

Poverty Eases Slightly

After two years of increases in 1995 and 1996, poverty eased a bit in 1997. Estimates just released by Statistics Canada indicate that 5,222,000 Canadians or 17.5 percent of the population – one person in six – lived on low incomes in 1997.

The number of low-income Canadians declined by 72,000 from 5,294,000 in 1996 to 5,222,000 in 1997. The rate of poverty – i.e., the percentage of the population with low incomes – eased from 17.9 percent in 1996 to 17.5 percent in 1997.¹

Some traditionally high-risk groups have seen a proportionately greater decline in their poverty rate and numbers than low-risk groups. The female poverty rate declined by one percentage point, from 19.9 percent in 1996 to 18.9 percent in 1997, and their numbers diminished by 114,000 or 3.9 percent (from 2,957,000 to 2,843,000); however, females still run a greater risk of poverty than males (18.9 percent for females as opposed to 16.1 percent for males)

and poor females (2,843,000) outnumber poor males (2,380,000). The poverty rate for children living in single-parent families led by women fell by 5.5 percentage points, from 65.0 percent to 59.5 percent, though they are still more likely to be poor than not. While the risk of poverty for single-parent families led by women in the workforce is still high, at least it declined from 45.4 percent in 1996 to 42.6 percent in 1997. Elderly Canadians also saw some progress, their poverty rate falling from 20.8 percent in 1996 to 18.7 percent in 1997.

While the 1997 low income statistics at least are in the right (downward) direction, they are no cause for celebration. The substantial success Canada achieved against poverty in the 1960s and early 1970s has stalled since 1977: The poverty picture has not improved overall in the last 20 years (see Figure 1). The low-income population was still substantially larger in 1997 (17.5 percent of Canadians) than in 1977 (13.3 percent). Some groups – e.g., single-parent families, single women, young people and

those with low education – continue to face a very high risk of poverty.

poverty responds slightly to improved economic outlook

In the past, the poverty rate used to rise and fall in concert with the business cycle. But that relationship appears to have weakened and perhaps even broken down in the 1990s. The deep recession of the early 1990s pushed the national low income rate from 14.1 percent in 1989 to 18.0 percent in 1993, but it eased only slightly in 1994, rose again in 1995, remained flat in 1996 and declined a bit in 1997. Even with several years of falling unemployment and growth in employment and GDP, the poverty rate remains high and stubbornly resistant to improved economic factors. Figure 2 compares the trends in unemployment and poverty rates; Figure 3 shows trends in employment and poverty; Figure 4 illustrates the pattern of employment/population and poverty rates; and Figure 5 tracks GDP and poverty over time.

Nonetheless, positive trends in labour market and economic indicators would appear to explain the small improvement in the low-income picture in 1997. The national unemployment rate fell from 9.7 percent in 1996 to 9.2 percent in 1997. Employment grew by 1.9 percent in 1997, with 204,000 new full-time jobs and 60,000 new part-time jobs. The employment/population ratio – the number employed as a percentage of the population over 15 – increased from 58.6 percent in 1996 to 58.9 percent in 1997. GDP grew by 2.9 percent in 1997, and GDP per capita increased by 1.6 percent (both figures are measured in inflation-adjusted constant dollars).

cuts to social benefits offset earnings gains

Families in the bottom income group enjoyed a small but welcome increase in their market income – i.e., their income from employment earnings, private pensions and other private sources – which grew by about 3.7 percent or around \$250 in 1997. Contrary to popular impression, not all poor Canadians are on welfare: A substantial percentage of low-income families are connected to the workforce. In 1997, 51.8 percent of low-income families were headed by people who worked in the paid labour force but remained poor because they earned low wages and/or could find only seasonal or part-time work. The heads of one in five low-income families worked full-time, and one in three were employed part-time.

