

## Persistent Poverty

After a one-year reprieve in 1994, poverty has increased for the second year in a row. Estimates released today by Statistics Canada show that 5,294,000 Canadians or 17.9 percent of the population – one person in six – lived on low incomes in 1996.

The number of low-income Canadians edged up by 89,000 from 5,205,000 in 1995 to 5,294,000 in 1996. The rate of poverty – i.e., the percentage of the population with low incomes – was 17.9 percent in 1994, virtually the same as the 17.8 percent figure for 1995.<sup>1</sup>

The substantial progress against poverty achieved in the 1960s and early 1970s has stalled since 1975. Poverty has not improved overall over the last 20 years. In fact, the low-income population was substantially larger in 1996 (17.9 percent of all Canadians) than in 1975 (14.2 percent).

While the risk of poverty lessened somewhat for two-parent families (declining from 12.8 percent in 1995 to 11.8 percent in 1996), the percentage of low-income single-parent families

rose from 53.0 percent in 1995 to 56.8 percent in 1996. After years of improvement, elderly Canadians' low income rate rose from 18.7 percent in 1995 to 20.8 percent in 1996.

Poverty deepened in 1996. The average low-income family slipped from \$7,851 below the poverty line in 1995 to \$8,215 below the poverty line in 1996.

### *Growing market inequality is confounding economic growth*

In the past, Canada could count on economic growth and a healthy labour market to fight poverty. Rising real GDP reduced the number and percentage of people with low incomes, while a faltering economy had the opposite effect. An increase in the proportion of employed lowered the poverty rate, while a decline in the employment/population ratio produced an increase in households with low incomes. The trends in unemployment and poverty rates were mirror images.

Social programs also have played a crucial role in lessening poverty and income inequality. Poverty would be much deeper and more widespread if it were not for income programs such as public pensions, child benefits, Employment Insurance, workers' compensation and welfare. Government transfers have narrowed substantially the income gap between rich and poor.

In recent years, though, the strong and clear linkage between the state of the economy and the size of the low-income population has begun to weaken if not break down. New research from Statistics Canada has confirmed American evidence indicating that rising inequality in 'market incomes' since 1980 – i.e., income from employment, savings and investments, private pensions and other non-governmental sources – is taxing the poverty-reduction power of economic growth, employment creation and income transfers.<sup>2</sup> While poverty is much worse when the economy stumbles and would be far more severe in the absence of social programs, nonetheless Canada and the US appear to be entering a new phase of all bets are off when it comes to counting on traditional forces to reduce poverty.

In 1995, the low-income population increased even though the unemployment rate declined, real GDP increased and the labour market added 214,000 jobs, the large majority of them (198,000) full-time.

In 1996, the low-income population increased only slightly: Yet the jobless rate rose from 9.5 percent in 1995 to 9.7 percent in 1996, real GDP grew slower than in 1995 (1.5 percent in 1995 as opposed to 2.1 percent in 1995) and employment increased by only 1.3 percent (versus 1.6 percent in 1995) – almost half (80,000 out of a total 171,000 new jobs) of which was part-time work.

The culprit is the labour market, which is increasingly insecure and unequal. The economy of the 1990s is creating an abundance of 'non-standard' jobs which pay low wages, offer few if any benefits and are often part-time or unstable. A job simply cannot provide a living wage for many thousands of Canadians, particularly families with children to support. In 1996, the heads of half (50.3 percent) of low-income families worked but remained poor because they earned low wages and/or could find only seasonal or part-time work.

Unemployment remains a major cause of poverty. While most couples now have both spouses in the workforce, many families live a precarious existence where they are just one paycheque away from poverty. The official jobless rate increased from 9.5 percent or 1,422,100 Canadians in 1995 to 9.7 percent or 1,469,200 in 1996. The real unemployment rate – i.e., adding in those who work part-time but want a full-time job – is more than half again higher than the official rate.

Since 1980, there has been a marked increase in inequality of market income. In 1996, families in the lowest income quintile (i.e., fifth) suffered a 3.1 percent reduction in average market income over 1995, whereas families in the modest-, middle- and upper-income groups experienced an increase in their average market income (the higher the income group, the larger the increase).

Minimum wages are too low to support a family and are not indexed. Between 1995 and 1996, the value of minimum wages fell in some provinces, remained the same in others and increased somewhat in other provinces. Overall, though, the average of all provincial minimum wages declined from \$5.69 an hour in 1995 to \$5.44 an hour in 1996.

### *Cuts to social programs*

In the past, increases in government income security programs have significantly improved the total incomes of lower-income families and managed to offset losses in their income from employment and other market sources. However, recent cuts to social programs (in particular Unemployment Insurance and welfare) have hurt poor and modest-income Canadians. In 1996, average transfer payments to families in the lowest income quintile fell by three percent. As a result, the average total income of families in the bottom group declined by three percent between 1995 and 1996, from \$17,722 in 1995 to an estimated \$17,190 in 1996.

