 million annually. This is a significant initial investment upon which to build our strategy to reduce poverty.

Ongoing research and policy development work will be a necessary and important part of the Poverty Reduction Strategy. Priorities that have been identified so far include:

- Research to gain a better understanding of the causes of poverty for those aged 55 to 64 and develop solutions.
- Development of mechanisms and tools to analyze combined impacts of programs on an ongoing basis, including tax implications.
- Review and policy development work on access to essential services, such as dental care and medical transportation.
- Review of earnings exemptions policy for Income Support clients to continue to remove barriers for Income Support clients to work.

- Research minimum wage to keep mandatory rates on par with the rest of Atlantic Canada.
- Review of employment skill programming needs for groups vulnerable to poverty.
- Removal of barriers to post-secondary education with an increased focus on academic upgrading.

Working with the Federal Government

Strengthening our partnership with the federal government is a priority for the poverty reduction strategy. Work to date has highlighted a number of priority areas, including working together to:

- Address income-tax related issues and unintended combined impacts between provincial and federal programs.
- Work with Aboriginal people to improve their quality of life.
- Improve programs and services for persons with disabilities.
- Address justice-related issues such as funding for civil legal aid.
- Increase the availability of affordable housing.
- Create a new Labour Market Development Agreement that is more responsive to the needs of the people of Newfoundland and Labrador.
- Strengthen child benefit programs.
- Improve government student loans programs.
- Increase access to literacy programs and funding for non-government organizations in support of literacy delivery.

Goals and Objectives

Based on the key directions to prevent, reduce and alleviate poverty, the input received and research undertaken, the following goals have been developed for the next four years:

- Goal 1: Improved access and coordination of services for those with low incomes
- Goal 2: A stronger social safety net
- Goal 3: Improved earned incomes
- Goal 4: Increased emphasis on early childhood development
- Goal 5: A better educated population

Each of these goals is supported by medium-term objectives to be measured after four years. Action areas to support the objectives have also been developed for the next two years. In order to be accountable and measure progress these will be monitored as part of the reporting and consultation processes and will be adjusted as necessary.

Measuring Success

In order to track progress and make changes as necessary, it is essential that we can measure success. This is also an important aspect of being accountable. While our overall key directions are long-term, our goals do have measurable outcomes which will be tracked over time. A priority will be working to improve our capacity to measure and track progress along the way.

Already established processes, such as the regular evaluation and monitoring of programs, and the reporting of outcomes in departmental annual reports will form a critical part of our ability to assess how we are doing. As we move forward, other indicators will be added as necessary. Several reporting processes will be used:

- The Minister of Human Resources, Labour and Employment will give a statement of progress each year to the House of Assembly.
- Every two years a report will be published outlining progress by reporting on indicators, including approaches for addressing gaps.
- Departmental annual reports and other accountability mechanisms will document the success of departmental initiatives, including coordination and integration efforts.

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INTRODUCTION: POVERTY AND SOCIAL EXCLUSION

Tackling poverty is essential to ensuring a healthy future for our province. Poverty reduction is about both improving the well-being and quality of life of those living in poverty and ensuring a strong and prosperous future for our province. When we use the term “poverty” we mean not only a lack of adequate financial resources, but also social exclusion, which is both a consequence and a cause of poverty. Social exclusion refers to individuals not being able to participate fully in the social and economic activities of society. This exclusion prevents them from developing to their full potential. Poverty is the most significant barrier to the healthy development of children and negatively impacts the well-being of all who experience it. Poverty also has a detrimental impact on the social and economic well-being of our communities. People affected by poverty are not able to fulfil their potential to contribute to their communities. The more people in a community who live in poverty, the greater the impact on community life and well-being.

Vision for Our Province

The vision is of a province where poverty has been eliminated. This will be a prosperous, diverse province where all individuals are valued, can develop to their full potential and have access to the supports they need to participate fully in the social and economic benefits of Newfoundland and Labrador.

Guiding Principles

The Government of Newfoundland and Labrador is committed to the following principles as we work with our partners to reduce, alleviate and prevent poverty:

- **Taking a long-term approach** – Because poverty is a complex, systemic social issue, a sustained and long-term approach is necessary to make true progress.
- **Focussing on prevention** – Early intervention is necessary to break the cycle of poverty and make a long-term difference.
- **Building on partnerships** – Recognising the different roles various sectors play and the solutions they have to contribute, Government will work with our partners to address issues and make a difference to people affected by poverty.
- **Finding the right policy mix** – Solutions must take into account the many causes of poverty and reflect these in a variety of responses.
- **Demonstrating accountability and measuring progress** – Results-oriented approaches with regular monitoring, assessing progress, research and policy development work and reporting to the public are key to making sure we are

taking the right approach and are accountable for actions undertaken to support this strategy.

- **Taking an integrated and coordinated approach** – An integrated approach considers how factors link together and recognizes that programs and services that operate in isolation of one another have limited impact, unintended consequences, and inadvertently create gaps.
- **Addressing rural and urban differences** – In order to develop initiatives that work best in different geographic areas of the province, differences in challenges faced by rural and urban areas must be addressed by appropriate responses to reduce poverty.
- **Consideration of gender** – Progress will be tracked on a gender basis and approaches will be developed with a gender analysis to make sure that the strategy addresses the particular needs of all groups.
- **Consideration of aboriginal issues** – Government is committed to working with Aboriginal people and the federal government to address specific needs among Aboriginal people.

These guiding principles support the three key directions of the strategy – prevention, reduction and alleviation of poverty.

Key Directions

Three broad directions will drive the long-term work of the Poverty Reduction Strategy. These reflect what the Government of Newfoundland and Labrador wants to achieve in the long term.

1. **Prevent poverty** - Prevent people from living in poverty

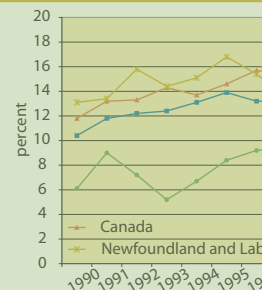
Early intervention is essential to break the cycle of poverty and prevent people from living a life of poverty. A life-long approach is necessary, beginning with a focus on the early years to ensure that all can develop to their full potential. Ensuring supports are available at key junctures in people's lives is essential. Examples include pre-natal support; early learning and other supports to assist with healthy child development; ensuring the K to 12 system works for all students; providing youth who need Income Support with additional supports and services to help them become self-sufficient and avoid a life of poverty; and improving access to post-secondary education and labour market information.

2. **Reduce poverty** - Increase the proportion of the population with incomes above poverty-level

We must also work to reduce the number of people currently living in poverty. This requires supporting people to make transitions in their lives. To be successful, the needs and challenges as well as the strengths of those groups most vulnerable to poverty must be understood and addressed.

3. **Alleviate poverty** - Decrease the depth of poverty and improve the quality of life for those who are poor

Percentage of All People After

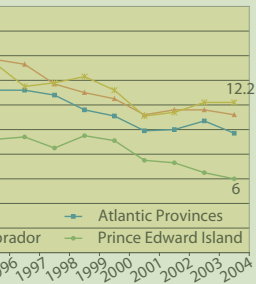


Source: Statistics Canada, Income

As long as there are people living in poverty we must work to reduce their depth of poverty and help them to improve their quality of life. This requires building on the strengths of our social safety net, promoting social inclusion by removing barriers such as low levels of literacy and creating systems that are more sensitive to the needs of those in poverty.

Persons in Low Income

-Tax



Trends in Canada, 2004.

POVERTY AND SOCIAL EXCLUSION: WHAT IT IS AND WHY IT MATTERS

Poverty refers not only to a lack of adequate financial resources, but also social exclusion, which is both a consequence and a cause of poverty. Social exclusion refers to individuals not being able to participate fully in the social and economic activities of society.

Poverty

a multi-dimensional concept

and includes income and social exclusion

The concept of poverty itself is complex and this causes difficulty in measuring it. To consider the full, multi-dimensional concept, measures must not only consider income, but also social exclusion. Income-level is generally the focus, however other factors such as high school graduation, access to adequate housing and other essential goods and services, health status and participation in one's community are also important. While it is generally agreed that income is the most useful single indicator for poverty, particularly when measured over time, there is no consensus over how to define or measure "low income," nor how to best measure poverty more broadly. Governments and their partners, both here in Canada and internationally, continue to debate whether to use more "absolute" measures, such as the Market Basket Measure (MBM), or more "relative" measures that establish relative poverty lines drawn at a given percentage of median incomes, such as Statistics Canada's Low-Income Cut Offs (LICO). These measures are discussed further in Appendix B.

Given that no measure is perfect, our focus is to use available information and measures to understand the nature of poverty in our province. Primarily this involves using after-tax LICO as a benchmark and ongoing basis upon which to measure progress. Other measures can then be used to round out and more fully assess the impact of the strategy. With this information we can measure progress and focus on achieving results, while at the same time working to improve our capacity to track and monitor progress on a number of levels. Work on measuring success and tracking progress is discussed later in this document.

Poverty in Newfoundland and Labrador: The Extent of the Problem

This section focuses on income levels using Statistics Canada's after-tax LICO to give a general sense of the extent of the problem, with the use of other measures to round out the picture. A family is below after-tax LICO if it spends 20 percent more of its after-tax income on food, clothing and shelter than the average family of the same size, living in the same broad community size. Recognizing the imperfection of this measure, it is presented here as an initial baseline from which to understand the nature and scope of the problem and to measure progress. Please see Appendix B for a more detailed explanation of this measure.