But low-income Canadians still rely heavily on government transfers – which in 1997 constituted 57 percent of the income of families in the bottom income group – in large part because of the insecurity of the labour market and its inability to pay a living wage for many families, especially those with children to support. Unfortunately, reductions in income benefits from two major social programs – Employment Insurance and welfare – have offset employment gains, leaving low-income families no further ahead in terms of their total income (i.e., income from earnings and government transfers). Families in the lowest income group saw their average income benefits from social programs fall by roughly the same amount as their earnings increased; transfer payments fell by around 3.1 percent or around \$320 in 1997. So their total income actually declined slightly, to just \$17,559 in 1997.

During the 1990s, Unemployment Insurance and its successor, Employment Insurance, have seen cuts in terms of the amount and maximum duration of benefits and, more significantly, coverage. The new rules have drastically reduced the percentage of unemployed Canadians qualifying for benefits, which plummeted from 86.8 percent in 1990 to 41.7 percent in 1997. Average regular EI benefits continued their steady decline, falling from \$272.05 in 1992 to \$259.41 in 1996 and \$249.72 in 1997 (expressed in constant 1997 dollars). Social assistance rates in all provinces generally have been frozen or cut in recent years, resulting in losses in income for most welfare recipients.

The long-term progress against poverty among Canada's seniors underlines the crucial importance of income security programs in helping combat poverty, though other solutions – including pro-employment monetary and fiscal policy as well as strong social and health services – also are required to tackle the numerous and deep roots of poverty, especially among the non-aged. The percentage of seniors with low incomes fell from 34.0 percent in 1980 to 18.7 percent in 1997. The key contributors to declining elderly poverty are income security programs (the federal Old Age Security, Guaranteed Income Supplement and Spouse's Allowance and income supplements for the elderly offered by some provinces) and public pensions (the Canada and Quebec Pension Plans), as well as improvements in the coverage of and benefits provided by private pension plans. However, that does not mean that further improvements are not required in both public and private pension programs: Elderly benefits have not been increased in real terms for many years; recent changes will slightly reduce Canada Pension Plan benefits for future retirees; and private pensions and RRSPs still cover mainly better-off Canadians.

no progress in depth of poverty

Although the rate of poverty eased somewhat from 1996 to 1997, the depth of poverty – i.e., the average number of dollars that low-income Canadians fall below the poverty line – did not improve. In fact, the average low-income family headed by a person under age 65 slipped slightly from \$8,873 below the poverty line in 1996 to \$8,905 below the poverty line in 1997. The depth of poverty especially worsened for elderly families, falling from \$2,906 in 1996 to \$4,165 in 1997. The few bright spots were a decline in the depth of poverty among single-parent families led by women (from \$8,840 to \$7,699) and among unattached seniors (from \$3,385 in 1996 to \$2,973 in 1997).

Figure 6 plots trends in the average depth of poverty for families with children. Low-income two-parent families have fallen deeper below the poverty line, whereas low-income single-parent families led by women have seen some improvement over the years.

The total depth of poverty also increased slightly. In 1996, all low-income households (i.e., families and unattached individuals combined) had incomes that in total amounted to \$19.6 billion below the low income cut-offs. In 1997, the total poverty gap was \$19.9 billion.

poverty by province

The risk of poverty varies considerably from one province to another, as illustrated in Figure 7. In 1997, the percentage of the provincial population with low incomes ranged from 20.4 percent in Quebec to 13.4 percent in Prince Edward Island, with the national average at 17.5 percent:

1. Quebec – 20.4 percent with low incomes
2. Newfoundland – 19.8 percent
3. Manitoba – 19.4 percent
4. British Columbia – 18.2 percent
5. Nova Scotia – 17.5 percent
6. New Brunswick – 16.8 percent
7. Saskatchewan – 15.8 percent
8. Ontario – 15.8 percent
9. Alberta – 15.7 percent
10. Prince Edward Island – 13.4 percent

child poverty

Child poverty declined somewhat between 1996 and 1997, but the results are no excuse for not doing a lot more to tackle this persistent and pernicious problem. One in five children lived in low-income families in 1997 – just under 1.4 million (1,397,000) or 19.8 percent of Canada’s children. The comparable figures for 1996 were 1,498,000 and 21.1 percent, so the number of low-income children fell by 101,000 between 1996 and 1997. However, in 1989, when the House of Commons passed its famous Resolution to work towards eliminating child poverty by the year 2000, there were only 1,016,000 low-income children (381,000 fewer than in 1997) for a child poverty rate of 15.3 percent (4.5 percentage points lower than the 1997 rate of 19.8 percent).

