

## INCOME SECURITY PROGRAMS AND THE DIMENSIONS OF INCOME

# Chapter

# 4

The poverty rate is useful for measuring the prevalence of poverty in any given community, but it is only part of the picture. This chapter explores the dimensions and characteristics of poor families' incomes. For example, what is the average income of a poor family, where does this income originate, and how far is it below LICO?

The first section of this chapter begins with an overview of the income security programs that are available to poor Canadian families. Because they rely heavily on income from government transfers, poor families are particularly vulnerable to cuts in income security programs.

The second section of the chapter explores family income in detail. It examines the average incomes of poor families in cities, and compares them to the average incomes of all families. It also presents data on the sources of income for both groups of families. As discussed in the previous chapter, poor families have less employment and consequently, fewer earnings than do most families. As a result, poor families tend to receive more government transfers than do other families. These important differences in the composition of family income are examined in this section.<sup>1</sup>

The third section presents data on families' income deficiencies in relation to the LICO – their average poverty gap and market gap.

- A poor family's *poverty gap* (otherwise known as the *depth of poverty*) refers to the difference between their total income and the appropriate LICO. It is a measure of the degree to which these families are poor. In other words, the poverty gap measures the dollar amount it would take to raise the average poor family up to the LICO.
- A variation of the poverty measure, the *market-poor* measure refers to a family's market income (that is, all family income minus any income from government transfers) in relation to the LICO. Families with a market income below the LICO are considered to be market-poor families. By extension, the *market gap* for these families is the average dollar amount difference between their market income and the LICO.

The fourth section of the chapter uses common benchmarks to explore the distribution of incomes in each city. Households in metropolitan areas (CMAs) were pooled, then divided into five equal groups – or quintiles – according to income levels. The dollar figures that divide these groups were then used as a set of “national urban” income cut-offs. These cut-offs were applied to households in each city to show variations in the income distribution across different communities.

### Income Security Programs

Not only do Canada's income security programs play an important role in the incomes of poor Canadians, they also buffer many non-poor Canadians against poverty.<sup>2</sup> In a report by the Canadian Council on Social Development, Canada's income security programs are described as fitting into two broad groups: those that insure earnings, and those that provide basic income support.

Programs that insure earnings, or *social insurance* programs, include:

- Employment Insurance (EI);
- disability sections of the Canada and Quebec Pension Plans (C/QPP); and
- workers' compensation programs.

These programs are intended to partially compensate for the loss of a worker's earnings, and premiums are generally in proportion to the worker's income. As well, C/QPP benefits paid out in retirement are based on lifetime earnings. Families with high earning levels get higher levels of benefits from these programs than do families with low earnings.

## Chapter 4: Income Security Programs and the Dimensions of Income

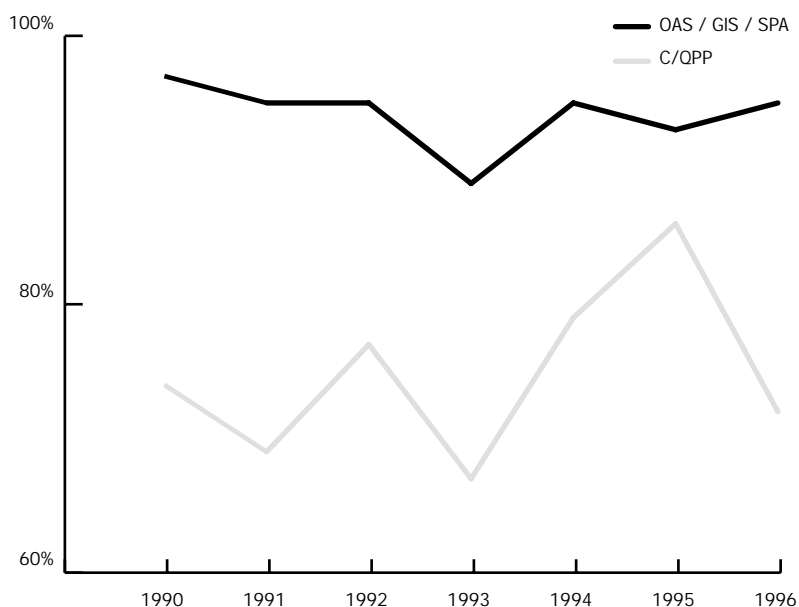
In contrast, income support programs are generally intended for low- and moderate-income families, and they are funded through general government revenues. These programs are usually targeted to low-income groups or are income-tested. Income support programs include:

- ➔ provincially and municipally administered social assistance (SA or welfare);
- ➔ federally administered Old Age Security (OAS);
- ➔ Guaranteed Income Supplement (GIS); and
- ➔ Spouse's Allowance (SPA).

To the extent that child benefit programs provide most of their benefits to low-income families, they can also be considered as income support programs. In addition, programs administered through the personal income tax system serve particular social objectives, such as raising children, mitigating the costs of living with a disability, and promoting savings for retirement. For example, the National Child Benefit and the Child Care Expense Deduction are tax credits and deductions geared to support families with children, and Registered Retirement Savings Plans (RRSPs) help Canadians save for their retirement.

Although households in most income and age groups receive some income through government transfers, specific income security programs benefit each group differently. Benefits from OAS, GIS and SPA programs primarily benefit poor elderly families, as is shown in later sections of this chapter. Although many of these families also receive income from C/QPP, retired members of poor families are likely to have modest lifetime earnings, and consequently receive far less income from these contributory programs than do non-poor families.<sup>3</sup> Elderly

FIGURE 4.1  
PER CENT OF POOR ELDERLY COUPLES IN RECEIPT OF GOVERNMENT  
TRANSFERS, BY SOURCE, CANADA, 1990 TO 1996



Notes: OAS = Old Age Security; GIS = Guaranteed Income Supplement; SPA = Spouses Allowance; C/QPP = Canada and Quebec Pension Plans. Poor families are identified using 1986 base LICO adjusted for inflation.  
Source: Adapted from the National Council of Welfare, *Poverty Profile*, 1980 to 1996.

benefits such as OAS (introduced in the 1950s) and GIS (introduced in the 1960s) are largely responsible for the steady decline in poverty rates among the elderly since the 1960s.

