



# Manitoba Modern Economics, Technology and the Environment

## Solutions to Poverty in Manitoba

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## I. INTRODUCTION

Poverty in Manitoba affects all of us. In a United Way of Winnipeg survey, 77% of Winnipeggers said “their lives or the lives of someone they know have been affected by poverty” (United Way, 2009). Poverty affects everyone in society, not just those facing it directly. It affects communities, governments, and citizens in terms of finding the best way to handle this issue and the best people to handle it. While there are many ideas out there to try and attempt to combat poverty, one needs to define what it is.

Poverty is broad in its definition. One example comes from the Microsoft Encarta Dictionary, which defines poverty as “ the state of not having enough money to take care of basic needs such as food, clothing, and housing” (2010, Encarta) A more clear and specific definition of poverty comes from Statistics Canada, which uses what is called the Low Income Cut Off (LICO). LICO is an income limit which is found by analyzing how much families will spend of their relative income on the necessities for living (shelter, food, and clothing). LICOs are largely based on community surroundings and family sizes. There are five categories for “community” and seven for “family.” This is the most popular tool in Canada in defining, in terms of numerical value, what poverty value (Statistics Canada, 2008). The LICO in Canada is \$20,788 for a single person, while for a family of four the level is \$38,610 (Statistics Canada, 2006). Another, though less popular, measure that StatsCan uses is the Low Income Measures (LIM). This only measures low income and is set at 50% of adjusted median family income. This is based on the amount of people in the household.

Canada, compared to other countries, does not have a lot of poverty. However, many areas around Canada are not as affluent compare to others. Manitoba is often considered one of the less fortunate provinces by some standards. According to the Social Planning Council of Winnipeg in 2009, Manitoba ranks as the child poverty capital of Canada (2009, CBC). The November 2009 CBC article mentions the findings from the SPCW that 1 in 5 children are impoverished, while 68% of Aboriginal children live in poverty. To make matters worse, the SPCW also noted that homeless

shelter usage in Winnipeg went up by 40% between February 2007 and December 2008 (Tip of the Iceberg: Winnipeg's first report on homelessness, 2009).

So what causes poverty, now that we know what exactly it is and the terms that define it? Many causes are at the root of poverty. One can simply be that a person or family does not have enough money to afford the basic needs like food, clothing, and shelter. The lack of money that family or person has may be due to various circumstances, such as debt or simply a low-wage job in which the prosperity may not be properly allocated. Another reason may be the nation or region, when compared to others may have low incomes because that country or region is not fully developed. For example, the median income in Manitoba in 2005 was \$52,700, below the national average of \$56,000, yet still ranked fourth best in Canada (Cash, Martin, 2007).

A lack of education and training opportunities also factor in how much poverty can be found within a certain area. Without a skilled and trained workforce, the lack of human capital needed to make the outputs for consumers will likely result in citizens working at low-income jobs. This would impact how citizens allocate their own resources to purchase goods and services and decide what is important.

The things the Province of Manitoba has done in recent years to decrease poverty – for example, noting that child poverty had decreased 40% since 2000 (Province marks 10 years of Fighting Poverty With New Strategy called All Aboard, 2009) – does not help out the image of poverty reduction, considering the increase in homeless shelter use and Manitoba's reputation for child poverty.

The Manitoba government released a poverty reduction plan in May 2009 called *All Aboard: Manitoba's Poverty Reduction Strategy* (Province of Manitoba, 2009). In the plan, the government mentions that poverty is not about money but a mix of complex issues, including unemployment, social exclusion and family breakdown to name a few. In addressing these issues, the province noted four key areas in which poverty can be fought. These are safe affordable housing in supportive

communities; education, jobs and income support; strong and healthy families; and accessible coordinated services.

Manitoba, in acknowledging these four areas, laid out a blueprint for how to achieve success in each of them. In the area of safe affordable housing, they set aside \$387 million from the 2009 budget for social housing, as well as housing projects for homeless individuals. In the field of education jobs and income support, the government emphasized increasing literacy rates, apprenticeship, the minimum wage, and accessibility to social assistance. For example, while emphasizing income assistance, the report mentioned that:

Minimum wage increases are an important part of any poverty reduction strategy. A reasonable minimum wage helps keep Manitoba competitive. It also allows lower-income individuals to earn more money.

They also briefly mention asset building programs and developing green jobs. However, not enough information in the report warrants discussion in this report, as the plan includes little detail on both of these ideas.