Using after-tax LICO, in 2004 in Newfoundland and Labrador, approximately 62,000 individuals in 33,000 families lived in poverty. The complexity of the problem, indicating the need for a range of solutions and a policy mix, is underlined by the fact that this includes about 17,000 children and 18,000 single adults. While the reasons for poverty occurring in each group are diverse and complex, there are varied underlying causes that require different mixes of responses in order to reduce poverty levels.

While the percentage of people living with low incomes has declined somewhat since the mid 1990s, there has been a slight upward trend since 2001. Compared to other provinces, Newfoundland and Labrador has the second highest rate both of poverty overall and of child poverty, falling after British Columbia. The overall poverty rate for 2004 is 12.2 percent. The child poverty rate is 16.7 percent. The Government of Newfoundland and Labrador is determined to reverse this upward trend.

While the number and percentage of people living in poverty are important and give an overall sense of the magnitude of the problem, there are other dimensions that must be considered when trying to understand the extent of the problem. Simply considering how many people fall below a certain income level does not give a full picture. The amount by which people fall below the poverty line and how long they spend living in poverty are also important. The depth of poverty refers to how far a family or individual is below the poverty line, and is often called the poverty or low-income gap. The duration of time spent living in poverty is often called the persistence of poverty. It is also important to look beyond the overall numbers and examine who is actually living in poverty to understand what groups are most vulnerable.

Depth of Poverty: Low-Income Gap

Depth of poverty is an important issue. The after-tax LICO numbers and percentages reported so far reflect those who fall below the LICO, but do not tell how much below LICO the incomes of these families and individuals live. In Newfoundland and Labrador the average low-income gap or amount below LICO is \$5,300. For families (two or more people) the average amount below LICO is \$4,800 whereas for single people it is \$5,700. This tells us that single people are relatively poorer compared to families. There is also a significant difference in depth for women compared with men. Because LICO considers families rather than individuals, this difference is evident for single women and families led by single mothers. For female-led single parent families, the average gap is not available for 2004; however, in 2003 it was \$3,700. Single women aged 18-64 are the poorest of all groups, with an average low-income gap of \$6,500 in 2004, compared with \$5,200 for single men aged 18-64 and \$5,300 overall.

Duration of Poverty: Persistence

Some individuals experience low incomes for short periods of time, whereas for others it is a persistent state. Experiencing poverty over a period of years can lead to many enduring negative consequences, including an inability to participate in community life, long-term health risks from poor nutrition and stress, safety risks from inadequate housing, and restricted opportunities for children. Therefore, when considering poverty and possible ways to reduce it, duration of poverty is an important factor. It is important to realise that 27 percent of the population experienced poverty at some time between 1999 and 2004. Of those who experienced poverty, 37 percent experienced only one year in the six-year period, whereas just over 16 percent were poor for the entire six years. Considering persistence of poverty is an important element of preventing poverty and requires a long-term approach.

**BETWEEN
1999 & 2004**

***27 percent of
the population
experienced poverty***

Groups Vulnerable to Poverty

It is important to consider who makes up the 12.2 percent of people living in poverty in our province and the experience of different groups in terms of their depth and duration of poverty. Groups most vulnerable to long-term poverty include families led by single mothers, single people in general and single older individuals in particular, persons with work-limiting disabilities and Aboriginal people. These groups are not mutually exclusive. Those who fall into more than one of these categories are at even greater risk of living in poverty. Furthermore, women in these groups face particular challenges and tend to experience greater depth and duration of poverty. There is also a link between poverty and vulnerability to violence for both women and their children. Children raised in low-income families are often deprived of the opportunity to develop their capabilities and low-income adults are marginalized in the labour market and lack the

social networks most of us rely on to move ahead. Not surprisingly, therefore, growing up in poverty greatly increases the risk of living one's adult life in poverty. Looking at groups vulnerable to poverty highlights the importance of considering gender, aboriginal issues, and urban and rural issues.

Families Led by Single Mothers

Families Led by Single Mothers
are particularly vulnerable to living in poverty

Families led by single mothers are particularly vulnerable to living in poverty. In 2004, 38 percent of these families fell below the LICO and 46 percent of children in such families fell below the LICO (this means that single mothers with more than one child were more likely to live in poverty than single mothers with only one child).

While the 2004 results do not allow for reliable reporting of the number of families or individuals this represents, in 2003, 48 percent of single parent families led by mothers fell below the LICO, representing 5,000 families, including 9,000 children. This decrease from 48 percent to 38 percent between 2003 and 2004 may be due in part to data reliability issues for this subgroup. However, the decrease is a positive sign that various provincial and federal programs are making a difference. Despite these gains, however, poverty levels for single-parent families are still exceptionally high.

Single People

Single adults are also particularly vulnerable to poverty. As reported earlier, 36 percent, or 18,000 single people lived in poverty in 2004. Given the life-long implications of growing up in poverty, in the past most efforts of both the federal and provincial governments have been focused on families with children. However, the high number of single people living in poverty points to the need to ensure that solutions address poverty for single people as well as other groups. Single people also have the greatest depth of poverty and often struggle to find safe adequate housing and other needed services. Single youth with low levels of formal education who live in poverty are at a high risk of living the rest of their lives in poverty.

People Aged 55-64

People Aged 55-64
have the highest levels of poverty

Of all age groups, those aged 55 to 64 have the highest levels of poverty. This vulnerability exists equally for men and women. According to an analysis carried out by the Newfoundland and Labrador Statistics Agency, 20 percent of those aged 55 to 64, or 12,000 people in this age range

fell below the after-tax LICO in 2003. This is in contrast to those aged 65 and over who have the lowest percentage falling below the LICO of any age group. The reasons for the significant improvement in poverty levels for those aged 65 and over are clear – namely access to federal programs including Old Age Security and the Canada Pension Plan at age 65. The reasons so many people fall into poverty between the ages of 55 and 64 are not as clear. While we know lower education levels, work history (in particular type of work), as well as marital break-up are factors, we do not have a good sense of the extent to which these individual factors or indeed others explain the high poverty rate for this age group.

Persons with Work-Limiting Disabilities

After-tax LICO information is not available at the provincial level by disability status, however various other measures can be used to understand the increased vulnerability to poverty experienced by persons with disabilities. Employment is one important area. The 2001 Participation and Activity Limitation Survey (PALS) indicates that 25 percent of those with a disability in Newfoundland and Labrador aged 15-64 are employed (the rest are unemployed or not in labour force) compared to 54 percent of those without disabilities. Sixty-four percent of individuals with a disability have income less than \$15,000, compared with 50 percent of those without disabilities. This combined with the fact that persons with disabilities are much more likely to be single, which is another poverty risk factor, than those without disabilities contributes to a high rate of poverty. This is reflected in that in 2004, provincial Income Support data indicate that approximately 25 percent of Income Support clients in the province had a disability.

Aboriginal People

The Province does not currently collect specific information on the experience of poverty among Aboriginal peoples. Aboriginal people are represented in all of the vulnerable groups identified above. At the Kelowna First Ministers' Meeting with national Aboriginal leaders, Government agreed to work with the federal government, the other provinces/territories and national Aboriginal leaders to close the gap in living standards and opportunities between Aboriginal peoples and the population as a whole. A key feature of this commitment is the development of indicators. The Government of Newfoundland and Labrador is interested in working with provincial Aboriginal groups and the federal government to develop ways to measure poverty levels among Aboriginal people in the province, as well as the ability to assess if there are different ways that poverty should be addressed in Aboriginal communities. These data would be a great asset in determining if the Poverty Reduction Strategy and new or enhanced federal Aboriginal programming are meeting the needs of Aboriginal people in this province.

Urban and Rural Differences

In general, poverty is becoming an increasingly urban phenomenon in Canada, but there is no evidence of this trend in Newfoundland and Labrador. We have the highest percent of individuals in rural areas falling below the LICO compared with other provinces, whereas we are closer to the middle for urban poverty rates. However, it is important to note that some urban areas have the lowest income levels in the province, including two neighbourhoods in St. John's that have median family income levels below \$15,000. Solutions must address the circumstances of both rural and urban areas.

Individual Costs and Loss of Potential

Poverty has many costs. These costs are borne most directly by those who are living in poverty and struggle to afford basic necessities. However, poverty also has many social and economic costs that are borne by society as a whole. Poverty reduction is about both improving the well-being and quality of life of those living in poverty and ensuring a strong and prosperous future for our province.

Poverty is the most significant barrier to well-being for all who experience it. It is also the most significant barrier to healthy child development. Many studies, including Statistics Canada's National Longitudinal Survey on Children and Youth and the National Population Health Survey, show that children in poor families consistently display poorer outcomes across a range of developmental measures, including infant mortality rates, life expectancy, math and reading ability, and participation in sports and other activities. Poor families experience a greater incidence of maternal depression, family dysfunction, incarceration, obesity and specific diseases, such as diabetes, cardiovascular disease and other chronic conditions, particularly those caused by environmental factors. Research demonstrates that as incomes increase, environmental risks to children decrease.

Poor education can be both a cause of poverty and an effect. Having a low literacy level today is almost a guarantee of poverty. Low-income individuals and families often do not have as much opportunity to develop their capabilities as people with higher incomes. They usually are trapped in unskilled or low-skilled work if they can find employment at all. Their economic insecurity is heightened by problems accessing affordable and safe housing.