Through the first half of the 1990s, benefits from and eligibility for income security programs for seniors have remained quite stable. Figure 4.1 shows the percentage of poor elderly couples who received income from OAS/GIS/SPA and C/QPP between 1990 and 1996.

Among working-age (or non-elderly) families, most government transfers stem from the EI and SA programs.<sup>4</sup> As mentioned, Employment Insurance benefits are based on earnings from the recipient's previous job. Social assistance, on the other hand, is an income-tested program meant as an avenue of last resort. Families that

have had difficulty participating in the labour market, such as lone-parent families, are most likely to be SA recipients. While SA is an important income supplement for these families, benefit levels in every province are not high enough to keep recipients out of poverty.<sup>5</sup> Nonetheless, benefits from both SA and EI programs are critical sources of income for poor families. The disability portion of C/QPP also helps to support working-age families when a contributor has suffered a disability.

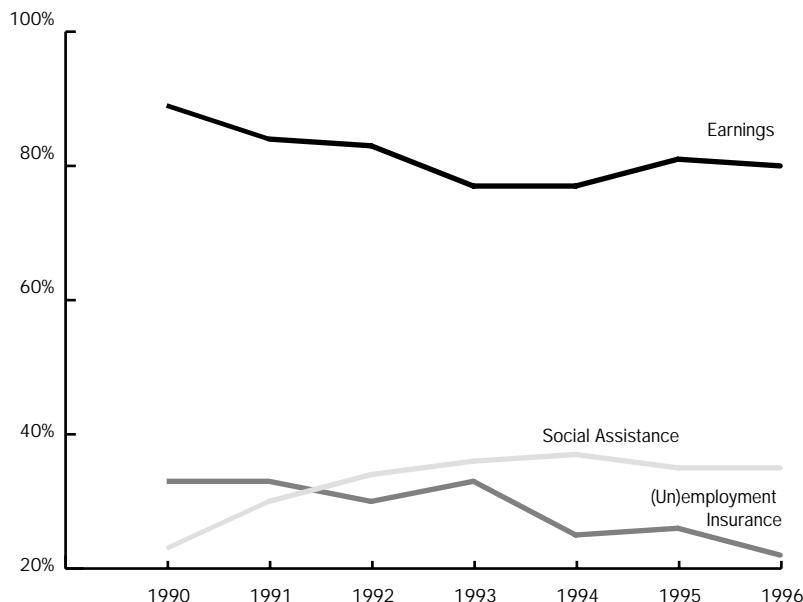
In the wake of the hard-hitting recession of the early 1990s, many workers found themselves without employment. As a result, many of their families experienced a shift in their sources of income: they received less money from earnings and more from government transfers.

Also during the 1990s, the scope of the EI program was reduced through a number of legislative changes. In response to rising program costs and a fiscally conservative agenda, the federal government ceased contributing to the then Unemployment Insurance program in 1990, leaving it to be sponsored entirely by employers and employees. In 1996, the program was renamed Employment Insurance and sweeping changes were introduced that curtailed eligibility requirements and reduced benefits. As a result, many families moved from EI to SA. Figure 4.2 shows the percentage of poor working-age couples with children who received income from various sources between 1990 to 1996. The percentage of these families with earnings and with EI benefits declined over this period, whereas the percentage receiving SA benefits rose.

SA programs were also modified in the 1990s, in a drive to reduce program costs. In 1990, the federal government restricted its cost-sharing of social assistance programs with provincial governments under the Canada Assistance Plan (CAP). Previously, the federal government had provided half the costs for social assistance programs under CAP, but from 1990 to 1995, they limited future increases in their contributions to 5 per cent per year for the three wealthiest provinces: Ontario, Alberta and British Columbia. As SA program costs escalated far more than the allotted increase over this period, federal contributions towards social assistance quickly fell below 50 per cent for these three provinces. Driven by fiscal considerations, most provincial governments sought to reduce their share of SA program costs by tightening eligibility requirements and reducing benefits.

In 1996, CAP (and Established Programs Financing) was replaced by

FIGURE 4.2  
PER CENT OF POOR WORKING-AGE COUPLES WITH CHILDREN, BY INCOME SOURCE, CANADA, 1990 TO 1996



Notes: Earnings include wages, salaries and self-employment income. Poor families are identified using 1986 base LICOs adjusted for inflation.

Source: Adapted from the National Council of Welfare, *Poverty Profile*, 1980 to 1996.

the federal Canada Health and Social Transfer (CHST) that lumped cost-sharing for social assistance together with contributions for health and education services. Through the CHST, transfers to the provinces for these services were reduced by \$6.3 billion between 1994 and 1998.<sup>6</sup>

Despite only moderate improvements in the labour market, Employment Insurance and social assistance – the two main income security programs for working-age Canadians – became less accessible to the people who needed them. More drastic changes to these programs have taken place since 1995, but the full effects of these additional cuts to both EI and SA programs on family incomes in urban areas have been largely undocumented due to the limited availability of city-level data on family incomes from these programs.

### Sources of Family Income

Most families receive some income through government programs and the labour market, but the proportions of their total income from these sources change depending on where the families rank on the income gradient. This section examines the 1995 incomes of poor families and the proportions of their income that are derived from three sources:

- *earnings* – wages, salaries and self-employment income;
- *government transfer income* (hereafter referred to simply as transfer income) – benefits received from any level of government, such as EI, SA, OAS/GIS/SPA and C/QPP benefits; and
- *other income* – monies garnered from any other source, such as private investments or pensions.<sup>7</sup>

## Chapter 4: Income Security Programs and the Dimensions of Income

The following income data cover *families*, which are defined as households of at least two people related by blood, marriage or adoption. All dollar amounts refer to the average pre-tax annual incomes for a specified group of families. *Poor families* refer to families with incomes below the LICO, whereas total or *all families* refer to all families in a given geography (for example, in all cities or in individual cities), regardless of the level of family income. There is also an examination of families by age: *working-age families* are those in which both the head of the family and the spouse are under 65 years of age, and *elderly families* are those in which either the family head or spouse are aged 65 years or older.

