

Economic Security

Economic security refers to an assured and stable standard of living that provides individuals and families with the necessary level of resources to participate economically, politically, socially, culturally, and with dignity in their communities. Security goes beyond mere physical survival to encompass a level of resources that promotes social inclusion.

Highlights:

Overall, economic security improved in 2000, whether one looks at the hard data or people's perceptions of their economic security. But this masks continuing gaps between "the haves" and "the have-nots." For example, the income gap is widening, there is greater fear of unemployment among low-income people, and people in Atlantic Canada are more financially vulnerable.

DATA:

- ⇒ The year 2000 was positive in terms of economic performance and employment, with the strong economic recovery at the end of the 1990s undoing much of the damage caused by the recession and slow recovery in the first half of the decade.
- ⇒ Real GDP grew by about 5% over 2000.
- ⇒ Real Personal Disposable Income per capita – the total income of households, after income and payroll taxes, divided by the total population, and adjusted for inflation – rose by 2% in 2000, compared to just under 1% in 1999.
- ⇒ Average Canadian disposable income was \$19,325 in 2000. That means, on average, Canadians had more money (\$410) left in their pockets in 2000 than they had in 1999.
- ⇒ The national unemployment rate fell to 6.8%, its lowest rate in more than 20 years.
- ⇒ The unemployment rate for young people remained very high at 12.6%, down from 14% in 1999, but still higher than in 1989.
- ⇒ Total employment grew and was strongest in full-time paid jobs, representing higher economic security.
- ⇒ The growth in household income was driven by job growth, rather than wage growth. Average weekly earnings rose only 0.2% in 2000, after falling in 1999. Wages for unionized workers grew slightly less than inflation.

Note: While trends in average income are important, it is also important to analyze trends in the *distribution* of income. The income gap between families at the top and the bottom widened between 1997 to 1998 as employment and investment gains at the top greatly outpaced income gains at the bottom. (Unfortunately, household income data are only available with a two-year lag, so these indicators are based on 1998 data).

PERCEPTION: Do Canadians feel that their income is adequate?

The definition of basic needs by those surveyed included food, shelter, and clothing, as well as the ability to afford such items as a second-hand car, modest vacations and a post-secondary education for children. It also included the ability of the family to participate in civic and social activities.

⇒ Canadians' feelings about the adequacy of their incomes were more positive in 2000 compared to 1999. The majority of Canadians (54%) thought their income was very adequate to meet their basic needs, 32% felt it was moderately adequate, and 14% said it was inadequate.

⇒ Canadians' perceptions about the adequacy of their household income are strongly linked to their education level and income. More than 80% of Canadians with a household income of over \$80,000 said their income was very adequate, compared to only 24% of households whose income was less than \$20,000.

⇒ Women were less likely than men to say they had a very adequate income (51% compared to 57%).

⇒ Regionally, there was wide variation, ranging from 49% in the Atlantic Provinces to 58% in Ontario saying their income was very adequate.

Employment Security

Today, employment security no longer depends as much on job security as it does on workers' skills and education that enhance their employability. Given the importance of job security to most Canadians, it is a vital component of economic security.

DATA:

⇒ In 2000, the unemployment rate continued to drop – from 7.6% in 1999 to 6.8%.

⇒ The long-term¹ unemployed made up 6.7% of the total number of unemployed, its lowest level in the last 20 years. This indicates that economic recovery was beginning to reach more marginalized workers.

⇒ Women have lower rates of long-term unemployment than do men (5.6% compared to 7.6% for men).

PERCEPTION: Are Canadians worried about losing their jobs?

⇒ The improving labour market helped people's optimism about holding onto their jobs and finding new ones if they lost their current job.

¹ *Long-term unemployment rate:* A good measure of the strength of the labour market and the severity of unemployment is the rate of long-term unemployment – defined here as the proportion of all people who have been unemployed for more than 12 months.