Unemployment Insurance (now known as Employment Insurance) has been tightened significantly, resulting in a dramatic reduction in the percentage of the unemployed qualifying for benefits, lower average payments and a shorter maximum duration of benefits. The percentage of unemployed Canadians receiving unemployment benefits plunged from 86.8 percent in 1990 to 48.1 percent in 1996. Average weekly benefits declined from \$268.79 in 1993 to \$260.69 in 1996 (in inflation-adjusted 1996 dollars).

Welfare benefits have declined in all provinces, dramatically so in Ontario (which cuts benefits for most recipients by 21.6 percent in December 1995). Welfare cuts are not a major cause of rising poverty, because welfare benefits in all provinces were far below the poverty line even before recent reductions in some provinces. However, declining welfare benefits doubtless have contributed to the rising rate of low incomes among single-parent families led by women, many of whom have income from both employment and welfare.

### *Poverty by province*

The risk of poverty varies considerably from one province to another. In 1996, the percentage of the population with low incomes ranged from 21.4 percent in Quebec to 14.5 percent in Prince Edward Island:

- Quebec – 21.4 percent with low incomes
- Manitoba – 19.6 percent
- British Columbia – 17.9 percent
- Nova Scotia – 17.9 percent
- Newfoundland – 17.6 percent
- Saskatchewan – 17.6 percent
- Alberta – 16.4 percent
- New Brunswick – 16.1 percent
- Ontario – 16.1 percent
- Prince Edward Island – 14.5 percent

### *Child poverty*

Child poverty did not increase significantly overall between 1995 and 1996, but remains a grave problem. One in five children lived in low-income families in 1996 – just under 1.5 million (1,498,000) or 21.1 percent of all children. Compared to 1989, when the House of Commons passed its famous Resolution to work towards eliminating poverty by the year 2000, there were 482,000 more low-income children in 1996.

The good news is that the risk of low income for children in two-parent families eased somewhat from 14.1 percent in 1995 to 13.0 percent in 1996. The bad news is that the poverty rate for children in families led by single-parent mothers worsened from 61.9 percent in 1995 to 65.0 percent in 1996.

The risk of low income among children varies considerably by province: Manitoba had the highest rate of child poverty, at 26.6 percent in 1996. The lowest child poverty rate was 18.5 percent in Prince Edward Island:

- Manitoba – 26.6 percent of children with low incomes
- Nova Scotia – 23.5 percent
- Saskatchewan – 22.3 percent
- Quebec – 22.0 percent
- Alberta – 20.7 percent
- Ontario – 20.3 percent
- Newfoundland – 20.2 percent
- British Columbia – 20.2 percent
- New Brunswick – 19.8 percent
- Prince Edward Island – 18.5 percent

### ***High-risk groups***

Among the groups with a high risk of low income are:

- children with single-parent mothers – 65 percent with low incomes
- unattached Canadians under 25 – 63.7 percent
- unattached individuals with elementary education – 61 percent
- female one-parent families – 60.8 percent
- unattached aged women – 53.4 percent
- unattached Newfoundlanders – 49.3 percent
- unattached Quebecers – 48.3 percent
- families with heads under 25 – 42.1 percent

### ***Depth of poverty***

Poverty grew deeper in 1996. The average low-income couple with children fell \$9,634 below the low income line in 1996 as opposed to \$9,440 in 1995. The average low-income single-

parent family headed by a woman was \$9,300 below the poverty line in 1996 – significantly below the \$8,637 figure for 1995. The average depth of poverty for unattached individuals 65 and older increased from \$2,963 in 1995 to \$3,331 in 1996.

The total depth of poverty also increased. In 1995, all low-income households (i.e., families and unattached individuals combined) had incomes that in total amounted to \$18.2 billion below the low income cut-offs. In 1996, the total low income gap increased to \$19.3 billion.

*Ken Battle*

### **Notes**

1. Low income estimates are from Statistics Canada based on its low income cut-offs (1992 base). Following common practice, we use the terms poverty and low income interchangeably, though Statistics Canada does not regard its low income cut-offs as official poverty lines.

2. Zyblock, Myles and Zhengxi Lin. (1997). *Trickling Down or Fizzling Out? Economic Performance, Transfers, Inequality and Low Income*. Ottawa: Statistics Canada.