### RECEIPT OF EARNINGS AND TRANSFERS

In cities, most working-age families had income from both earnings and government transfers, but most elderly families had no earnings. Although not shown in the tables, 88.2 per cent of working-age families had some earnings, and 85.6 per cent received government transfers. By comparison, less than half (43.6 per cent) of elderly families had earnings, but almost all (99.6 per cent) received government transfers.

In both age groups, poor families were less likely to claim any earnings than were all families, and they were more likely to receive transfers. Among poor working-age families, 58.3 per cent received earnings and 98.6 per cent received transfers. Less than one-quarter (24.6 per cent) of poor elderly families earned any income, but virtually all (99.7 per cent) received government transfers. Transfers were delivered to poor working-age families primarily through programs such as EI and SA, and to poor elderly families through OAS/GIS/SPA and C/QPP.

### INCOME AMOUNTS BY SOURCE

The average income figures for all families and poor families indicate the magnitude of the difference in incomes between these two groups. For both working-age and elderly families in cities, Table 4.1 shows average incomes by source and poverty status (columns 1 and 2), the distribution of total income by source and poverty status (columns 3 and 4), and poor families' incomes as a percentage of all families' incomes (column 5).

The table shows that all working-age families had an average total income of \$60,400 in 1995, and poor working-age families had an average total income of \$14,500 – less than one-quarter (24.1 per cent) of the average income of all families. This discrepancy was due largely to differences between the earnings of these families. All families earned an average of \$48,300, whereas poor families earned \$6,200 – only 12.9 per cent of that of all families. As well, poor families received far less income from sources other than earnings and transfers than was received by all families. On the other hand, poor families received 151.8

per cent (\$2,300) more of the average transfer income than was received by all families.

These figures demonstrate the stark economic reality of urban working-age poor families. Despite the substantially lower earnings of poor families compared to all families, government transfers do not raise their family incomes above the poverty line. However, transfers do play an important role in buffering poor families from low earnings. As well, programs favour lower-income families, as reflected in the larger average transfers they received.

Among elderly families, the average total income of poor families was \$17,200 compared to \$52,700 for all families. Although all elderly families received almost one-third of their income from both earnings (30.7 per cent) and transfers (32.8 per cent), poor elderly families received slightly more than four-fifths (80.5 per cent) of their income from transfers alone. Despite receiving a larger portion of their total income from transfers, poor families received a smaller amount from this source than did all families (\$13,900 and \$17,300, respectively).

TABLE 4.1  
AVERAGE FAMILY INCOME BY FAMILY AGE, INCOME SOURCE AND POVERTY STATUS, SHOWING PROPORTION BY SOURCE, AGGREGATE OF CITIES, 1995

	Average income		Proportion		% poor of total
	Total	Poor	Total	Poor	
<b>Working-age families</b>					
Total income	\$60,400	\$14,500	100.0	100.0	24.1
Earnings	\$48,300	\$6,200	80.0	42.7	12.9
Government transfers	\$4,500	\$6,900	7.5	47.4	151.8
Other income	\$7,600	\$1,400	12.5	9.9	19.1
<b>Elderly families</b>					
Total income	\$52,700	\$17,200	100.0	100.0	32.6
Earnings	\$16,100	\$2,000	30.7	11.7	12.5
Government transfers	\$17,300	\$13,900	32.8	80.5	80.0
Other income	\$19,300	\$1,300	36.5	7.8	7.0

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

Table 4.2 presents data on average incomes for working-age families in cities. The first column shows the average income of all families, the second column shows the average income of poor families, and the final column shows the average income of poor families expressed as a percentage of all families. Figures in the table are ranked by the average income of poor families in each city.

As shown, average total incomes of all working-age families varied substantially among cities. The highest average incomes were over \$81,000 in Oakville, Markham and Burlington, while the lowest incomes were under \$45,000 in Cape Breton, Montréal and Saint John. These figures suggest a diversity of financial circumstances for families in different cities.

Column 2 shows that the average incomes of poor working-age families in these cities also varied, but not as much as the incomes of all working-age families. Among poor families, those with the highest incomes (over \$16,000) lived in Gloucester, Brampton, and Nepean; those with the lowest incomes (under \$12,000) lived in Jonquière, Chicoutimi, Trois-Rivières, Saint John, St. John's and Halifax.

In every city, poor working-age families had considerably lower incomes than did all working-age families. In the third column of the table, a higher percentage represents less inequality of incomes between poor and all families, whereas a lower percentage represents greater dispersion. Incomes reflect local conditions, and the incomes of poor families ranged from 16.0 per cent of all family income (Oakville) to 31.6 per cent (Montréal). This variation is due more to the greater range of all family incomes in those cities, rather than due to the incomes of poor families, which vary considerably less.

Earnings accounted for the largest portion of all families' incomes, but transfers were a significant component in poor families' incomes. Table 4.3 shows dramatic disparities among cities in the average earnings and transfers of poor and all working-age families. Column 1 shows the average earnings of all families, column 2 shows the average earnings of poor families, and column 3 shows poor families' earnings expressed as a proportion of all families' earnings. Cities are listed in the same order as in Table 4.2.

As with total incomes, the earnings of families varied greatly among cities. Earnings for all families were highest in Oakville (\$79,600) and lowest in Cape Breton (\$29,000). The average earnings of poor families were also diverse, although the absolute degree of variation was not nearly as great. Poor families had the highest earnings in Calgary (\$8,900) and the lowest in Cape Breton (\$2,600). In Edmonton, the earnings of poor families were 17.4 per cent that of all families – the highest percentage among the cities listed. At the other end of the spectrum, the earnings of poor families and of all families were most divergent in Oshawa, where poor families' earnings reached only 7.1 per cent of all families' earnings. At both ends of the spectrum, however, the earnings of poor families constituted a small fraction of all families' earnings.