The low income rate for children in one-parent families led by women fell from 65.0 percent in 1996 to 59.5 percent in 1997, though the fact that six in ten children in families led by single mothers are poor is no cause for complacency. The poverty rate for children in two-parent families remained unchanged at 13.1 percent in 1997 (13.0 percent in 1996). Children in single-parent families led by women are five

times more likely to be poor than children in two-parent families. Figure 8 traces the trends between 1980 and 1997.

The risk of low income among children varies considerably by province above or below the national average of 19.8 percent. Newfoundland had the highest rate of child poverty in 1997, at 22.8 percent. Prince Edward Island registered the lowest child poverty rate, at 14.9 percent. Figure 9 shows the provincial child poverty rates for 1997:

1. Newfoundland – 22.8 percent of children with low incomes
2. Nova Scotia – 22.4 percent
3. Manitoba – 22.1 percent
4. Quebec – 20.7 percent
5. New Brunswick – 20.1 percent
6. Ontario – 19.9 percent
7. British Columbia – 19.6 percent
8. Saskatchewan – 19.5 percent
9. Alberta – 16.0 percent
10. Prince Edward Island – 14.9 percent

youth poverty

Young Canadians in the 1990s face a greater risk of poverty than in the past, as illustrated in Figure 10, though it has eased over the last few years. The poverty rate for families headed by persons under 25 rose from 20.9 percent in 1980 to 45.1 percent in 1994, though it has not increased since then; it declined to 43.9 percent in 1995 and stood at 43.6 percent in 1997. The low income rate for unattached young people is of course higher than for families, climbing from 44.1 percent in 1980 to 64.7 percent in 1995, but it fell to 61.0 percent in 1996 and 58.2 percent in 1997.

high-risk groups

Among the groups with a high risk of low income (see Figure 11) are:

- unattached Canadians under 25 – 60.7 percent with low incomes
- children with single-parent mothers – 59.5 percent
- unattached individuals with elementary education – 58.7 percent
- female one-parent families – 56.0 percent
- unattached Newfoundlanders – 50.9 percent
- unattached aged women – 49.1 percent

- unattached Quebeckers – 47.4 percent
- families with heads under 25 – 42.8 percent
- unattached non-aged women – 40.9 percent

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.

