The role of family and government financial supports in helping Canadian workers avoid poverty
In Canada, three measures are commonly used in policy and popular discussions around low income/poverty

- **Statistics Canada - Low Income Cut-Offs (LICO)**
  - Statistics Canada’s base year LICOs are set where families spend 20 percentage points more of their income than the Canadian average on food, shelter and clothing.

- **Statistics Canada - Low Income Measure (LIM)**
  - The LIM is defined as half the median Canadian income adjusted for family size.

- **Human Resources and Social development - Market Basket Measure (MBM)**
  - The MBM estimates the cost of a specific basket of goods and services, which is then compared to the disposable family income available to purchase those goods. The families that do not have a sufficient income to purchase the basket are identified as being in low income.
    - The disposable family income is the sum remaining after deducting from total family money income: total income taxes paid; the personal portion of payroll taxes; other mandatory payroll deductions such as contributions to employer-sponsored pension plans, supplementary health plans and union dues; child support and alimony payments made to another family; out-of-pocket spending on child care; and non-insured but medically-prescribed health-related expenses such as dental and vision care, prescription drugs and aids for persons with disabilities.
    - The components included in the basket are food, shelter, clothing and footwear, but also transportation and an aggregate set of other goods and services, including personal care, household needs, furniture, recreation and other special expenses.
Although there is a considerable volume of research on low income in Canada, only recently have we conducted more in-depth analyses on poverty among workers.

**WORKING-AGE CANADIANS**
(18-64 year-old, not full-time students)
15.9M in 2001
(15.7M in 2002)

**POOR**
1.7 M in 2001

- **ACTIVE IN THE LM**
  - 914,000 in 2001 (55%)
  - Working for pay 910+ hours (working poor)
    - 653,300 in 2001 (622,000 in 2002)
  - Working for pay 1-909 hours (partially active poor)
    - 140,300 in 2001
  - Unemployed but looking for work (unemployed poor)
    - 120,500 in 2001

- **INACTIVE**
  - 736,000 (45%)

**NOT POOR**
15.2 M in 2001

- **ACTIVE IN THE LM**
  - Working for pay 910+ hours
    - 10.1M in 2002

- **INACTIVE**
  - 3.4M in 2002
  - Not vulnerable to poverty
    - 6.7M in 2002

**VULNERABLE TO POVERTY**
3.4M in 2002

Source: Statistics Canada Survey of Labour and Income Dynamics
Definitions that were used in this research

➢ **Workers** are individuals aged 18 to 64, who are not full-time students and who worked for pay a minimum of 910 hours in the reference year.

➢ **Vulnerable** workers are those who are not actually poor but would become poor if they experienced any of the following:
  • Separation or divorce;
  • Unemployment (caused by job loss or sickness) of other family breadwinners;
  • Drastic drops in government benefits.

➢ Workers that are **not self-sufficient** are those who are not actually poor but would become poor if they only relied on their own earnings to make ends meet.

➢ The **working poor** are workers who live in poverty.
In 2002, over 4 million Canadian ‘workers’ were either poor or vulnerable to low income.

Canadians aged 18-64, not full-time students who worked for pay at least 910 hours in 2002 (i.e. WORKERS)

- WORKING POOR: 622,000 (5.8%)
- WORKING NON-POOR: 10.1M (94.2%)

VULNERABLE TO POVERTY because of:
- FAMILY DISSOLUTION: 736,000
- UNEMPLOYMENT OF FAM. EARNERS: 3M
- DROP IN GOVT BENEFITS: 300,000
- Not self-sufficient: 1.1 M

In total, considering overlaps: 3.4M

NOT VULNERABLE TO POVERTY

In total: 6.7M (66.2%)
Vulnerable workers and the working poor are hard workers

- In 2002, vulnerable workers and the working poor worked, on average, at least the equivalent of full-time, full-year (this also holds true over a 5-year period).
  - However, workers who were not self-sufficient and those who were vulnerable to family dissolution worked, on average, four weeks less than the other groups.

- Across all groups, the self-employed worked a lot more than the salaried.
  - In 2002, self-employed workers cumulated anywhere between 500 hours and 700 more hours of paid work per year than the salaried.
Workers who would become poor if other breadwinners in their families ceased to earn income are better positioned than other workers

- In 2002, the lowest share of workers without a high school diploma could be found among workers who would be poor if other family breadwinners ceased to earn income.

- Two-thirds worked the equivalent of full-time, full-year, while this was the case for much smaller proportions of the other groups (50% at most).

- Less than 50% were employed by small businesses while it was the case for over 70% of workers in any of the other groups.

- Less than 30% were low-paid, compared to at least 50% of workers in any of the other groups.
Being low-paid, being a woman or being self-employed significantly increase the vulnerability of workers to poverty.

- In 2002, being low-paid increased the probability of being vulnerable to poverty by up to 33 percentage points (pp), being a woman by up to 20 pp and being self-employed by up to 15 pp.
  - Note that for some individuals, those effects are compounded.

- Lack of self-sufficiency was especially likely not only among low-paid workers, but also among workers not working full-time, full-year, Atlantic Provinces residents, employees with little work experience, those aged 18 to 24, women, and those not having completed high school.
Workers vulnerable to poverty are **NOT** more likely than those who are not vulnerable to separate or divorce…

- Around 7% of workers who were vulnerable to family dissolution or to the unemployment of other family earners in 1999 experienced separation or divorce over the next 4 years. This compares to about 13% of workers not so vulnerable.