Families and particularly women with lower incomes are less likely to be able to afford child care, and for some women and children poverty is linked to domestic violence and abuse. The poverty rate for families led by single-parent mothers, which is the highest poverty rate of all groups, is significantly less if the mother has graduated from high school. A study commissioned by the Department of Human Resources, Labour and Employment found that failure to graduate from high school was the strongest risk factor associated with failure to break the cycle of intergenerational dependency on Income Support.

Poor families often have a precarious attachment to the labour market, and many are trapped in low-paying jobs which are often temporary or part-time. They have little security and few benefits that higher-paid workers often take for granted, such as medical and dental plans, insurance and pension plans, sick leave benefits, full-time positions and job security.

Social and Economic Costs

Reducing poverty is not only about improving the well-being and quality of life of those who currently struggle to afford basic necessities. Addressing poverty is necessary to improve our economy and to promote an inclusive society. There are significant social and economic costs to poverty. Poverty is more far-reaching in its effects than financial hardship. Its effects also include increased social conflict, violence and addictions, and a general lack of social cohesion; all of which weaken communities.

Putting a dollar figure on the cost of poverty is a difficult and inexact exercise. What we know is that in addition to the human misery it causes, the cost of poverty is borne by all citizens and taxpayers. This includes increased costs for social programs such as Income Support, health care, policing and justice services and education costs, as well as reduced tax revenue. Yet in addition to these costs, sustainable economic growth requires reducing poverty and increasing social development. There are significant payoffs to such investments. While individuals are currently living in poverty and unable to work, our province and other jurisdictions are unable to find skilled workers for high paying jobs. This mismatch shows how much individuals and society could gain from a reduction in poverty in our province. Addressing the issues that affect poverty such as increasing education levels and supports for employment will benefit all in our society and contribute to a strong and prosperous future for our province.

GOVERNMENT'S COMMITMENT AND APPROACH TO POVERTY REDUCTION

The *2005 Speech from the Throne* affirmed Government's *Blueprint* commitment to transform Newfoundland and Labrador over a ten-year period from a province with the most poverty to a province with the least poverty.

In order to address poverty, a long-term, comprehensive and integrated approach is necessary. Best practices for addressing poverty point to a broad, integrated approach that engages community partners as well as all orders of government. To determine Government's action plan for reducing poverty, existing research and best practices were

examined, current government programs and services were reviewed, and consultations were carried out. These approaches will continue through the life of this long-term strategy.

A high level of Government commitment is also necessary to tackle poverty. As part of the Government of Newfoundland and Labrador's commitment, a Ministerial Committee was established to work on this issue. The members include:

- The Minister for Human Resources, Labour and Employment, and the Minister Responsible for the Newfoundland and Labrador Housing Corporation, the Labour Relations Agency, Workplace Health, Safety and Compensation Commission and Labrador Affairs (Lead)
- The Minister Responsible for Aboriginal Affairs
- The Minister of Education and the Minister Responsible for the Status of Women
- The Minister of Finance
- The Minister of Health and Community Services
- The Minister of Innovation, Trade and Rural Development and the Minister Responsible for the Rural Secretariat and
- The Minister of Justice

The Ministerial Committee will continue to guide the work of the strategy and will be supported by a Deputy Ministers' Committee and an Interdepartmental Working Group.

General Approach

There are several key elements crucial in approaching poverty reduction, particularly working with our partners and developing an integrated approach. As highlighted in our guiding principles, working with partners is essential. The Government of Newfoundland and Labrador cannot fully address poverty on its own. Government is committed to act in areas where it has the capacity and jurisdiction to do so. In order to be successful, many partners are necessary and Government is also committed to continue to work cooperatively with them. A priority is to work with the federal government, other provincial governments, Aboriginal governments and organizations, community-based groups and individuals living in poverty, and business and labour in order to ensure change happens.

As also highlighted in our guiding principles, an integrated approach is crucial to success. Poverty is complex and requires a variety of coordinated and interrelated actions. Finding the right policy mix is crucial to reducing poverty. An integrated approach will be supported through a variety of ways, including:

- The ongoing work of the Ministerial Committee for the poverty reduction strategy and the corresponding Deputy Ministers' Committee and the Interdepartmental Working Group;

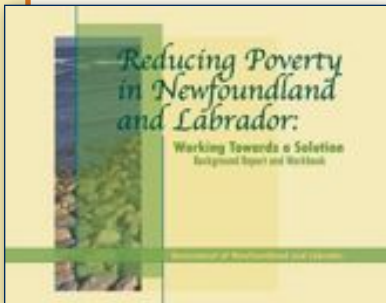
- The analysis of combined impacts of existing and new programs as part of program development, including tax implications;
- Consideration of the accessibility of programs and services to those in low income, including application processes and eligibility criteria, with the goal of creating streamlined, easy, accessible and fair processes;
- Consideration of low-income residents in the development of new policy directions, including making links to other Government social and economic strategies to ensure poverty is considered in the development of all Government policy; and
- Ongoing dialogue with our partners, including the community-based sector and individuals living in poverty to ensure that our programs and policies are working for those with low incomes.

The Poverty Reduction Strategy is closely related to a variety of ongoing Government initiatives. Education, economic development, employment generation and labour force development are essential to poverty reduction and social inclusion. Significant work in these areas is underway. In education for example, the implementation of the Department of Education's White Paper on Post-Secondary Education, and the establishment of a Skills Task Force reflect the importance of access to post-secondary education and the link between education and employment.

The Department of Innovation Trade and Rural Development's Comprehensive Regional Diversification and Innovation Strategies, the long term and integrated focus of the Rural Secretariat in regional sustainability, and creation of a new Labour Market Development Division in the Department of Human Resources, Labour, and Employment reflect Government's commitment to economic growth and labour force development. Government's Early Learning and Child Care Plan, released by the Minister of Health and Community Services in May 2006 is also an important initiative both in terms of providing early learning opportunities to help prevent poverty by enabling children to develop to their full potential, and providing affordable, high quality child care to enable parents to participate in the labour market and educational opportunities.

Similarly, reducing poverty is closely linked to the goal of improving the overall health and well-being of our citizens as outlined in the Provincial Wellness Plan, the Policy framework for Mental Health and Addictions Services and the Healthy Aging strategy. These areas are extremely important and are part of Government's commitment to reducing poverty and creating a healthier, stronger, and more prosperous province. Poverty reduction is an integral part of Government's overall policy development process and the Poverty Reduction Strategy will continue to link with major Government initiatives.

Consultations and Community Involvement



Input received on how best to reduce poverty from individuals living in poverty, community-based groups, business and labour has been critical to both the development of this strategy and the Budget 2006 process. A variety of means were used to get input into how best to tackle poverty. A background report and workbook *Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution* was released in June 2005 to help inform debate and encourage input. Public input was solicited through the following ways:

- Twelve workshop sessions with community-based groups, business and labour were held throughout the province in June and early July 2005. A summary report was released in November 2005.
- An additional ten sessions were held with organizations which focus on poverty or which have a particular expertise or knowledge.
- Six focus group sessions were held with individuals living in poverty, including youth at risk, women who have used transition house services, women's centre clients, Income Support clients and persons with disabilities.
- Establishing a toll-free phone line, which received over 450 phone calls, over half from Income Support clients.
- Promoting e-mail feedback, which resulted in over 100 e-mail submissions.
- Encouraging written submissions, resulting in approximately 60 written submissions from individuals and organizations.

Additionally, information received in other Government consultation processes and reports informed the process. These mechanisms provided feedback from a wide range of people, including many Income Support clients, individuals working for low wages, and those who advocate on behalf of or provide services to those in poverty. The guiding principles, key directions, goals and objectives for the strategy presented in this document, as well as the Budget initiatives for 2006/07, were developed considering the issues identified in the consultations and reflect best practices as identified through research and evaluation.

What we learned from the Consultations and Research

Key themes which emerged from the consultations and research include:

- **Coordination and Awareness** – the need for better coordination within government, between government and community groups, and between community groups.
- **Education Issues** – with a strong emphasis on early learning, the ability of the K to 12 system to meet the needs of all students and prepare students for

employment and issues of low levels of literacy and student debt as creating poverty and deterring those already in poverty from pursuing post-secondary studies.

- **Income Support specific issues** – particularly focused on barriers for Income Support clients to work or pursue post-secondary studies, and that low rates make it difficult for Income Support clients to afford necessities.
- **Health Related Issues** – focusing on the link between low income and health status.
- **Employment and Economic Development** – including issues of low wages and poor benefits, the minimum wage rate, a lack of full-year, full-time employment and problems with the Employment Insurance system.
- **Poverty as an aspect of women’s inequality, and the link between poverty and violence** – particularly as it relates to women’s economic and social inequality.
- **Challenges for Persons with Disabilities** – with an emphasis on the need for supports to remove barriers and assist those who can work.
- **Challenges in areas with high concentrations of poverty** – the need for specific strategies to address the cycle of poverty.

It is critical to the success of the Poverty Reduction Strategy that all of our partners continue to be involved. Ongoing community involvement is an essential part of the process. In order to ensure ongoing dialogue and to build on the knowledge of our community partners, biennial round tables on poverty reduction will be held. Other means will also be used and added as necessary, including:

- existing consultation processes, including the pre-budget consultations, departmental consultations in relevant areas and other priority specific consultations.
- using existing mechanisms such as the Provincial Advisory Council on the Status of Women, the Labour Market Committee, the Youth Advisory Committee, Literacy Newfoundland and Labrador and various relevant boards to solicit and receive input.
- assistance with long-term advice and planning at the regional level from the Rural Secretariat.