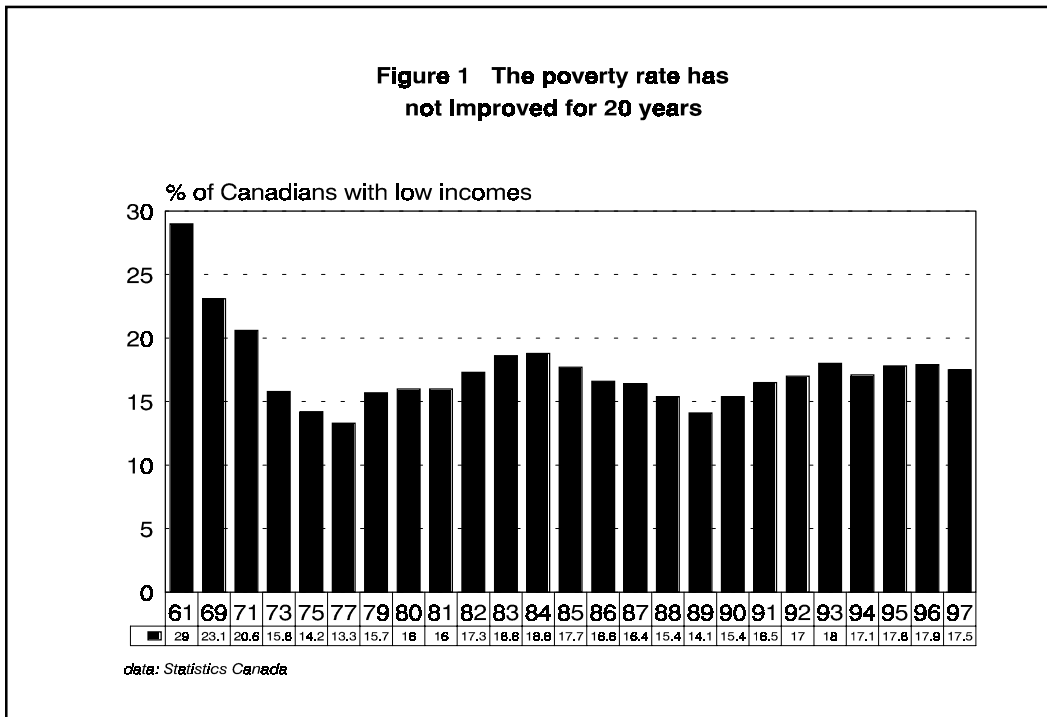


Figure 2 Trends in the poverty rate generally (though not always in the 1990s) mirror trends in the unemployment rate



data: Statistics Canada

Figure 3 Employment growth generally reduces poverty, though the relationship has been irregular in the 1990s



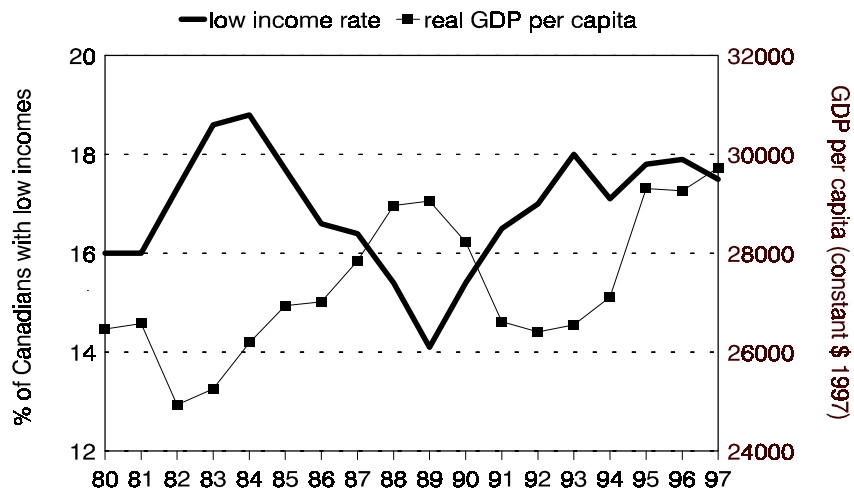
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Figure 4 Poverty declines as the percentage of the working-age population employed increases



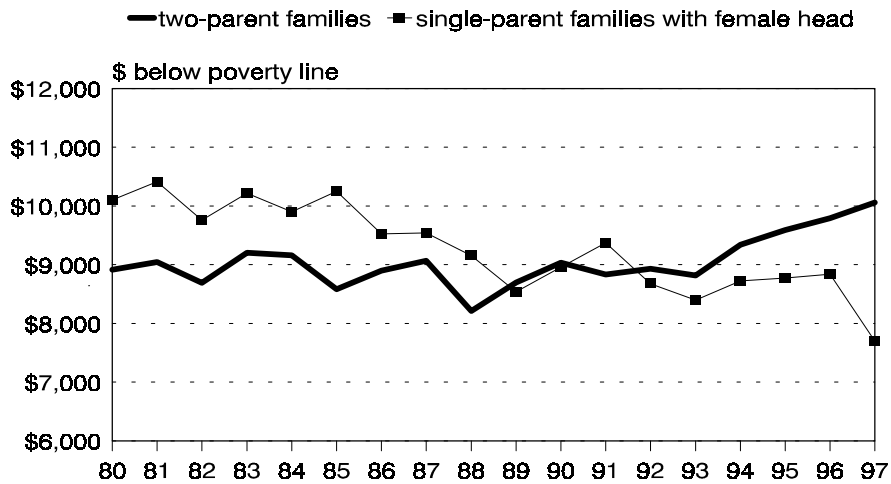
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Figure 5 The traditional capacity of economic growth to reduce poverty has weakened in the 1990s