Manitoba is also keen on promoting healthy families, which is an important tool to fight poverty. They mention some action towards this by such initiatives as promoting parental awareness, a Healthy Food Action Fund for communities, and the Manitoba Child Benefit.

The government also wishes to make services more accessible, including employment and training services in 16 communities across the province.

Manitoba should be commended in its attempt to provide an omnibus plan in poverty reduction in some parts, namely touching briefly on asset building programs and trying to make training accessible. However, despite these attempts, this poverty reduction action plan put out in 2009 tends to be vague. For example, in the jobs, education and income support section of the plan, the province

is very detailed on minimum wage laws, yet, does not go into specific details about asset building or developing a time line for a green jobs training, but just only mentioning “other essential skills upgrading and development of ‘green’ jobs that support a healthier environment.”

The overall assessment of the Manitoba government’s plan to reduce poverty is a best a B-. It does what a traditional provincial NDP government does: promote increasing income assistance, minimum wage, and education opportunities, which are all key in the income capacity of poor people. However, more can be done to reduce poverty. That job has become challenging with the recent 2010 Manitoba budget. The province recorded a \$555 million deficit (Owen, Bruce, Larry Kusch, 2010). While Finance Minister Rosann Wowchuk said the province would be back on budget by 2015 and would focus on only spending on priorities like health, the budget made some major cuts, namely labour skills development, losing \$4 million (Owen, Bruce, 2010), as well spending less on alternative energy initiatives.

## II. THE DEFICIT: CHALLENGES AND OPPORTUNITIES

With the challenges now faced by the province, one wonders how it can tackle such a challenging issue as poverty while trying to be fiscally responsible. One way may be to allow non-profit organizations and co-operatives to run more services and work on more community- and market-based solutions to poverty. This can be done by working with various non-profits like the United Way and SEED Winnipeg, who have an impact in local communities while working outside of typical political ideologies to deliver social justice results.

Jason Granger, the community investment manager at the United Way of Winnipeg, who is responsible for connecting with the United Way’s partner agencies, says the United Way focuses on three areas of investment in trying to fight poverty, which are income, education, and health (J. Granger, personal communication, March 8, 2010)

In the income area, 28% of investments go into life and employment skills, 21% go to tax and

credit counselling, and 51% go to asset building. In the education area, 65% goes into after school programs, while 24 % goes to child/youth counselling, 9% to mentoring, and 2% to youth and guidance empowerment. In health, 36% goes to adult/family counselling, 35.5% in engaging seniors and the disabled, and 18.4% to neighbourhood involvement. The remaining investments go into such areas as wellness, conflict resolution, and newcomer integration (United Way, 2010).

In total, the United Way invests 64.4% of its donations into health, 23.6% into education, and 12% into income. Health is the most unique because the investments mix traditional health, physical and mental, with community development, which ties into the other areas of education and income.

Some of the partner agencies in which the United Way works with includes SEED Winnipeg, Boys & Girls Clubs of Winnipeg, and the North End Community Renewal Corporation. At the same time, some of the groups that show the broad range of stakeholders that help the United Way. According to the United Way 2008/09 Annual Report, these include MTS, Royal Bank, and the Winnipeg Labour Council, to name a few.

Granger acknowledges that the importance of mobilizing all parts of society on these issues through the United Way is a great example of how non-profits can be more involved in fighting poverty. “It’s really about that cross-sectoral learning that takes place. What’s the position of business when it comes to engaging and investing in community? What’s the position of labour and education so people working together can find and work on common solutions and common goals?”

The province already supports the United Way, along with the federal government to cover administration costs. However, one recommendation could be that the Manitoba government encourage other non-profits like the United Way to allocate their funds to provide social services like health care and education, similar to Bologna, Italy, where some health services are provided by non-profit organizations. This would encourage more community involvement in how scarce resources are divided, if a government lacks the financial capability to do this. It would also allow those who are distributing the funds to better listen to their community partners.

While the non-profits can potentially play an important role in delivering social services, the most interesting way to eliminate poverty is channelling asset building and small business creation. The best example of this is SEED Winnipeg, created in 1993 after a major study with regards to the developing economic needs of the Winnipeg inner city. According to the SEED 2008/2009 Annual report, its mission is to be “a non-profit agency that works to combat poverty and assist in the renewal of Winnipeg's inner city. We do this by helping individuals and groups start small businesses and have money for future goals. SEED Winnipeg offers business management training, individual consulting, access to micro-enterprise loans, asset building programs and more . . .” (SEED Winnipeg, 2009).