Research and Policy Development Work

Research has also been an important part of the process to date and will continue to be a priority. As part of the early work in developing this strategy, existing data were analyzed. The focus was to understand the extent and nature of the problem of poverty in Newfoundland and Labrador, including profiles of those who live in poverty in our province. Highlights of this analysis were presented earlier in this document. Further research was then undertaken to understand the reasons behind the vulnerability of different groups and to look at best practices for solutions.

Jurisdictional and literature reviews were carried out to examine what other jurisdictions in Canada and other countries are doing to tackle poverty, as well as the work of the European Union. Recommendations from provincial, national and international community-based groups and research organizations were also examined. Initial key relevant findings were highlighted in the background report *Reducing Poverty in Newfoundland and Labrador: Working Towards a Solution* which was released in June 2005. Further research was carried out to fill in gaps and look for solutions to issues raised in the consultations.

Based on the research and consultations, policy development work was undertaken. This included looking at what the Government of Newfoundland and Labrador could do immediately to respond to issues identified as priority areas, as well as identifying areas where further research and a longer policy development process is necessary. This led to a series of integrated initiatives which were announced as part of the 2006 Budget. These initiatives are discussed in detail in Appendix A and include major investments in key areas. They comprise an initial investment upon which to build our strategy to reduce poverty.

Ongoing research and policy development work will be a necessary and important part of the Poverty Reduction Strategy, and a number of areas have been identified for further research or policy development work. As the strategy progresses, other areas will emerge. The current priorities include:

- Research to gain a better understanding of the causes of poverty for those aged 55 to 64 and develop solutions.
- Development of mechanisms and tools to analyze combined impacts of programs on an ongoing basis, including tax implications.
- Review and policy development work on access to essential services, such as dental care and medical transportation.
- Review of earnings exemptions policy for Income Support clients to continue to remove barriers for Income Support clients to work.
- Research minimum wage to keep mandatory rates on par with the rest of Atlantic Canada.
- Review of employment skill programming needs for groups vulnerable to poverty.
- Removal of barriers to post-secondary education with an increased focus on academic upgrading.

Working with the Federal Government

Strengthening our partnership with the federal government is a priority for the poverty reduction strategy. Work to date has highlighted a number of priority areas, including working together to:

- Address income-tax related issues and unintended combined impacts between provincial and federal programs.

- Work with Aboriginal people to improve their quality of life.
- Improve programs and services for persons with disabilities.
- Address justice-related issues such as funding for civil legal aid.
- Increase the availability of affordable housing.
- Create a new Labour Market Development Agreement that is more responsive to the needs of the people of Newfoundland and Labrador.
- Strengthen child benefit programs.
- Improve government student loans programs.
- Increase access to literacy programs and funding for non-government organizations in support of literacy delivery.

GOALS AND OBJECTIVES TO GUIDE ACTION

Based on the key directions to prevent, reduce and alleviate poverty, the input received and research undertaken, the following medium-term goals and objectives have been developed for the next four years:

- **Goal 1:** Improved access and coordination of services for those with low incomes
- **Goal 2:** A stronger social safety net
- **Goal 3:** Improved earned incomes
- **Goal 4:** Increased emphasis on early childhood development
- **Goal 5:** A better educated population

Each of these goals is supported by medium-term objectives to be measured after four years. Action areas to support the objectives have also been developed for the next two years. In order to be accountable and measure progress these will be monitored as part of the reporting and consultation processes and will be adjusted as necessary.

While the goals and objectives are distinct, there is some overlap, with many objectives contributing to more than one goal. Similarly action items often support more than one objective. For example, the implementation of the High School Skilled Trades and Technology Program is listed as an action item to meet the objective “Greater supports for the development of employment skills.” It is also key to creating “Greater supports for labour force participation and improve earnings for employment,” to developing “A K to 12 system where more students graduate,” and “Increased responsiveness of the K to 12 system.” To avoid repetition, objectives are placed under the goal to which they have the strongest or most direct link.

Some of the examples of action items are new and others reflect on-going priorities and commitments made in the 2006 Budget. As described in detail in Appendix A, the 2006 Budget made significant investments in poverty reduction. For 2006/07 an investment of \$30.5 million was made to develop and implement an integrated package of 20 initiatives. These initiatives reflect an ongoing annual investment of \$64 million.

GOAL 1 Improved access and coordination of services for those with low incomes

Government has many excellent programs and services but we have repeatedly heard they are often difficult to access and are poorly coordinated. Government has committed that the poverty reduction strategy will take a coordinated and integrated approach. This is essential to ensuring that our policies, programs and services are available to those who need them and to ensure they have their intended outcomes. Over the next four years we will work to improve access to programs and services by ensuring people have information about relevant programs and services and that application processes are as simple as they can be, while allowing for appropriate delivery and accountability.

GOAL 1 OBJECTIVES (1.1 - 1.4)

1.1 Increased capacity within Government to support an integrated and coordinated approach

Examples of actions to achieve this include:

- Continued guidance by the Ministerial Committee for the Poverty Reduction Strategy
- Establishing ongoing resources to oversee, monitor and coordinate the development of the strategy, including consultation with partners, research and policy development work
- Integration of poverty reduction into strategic planning processes and other accountability mechanisms such as annual reports

1.2 Improved access to existing programs and services for those with low incomes

Examples of actions to achieve this include:

- Review of application processes for programs and services for those in low income to streamline and simplify the process
- Review eligibility criteria to bring forward recommendations and address any inequities in programs and services for those in low income
- Develop a guide to increase awareness of existing programs and services for those in low income

1.3 Development of tools for ongoing analysis of combined impacts of programs, including tax implications, to avoid unintended impacts

Examples of actions to achieve this include:

- Analysis of combined impacts of existing and new programs
- Analysis of tax implications
- Working with the federal government to address any income-tax related issues and issues of unintended combined impacts with federal programs

1.4 Work with Aboriginal people to improve their quality of life

While most of the initiatives outlined in this document will also benefit the Aboriginal people of the province, Government recognizes that Aboriginal peoples and their communities have particular needs and that the federal government has a special responsibility and role to play in addressing those needs.

Examples of actions to achieve this include:

- Continue to settle and implement land claims and self-government agreements that will provide Aboriginal peoples with the tools and resources they need to develop healthy and self-reliant communities
- Continue to work with the federal government to ensure the Aboriginal peoples of this province receive maximum benefit from the initiatives arising from the meeting among First Ministers and National Aboriginal leaders in Kelowna in November 2005
- Assist people of Aboriginal descent to gain full access to federal programs and services

GOAL 2 A stronger social safety net

In our society there will always be those who at times cannot support themselves or their families. An adequate social safety net helps break the cycle of poverty and dependence by supporting people to develop to their full potential. It promotes social inclusion by supporting people to participate in their communities. We will continue to improve our social safety net and build on recent changes such as increases to the Newfoundland and Labrador Child Tax Benefit and the Low-Income Seniors' Benefit, resulting from the indexation of these benefits.

GOAL 2 OBJECTIVES (2.1 - 2.5)

2.1 Increased disability supports to enable people with disabilities to participate fully in society

Examples of actions to achieve this include:

- Work with the federal government and through federal/provincial/territorial groups to pursue a national Income Support program for persons with disabilities and other needed supports for persons with disabilities

- Continue to work with the federal government to ensure the tax system is responsive to the needs of persons with disabilities
- Review provincial programs for persons with disabilities to improve access to and appropriateness of benefits and services
- Expand services for those with mental health issues, including the extension of home support services to individuals with serious mental illness
- Enhance disability supports in our public post-secondary institutions to increase access for persons with disabilities

2.2 Enhanced justice system supports for vulnerable people

Examples of actions to achieve this include:

- Increase in family law support services available, including increasing the availability of civil legal aid
- Enhance enforcement and compliance of court order support
- Continue to work with community partners to reduce violence through the Violence Prevention Initiative and through expanding services such as the sex offender and spousal abuse treatment programs

2.3 Increased availability of affordable housing

Examples of actions to achieve this include:

- Implement Affordable Housing Agreement Phases 1 and 2
- Continue to work with the federal government and community-based partners to expand the number of affordable housing units

2.4 Improved access to necessities for those most vulnerable to poverty

Examples of actions to achieve this include:

- Implement Budget 2006 measures including expansion of the Newfoundland and Labrador Low Income Prescription Drug Program, elimination of school fees and materials charges, increased air foodlift subsidy to Labrador, and funding to Kids Eat Smart
- Review and improve access to essential services such as dental care and transportation to access medical services
- Better protect those who live in poverty from discrimination through changes to the Human Rights Code to prevent discrimination based on source of income, such as Income Support
- Through the wellness strategy and healthy food guidelines, continue to improve access to nutritious food

2.5 Increased Income Support rates

Examples of actions to achieve this include:

- Implement Budget 2006 initiatives, including indexation of Income Support rates
- Undertake annual Income Support rate reviews in addition to those mandated by the *Income and Employment Support Act*

GOAL 3 Improved earned incomes

If you ask most people who live in poverty why they are poor, they will answer because they do not have an adequately paying job. This may be because of low skill levels or lack of access to benefits and work supports. In addition to work Government is already undertaking to promote economic development and employment generation, an important component of addressing poverty is improving earned incomes.