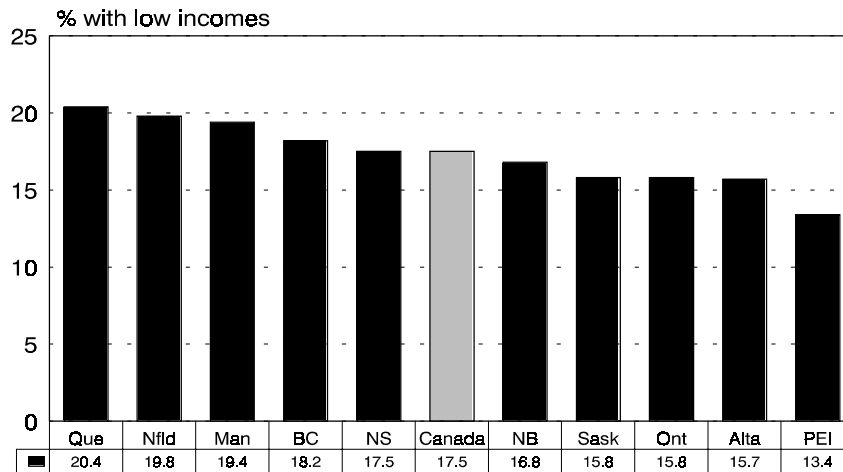
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Figure 6 The depth of poverty has worsened for two-parent families but improved somewhat for one-parent families



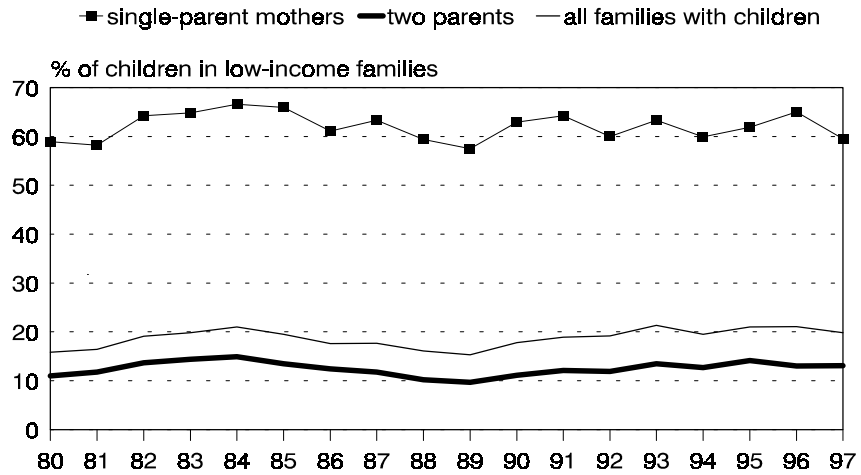
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Figure 7 The poverty rate varies considerably from one province to another