Given the sizeable gap between the earnings of poor working-age families and all working-age families, it is not surprising that poor families received more transfer income than did all families. However, the amount of transfers varied substantially by city. Transfers to all families were highest in Cape Breton (\$8,800) and lowest in Oakville (\$3,100). In comparison, transfers to poor families were highest in Gloucester (\$9,300) and lowest in

TABLE 4.2  
TOTAL INCOME OF WORKING-AGE  
FAMILIES BY POVERTY STATUS AND  
CITY, SHOWING PER CENT POOR  
INCOME OF TOTAL INCOME, 1995

	All families	Poor	Poverty rate of all families
Large cities	\$60,400	\$14,500	24.1%
Jonquière	48,400	10,900	22.5
Chicoutimi	50,900	11,200	22.1
Trois-Rivières	47,100	11,400	24.3
Saint John	44,800	11,800	26.5
St. John's	55,300	11,900	21.5
Halifax	56,500	11,900	21.1
Cape Breton	42,300	12,100	28.5
Sherbrooke	46,400	12,400	26.8
Sudbury	60,000	12,600	21.1
Windsor	58,800	12,700	21.6
St. Catharines	57,900	12,700	21.9
Thunder Bay	61,900	12,700	20.6
Regina	58,500	12,700	21.8
Hull	53,700	13,000	24.2
Saskatoon	54,700	13,000	23.8
Oshawa	59,800	13,000	21.8
Victoria	51,200	13,200	25.7
Cambridge	60,600	13,200	21.8
Kitchener	57,700	13,300	23.1
Saanich	67,600	13,600	20.1
Niagara Falls	53,600	13,600	25.4
London	60,100	13,600	22.6
Québec	47,200	13,800	29.1
Longueuil	50,300	13,800	27.4
Montréal	44,000	13,900	31.6
Gatineau	56,800	14,000	24.7
Coquitlam	65,500	14,100	21.6
Burnaby	58,200	14,200	24.3
Vancouver	61,900	14,600	23.6
Toronto	63,300	14,800	23.4
Richmond	60,600	14,900	24.6
Hamilton	52,500	15,000	28.5
Winnipeg	55,600	15,200	27.3
Richmond Hill	76,700	15,200	19.8
Edmonton	55,700	15,400	27.7
Oakville	96,200	15,400	16.0
Ottawa	62,000	15,500	24.9
Vaughan	79,200	15,500	19.6
Burlington	81,200	15,600	19.2
Markham	83,500	15,800	18.9
Surrey	61,400	15,800	25.7
Laval	56,200	15,900	28.4
Calgary	65,700	16,000	24.3
Mississauga	70,700	16,000	22.7
Nepean	74,800	16,400	22.0
Brampton	67,400	16,400	24.4
Gloucester	72,100	17,100	23.8

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

TABLE 4.3  
AVERAGE EARNINGS AND GOVERNMENT TRANSFERS TO WORKING-AGE  
FAMILIES, BY POVERTY STATUS AND CITY, 1995

	Earnings			Government transfers		
	All families	Poor	% Poor family of all family income	All families	Poor	% Poor family of all family income
Large cities	\$48,300	\$6,200	12.9	\$4,500	\$6,900	151.8
Jonquière	39,000	3,700	9.6	5,200	6,100	116.6
Chicoutimi	40,500	3,900	9.7	4,900	6,100	124.2
Trois-Rivières	36,300	3,000	8.2	5,300	6,800	129.4
Saint John	34,700	4,000	11.6	5,700	7,200	126.3
St. John's	42,000	3,300	7.7	5,900	7,800	133.2
Halifax	41,600	4,300	10.3	4,300	6,600	155.3
Cape Breton	29,100	2,600	9.0	8,800	8,800	100.6
Sherbrooke	35,500	4,000	11.2	5,000	7,100	141.8
Sudbury	46,000	3,500	7.6	5,600	8,500	151.9
Windsor	47,900	4,300	9.0	5,200	7,400	143.6
St. Catharines	46,500	4,200	9.0	5,000	7,700	155.0
Thunder Bay	50,300	3,900	7.8	5,000	7,600	152.9
Regina	46,900	4,900	10.5	3,800	6,500	172.1
Hull	43,400	4,800	11.2	4,800	7,000	146.9
Saskatoon	43,300	4,900	11.4	4,100	6,800	167.3
Oshawa	50,000	3,500	7.1	5,000	8,400	169.0
Victoria	40,000	4,600	11.6	4,100	7,500	185.2
Cambridge	50,900	4,800	9.5	4,600	7,500	163.7
Kitchener	48,200	4,000	8.3	4,600	8,100	176.0
Saanich	52,500	5,200	10.0	3,800	6,200	164.5
Niagara Falls	42,400	4,400	10.4	5,500	8,000	144.3
London	47,800	4,300	9.1	4,800	8,200	170.1
Québec	37,600	5,500	14.5	4,900	6,800	140.2
Longueuil	39,800	4,900	12.3	5,100	7,500	148.2
Montréal	33,600	5,400	16.0	5,400	7,200	132.5
Gatineau	47,100	6,000	12.7	4,800	6,900	144.0
Coquitlam	54,700	6,300	11.4	3,600	5,400	150.3
Burnaby	46,800	6,200	13.2	4,100	5,400	130.8
Vancouver	46,600	6,600	14.2	4,000	5,800	142.7
Toronto	49,100	6,600	13.5	4,900	7,100	146.1
Richmond	49,100	7,400	15.0	3,300	4,200	126.9
Hamilton	41,900	5,200	12.4	5,400	8,400	155.8
Winnipeg	45,000	7,400	16.4	4,000	6,500	163.1
Richmond Hill	61,700	6,300	10.3	3,500	4,900	139.5
Edmonton	45,400	7,900	17.4	4,100	5,900	142.4
Oakville	79,600	7,600	9.5	3,100	5,900	188.9
Ottawa	47,400	5,600	11.8	4,700	8,800	185.7
Vaughan	63,900	7,400	11.6	4,300	5,600	129.8
Burlington	68,100	7,200	10.6	3,200	6,800	213.2
Markham	68,200	8,500	12.5	3,400	4,500	130.2
Surrey	50,400	6,700	13.2	4,600	7,500	161.6
Laval	45,600	7,300	15.9	4,600	6,700	143.8
Calgary	54,200	8,900	16.4	3,400	5,200	154.0
Mississauga	59,400	8,000	13.5	4,100	6,300	153.0
Nepean	60,500	6,300	10.4	3,900	8,700	222.5
Brampton	57,700	8,300	14.4	4,400	6,700	152.9
Gloucester	58,700	6,200	10.6	3,900	9,300	237.0

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

Richmond (\$4,200). In every city, transfers to poor families were greater than transfers to all families, as shown in the final column. At the high end, poor families in Gloucester received 237.0 per cent of the amount of transfers that all families received; at the low end, they received 100.6 per cent in Cape Breton.

