



REPORT

# What does the data tell us about rising poverty in Canada?

By Hannah Aldridge

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Incomes are an important determinant of well-being and one of the more measurable aspects of poverty. Data from the Canadian Income Survey (CIS) can tell us how poverty affects groups of people differently, and how poverty is changing among and within these groups. The data also highlights some of the factors that affect poverty, such as different types of income and government transfers. The results of the CIS are published 18 months after the period they were collected, so the latest statistics tell us what changed in 2015. While statistics tell us only one part of the story, they are an important tool for understanding poverty and ensuring we continue to progress towards reducing poverty.

## How poverty has changed

The [latest statistics](#) from the Canadian Income Survey (CIS), the primary source of statistics on income poverty in Canada, were published in May 2017.

### Key terms

**Income:** Total household income after tax. It includes the income of all adults in the household from earnings, investment income, private retirement income and government transfers after federal and provincial taxes.

**Income poverty:** Having a household income that is less than a low income threshold set by Statistics Canada.

**Components of income:** Includes market income and government transfers (such as Canada Pension Plan, child benefits, Employment Insurance benefits and social assistance).

**Market income:** Household income before government transfers and taxes are taken into account. It's mostly made up of income from employment, investment and private pensions.

All dollar values refer to 2015 prices, with changes over time adjusted for inflation.

This latest data tells us about 2015. It completes the picture of how incomes in Canada changed during the previous federal government's tenure. Over that nine-year period, incomes increased across the distribution. But the gap between the highest earners and lowest earners also increased, with incomes at the top rising by 11.6 per cent, compared to a rise of 7.5 per cent at the bottom.

In 2015, incomes fell in the bottom half of the distribution and income poverty increased on all three measures that we use in Canada: the low income cut-off (LICO), the low income measure (LIM) and the Market Basket Measure (MBM). (For more on each of these measures, see our [poverty measures background](#).)

Using the Market Basket Measure, 12.1 per cent of Canadians (4.2 million people) were in poverty in 2015, compared to 11.3 per cent in 2014. Poverty rose for most family types, with the exception for children in lone-parent families. Their poverty rate fell to 36.4 per cent from 41.9 per cent, but it remained much higher than the rate for children living with two parents at 10.3 per cent. Unattached working-age adults without children also had a high poverty rate at 35.9 per cent.

By looking at changes in the components of income, we can identify possible causes for the increase in poverty. Employment is the main source of income for most families and unattached individuals. In 2015, market income (80 per cent of which is from employment) only rose among the top 20 per cent of earners, while those in the bottom half saw substantial falls in their market income. It's this fall in market income that caused the rise in poverty in 2015.

The median amount that families with children received from child benefits increased by \$800 in 2015, as the enhancement of the Universal Child Care Benefit took effect. This explains the reduction in poverty among children in lone-parent families. Among all seniors, median income from government transfers increased in 2015, so the rise in poverty among unattached seniors could be the result of a fall in market income; the median income fell to \$15,600, a decrease of \$2,200, in this group.

## How incomes are distributed from top to bottom<sup>1</sup>

The table below summarizes how incomes at the top, middle and bottom of the distribution changed between 2014 and 2015. To give a longer term view, it also shows how incomes changed between 2006 and 2015 (the tenure of the previous government). It shows that:

- The median after-tax income of families and unattached individuals in 2015 was \$56,000. The poorest tenth had an income below \$17,100 and the richest tenth had an income of \$134,700 or higher.
- Between 2014 and 2015, the incomes at the bottom of the distribution (the 10th percentile) fell by \$600 in real terms, in the middle it fell by slightly less (\$200) and it rose for those at the top (the 90th percentile) by \$1,800.
- Between 2006 and 2015, the poorest households saw their incomes increase, but by less than the average. The incomes at the bottom rose by 7.5 per cent (\$1,200) after adjusting for inflation, slightly less than the growth in the middle of 8.5 per cent (though in cash terms, the median household's increase of \$4,400 is more than double the rise among the poorest).
- The top saw the largest income growth of 11.6 per cent (\$14,000) between 2006 and 2015.