GOAL 3 OBJECTIVES (3.1 - 3.5)

3.1 Fewer barriers to work and greater support for low-income workers

Examples of actions to achieve this include:

- Continue to remove financial disincentives to work for Income Support clients and support low-income workers by:
 - Implementing Budget 2006 initiatives (job start benefit, expansion of prescription drug program, changes in the way NLHC rent is calculated) and
 - Reviewing earnings exemptions policy for Income Support clients

3.2 Greater supports for the development of employment skills

Examples of actions to achieve this include:

- Continue to strengthen the focus in the Department of Human Resources, Labour and Employment on career, employment and youth services
- Continued implementation of the White Paper on Post-Secondary Education including increased access to literacy programs
- Increase exposure to the skilled trades as a viable post-secondary option for both males and females by implementing the High School Skilled Trades and Technology Program
- Work with the federal government towards a new Labour Market Development Agreement that is more responsive to the needs of our province

3.3 Greater supports for labour force participation and improved earnings from employment

Examples of actions to achieve this include:

- Lessen dependency on Income Support through improved access to employment skills development
- Undertake policy development related to wages and benefits, including ongoing research on minimum wage to keep mandatory rates on par with the rest of Atlantic Canada
- Work to improve the labour market participation of persons with disabilities
- Improve results for women's employment for medium and large scale development projects by strengthening requirements under the environmental approval process

3.4 Establish an alternative to Income Support for youth which allows for a coordinated service specific to their needs

Examples of actions to achieve this include:

- Develop alternative models to address the needs of youth, including employment and training needs

3.5 Develop and expand employment skills programs for vulnerable groups whose needs are not currently being met

Examples of actions to achieve this include:

- Work to address unmet employment skills needs, for example those of Aboriginal people, single parents, individuals with mental health issues and offenders
- Explore new approaches to support high risk youth to secure the skills they need to become attached to the labour force
- Analyse other gaps and develop responses

GOAL 4 Increased emphasis on early childhood development

A growing body of research is demonstrating that the period from conception to age six has a powerful impact on human development and economic growth. Providing for a good start in early childhood is an important step to achieving optimal health, well-being and success throughout the lifespan. Living in conditions of poverty can compromise developmental opportunities for young children and in the long-term contribute to low educational attainment, unemployment and poor physical and mental health. Government recognizes the significance of the early years and will continue to support the role of families and communities in the care and provision of quality developmental opportunities for young children. Through the Ministerial Council for Early Childhood Learning, Government will continue to foster the development and coordination of programs and services that are designed to optimize child development outcomes and promote successful transition to school.

GOAL 4 OBJECTIVES (4.1 - 4.3)

4.1 Strengthen the regulated early learning and child care system

Examples of actions to achieve this include:

- Continue to work with existing and new licensed child care settings to improve the quality of services and programs
- Continue to increase access and affordability of licensed early learning and child care services, including rural and other underserved areas
- Strengthen measures to improve recruitment and retention of early childhood educators

- Improve inclusive measures to further support children with special needs to participate in early learning and child care services
- Work with the federal government to support early learning and child care

4.2 Promotion of healthy child development

Examples of actions to achieve this include:

- Continue to support community-based programs that focus on prenatal and child development, nutrition, healthy lifestyle, and parenting support
- Increase support for health promotion strategies through public health
- Further develop the Healthy Child and Youth Development priority under the Wellness Plan
- Continue to research and incorporate best practices on measuring and monitoring child development outcomes

4.3 Strengthen early intervention services and programs

Examples of actions to achieve this include:

- Continue to support home and community-based early intervention services and programs that support children with developmental delays and other disabilities
- Continue to research and improve early identification, assessment and intervention methods and strategies
- Explore best practice models on infant attachment and home-based support programs that foster positive parent-child interactions

GOAL 5 A better educated population

The best predictor of whether or not someone will live in poverty is their level of formal education. In order to have a strong economy, strong communities and for individuals to develop to their full potential we need a well-educated population. Our K to 12 system has a crucial role to play in preparing young people for the future and thereby in preventing poverty. Similarly, access to post-secondary education is an essential component in preventing poverty.

GOAL 5 OBJECTIVES (5.1 - 5.3)

5.1 A K to 12 system where more students graduate

New initiatives to broaden the curriculum are intended to result in more students maintaining or developing an attachment to school, and staying until graduation.

Examples of actions to achieve this include:

- In addition to the new High School Skilled Trades and Technology Program, new Health and Physical Education curriculum will be implemented as part of the Healthy Students, Healthy Schools initiative

- As part of the K to 12 Arts and Cultural Strategy, courses in fine arts, now a graduation requirement, will be revised and renewed
- A new mandatory career education course will give students in all communities high-quality information and experiences in a broad range of career options
- Increase high school graduate rates for NLHC tenants through such means as implementing the Budget 2006 initiative to provide an Educational Incentive Allowance to encourage high school students to remain in school

5.2 Increased responsiveness of the K to 12 system

Examples of actions to achieve this include:

- Implement Budget 2006 initiatives to eliminate most school and course materials fees
- Provide exercise equipment to schools to support students' participation in the Healthy Students, Healthy Schools curriculum
- Provide funding to enable students from rural communities to attend or participate in cultural activities and performances

5.3 Greater access to post-secondary education, literacy and adult basic education

Examples of actions to achieve this include:

- Implement Budget 2006 initiatives to maintain a tuition freeze, invest in post-secondary infrastructure, programming and resources for skilled trades and adult learning
- Implement Budget 2006 initiative to provide an incentive for NLHC tenants who enrol full time in post-secondary studies
- Address low literacy rates through investing in and promoting ABE programs and researching best practices for workplace based literacy training and alternative literacy delivery methods
- Facilitate access to post-secondary education through expansion of the GED preparation program and the Comprehensive Arts and Science College Transition Program at the College of the North Atlantic
- Increase women's participation in training areas where they are under-represented, through means such as ensuring recruitment strategies to support the participation of women in engineering, applied science, technology and skilled trades and working with the federal government, business and industry to enhance apprenticeship employment opportunities for women
- Promote and support Aboriginal enrolment in post-secondary education, including supporting the requests by the members of the Federation of Newfoundland Indians and Labrador Métis Nation for access to the federal Post-Secondary Support Program and other federal Aboriginal programming
- Promote access for students with disabilities through enhanced support services, equipment and resources
- Continue to monitor use of the student loans program and work with the federal government to make post-secondary a viable choice for students from low-income families

MEASURING SUCCESS

In order to track progress and make changes as necessary, it is essential that we can measure success. This is also an important aspect of being accountable. While our overall key directions are long term, our goals do have measurable outcomes which will be tracked over time. A priority will be working to improve our capacity to measure and track progress along the way.

- If you ask most people who live in poverty why they are poor, they will answer because they do not have an adequately paying job. This may be because of low skill levels or lack of access to benefits and work supports. In addition to work Government is already undertaking to promote economic development and employment generation, an important component of addressing poverty is improving earned incomes.
- Shorter-term indicators include measures such as the percentage of Income Support clients with employment earnings, the percentage of the population in receipt of Income Support, the percentage of people under 30 in receipt of Income Support, the number of subsidized licensed child care spaces, the high school graduate rate, and the post-secondary participation rate.

Already established processes, such as the regular evaluation and monitoring of programs, and the reporting of outcomes in departmental annual reports will form a critical part of our ability to assess how we are doing. As we move forward, other indicators will be added as necessary. Several reporting processes will be used:

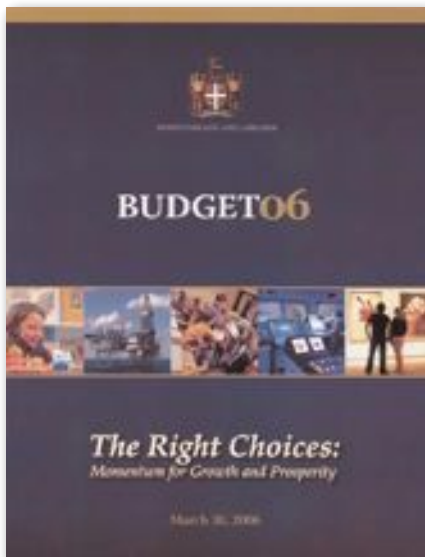
- The Minister of Human Resources, Labour and Employment will give a statement of progress each year to the House of Assembly.
- Every two years a report will be published outlining progress by reporting on indicators, including approaches for addressing gaps.
- Departmental annual reports and other accountability mechanisms will document the success of departmental initiatives, including coordination and integration efforts.

CONCLUSION: MOVING FORWARD TO REDUCE POVERTY

This strategy represents an overall framework for meeting Government's commitment to reduce poverty. Implementing the strategy will involve extensive work across Government and with our partners. Budget 2006 and other initiatives highlighted in Appendix A are a significant first step in this process. Government is committed to implementing long-term solutions and looks forward to an ongoing collaborative process to ensure that all Newfoundlanders and Labradorians can develop to their full potential and share in the prosperity of our province.

APPENDIX A

WHAT GOVERNMENT IS DOING



BUDGET 2006

Budget 2006 represented a significant investment to reduce poverty and increase self reliance. As part of Government's integrated and comprehensive approach and focus on prevention, 20 initiatives were funded, representing an annual ongoing commitment of \$64 million to reduce poverty. In addition, in May 2006 the Government of Newfoundland and Labrador announced an additional \$5.5 million for regulated early learning and child care. These initiatives represent a large first step towards achieving our goals and a solid base upon which to move forward.

A range of integrated initiatives will be launched in 2006/07. Main focus areas include:

- Supporting low wage workers and their families
- Supporting the development of employment skills
- Supporting Income Support clients to work both through removing financial barriers and providing other needed supports
- Supporting the K to 12 system to be more responsive
- Strengthening the social safety net
- Supporting early learning and child care
- Improving access to post-secondary education

KEY BUDGET INITIATIVES FOR 2006/07

A brief overview of the 2006/07 initiatives is presented here.