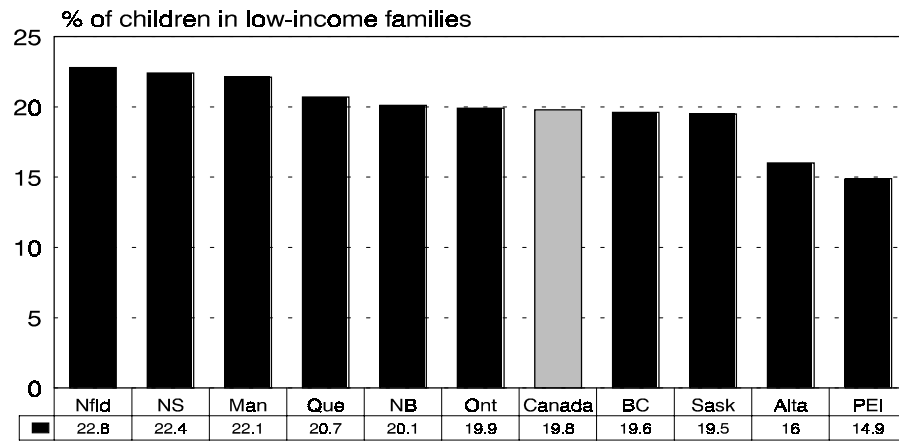
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Figure 8 Children in single-parent families led by women face a very high risk of poverty



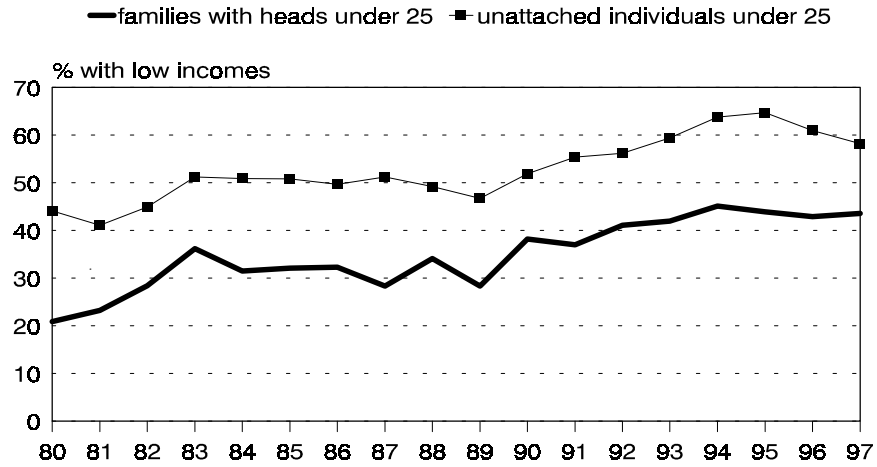
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Figure 9 The child poverty rate varies considerably from one province to another



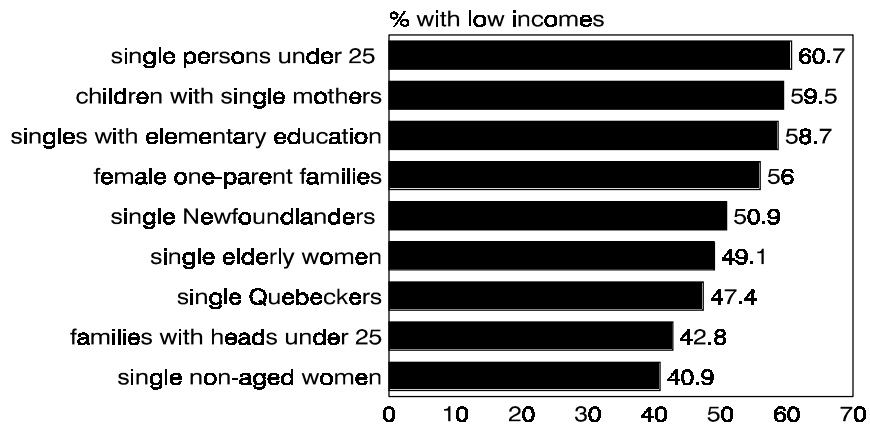
data: Statistics Canada

Figure 10 Young Canadians face a higher risk of poverty in the 1990s



data: Statistics Canada

Figure 11 Groups with a high risk of poverty, 1997



data: Statistics Canada

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ISBN 1-894159-46-2

Published by:

The Caledon Institute of Social Policy
1600 Scott Street, Suite 620
Ottawa, Ontario, Canada
K1Y 4N7
Phone: (613) 729-3340
Fax: (613) 729-3896
E-mail: caledon@caledoninst.org
Website: www.caledoninst.org

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