- ⇒ In 2000, 26% of employed Canadians thought they were likely to lose their job over the next two years, compared to 37% in 1998, but no change since 1999.
- ⇒ 56% were not concerned about losing their job, up slightly from 1999 (55%).
- ⇒ One-third of Canadians with household incomes under \$20,000 feared losing their jobs; only 19% of households with incomes over \$80,000 were worried.
- ⇒ There were considerable variations across regions, with residents in the Atlantic Provinces being the most worried about losing their jobs (33%), and residents of Quebec being the least worried (21%).
- ⇒ In 2000, 60% of working-age Canadians were confident they could find an equivalent job within six months if they lost their job, up from 56% who felt that way in 1999.
- ⇒ Confidence in one's ability to find a job declined with age: 70% of those aged 18-24 were confident, compared to only 49% for those aged 45-64.
- ⇒ Men were somewhat more confident than women (63% vs. 56%).
- ⇒ There is also a relationship between employability and income – the higher the household income, the more confident people are that they can find another job within six months.

The Social Safety Net

Employment Insurance:

During the last decade, sweeping changes to Canada's EI system have severely reduced the number of unemployed Canadians who qualify for benefits, and the size of those benefits.

DATA:

- ⇒ A comparison of 1990 and 1999 shows that EI coverage of the unemployed population fell sharply from 83% to 43%.
- ⇒ EI benefits as a percentage of the average wage slipped modestly from 45% to 43%.
- ⇒ Between 1999 and 2000, EI coverage increased by three percentage points, although the benefit level as a proportion of average wages slipped very slightly.

Social Assistance:

If Canadians are unable to qualify for EI benefits, they can apply for provincially administered social assistance – commonly referred to as “welfare.” For simplicity, we compare benefits for a lone-parent family with one child, since social assistance benefits vary.

DATA:

- ⇒ In 1999, a single parent with one child on social assistance received an average annual income of \$12,537, including all eligible federal and provincial child benefits.
- ⇒ This amount represents only 65% of the poverty line. In fact, social assistance benefits as a percentage of the poverty line have declined steadily since 1994.

⇒ Social assistance rates varied considerably among the provinces. The highest rates in 1999 were in Ontario (\$13,704) and British Columbia (\$13,661); the lowest were in the Prairie Provinces and in Alberta.

PERCEPTION: How confident are Canadians about these income support programs?

⇒ In 2000, 27% of respondents felt that Canada's income support programs would sustain them adequately while they looked for a new job, up from 23% in 1999. (This growth in confidence may reflect a rise in qualifying hours of work for EI purposes.)

⇒ Confidence in Canada's safety net was lowest among residents of British Columbia and Alberta.

⇒ By age, confidence was highest among those aged 18 to 24 (36%).

⇒ There was no difference in confidence by gender and little difference by household income.

PERCEPTION: Can Canadians count on informal financial support from family, friends and neighbours?

⇒ Overall, 75% of respondents said they could count on support. This ranged from 69% in Quebec, to 79% in Ontario and the Atlantic Provinces.

⇒ Confidence about receiving support declined with age: 91% of those aged 18 to 24 said they would have support, but for persons aged 65 and older, only 63% were confident of receiving such support.

⇒ Confidence rose with household income. Only 65% of households with incomes under \$20,000 said they could count on receiving support, compared to more than 80% of households with incomes of \$60,000 or more.

Financial Vulnerability

Growing levels of household debt are an important reason why many Canadians worry about their economic security. Some people interpret a higher debt load as a sign that Canadians are more optimistic about their economic security and are therefore willing to spend more money. However, many Canadians are using credit, not to buy more items, but simply to make ends meet.

DATA:

⇒ This trend is evident in the dramatic decline in the savings rate among Canadians. It fell from 15% of disposable income in the mid-1980s, to 3.2% in 2000.

⇒ To measure financial vulnerability, the PSI tracks the ratio of total mortgage and consumer debt to total disposable income. **Since 1984, the average amount that Canadians borrowed to buy homes and consumer goods increased from 56% of their total disposable income to 98% by 2000.**

PERCEPTION: How financially vulnerable do Canadians feel?

To gauge how financially vulnerable Canadians are feeling, we asked respondents how long they would be able to sustain themselves and their families if they had to rely only on their savings (such as bank accounts and RRSPs).

- ⇒ In 1999, about one in five working-age Canadians (19%) said they would not be able to sustain themselves for more than *one month* if they and their spouse lost their jobs. ***In 2000, the situation had dramatically improved to only one in 10 (10%).***
- ⇒ Canadians living in the Atlantic Provinces were the most vulnerable, with 14% reporting that they did not have enough savings to last more than one month.
- ⇒ Only 6% of Ontario residents were in such a vulnerable financial situation.
- ⇒ 10% of women and 7% of men had only enough savings to sustain themselves for less than one month.