Income changes at the bottom, middle and top			
	10th percentile	Median	90th percentile
<b>Income in 2015</b>	\$17,100	\$56,000	\$134,700
<b>Change between 2014-2015 (\$)</b>	-\$600	-\$200	+\$1,800
<b>Change between 2014-2015 (%)</b>	-3.5%	-0.4%	+1.3%
<b>Change between 2006-2015 (\$)</b>	+\$1,200	+\$4,400	+\$14,000
<b>Change between 2006-2015 (%)</b>	+7.5%	+8.5%	+11.6%

<sup>1</sup> Statistics Canada. *Table 206-0031 - Upper income limit, income share and average of market, total and after-tax income by economic family type and income decile, Canada and provinces, annual*, CANSIM (database). (accessed: 6/5/17)

## Who is living in poverty?<sup>2</sup>

Income poverty slightly increased in 2015 on all three poverty measures (LICO, LIM and MBM). The figures here refer to poverty using the Market Based Measure (MBM), which identifies how many households do not have enough income to pay for a collection of everyday items. (Our [poverty measures backgrounder](#) provides a fuller explanation of the three main poverty measures used in Canada.)

In 2015, 12.1 per cent of Canadians (4.2 million people) were in poverty according to the MBM, up from 11.3 per cent (3.9 million people) in 2014. The table below shows how the number and proportion of people in poverty changed between 2014 and 2015 by age and family type. It shows that:

- Working-age adults living alone or with non-relatives faced a poverty rate of 35.9 per cent, which amounts to 1.4 million people in poverty. That's more than the number of children and seniors in poverty combined.
- Seniors in couples had the lowest poverty rate at 2.2 per cent. But at 12.7 per cent, the poverty rate for unattached seniors was slightly above the population average (12.1 per cent).
- More than a third of children in lone-parent families were in poverty (36.4 per cent) compared to a tenth of those in two-parent families (10.3 per cent). But, the total number of children in poverty in two-parent families (584,000) is much higher than the total number in poverty in lone-parent families (252,000).
- The poverty rate was highest for children in lone-parent families at 36.4 per cent, although it declined substantially from 2014, when it was 41.9 per cent. The poverty rate for all other family types was slightly higher in 2015 than in 2014, except for senior couples', which was unchanged.

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2 Statistics Canada. *Table 206-0041 - Low income statistics by age, sex and economic family type, Canada, provinces and selected census metropolitan areas (CMAs), annual*, CANSIM (database). (accessed: 6/5/17)

	Number in MBM low income (000s)		Percentage in MBM low income (%)	
	2014	2015	2014	2015
<b>All persons</b>	<b>3,911</b>	<b>4,231</b>	<b>11.3</b>	<b>12.1</b>
<b>Seniors in couples/living with relatives</b>	<b>92</b>	<b>91</b>	<b>2.3</b>	<b>2.2</b>
<b>Unattached seniors</b>	<b>151</b>	<b>193</b>	<b>10.3</b>	<b>12.7</b>
<b>Working-age adults in families</b>	<b>1,523</b>	<b>1,620</b>	<b>8.2</b>	<b>8.7</b>
<b>Working-age adults living alone or not with relatives</b>	<b>1,327</b>	<b>1,436</b>	<b>33.3</b>	<b>35.9</b>
<b>Children living in two-parent families</b>	<b>468</b>	<b>584</b>	<b>8.3</b>	<b>10.3</b>
<b>Children living in female lone-parent families</b>	<b>292</b>	<b>252</b>	<b>41.9</b>	<b>36.4</b>

## How sources of income affect poverty <sup>3,4</sup>

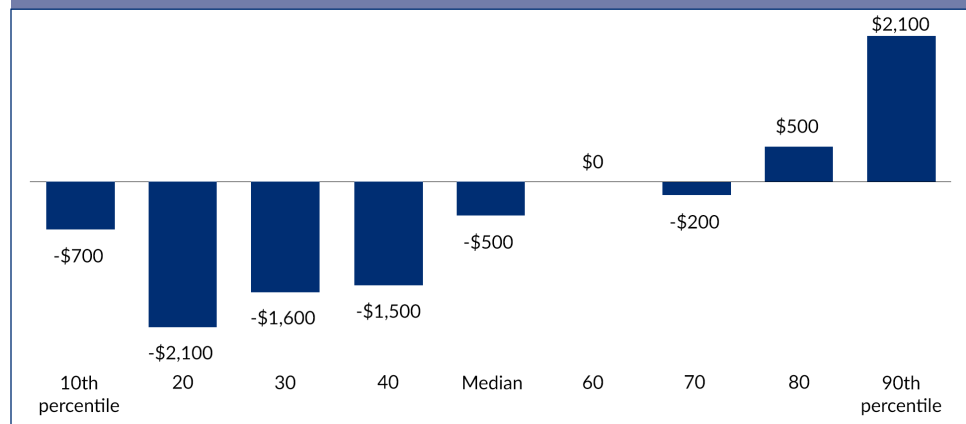
By looking at changes in the components of income, we can identify possible causes for the increase in poverty.