LOW INCOME PRESCRIPTION DRUG PROGRAM

\$8.3 million in 2006/07 (to start early in 2007); \$32.8 million annually thereafter

One of the consistent messages expressed in Government's consultations and a reoccurring theme in research on poverty, is that the lack of prescription drug coverage creates the biggest financial barrier to work for Income Support clients and significant hardship for those who work for low wages. Over the long term this can also result in negative health outcomes when individuals are forced to choose between purchasing necessary medications and other basic necessities.

The Government of Newfoundland and Labrador is addressing this issue through expansion of eligibility for the Newfoundland and Labrador Prescription Drug Program (NLPDP) to include more low-income people.¹ The annual investment to expand the program is \$32.8 million.

- The expansion of the program will provide prescription drug coverage, with a small client contribution, to approximately 37,000 individuals, as well as partial coverage to an additional 60,000 individuals, all of whom currently do not have access to public or private drug coverage. Families with children with annual incomes up to \$30,000, couples making up to \$20,000 annually and single individuals making up to \$19,000 per year, will be eligible for varying degrees of coverage.
- Expanding eligibility for the NLPDP to support low-income people who have no alternate drug coverage will help to reduce the financial burden from drug costs thereby making it less likely they will fall into poverty. Providing them with affordable access to needed medications will contribute to improved health status for this vulnerable population and will remove what we know is a barrier for Income Support clients to work.

The necessary infrastructure, process and data-sharing agreements are currently being developed and the expansion will be implemented in January 2007.

¹ This program currently covers prescription drug costs for Income Support clients, and for six months after they leave Income Support, Income Support clients who go to work, individuals and families with exceptionally high drug costs relative to their income, and seniors eligible for the Guaranteed Income Supplement.

Several other initiatives have also been developed to further support low wage workers and remove financial barriers to work for Income Support clients. These include:

LOWER RENT FOR NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION (NLHC) TENANTS WITH EMPLOYMENT EARNINGS

\$750,000 annually

NLHC provides rental housing for low-income people and the rent is calculated based on the level of earnings in the household.

- The income base on which rent is calculated for NLHC working households will be changed to exclude Canada Pension Plan, Employment Insurance and Income Tax deductions. This will support NLHC tenants to work and remove the current disincentive of a large increase in rent. The benefit provided will be approximately \$50 per month for 1,200 households. This will allow households to retain a greater portion of their income and will alleviate the affects of poverty and increase the financial incentive to work.

SUPPORT FOR INCOME SUPPORT CLIENTS WHO FIND WORK (JOB START BENEFIT)

\$430,000 in 2006/07; \$570,000 annually thereafter

- When Income Support clients go to work, they are often without income while waiting for their first pay cheque. This is at a time when there are often new expenses associated with working. To help ease the transition, a job start benefit will be provided (additional \$250 family; \$125 single) when clients begin working in order to help them meet their financial obligations in that critical first month.
- Studies show the current policy can impact success in maintaining employment as clients face such intense financial pressure in the first month of work that it is difficult to maintain employment, and also acts as a disincentive to others in similar circumstances who see the struggles faced by family and neighbours who leave Income Support for work.

OFFENDER EMPLOYMENT SKILLS PROGRAMS

\$24,000 in 2006/07; \$47,000 annually thereafter

- Offenders often have limited employment skills such as job interview skills, resume preparation, interpersonal communications and problem solving. Currently such skills programs are available only in St. John's and on the west

coast. This initiative will see broadened access to this program to include Central Newfoundland and Labrador.

- Employment is the best path out of poverty and an important way to reduce repeat offending behaviour.

Education is the key to employment and the best predictor of the economic and social well-being of individuals. The early focus of the strategy includes initiatives to assist “at risk” youth and works to prevent poverty by increasing inclusiveness and attachment of children and youth to their schools and communities. The aim is to increase educational achievement levels. Specific initiatives include:

INCREASE INSTRUCTIONAL GRANT TO SCHOOLS AND COVER PRESCRIBED WORKBOOKS AND OTHER CONSUMABLE MATERIALS

\$6.3 million annually

The increase in the instructional grant to school boards (from \$80 to \$150 per pupil) will:

- a. Eliminate school fees for items commonly referred to as “school materials”, including student agendas, student IDs, accident insurance, locks and locker rental.
 - b. Eliminate all photocopying fees.
 - c. Eliminate course materials fees associated with the prescribed curriculum.
- The vast majority of schools currently charge parents for the prescribed, consumable workbooks required for the K to 12 curriculum and this initiative will end this practice.

This measure will reduce the burden of education-related costs borne by parents. It will be of particular benefit to smaller schools and those located in socio-economically challenged regions. A universal grant to school districts avoids stigmatizing students from families that cannot afford to pay and supports access of all children to education.

CONTINUED SUPPORT FOR THE PARTNERSHIP WITH THE CANADIAN TIRE FOUNDATION FOR FAMILIES ON THE JUMPSTART PROGRAM

\$250,000 annually

- The Jumpstart Program supports children in low-income families to participate in sports and recreational activities. It was developed by the Canadian Tire Foundation for Families (CTFF) and is delivered through 10 local chapters across the province.

- This program allows a greater number of children in low-income families to participate in activities and programs, increasing their sense of belonging in their communities and their chances for life success.

FUNDING GRANT TO KIDS EAT SMART

\$500,000 in 2006/07

- To support their work in partnering with communities and schools to provide nutritious food, a grant to the Kids Eat Smart Foundation was provided.

HIGH SCHOOL SKILLED TRADES AND TECHNOLOGY PROGRAM

\$1.5 million in 2006/07; \$2.0 million annually thereafter

- Many educators say that skills and technology training is beneficial to students, particularly those who wish to pursue a career in the skilled trades and technology sectors. In recent years, high school and school board administrators have highlighted a need for practical hands-on courses for students, particularly those with varied needs and interests.
- The implementation of a new high school skilled trades and technology program is evidence of government's commitment to providing current, relevant curriculum. Courses in this program not only address gaps in the curriculum but also provide more career choice opportunities for students, including those who might not otherwise persist in the secondary school system. The program also aims to attract females and encourage them to see a career in skilled trades as a viable option.

IMPLEMENT SCHOOL FOOD GUIDELINES

\$250,000 in 2006/07

- Building on the Healthy Students, Healthy Schools initiative, and linked to the Provincial Wellness Plan, Government will complete the implementation of the School Food Guidelines. Healthy food choices are essential to healthy growth and development, prevention of obesity and ability of students to learn and develop to their full potential.

EDUCATION INCENTIVE PROGRAM FOR NLHC TENANTS

\$500,000 annually

- A \$25 monthly rental reduction incentive will be provided for every adult member of a tenant household in full-time attendance at a post-secondary

institution. A \$25 monthly rental reduction incentive will also be provided for tenants' children remaining in high school. This long term poverty prevention measure is designed firstly to encourage an increase in education levels, which are much lower among NLHC tenants than for the general population; and ultimately to increase employment opportunities for this at risk group.

LITERACY AND TRANSITION PROGRAMS

\$1.850 million annually

Education is key to increasing self-sufficiency and over-coming poverty and these two initiatives contribute to improving education levels and literacy of adults:

- Expand the number of Adult Basic Education (ABE) offerings, particularly Level I (Literacy), at College of the North Atlantic (CNA) campuses.
- Expand the Comprehensive Arts and Science Program at the College of the North Atlantic to provide high school and ABE graduates lacking either the academic courses or required grades to meet the College's admission requirements an opportunity to upgrade and make the transition to other College programs

While education and employment are key to preventing poverty, it is also essential to support those who are most vulnerable in our society. Improvements that build upon our social safety net are an important element to addressing poverty. Initiatives include:

RAISE INCOME SUPPORT RATES BY FIVE PERCENT

\$5.562 million in 2006/07; \$7.416 million annually thereafter

- Income Support rates have not kept up with inflation over the last decade or more. Current rates make it difficult to make ends meet. A 5 percent increase in rates will help alleviate the negative affects of poverty.

INDEX INCOME SUPPORT RATES

Approximately \$3 million annually

- Starting in 2007/08, this initiative will tie Income Support rates to the Newfoundland and Labrador Consumer Price Index for a test period of six years.
- Income Support rates have not kept up with inflation over the last decade or more. The five percent increase in 2006/07 is designed to help bring rates in line with the cost of living. Indexing rates will ensure that clients become no worse off over time as increases in subsequent years will be tied to increases in the cost of living.

INCREASED FUNDING TO ADDRESS SPECIFIC NEEDS FOR INCOME SUPPORT CLIENTS

\$2.085 million in 2006/07 and \$2.780 million annually thereafter

- Today many Income Support clients with specific needs such as a disability, large families, and high rental rates in urban areas have difficulty finding accommodations and have to resort to using food money to pay for rent. This funding will allow the Department of Human Resources, Labour and Employment to provide additional support on a case by case basis to respond to these specific needs.

INCREASE SUPPORTS FOR CHILDREN AND ADULTS WITH DISABILITIES

\$2.75 million annually

Supports for families with children with disabilities will be increased through expanding access to the Special Child Welfare Allowance (SCWA).