Among cities, variations in the amount of poor families' earnings and transfers demonstrate the important role that employment and government income security programs play in the lives of families. These variations indicate the degree to which poor families are participating in the local labour market, and the degree to which they use transfer income to try to help make ends meet.

Variations in the earnings of poor families are due to a number of factors, the most important being the local economy. Local labour market conditions heavily influence the level of earnings of poor families in that area. Although poor families did not earn enough to escape poverty, a large part of their annual income came from earnings.

In the case of transfer income, poor families received substantially different amounts from one city to the next. This may have been due to higher EI and SA benefits in some regions compared to others. For example, EI beneficiaries in areas with higher levels of unemployment generally receive more benefits through the program. As well, SA benefits and eligibility are more generous in some provinces than in others. A National Council of Welfare report showed that lone parents with one child received a larger proportion of their 1996 total income through SA benefits in Newfoundland, Prince Edward Island, Nova Scotia, Ontario,

Saskatchewan and British Columbia than in other provinces.<sup>8</sup>

### How poor are poor families?

Previous chapters have focused on the number and characteristics of poor families living in cities, but not on how poor they are. This section addresses that issue. As already discussed, the *poverty gap* (or the *depth of poverty*) refers to the dollar difference between a poor household's total income and the LICO. In other words, the poverty gap indicates the degree to which households are poor. For example, if a family had a pre-tax income of \$22,046 and the appropriate LICO was \$27,046, their poverty gap would be \$5,000.

A *market-poor* household refers to a household with a market income (total income minus any government transfers) below the LICO. The incidence of market poverty provides some idea of the number of households that could have incomes below the LICO if the financial support of income security programs was not available.<sup>9</sup> By definition, all poor families are also market-poor families – with or without transfers, their total income falls below the LICO. However, many non-poor families are market-poor families because government transfers raise their incomes above the poverty line. Consequently, the incidence of market poverty is always higher than the incidence of poverty. The market gap is the average dollar figure between a family's market income and the LICO.

As shown in Table 4.4, 21.7 per cent of working-age families in cities were poor, but 27.6 per cent were market-poor. Without government transfers, an additional 5.9 per cent of working-age families (or 157,800 families)

would have had incomes below the LICO in 1995. Elderly families were far more likely to be market-poor than were working-age families. Although 13.8 per cent of elderly families were poor, 48.6 per cent were market-poor. This indicates that elderly families rely heavily on transfer income to stay out of poverty.

Table 4.4 also shows the average poverty gap and the average market gap. Poor working-age families experienced an average poverty gap of \$12,200 (i.e., their income was \$12,200 below the poverty line). This income gap is remarkable considering that the average income for these families (\$14,500) is only slightly higher. The income deficiency becomes even larger when the average market gap is considered. The market gap for market-poor working-age families was \$16,500 (i.e., their total income, not including government transfers, was \$16,500 below the LICO). The average incomes of poor elderly families were closer to the LICO than were those of working-age families, but the gaps were still substantial. The average poverty gap among elderly families was \$6,300, but the average market gap for an elderly family was \$14,000, indicating the significant role that transfers play in keeping elderly families out of poverty.

As with poverty rates, the average poverty gap varied considerably among cities. Table 4.5 shows the average poverty gap for working-age families in each city, ordered by the magnitude of the gap. The largest poverty gap was in Richmond Hill (\$15,000) and the smallest was in Victoria (\$8,200). Interestingly, cities with the highest poverty rates were not necessarily the cities with the largest poverty gaps. For example, Montréal had the highest city poverty rate but not the highest poverty gap,

TABLE 4.4  
POOR AND MARKET-POOR FAMILIES BY FAMILY AGE, SHOWING INCIDENCE OF POVERTY AND MARKET POVERTY, AND INCOME GAPS, AGGREGATE OF CITIES, 1995

	Incidence	Income gap
Working-age families		
Poor	21.7	\$12,200
Market-poor	27.6	\$16,500
Elderly families		
Poor	13.8	\$6,300
Market-poor	48.6	\$14,000

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

and Oakville had the lowest city poverty rate, but its poverty gap was near the top of the list. This indicates that, for each city, a high poverty rate is not necessarily an indicator of the average depth of poverty.

The average market gap among market-poor working-age families also varied widely by city. Ottawa had the largest market gap (\$18,400) and Saanich had the smallest (\$12,400). Again, the size of a city's average market gap did not appear to correspond with that city's poverty rate. These data show that transfer income plays a larger role for many modest-income families in some cities than in others.

### Income Distributions

This section examines the distribution of all households based on their annual income. It is another useful way to look at low incomes in major Canadian communities without using the LICO. As well, these distributions provide information about other levels of income in a community.

Grouping households according to their incomes is a popular technique

## Chapter 4: Income Security Programs and the Dimensions of Income

TABLE 4.5  
WORKING-AGE FAMILIES SHOWING  
POVERTY GAP AND MARKET GAP,  
BY CITY, 1995

	Poverty gap	Market gap
Large cities	\$12,000	\$16,500
Richmond Hill	15,000	17,500
Richmond	14,600	16,700
Burnaby	14,400	17,200
Coquitlam	14,400	17,600
Vaughan	14,200	16,200
Markham	14,200	16,000
Toronto	13,200	17,900
Vancouver	13,100	16,800
Mississauga	13,000	16,300
Oakville	12,800	15,500
Montréal	12,800	17,700
Brampton	12,600	15,800
Hull	12,500	16,800
Longueuil	12,300	17,200
Surrey	12,200	16,700
Gatineau	12,200	16,000
Edmonton	12,100	15,600
Winnipeg	12,100	15,700
Hamilton	12,000	17,900
Ottawa	11,900	18,400
Nepean	11,800	17,600
Calgary	11,800	14,400
Laval	11,500	14,800
Gloucester	11,400	17,400
Burlington	11,300	15,100
Jonquière	11,200	14,400
Québec	11,200	15,600
St. John's	10,600	15,800
Regina	10,400	14,400
Saskatoon	10,400	15,000
Chicoutimi	10,300	13,600
Halifax	10,300	14,800
Saint John	10,300	15,100
Windsor	10,200	15,200
Kitchener	10,000	15,200
Trois-Rivières	9,900	14,600
St. Catharines	9,800	15,100
Oshawa	9,700	15,600
Cambridge	9,700	14,400
Thunder Bay	9,600	14,500
London	9,400	15,200
Sudbury	9,300	15,500
Niagara Falls	9,200	14,600
Cape Breton	9,200	14,600
Sherbrooke	9,100	13,900
Saanich	9,100	12,400
Victoria	8,200	13,600