- Logistic regressions indicate that the probability of separating or divorcing at least once between 2000 and 2003 was the same whether a worker was, or not, vulnerable to poverty in 1999 as a result of family dissolution.

- Still, among those who separate, the likelihood of poverty is much higher for vulnerable workers than for those who are not vulnerable.
  - This suggests that many vulnerable workers do not have the ability to adapt their behaviors to changing circumstances.
...to lose the financial support of other family breadwinners...

- Over 2000-2003, workers keeping vulnerable families out of poverty were not more likely than non-vulnerable workers
  - To have no or negative earnings;
  - To see their earnings decrease;
  - To work few hours;
  - To be unemployed;
  - To work for pay less than 910 hours.

- Similar proportions of workers keeping vulnerable families out of poverty and non-vulnerable workers increased their education level over the same period.
…or to experience a dramatic drop in government benefits.

- Over 1994 to 2003, government benefits received by vulnerable workers at the family level decreased by the equivalent of $270 AUD while those received by non-vulnerable workers decreased by over twice as much (about $640 AUD).

- However, this pattern was reversed for benefits received at the individual level where vulnerable workers experienced much larger decreases than non-vulnerable workers (about $1000 AUD vs. $280 AUD).
Workers who would become poor if other family breadwinners ceased to earn income were the least likely to experience poverty at least once over 1999 to 2003 (9% of them did).

- This compares to 13% of workers vulnerable to family dissolution, 16% of those that were not self-sufficient, 44% of those vulnerable to cuts in government benefits and almost two-thirds of the working poor.

They also spent the least time in low income (2.5 months over 2000-2003).

- This compares to 3.5 months for workers that were not self-sufficient, 10 months for those vulnerable to cuts in government benefits and two and a half years for the working poor.

Over 1999 to 2003, negligible proportions of all types of vulnerable workers experienced persistent poverty.

- In contrast, almost 30% of the working poor experienced persistent poverty.
…even though the working poor have a better progression in terms of work effort, earnings and education.

- Those who were working poor in 1999:
  - Cumulated, by far, the highest number of hours of paid work of all groups over 1999 to 2003;
  - Were the most likely to work the equivalent of full-time, full-year at least once over the same period;
  - Were the most likely to experience significant increases in earnings (and the least likely to experience declines) over 2000-2003;
  - Were the most likely to pursue further education over 2000-2003.
Differences between men and women remain over the longer run

➢ Over 2000-2003, men who were vulnerable to the unemployment of other family earners were more likely than women who were in the same situation:
  • To increase their education level (it was the case for 11.4% of men but for only 7.6% of women);
  • To cumulate more hours of paid work (10,600 hours compared to 8,100 hours for women);
  • To work full-time, full-year at least once (96% compared to 83% of women);
  • To experience a stronger progression in earnings (over 54% of men saw their earnings increase by over 20% compared to 41% of women).

➢ They were less likely:
  • To be unemployed at least once (this was the case for 5.6% of men, compared to 12.4% of women);
  • To cumulate less than 910 hours of paid work at least once (17% of men did, compared to 27% of women).
Highlights of the research and policy considerations

➢ The family act as a major buffer against poverty, even for those that have a strong attachment to the labour market.
  • In 2002, although 3.4M Canadian workers were vulnerable to poverty, over a four-year period, few experienced the life-disrupting events that could have thrown them into poverty.
  • As a result, very small proportions actually experienced poverty.

➢ Because the working poor face longer and more negative economic conditions than vulnerable workers, poverty-reduction efforts will yield the strongest direct benefit if targeted at the former.
  • Research shows that those who were working poor in 1999 were the most likely to live in poverty at least once over 2000 to 2003, to spend the most time in poverty and to experience persistent poverty.

➢ However, if we are concerned not only with remedying low income but also with preventing it, then expanding support to vulnerable workers can have significant positive benefits.
  • Because women, the low-paid and the self-employed are over-represented among vulnerable workers, it might be appropriate to target support to individuals with those characteristics.
  • Because for single Canadians family support is simply not available, it might also be relevant to develop specific policies for this group, the more so as those aged 45 to 64 have a much higher likelihood of persistent poverty than other Canadians.
Human Resources and Social Development Canada

research on working poor and vulnerable workers

- **The roles of family and government financial support in keeping workers out of poverty**, HRSDC Working Paper Series, Upcoming
  - Analysis of Canadian workers who are not poor but would have become poor had they lost the financial support of other family breadwinners or had their government benefits decreased by half in year 2002.

- **When working is not enough to escape poverty: an analysis of Canada’s working poor**, HRSDC Working Paper Series, August 2006
  - Detailed cross-sectional and longitudinal analysis of working poverty in Canada.

- **The other face of working poverty**, PRI Working Papers Series, 2005
  - Analysis of low-income Canadians who were active in the labour market in 2001, according to the number of hours that they worked.

- **What does it mean to be poor and working?** PRI Working Papers Series, 2005
  - [http://policyresearch.gc.ca/page.asp?pagenn=pub_wp_abs#WP007](http://policyresearch.gc.ca/page.asp?pagenn=pub_wp_abs#WP007)
  - Spending patterns and living conditions of working poor Canadian families in 2002.