- The SCWA program assists families to offset some of the costs of additional services/supports incurred when looking after a child with developmental and/or physical disabilities at home. The intent of the program is to help minimize additional financial costs which may be present when a family cares for a child with a disability at home.
- This initiative will remove the Registered Educational Savings Plan and the Registered Retirement Savings Plan (RESP/RRSP) from the Liquid Assets Category and revise the Basic Living Allowance Section of the Financial Needs Assessment to ensure that all families are allowed the maximum funding available for children under the Child Tax Benefit and associated allowances.

Additionally, support trusts for persons with disabilities will be promoted.

- In 2001, HRLE introduced a policy to allow parents and caregivers of adults with disabilities to create a trust that would be exempt from Income Support income calculations. This policy is not widely known.
- Parents are reluctant to make their adult children with disabilities beneficiaries of insurance policies or wills for fear they will be no better off. Promoting this policy will help improve the lives of adults with disabilities after the death of their parents or primary care-givers.

Supports for post-secondary students with disabilities will also be enhanced.

- Additional funding has been provided for support services, equipment and resources at the College of the North Atlantic to enable students with disabilities to attend post-secondary education.

SEX OFFENDER AND SPOUSAL ABUSE TREATMENT PROGRAMS

\$70,000 2006/07; \$100,000 in 2007/08

- The cost of interpersonal violent behaviour is high for individuals and families as well as society as a whole. Lost productivity and separation from the workforce can be chronic issues for many offenders, victims and their children who as a result grow up in poverty. Treatment options will be expanded beyond St. John's and the West Coast into Central Newfoundland and Labrador.
- This will help break cycles of violence which often link to cycles of poverty.

INCREASE AIR FOODLIFT SUBSIDY (AFS)

\$100,000 annually

- Under the AFS program, a subsidy is paid to grocery retailers to offset the high cost of flying perishable foods into communities on the North and South Coasts of Labrador, as well as the Labrador Straits.
- Since the program was introduced, shipping costs have increased significantly. Funding will be increased to ensure grocers can offer residents of coastal communities, despite the high cost of living, the opportunity to purchase nutritious food at a more reasonable price.

ENHANCE CIVIL LEGAL AID SERVICES

\$250,000 annually

- The enhancement of civil legal aid will enable more family legal aid services to be delivered throughout the province. Currently, those in low income are often at a disadvantage in family law matters.
- Enhancing civil legal aid and providing representation in appropriate cases will help those in low income to access services and options across the spectrum of the justice system.

In addition to these initiatives, it is necessary to address the greater vulnerability of women to poverty, and in particular the greater depth of poverty experienced by women. Specific initiatives include:

FAMILY JUSTICE SERVICES

\$617,000 annually

- Traditional legal services and court approaches can be financially onerous for the resolution of disputes associated with family law matters. Currently less

adversarial alternatives involving counseling and mediation are offered in an extremely limited capacity. Low-income earners, particularly those in rural areas, often cannot access lawyers and when they can, use up their limited financial resources and assets to do so.

- This initiative would provide more family law support resources throughout the province, leading to a resolution of family law disputes in a less adversarial and more “family friendly” way.

INCREASE FUNDING TO WOMEN’S CENTRES

\$80,000 annually

- The annual grant to each of the province’s eight women’s centres is being increased so they can better meet the demand for the services they provide.
- Women’s Centres provide counselling, support, and education services to women throughout the province to help reduce women’s poverty by assisting them to access government programs and supports, and helping them gain self-sufficiency.

WHAT DO THE BUDGET 2006 INITIATIVES MEAN FOR PEOPLE?

Poverty has many faces in our province. While many initiatives for 2006/07 have a preventive focus (for example increasing high school graduation rates and skill levels of graduates through implementing the High School Skilled Trades and Technology Program), others are designed to alleviate and reduce poverty. The following examples show the combined difference the 2006/07 initiatives will make to families with different circumstances.

Mary and John have two children, one in grade 8 and the other in Level 2. Mary works year round while John works seasonally and collects Employment Insurance for the remainder of the year. Their combined annual income is \$24,000 and they live in a Newfoundland and Labrador Housing Corporation unit. No one in the family has a particular medical problem, however like most people they at times require prescriptions for various illnesses that occur throughout the year (e.g. pain reliever for a sprained ankle, antibiotic for an ear infection). **This family will benefit by about \$2,500 per year.**

Jill is a single-parent of one child and the family is on Income Support. Her son Andrew has asthma and has struggled with this condition. They had to leave their basement apartment to find an above ground carpet-free apartment as the dampness and mildew in their apartment was a trigger for asthma attacks. Jill has had to spend less money on food and other necessities in order to be able to afford this apartment. Andrew’s asthma medications average about \$900 per year, plus he is susceptible to ear infections and at times requires other prescription medications such as antibiotics. Jill is generally healthy but like most people sometimes requires prescriptions for illnesses. **While on Income Support, this family would benefit by about \$450.** Jill

has had opportunities to work in the past, but has had to turn them down because she was worried if she lost her prescription drug coverage she would not be able to afford Andrew's medication. Given the package of initiatives, if she again has the opportunity to work, at an annual salary of \$17,000 per year, **the family would benefit financially by about \$1,800.**

Mike is a 56 year old single person who rents privately and is employed full time in a job that does not provide any health benefits such as a prescription drug plan. He earns about \$13,000 per year. He has diabetes, requiring insulin and supplies to monitor his blood sugar, which cost about \$1500 per year. **He will benefit financially by about \$1200 per year.**

EARLY LEARNING AND CHILD CARE

\$5.5 million in 2006/07

In addition to the Budget 2006 commitment of \$64 million to reduce poverty, on May 24, 2006 Government released its new plan to enhance early learning and child care services. The new plan is funded through a bilateral agreement-in-principle signed by the Government of Canada and the Government of Newfoundland and Labrador in May 2005. Key directions of the new plan build on existing services and are in keeping with government's commitment to ensure quality, affordable and accessible child care support for families.

- Beginning in June 2006, the eligibility threshold for a full child care subsidy for families increases from \$20,280 to \$25,000 (net income). For those earning higher than \$25,000, a sliding scale will be used to determine the amount a family will pay. The daily rates of subsidy fees for spaces in child care services on behalf of families will also increase.
- Government will introduce changes to the Educational Supplement Program by:
 - providing an income enhancement for eligible child care providers earning less than \$25,000 annually, with a phase-out rate for eligibility up to approximately \$35,000.
 - extending eligibility for the existing Educational Supplement Program to family child care providers who have Level I or higher family child care certification.
 - providing eligible entry-level providers with \$500 per year.
- One-time funding will be provided to the College of the North Atlantic to enhance the Early Childhood Education Program; and 50 students per year from 2006 until 2009 will have access to training bursaries of \$5,000.
- The plan will support short-term cultural, linguistic and professional development needs as measures to improve resources and program enhancements to the benefit of children's development.
- Work will start in 2006 on the development of several new community-based child care sites that will build on existing programs such as family resource programs, schools and other community organizations.

- The plan also provides funding to enhance staffing in child care services to support inclusion of children with special needs and will support a provincial conference on inclusion during 2006-07.

OTHER INITIATIVES FOR 2006/07

As part of the comprehensive approach to poverty reduction, a number of additional initiatives have been designed for 2006/07 that do not have a direct budgetary impact either because they involve redirecting existing funds or involve policy, program or legislative changes that do not result in new expenditures.

SIMPLIFYING THE PROCESS FOR INCOME SUPPORT CLIENTS WITH EMPLOYMENT EARNINGS

- Currently, Income Support clients who work find the system for reporting earnings onerous and complicated. This initiative will simplify the process and provide dedicated staff to assist and support working clients, increased options for reporting income, and a simplified process with shorter wait time for benefits.

Accessing employment is the best way for families and individuals to avoid poverty. In addition to removing financial barriers, supports are also necessary. Initiatives include:

INCREASED ACCESS TO CAREER, EMPLOYMENT AND YOUTH SERVICES PROGRAMMING

- A range of employment interventions has proved successful in helping individuals in finding, obtaining, and maintaining employment. These interventions lower dependency on income support programs and contribute to poverty reduction.
- The Department of Human Resources, Labour and Employment will increase the number of Income Support clients participating in employment programs. An additional \$2 million is also being invested over three years to assist individuals on Income Support and those at risk of an attachment to Income Support in gaining better access to a range of employment interventions and labour market opportunities. The department will actively identify those that can most benefit from the employment programs and work to help these individuals develop employability skills, and link with education, training and employment opportunities.

TRANSITION FUND FOR YOUTH

- The Transitional Fund combines a variety of supports with an intensive case management approach on employment for youth applying for Income Support. The goal is to provide youth with career development and improved skill development that will enhance their participation in the labour market and reduce reliance on Income Support.
- Research conducted by the Department of Human Resources, Labour and Employment found that children from families that relied on Income Support are more likely to rely on Income Support as adults than those children whose parents did not rely on Income Support. Nearly fifty percent of new applicants for Income Support are youth. Research also shows that employment interventions designed for youth have positive outcomes for those who participate.
- Engaging youth in an alternate program before they enter the Income Support system can prevent long term dependency and poverty.

ENHANCED COLLECTION OF COURT-ORDERED SUPPORT

- Government passed amendments to the *Support Order Enforcement Act* in the 2006 Spring Session in order to strengthen the enforcement of and collection of court-ordered support payments.
- Many whose court-ordered support orders are registered with the Support Enforcement Division are heavily reliant on those payments for core family expenses. Improved enforcement and collection mechanisms will mean that more of the payments owing will go into the hands of those owed the funds in a more timely and efficient manner.