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

to show income distributions. To facilitate a comparison of the income distributions among cities, this report used a common set of four income cut-offs to sort households in each city into five groups, referred to as quintiles. First, data for households in all metropolitan areas (CMAs) were ranked by their incomes in order to create a "national urban" distribution. These households were then divided into five equal groups or quintiles (i.e., 20 per cent of the households fell into each group), and the corresponding income at each threshold became the income quintile cut-off.<sup>10</sup> These cut-offs were then applied to each city to show the proportion of households in that city that fell into each national urban quintile.<sup>11</sup>

Because these cut-offs were *not* based on income distributions in individual cities, it is *not* expected that exactly 20 per cent of each city's households will fall into the national urban quintiles. In fact, variations from an equal distribution among the five groups represent variations from the national urban average. As such, the cut-offs permit a standard comparison among cities because they were uniformly applied to incomes in all cities.

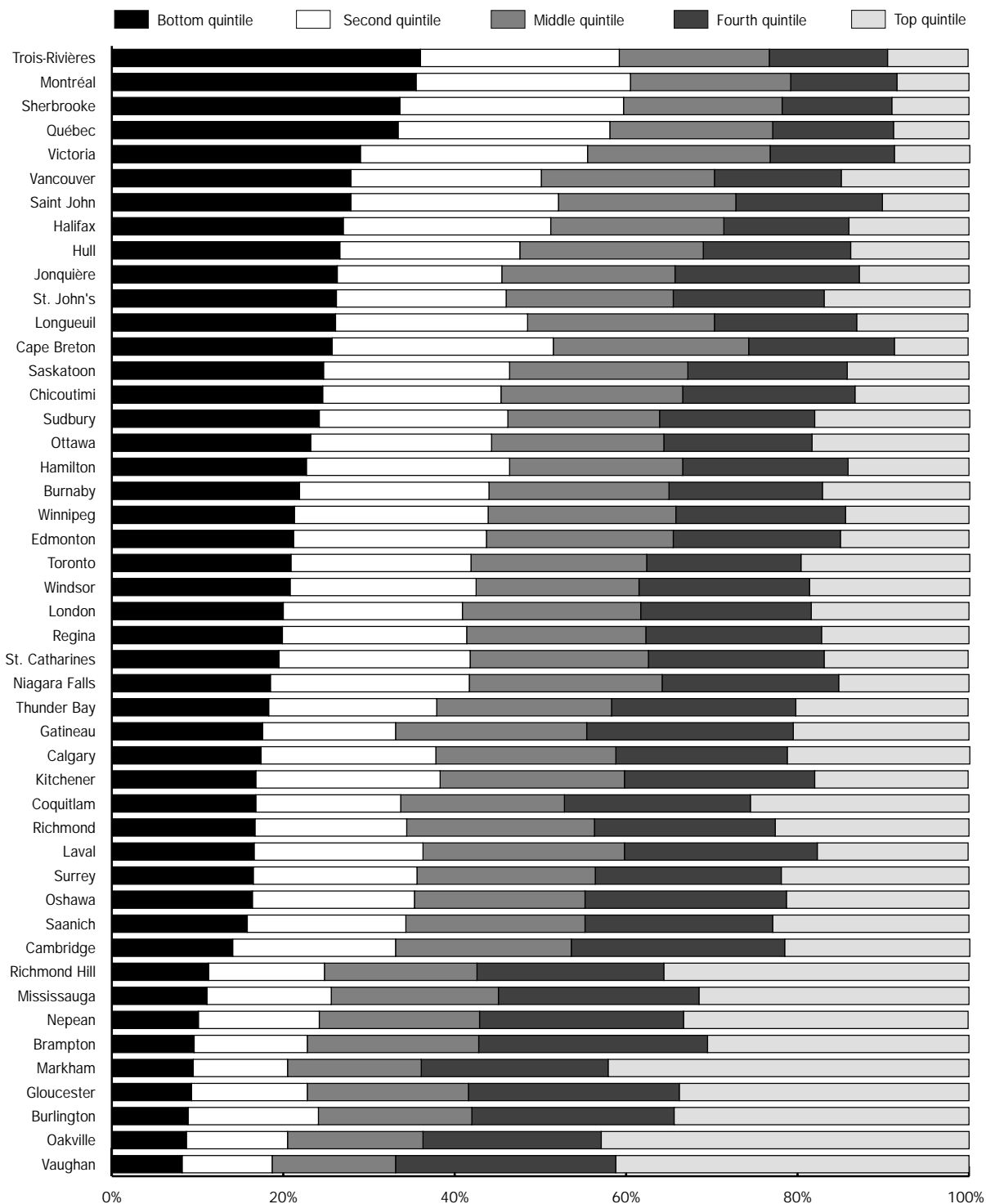
Figure 4.3 shows the proportion of households in each city that fell into each quintile, ranked by proportion in the bottom quintile. The left side of the figure represents the proportion of households in the bottom quintile (with incomes equal to or below \$15,057) in each city.<sup>12</sup> Similarly, the proportion of households in the top quintile (with incomes equal to or above \$72,849) are on the right side of the figure. The figure also illustrates the significant variations from the national urban average, as shown by the vertical grid lines for each quintile.