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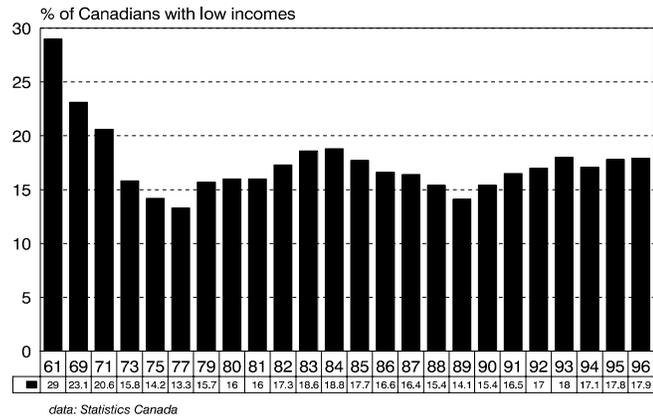
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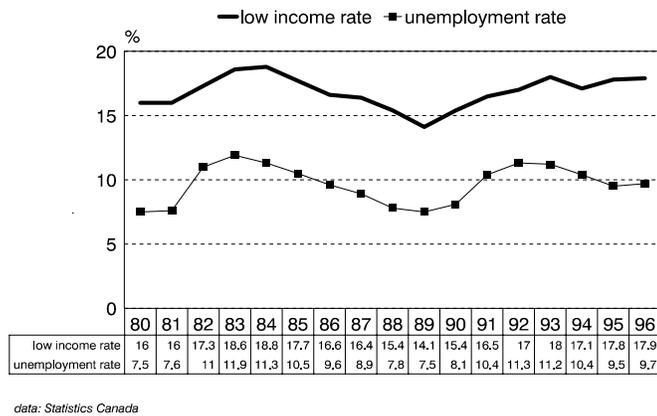
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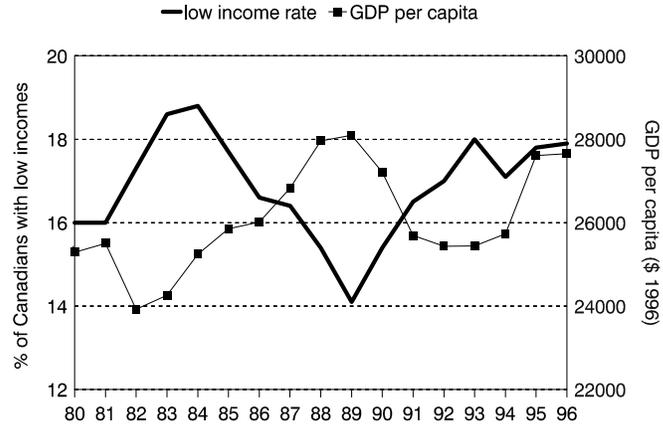
**Figure 1 THE LOW INCOME RATE HAS NOT IMPROVED OVER THE PAST 20 YEARS**



**Figure 2 TRENDS IN THE UNEMPLOYMENT RATE AND LOW INCOME RATE ARE GENERALLY THE SAME**

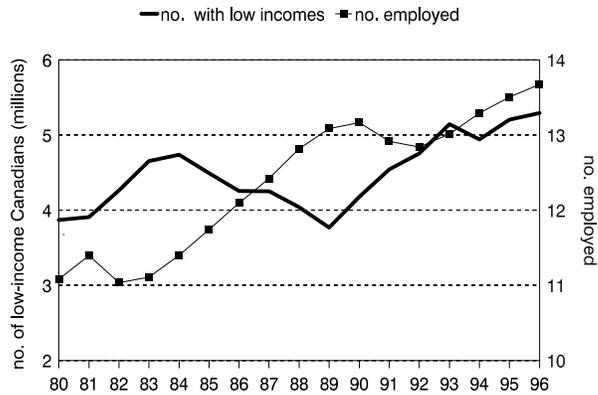


**Figure 3 RISING ECONOMIC GROWTH NO LONGER REDUCES THE LOW INCOME RATE**



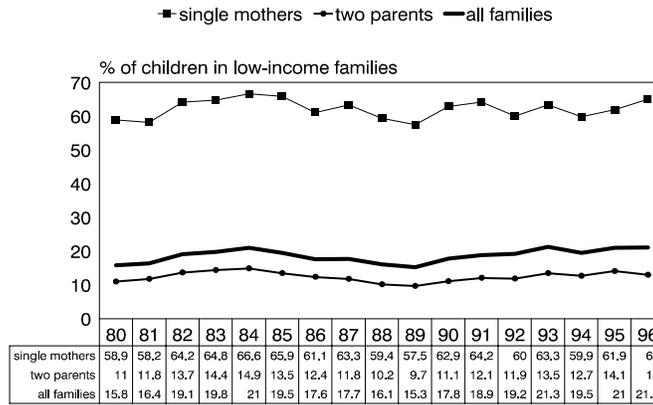
data: Statistics Canada

**Figure 4 EMPLOYMENT GROWTH IS FAILING TO REDUCE LOW INCOMES**



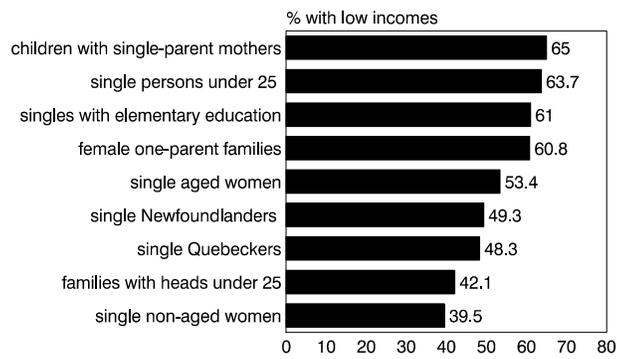
data: Statistics Canada

**Figure 5 CHILDREN IN SINGLE-PARENT FAMILIES LED BY WOMEN FACE AN ASTRONOMICAL RISK OF POVERTY**



data: Statistics Canada

**Figure 6 GROUPS WITH A HIGH RISK OF LOW INCOMES, 1996**



data: Statistics Canada