The figure below shows how market income changed across the distribution between 2014 and 2015. It shows that only those at the top of the distribution saw an increase, in real terms, in their market income over that period. Meanwhile, those in the bottom half of the distribution saw substantial decreases. This decrease in market income explains the rise in poverty in 2015.

3 Statistics Canada. *Table 206-0031 - Upper income limit, income share and average of market, total and after-tax income by economic family type and income decile, Canada and provinces, annual*, CANSIM (database). (accessed: 6/5/17)

4 Statistics Canada. *Table 206-0021 - Income statistics by economic family type and income source, Canada, provinces and selected census metropolitan areas (CMAs), annual*, CANSIM (database). (accessed: 6/5/17)

## Change in market income between 2014 and 2015 across the population



Employment accounts for the vast majority of market income. In 2015, all of the gains in employment income occurred at the top while most of the losses were spread across the bottom. Two reasons might explain why this happened. One possible explanation is a rise in unemployment – but the Labour Force Survey shows that the level of employment over this time was stable, so that is unlikely to be the cause. The other possible reason is a reduction in the number of working hours or wages among lower earners.

Government transfers tend to mitigate changes in market income. In 2015, the federal government extended the Universal Child Care Benefit to all parents of children older than six. As a result, the number of families receiving the benefit rose to 3.82 million, up from 3.35 million. Along with the increase in the number of families receiving child benefits, the median value of child benefit income increased by \$800. This is likely why poverty among children in lone-parent families declined in 2015.

For senior families, median income from government transfers rose to \$27,500, an increase of \$800, and for unattached seniors, rose to \$17,500, an increase of \$300. In contrast, the median market income for unattached seniors fell to \$15,600, a decrease of \$2,200. This fall in market income, which did not occur among senior families, may be the reason for the rise in poverty among unattached seniors.

## Implications

The Canadian Income Survey shows that 2015 was not a good year for prosperity in Canada. The median income fell slightly and the poverty rate increased. But when we dig a little deeper into the statistics, the story becomes more complex. Not all groups were impacted in the same way. For example, the fall in income was driven by stagnant earnings, but this did not affect the highest earners. The poverty rate among lone-parent families fell in 2015, but increased for most other family types.

The data also shows us how government transfers, such as the boost to the Universal Child Care Benefit, played an important role in mitigating falls in market income.

Looking at poverty solely through an income lens only gives us part of the picture. But these statistics are an important tool to understand poverty and challenge our perceptions. For example, it's not surprising that children in lone-parent families have the highest poverty rate, but it might be surprising that most children in poverty live with two parents.

The data can also inform how we work to reduce poverty. Much of the popular discussion about poverty concerns children and seniors, but a third of unattached working-age adults are in poverty and there are more of them in poverty than seniors and children combined. Poverty reduction strategies based primarily on boosting child benefits or pension plans simply do not address a huge part of the problem.

Over the long term, income inequality is widening. The gaps between the poorest and the middle and between the middle and the richest have grown. The forthcoming federal poverty reduction strategy must aim to put an end to this trend. It must also be rooted in evidence. This evidence shows that many factors affect income poverty (such as employment levels, wages, working-hours, government transfers, and private pensions), and that they affect different groups in different ways. The new strategy needs to reflect this complexity by involving the many actors that influence poverty and all groups affected by it.



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170 Bloor Street West, Suite 804  
Toronto, ON M5S 1T9  
CANADA

+1-416-944-2627

[policy@maytree.com](mailto:policy@maytree.com)

[www.maytee.com](http://www.maytee.com)

[@maytree\\_canada](#)