Income distributions were diverse among these cities. In some cities, over one-third of households were in the bottom quintile (Trois-Rivières, Montréal, Sherbrooke and Québec), whereas in other cities (Vaughan, Oakville, Burlington, Gloucester, Markham and Brampton) less than one-tenth of the households were in this quintile. Overall, in 23 of the 47 cities, more than 20 per cent of the households were in the bottom quintile, with annual incomes equal to or below \$15,057. In general, the largest proportions of households in the bottom quintile were in cities in Québec or Atlantic Canada; the smallest proportion of households in this quintile were in Ontario cities. This pattern of income distribution closely resembles the pattern of poverty rates for these cities.

Not surprisingly, the cities with low proportions of households in the bottom quintile generally had high proportions of households in the top quintile. In Oakville, Markham, Vaughan, Richmond Hill, Burlington and Gloucester, over one-third of households were in the top quintile. Conversely, less than one-tenth of households were in this quintile in Trois-Rivières, Montréal, Sherbrooke, Québec and Victoria. Overall, cities with high proportions of households in the top quintile were generally found in Ontario, and those with low proportions of households in this quintile were generally found in the province of Québec and Atlantic Canada.

However, not all cities had disproportionate percentages of households in the top and bottom quintiles. In 19 of the 47 cities, household income distributions were close to the national average and quite even across the quintiles. (These 19 cities exhibited proportions of households in each quintile equal to

FIGURE 4.3  
PER CENT OF HOUSEHOLDS IN QUINTILES (BASED ON HOUSEHOLD INCOMES IN ALL CMAs), BY CITY, 1995



Note: Households refer to economic families and unattached individuals. Quintile cut-offs are established by dividing households in all CMAs into five equal groups based on their annual incomes. The dollar amounts that divide the households into quintiles serve as the cut-offs. Lowest quintile: less than \$15,056; Second quintile: \$15,057 to \$29,978; Middle quintile: \$29,979 to \$48,002; Fourth quintile: \$48,003 to \$72,848; Highest quintile: \$72,849 and above.

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

## Chapter 4: Income Security Programs and the Dimensions of Income

20 per cent, plus or minus five percentage points.) As well, there was relatively little variation among cities in the proportion of households in the middle quintile; they ranged from 14.4 per cent (in Vaughan) to 23.5 per cent (in Laval).

### Summary

Drawing from the chapter's findings, a number of observations about the income of families in cities can be made.

- Over four-fifths of families (of any age or income level) received some transfer income in 1995. Among working-age families, 88.2 per cent received earnings, compared to only 58.3 per cent of poor families. Among elderly families, less than half (43.6 per cent) claimed earnings, compared to only about one-quarter (24.6 per cent) of poor families.
- The average annual income of all working-age families was \$60,400. In contrast, poor working-age families lived on less than one-quarter that amount (\$14,500). This discrepancy was due mainly to differences in the earnings of these families – poor families earned, on average, only 12.9 per cent of what all families earned. On the other hand, poor families received 51.8 per cent more transfer income than did all families.
- The average annual income of all elderly families was \$52,700, whereas the income of poor elderly families was \$17,200. All elderly families received one-third of their income from earnings (30.7 per cent), another third from transfers (32.8 per cent), and one-third (36.5 per cent) from other sources such as private pensions. In comparison, poor

elderly families received four-fifths (80.5 per cent) of their income from transfers alone. However, poor elderly families received smaller transfer amounts than did all elderly families.

- While 21.7 per cent of working-age families were poor, 27.6 per cent were market-poor. Elderly families were less likely to be poor but they were more likely to be market-poor than were working-age families – 13.8 per cent of elderly families were poor, and 48.6 per cent were market-poor.
- Poor working-age families suffered an average poverty gap of \$12,200, compared to poor elderly families with a poverty gap of almost half that amount (\$6,300). Market-poor working-age families had an average market gap of \$16,500, and market-poor elderly families had an average market gap of \$14,000.
- The average total incomes, earnings, transfers, poverty gaps and market gaps of working-age families – both all families and poor families – varied substantially among the cities.
- The size of the poverty gaps did not necessarily correspond with

the size of the local poverty rates across the cities.

- When national urban quintile cut-offs were applied, the proportion of households in each city that fell into each quintile varied from the national urban average and varied considerably among the cities. In 23 of the 47 cities, more than 20 per cent of the households were in the bottom quintile, with annual incomes equal to or below \$15,057.

Tables 4.6, 4.7 and 4.8 summarize the dispersion of income indicators discussed in this chapter. The first three columns of Table 4.6 show the cities with the highest and lowest total incomes, earnings, and transfers for all working-age families, compared to the average. Given the substantial range in each income category, it is clear that families in different cities lived different economic realities. For example, families in Oakville had more than twice the average annual income of families in Cape Breton.

The next three columns of Table 4.6 show similar data for poor families. The range of earnings was significantly less among poor families than among all families, and among poor families, the range of transfers was higher

TABLE 4.6  
SUMMARY FIGURES FOR WORKING-AGE FAMILY INCOME IN CITIES BY  
POVERTY STATUS, 1995: DISPERSION OF INCOME BY SOURCE

	All families			Poor families		
	High	Average	Low	High	Average	Low
Total income	\$96,200 Oakville	\$60,400	\$42,300 Cape Breton	\$17,100 Gloucester	\$14,500	\$10,900 Jonquière
Earnings	\$79,600 Oakville	\$48,300	\$29,000 Cape Breton	\$8,900 Calgary	\$6,200	\$2,600 Cape Breton
Transfers	\$8,800 Cape Breton	\$4,500	\$3,100 Oakville	\$9,300 Gloucester	\$6,900	\$4,200 Richmond

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

TABLE 4.7  
SUMMARY FIGURES FOR WORKING-  
AGE FAMILY INCOME IN CITIES, 1995:  
DISPERSION OF POVERTY GAPS AND  
MARKET GAPS

	High	Average	Low
Poverty gap (poor families)	\$15,000 Richmond Hill	\$12,200	\$8,200 Victoria
Market gap (market-poor families)	\$18,400 Ottawa	\$16,500	\$12,400 Saanich

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

than that of earnings. In some cities, transfers formed a larger portion of family incomes than did earnings. Table 4.7 shows the highest, lowest, and average poverty gaps among poor working-age families. The range of poverty gaps demonstrates that poor families were generally poorer in some cities compared to those in other cities. These figures suggest that, even among poor families, economic conditions are better in some cities compared to others. Furthermore, the size of these poverty gaps is disturbing. Even in the city

with the lowest average poverty gap (Victoria), the deficiency was over \$8,000 – a considerable amount.