AMENDMENTS TO HUMAN RIGHTS CODE

- The Human Rights Code has been amended to provide protection against discrimination based on source of income. As a result, people cannot be denied access to rental accommodations because their source of income is Income Support.

IMPROVE RESULTS FOR WOMEN'S EMPLOYMENT FOR MEDIUM AND LARGE SCALE DEVELOPMENT PROJECTS BY STRENGTHENING REQUIREMENTS UNDER THE ENVIRONMENTAL APPROVAL PROCESS

- Women are under-represented in well-paying trades and technology related occupations. When publicly-owned resources are being used by companies, all citizens should have access to employment that is created.
- Under the Environmental approval process, the Government of Newfoundland and Labrador requires proponents of development projects to design human resource plans with initiatives to increase the participation of women in areas where they have traditionally been under-represented. Stronger requirements and greater compliance measures will ensure such plans are more effective.

EARLY INITIATIVES (2003-2005)

The 2006/07 initiatives outlined here build on ongoing initiatives designed to reduce poverty and create a healthier, stronger and more prosperous province such as:

- The Low Income Tax Reduction Program which began in the 2005 taxation year and eliminates provincial income tax for individuals with net income up to \$12,000, and for families with net income up to \$19,000. Partial tax reductions are received by individuals with net income up to \$14,600 and for families with net income up to \$21,900.
- The implementation of the Department of Education's White Paper on Post-Secondary Education, including initiatives to provide affordable and accessible post-secondary educational opportunities such as a tuition freeze and increase in grants to post-secondary institutions.
- The 2005/06 Home Heating Fuel Rebate Program announced in October 2005 which is available to residents of the province whose household income is \$30,000 or less and whose primary heat source is home heating fuel.² A maximum rebate amount of \$400 is available to households with income of \$22,500 or less. Individuals and families with income between \$22,500 and \$30,000 will receive a reduced amount, with a minimum rebate of \$100.
- The Department of Innovation Trade and Rural Development's Comprehensive Regional Diversification and Innovation Strategies.
- The long term and integrated focus of the Rural Secretariat in regional sustainability.
- Various Labour Market Development initiatives, including early work on an immigration strategy, a number of labour market research projects and partnering with business and labour to address labour market issues.
- The Department of Health and Community Services launch of *Achieving Health and Wellness: Provincial Wellness Plan for Newfoundland and Labrador* to improve the overall health and well-being of our citizens.
- The Federal/Provincial Affordable Housing Agreements Phase 1 and 2 will provide approximately \$20M million (\$5.31 million provincial funds) over the next four years to create new affordable rental housing for low-to-moderate income households.
- Between June 2005 and January 2007, the Government of Newfoundland and Labrador has raised the minimum wage from \$6 to \$7 per hour representing a 16% increase in less than two years.
- The Video Lottery Terminal Action Plan announced in the 2005 Budget capped the number of VLTs in the province at 2,687 machines. Starting April 2006, the number of VLTs in the province will be reduced by 15 percent over five years. In addition, by the end of the five-year period, the maximum number of VLTs allowed in an establishment will be five.
- A set of initiatives to reduce energy costs for low-income homeowners including providing \$6.9 million over the next five years to provide real-time power meters and rebates for furnace testing and tune-ups.

² Home heating fuel includes furnace fuel, stove oil, and propane

- Government has invested \$2.7 million over the last two budget years to assist persons suffering from alcohol, drug and gambling problems. Budget 2006 also included \$1.1 million to construct a new provincial addictions centre in Corner Brook, as part of a \$3.0 million investment over two years.
- Government has invested \$3 million over the past three years (beginning in 04/05), demonstrating our commitment to providing mental health consumers with the resources they need to continue to access services which enable them to live healthy and fulfilling lives.

APPENDIX B

HOW POVERTY IS MEASURED

Many individuals and organizations want to know how many people live in poverty in their community or province. They want to know how their communities are doing compared to other places and to know if the overall rate of poverty or the poverty rates of specific groups are getting better or worse. Social activists, policy analysts, politicians and others who want to tackle poverty want to know if particular initiatives are having an effect on reducing poverty. In other words, people need tools to measure poverty, however imprecise, to help them make informed decisions.

There is no agreement on the best measure of poverty nor is there an official poverty line in Canada or in Newfoundland and Labrador. However, Statistics Canada produces three statistical measures of low income, often referred to as measures of poverty. They are:

- Low-Income Cut-off (LICO), both before- and after-tax;
- Low-Income Measure (LIM); and
- Market Basket Measure (MBM).

Statistics Canada rightly insists that these measures are not poverty lines but, rather, measures of low income. Nevertheless, they are widely used as poverty lines by most individuals and groups.

LOW-INCOME CUT-OFF (LICO)

This is the most commonly used statistical measure for defining poverty. Low-Income Cut-offs are used by Statistics Canada to identify those families and individuals that are substantially worse off than the average family. A low-income household is defined as one that spends 20 per cent more of its income on food, clothing and shelter than the average family spends on these necessities. The rate of 20 per cent was settled on, somewhat arbitrarily, by Statistics Canada as a reasonable measure of the additional burden.

Statistics Canada, using the Family Expenditure Survey (FAMEX), calculates the average portion of their incomes that families spend on food, clothing and shelter. The 1992 FAMEX survey, on which current calculations are based, found that, on average, Canadian families spend 44 per cent of after-tax income on food, clothing and shelter. Thus, adding the 20 per cent noted above, it is assumed that Canadian families that spend at least 64 per cent of after-tax income on food, clothing and shelter are low-income families and, thus, are commonly referred to as being 'below the poverty line.' After-tax income refers only to the deduction of personal income tax and not to other deductions or taxes, such as Employment Insurance premiums, Canada Pension Plan contributions or sales taxes.

Using survey data, Statistics Canada determines the level of income at which families tend to spend 20 per cent more of their income on food, clothing and shelter than the average family spends on these necessities. Currently using the 1992 base, each year Statistics Canada takes inflation into account to update a set of low-income cut-offs for seven family sizes in five different sizes of communities, resulting in a set of thirty-five low-income cut-offs. Larger communities have higher low-income cut-offs for all family sizes. In the latest release, for 2004, for example, a family of four living in a rural area, such as Baie Verte, is considered to be living in low income if its after-tax income is less than \$20,844. The same family living in Grand Falls-Windsor needs an after-tax income of \$23,856 to be above the low-income cut-off, and a family of this size living in St. John's needs an after-tax income of \$26,948 to be above the low-income cut-off.

While there is no agreement on the best measure of poverty, the Low-Income Cut-off After-Tax Measure is used consistently in the Poverty Reduction Strategy for two reasons:

- since the purchase of necessities is made with after-tax dollars, using people's after-tax income seems logical, and
- the after-tax rates take into account the considerable effect of personal taxation on redistributing wealth.

LOW-INCOME MEASURE (LIM)

The Low-Income Measure (LIM), released by Statistics Canada since 1991 but used less frequently, is equal to one-half of the median family income adjusted for family size, that is, half the families have incomes higher than it, and half have incomes lower. LIMs vary with family size and composition, but they are the same in all parts of the country and, thus, do not reflect the reality of higher costs of living in large cities and lower costs in rural areas. The Low-Income Measure is often used in international comparative studies.

MARKET BASKET MEASURE (MBM)

Canada's third barometer of low income, which has had only one release, in 2003 based on data for 2000, is designed as a more absolute measure of what it actually costs to provide adequately for families in different parts of the country. It is an attempt to do a better job of accounting for urban-rural differences than the Low-Income Measure and to counter the criticism that the Low-Income Cut-Offs measure inequality rather than poverty.

The Market Basket Measure is intended to complement, rather than replace, other tools to assess low income. As the name implies, the Market Basket Measure estimates the cost of a specific basket of goods and services. Using this measure, a family is defined as having a low income if its disposable family income falls below the cost of the goods and services in the market basket for their community size. The basket of goods and services includes specified quantities and qualities of food, clothing and footwear, shelter (including utilities), as well as items not included in LICO, such as

transportation, personal care, telephone, school supplies, and modest levels of reading, recreation and entertainment. Three thresholds are produced for Newfoundland and Labrador: rural areas with populations less than 5,000; communities with populations less than 30,000; and the St. John's Census Metropolitan Area.

The Market Basket Measure is somewhat sensitive to the geographic variations in the costs of the various components of the basket, particularly for shelter and transportation. Transportation in urban areas, for example, is based on the monthly cost of a bus pass and in rural areas on the cost of operating a five-year-old car. The shelter component reflects the median rents for two- and three-bedroom units and includes utilities, but does not take into account the high level of home ownership in this province. As well, the clothing and footwear component is currently based on pricing in Winnipeg and does not yet reflect inter-provincial variation. The content of the food component is intended to represent a nutritious diet consistent with the food purchases of ordinary Canadian households.

In 2006 the Newfoundland and Labrador Statistics Agency will release a Market Basket Measure that it has developed specifically for Newfoundland and Labrador. Modeled on the federal Market Basket Measure, the cost of the 'basket' of goods and services in Newfoundland and Labrador incorporates modifications to make it more specific to the realities of this province. The advantage of the provincial measure is that it can be applied at lower levels of geography and better reflects costs of living in this province. The federal Market Basket Measure does not allow smaller area comparisons and is not specific to many of the Canadian provinces because of the more generalized data used.

Further information about measures of low income can be found on Statistics Canada's web site at www.statcan.ca or on the provincial government's Community Accounts web site at www.communityaccounts.ca



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Reducing Poverty:
An Action Plan for Newfoundland and Labrador