

Backgrounder - Economic Security – PSI 2003

Economic security refers to an assured and stable standard of living that provides individuals and families with the level of resources necessary 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.

The economic security of Canadians as measured by objective data rose in 2002, thanks in part to increased disposable incomes. The Perception Index on economic security also rose slightly, on the strength of increasing perceptions of job security, although all the other perception indicators moved downward in 2002.

DATA:

- The Canadian economy experienced a good year in 2002, after a slight downturn the year before. Canadian GDP expanded by 3.4% and jobs grew by 2.2% – outpacing other G-7 nations.
- The national unemployment rate rose to 7.7% in 2002. While not as low as it was in 2000 (6.8%) and 2001 (7.2%), it remained lower than it had been five years earlier (8.3% in 1998).
- The long-term unemployed made up 5.2% of the total number of unemployed Canadians in 2002, down from 9.6% in 1998.
- The unemployment rate for young people (aged 15 to 24) climbed from 12.8% in 2001 to 13.6% by 2002. This rate has increased for two consecutive years, although it was lower than the high of 15.1% recorded in 1998.
- The labour force participation rate increased slightly from 66.0% to 66.95% in 2002. This indicator has continued to rise over the five-year period since 1998.
- Canadians' disposable incomes also grew. In 2002, average disposable income was \$20,343 – meaning that Canadians had over \$300 more in their pockets than they had in 2001.
- The national poverty rate fell from 15.8% in 1999 to 14.7% in 2000 – the last year for which there are data. The child poverty rate also fell in that period – from 18% to 16.5% – the 4th consecutive drop in the rate. And while both these trends represent welcome progress, the rates are still above the 1989 figures when the national poverty rate was 14.0% and the child poverty rate was 15.2%. [Poverty is measured using Statistics Canada's before-tax Low Income Cut-offs or LICOs and based on data from the Survey of Labour and Income Dynamics.]

PERCEPTION: Do Canadians feel that their income is adequate to meet their basic needs?

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.

- Over the last five years, Canadians have expressed decreasing satisfaction with the adequacy of their incomes to meet their basic needs. Whereas 57% of Canadians surveyed felt that their income was *very* adequate in 1998, only 47% felt the same way in 2002 – a drop of ten percentage points. The proportion of Canadians who classified their income as only *moderately* adequate in 2002 rose by 7 percentage points, from 29% in 1998 to 36% in 2002. The proportion who classified their income as inadequate to meet their needs rose by 3 percentage points over that same period, from 14% in 1998 to 17% in 2002.
- Not surprisingly, perceptions about the adequacy of one's household income are strongly linked to income levels. Among Canadians with household incomes over \$80,000, 76.5% felt that their income was very adequate; among those with household incomes under \$20,000, only 18.6% felt that it was very adequate.
- Gender also made a difference in perceptions. Women were less likely than men to report that their income was very adequate – 44% compared to 50%, respectively.
- Perceptions about income adequacy differed substantially by region: 54% of Albertans and 51% of Ontarians considered their income to be adequate, compared to only 40% of residents in Atlantic Canada.

PERCEPTION: Are Canadians worried about losing their jobs?

- Canadians were more confident about their job security in 2002. In fact, the rise in this particular indicator caused the overall Perception Index for economic security to rise. About 62% of Canadians surveyed were not concerned about losing their jobs, significantly more than the 47% who were as confident of their job security in 1998. The proportion who said there was a good chance they would lose their job over the next two years also dropped – to 23% in 2002, down from 28% in 2001 and significantly lower than the 37% of Canadians who worried about losing their jobs in 1998.
- There were considerable variations across the regions. Fear of job loss was lowest in Quebec (16%) and highest in BC (28%).
- In 2002, 57% of working-age Canadians were confident in their ability to find an equivalent position within six months if they lost their job. Canadians' confidence in their employability has grown over the five-year period since 1998, when only 49% felt this way.
- Canadians under age 25 were more confident than older Canadians in their ability to find an equivalent job within six months if needed – 71% of young people compared to only 47% of those aged 45 to 64.
- Across the country in 2002, confidence in finding an equivalent job ranged from a high of 69% in Alberta to only 50% in British Columbia.

The Social Safety Net

DATA:

- The percentage of Canadians covered by Employment Insurance (EI) fell to 45.2%, a decrease of five percentage points between 2001 and 2002. While there has been a small increase over the five-year period since 1998, when 43% were covered, the rate remains significantly lower than it was in the late-1980s and early-1990s when more than 80% of the unemployed were covered.
- EI coverage as a percentage of average weekly earnings has not changed dramatically since 1998 when EI coverage represented 42.5% of average weekly earnings; in 2002, it represented 42.7%.

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

- Canadians lack confidence in the ability of our income security programs to adequately sustain them while they look for a new job: 59% of respondents did not feel the programs would properly help them, up from 56% in 2001. Only 23% of respondents said that if they lost their job, the income support programs would sustain them while they looked for a new one.
- These figures are almost identical to those in 1998, when 60% of Canadians were unsure about whether Canada's income security programs would adequately sustain them while they looked for a new job, and 23% were confident they would.
- Residents of British Columbia and Alberta expressed the least confidence in the social safety net (13% and 17%, respectively), while residents of Atlantic Canada were the most confident (30%).
- Confidence varied widely according to income: 50% of those in households earning less than \$20,000 a year – the country's most vulnerable population – did not have confidence in the adequacy of Canada's social safety net.
- By age, confidence in the safety net was highest among those aged 25 and under (36%), and least among those aged 45 to 64 (16%).

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:

- Since 1998, the amount that Canadians have borrowed to buy homes and consumer goods increased from an average of 95.9% of their total disposable income, to 98.4% by 2002. This is only a 2.5 percentage point increase over five years, but it is an increase of almost 18 percentage

points from a decade earlier – and more than 42 percentage points higher than in 1984, when the average debt to total disposable income ratio was 56%. The biggest contributor to the indebtedness of Canadians is the size of their mortgages. Over the last five years, this has remained fairly constant, with mortgages constituting 68% to 69% of Canadians' disposable income.

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).

- The percentage of Canadians who said they could not sustain themselves for more than one month if they and their spouse lost their jobs grew over the year – from 9% in 2001 to 12% in 2002, but this was still a marked improvement from five years earlier when 22% were so financially vulnerable. (Among the Canadians surveyed, 10.4 months was the average length of time respondents felt they could sustain themselves.)
- While there were few variations in responses by region in 2001, this was not the case in 2002. Western Canadians had the highest levels of financial vulnerability, with 15% of Albertans reporting that they had sufficient funds to last less than one month. By contrast, only 10% of Quebecers reported being in the same situation.
- 14% of women and 9% of men said they did not have enough savings to last for more than one month.
- As expected, the most financially secure Canadians are those with higher household incomes. One-quarter (25%) of those with household incomes under \$20,000 had insufficient savings to sustain themselves beyond one month – four times the level of financial vulnerability of those with household incomes over \$80,000.