SEED Winnipeg is a unique organization with regards to fighting poverty. Rather than just giving a handout to the poor, it is giving a hand up in developing sustainable, self-reliant income for Winnipeg's poorest citizens. For example, SEED's Business Development Services (BDS) includes the Build a Business Program, which allows low-income people to develop skills which will allow them to start a business, plus gain support after their launch. BDS also includes the Community and Worker Ownership Program (CWOP), which gives help to groups of three or greater who are seeking to start or expand a co-operative, social enterprise, or community-owned business. The CWOP helps out with the planning and governance of the business, as well as accessing finances. SEED also takes part in supporting youth entrepreneurship through the Youth Business Development Program, which serves those between 16-30 years of age. The youth program includes a four month living allowance, as well as a chance to build up assets through the Saving Circle Program. These services have proven successful. According to the Annual Report, \$75,000 was accessed in grant funding. 34 people completed the Business Management Training; of these, 10 launched a business, which is nearly one-third of those who completed the program.

Besides using the power of small business as a tool to eliminate poverty, SEED also focuses on asset building through two programs: the Saving Circle and the Individual Development Account (IDA). According the annual report, the Saving Circle allows people to save up to \$250 for a period of

4 to 6 months. After this period, the individual can earn up to another \$750 in matched savings. Some goals for the individual may include buying a computer to help with a job hunt, or office furniture. With the IDA, the participants save up to \$1000 between 12-24 months, after which they can receive up to \$3000 more. The IDA is better suited to long-term goals compared to the Saving Circle, because there is a longer period of time in which the person not only saves, but benchmarks for their business plan are made a high priority. Since 2000, over 1000 people have participated in SEED's asset building programs, with 35 in the IDA and 78 in the Saving Circle program, respectively, in 2008/2009, according to the Annual Report.

Jackie Hope, Director of Operations of SEED Winnipeg, says it is about building capital, be it human, financial, or social capital, for low-income people. Expanding capital in any capacity is economically sound; the more resources you have, the more you can allocate efficiently. Without the proper resources, citizens will not have the proper channels to save for further investment, which could otherwise translate into further economic growth later on (J. Hope, personal communication, March 10, 2010).

Using SEED's example of promoting small business creation and asset building among low-income people to fight poverty, this model is preferable because it allows the individual to build an economic base for themselves for long-term economic growth, compared to income assistance, which alleviates some of the financial burden but does not promote self-reliance or sustainable economic security.

### III. THE BOLOGNA MODEL OF FIGHTING POVERTY

The United Way and SEED Winnipeg are local examples of how non-profit organizations can play a bigger role in eliminating poverty. One sound, pro-market yet socially just model stands out internationally: Bologna, Italy. Bologna has been revered by economists, small businesspeople, and anti-poverty activists. The reason for this is the unique way they handle bringing about economic

prosperity, decreasing poverty, and providing social services.

Bologna is in the heart of the Emilia-Romagna region and was once one of the poorest areas in all of Italy. However, that has changed in recent times. Rather than use the normal centralized government economics model of state-owned enterprises and health care, the Democrats of the Left, also the former Italian Communist Party took a balanced approach between decentralizing the local economy at a very small scale and promoting social justice. The government encouraged the development of multiple small-scale private businesses, consumer worker co-ops, and non-government organizations (NGOs). In fact, many essential services run by government in Manitoba are run by co-ops, non-profits, and small businesses in Bologna, including AIDS care (Fitch, R. 1996). This turnaround turned the region from being a poor farming area into one of the most prosperous areas in the European Union, in large part owing to a high-tech, decentralized economy on a local scale.

#### IV. SOLUTION AND CONCLUSION

The ideas detailed above may be much more challenging than Manitoba's current model, due to political ideologies which either argue for bigger government for the sake of more social programs, or cut them all without any feasible substitutes (selling off Crown corporations to wealthier people, or cutting whole government departments). However, a Bologna-style model of social and economic justice can happen if the government of the day would, for example, support non-profits to run some aspects of health care or training.

In terms of using small business as a tool to help fight poverty, the government could encourage more tax credits for low-income citizens to invest in new ventures, as well as more training programs. The province can support asset building by revising the tax system, to the extent that those people who are below the basic amount and are currently building assets are not penalized.

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