Table 4.7 also shows the highest, lowest and average market gaps among market-poor working-age families. Market gaps were even larger than poverty gaps, at both ends of the range. These large income deficiencies for working-age families are cause for concern. Large market gaps indicate that transfers played a significant role in boosting the incomes of many families above and below the poverty line. Given that until recently earnings have stagnated, and the scope of transfer programs for working-age families shrank in the 1990s, many more families may be on the verge of becoming poor.

Finally, Table 4.8 shows the cities with the highest and lowest percentages of households in each national urban quintile. The dispersion was wide for the bottom quintile, ranging from 36.0 per cent in Trois-Rivières to 8.2 per cent in Vaughan. The dispersion in the top quintile was

also large, ranging from 43.1 per cent in Oakville to 8.4 per cent in Montréal. Although the range between the highest and lowest percentages of households in the three middle quintiles was wide, it was not as great as in the bottom and top quintiles.

TABLE 4.8  
SUMMARY FIGURES FOR  
DISTRIBUTION OF HOUSEHOLD  
INCOME BY QUINTILES IN CITIES,  
1995: DISPERSION OF PROPORTION  
OF HOUSEHOLDS

	All households	
	High	Low
Lowest quintile	36.0 Trois-Rivières	8.2 Vaughan
Second quintile	26.5 Victoria	10.5 Vaughan
Middle quintile	23.5 Laval	14.4 Vaughan
Fourth quintile	26.7 Brampton	12.4 Montréal
Highest quintile	43.1 Oakville	8.4 Montréal

Source: Prepared by the Canadian Council on Social Development using data from Statistics Canada's 1996 Census, custom tabulations.

## Endnotes

- <sup>1</sup> To simplify the analysis, an examination of the income of unattached individuals in cities, while worthwhile, was included only in the income distributions section of this chapter.
- <sup>2</sup> Unless otherwise cited, all discussions on income security programs in this section are drawn from *Canada's Income Security Programs*, by Christopher Clark. Ottawa: Canadian Council on Social Development, 1998.
- <sup>3</sup> According to this author's calculations using the Survey of Consumer Finances microdata file for the 1995 income year, poor elderly families received an average of 28.6 per cent of their transfer income through C/QPP, but the amount they received was 51.9 per cent of the average amount received by non-poor elderly families. Poor elderly families received much more of their transfer income through OAS, GIS and SPA – an average of 63.0 per cent.

Although these figures are accurate, direct comparisons between Census data and data from the Survey of Consumer Finances (SCF) should be made with caution. Income data from the Census is based on information from 20 per cent of Canadian households, whereas income data from the SCF is based on a much smaller sample of approximately 35,500 cases. Because these surveys use different methodologies to collect data, they yield slightly different results. As well, data from these surveys are often presented in different ways (for example, differences in geography and family type definitions are common). However, each database has its strengths, and one of the SCF's advantages is the fact that it shows income from detailed income sources such as from SA or EI. As such, the SCF is a useful supplement to Census data.

## Chapter 4: Income Security Programs and the Dimensions of Income

<sup>4</sup> According to this author's calculations using the Survey of Consumer Finances microdata file for the 1995 income year, poor working-age families received an average of 12.2 per cent of their transfer income through EI programs and an average of 52.1 per cent through social assistance programs. For data limitations, see the second paragraph in endnote 3, above.

<sup>5</sup> National Council of Welfare. *Welfare Incomes 1996, 1997*.

<sup>6</sup> Canadian Council on Social Development. *CCSD's Response to the 1997 Federal Budget, March 1997 and Will the 1998 Federal Budget Bring Down Canada's Social Deficit?*, Position Paper, March 1998.

<sup>7</sup> More specifically, *earnings* or *employment income* refers to total income received by persons 15 years of age and older during the calendar year 1995 as wages and salaries, net income from nonfarm unincorporated business or professional practice, and net farm selfemployment income.

*Government transfers* refers to total income from all transfer payments received through federal, provincial or municipal governments during 1995. This variable is derived by summing the amounts reported in the Old Age Security pension and Guaranteed Income Supplement; benefits from Canada or Quebec Pension Plan; benefits from Employment Insurance; and federal Child Tax benefits.

This source also includes other income from government sources:

- social assistance payments received by persons in need, such as mothers with dependent children, persons temporarily or permanently unable to work, elderly individuals, the blind and persons with disabilities;
- provincial income supplement payments to the elderly and provincial payments to the elderly to help offset accommodation costs;
- other transfer payments such as payments received from training programs sponsored by the federal and provincial governments, TAGS payments for employees in the fishing industry, regular payments from provincial automobile insurance plans, veterans' pensions, war veterans' allowance, pensions to widows and dependants of veterans, workers' compensation; and
- any amounts received in 1995 for refundable provincial tax credits and the federal goods and services tax (GST) credits.

<sup>8</sup> National Council of Welfare. *Welfare Incomes 1996, 1997*.

<sup>9</sup> Of course, such a situation is hypothetical. Faced with these circumstances, many families might engage in other activities to increase their total incomes.

<sup>10</sup> National urban quintile cut-offs are based on the annual income of all households (families plus unattached individuals). Households were grouped into quintiles based on their incomes:

- bottom quintile incomes were less than or equal to \$15,056;
- second quintile incomes were between \$15,057 and \$29,978;
- middle quintile incomes were between \$29,979 and \$48,002;
- fourth quintile incomes were between \$48,003 and \$72,848;
- top quintile incomes were equal to or greater than \$72,849.

<sup>11</sup> Income is the only variable in this technique used to construct the income cut-offs. This is an advantage due to its simplicity, but also a disadvantage because these lines are not adjusted for differences attributable to variations in community and family unit size (as is done with the LICOs).

<sup>12</sup> This household cut-off is lower than the LICO for all these cities, except for one-person households in cities with populations between 100,000 and 499,999.