



# HORIZONS

P O L I C Y R E S E A R C H I N I T I A T I V E

## Poverty and Exclusion

### New Perspectives, New Approaches

Poverty rates in Canada have improved significantly over the last few years. Nevertheless, they stand little improved from 20 years ago. Internationally, when it comes to dealing with poverty, Nordic countries, such as Sweden, Norway and Finland, as well as several European countries, including the Netherlands, France and Germany, best Canada. According to the United Nations' Human Poverty Index,<sup>1</sup> Canada ranked 12th among 17 rich countries in 2004 in dealing with poverty issues.

There are many good reasons for developing effective policies to address problems related to poverty and social exclusion. The issue goes to the heart of the kind of society we want and the levels of inequality we are willing to tolerate. More than this, and perhaps less obviously, it is also about generating economic wealth for all Canadians.

Shaping this debate are new conceptual bases for how we think about poverty. No longer is the idea of poverty confined to a narrow conceptualization related

#### POVERTY AND EXCLUSION

- 4 **Poverty, Thy Name is Hydra**  
Jean Lock Kunz and Jeff Frank, Policy Research Initiative
- 9 **Income Inequality and Low Income in Canada**  
Garnett Picot, Statistics Canada  
John Myles, University of Toronto and Statistics Canada
- 19 **Vulnerability to Persistent Low Income**  
Michael Hatfield, Social Development Canada
- 27 **Exclusion from Acceptable Housing: Canadians in Core Housing Need**  
John Engeland and Roger Lewis, Canada Mortgage and Housing Corporation
- 34 **Poverty and Exclusion: Normative Approaches to Policy Research**  
F. Pearl Eliadis, The J.W. McConnell Family Foundation
- 40 **Precarious Jobs and Social Exclusion: Key Issues and New Policy Directions**  
Andrew Jackson, Canadian Labour Congress
- 45 **Poverty and Inner-City Education**  
Ben Levin, University of Manitoba

#### ARTICLES ON OTHER TOPICS

##### RESEARCH BRIEFS

- 51 Canada's Working Poor
- 58 Elderly Immigrants

##### REVIEWS

- 66 Relating Homelessness to Education, Employment and Income Support
- 72 The OECD  
*Jobs Strategy Review*
- 75 Social Inclusion as Policy

##### EYEWITNESS REPORTS

- 78 Adequate and Affordable Housing for All
- 80 The Policy Research Needed to Support the Social Economy
- 82 A Life-Course Approach to Social Policy
- 85 Using Market-Based Instruments for Water Demand Management

##### DATA AND TOOLS FOR POLICY RESEARCH

- 88 Community Social Data Strategy

[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)

Policy Research Initiative  
56 Sparks Street, 1st Floor,  
Ottawa, ON K1P 5A9

ISSN 1487-7090  
Poste-publications - Publications Mail  
Customer no 7000274





## PRI Horizons Team

### EXECUTIVE DIRECTOR

Jean-Pierre Voyer

### MANAGING EDITOR

Richard Tate

### PRODUCTION

Marissa Martin

Stuart Sykes

Élisabeth Vu

### Copy Editing and Translation by

PMF Editorial Services and Tradulitech

### Design and layout by

Zsuzsanna Liko Visual Communication Inc.

The Policy Research Initiative (PRI) produces *Horizons* as a liaison publication for the federal government policy research community. The primary objective of the PRI is to deepen, collect, and integrate research on crosscutting issues that are highly relevant to the Government of Canada's medium-term policy agenda. *Horizons* highlights the work of policy researchers from across federal departments, and from external experts, on issues that relate closely to PRI horizontal research projects and activities. For more information on the Initiative or to consult previous issues of *Horizons*, please visit <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>.

All web sites referred to in this issue were confirmed as of November 15, 2004.

Any comments or questions? Requests for subscription or change of address?

E-mail: [horizons@prs-srp.gc.ca](mailto:horizons@prs-srp.gc.ca)

Phone: 613 947.1956

Fax: 613 995.6006



The views expressed herein reflect solely those of the authors, and do not necessarily represent the views of any organization with which the authors or *Horizons* are affiliated.

## INTRODUCTION (CONTINUED)

to point-in-time income. Instead, a more comprehensive definition focuses on the intersection of low income and other dimensions of social exclusion, including access to essential goods and services, adequate and affordable housing, good health and well-being, and participation in social networks. Broader interpretations of poverty incorporate notions of dignity and capabilities to achieve one's potential. Still, others speak in terms of citizen rights to social and economic participation.

Enhancing the position of the least advantaged in society also makes good economic sense. Given that Canadians with low skill levels are most likely to find themselves in situations of poverty, equipping these individuals with the skills that would allow fuller participation could reap great benefits not just for them, but also for society as a whole. For example, recent evidence demonstrates that differences in average skill levels among OECD countries explain significant differences in economic growth.<sup>2</sup> In particular, increasing literacy rates, especially among adults with the lowest skill levels, has a significant impact on the labour productivity and economic performance of countries. So, the way we deal with poverty and exclusion becomes not only a question of the values reflected in our laws, public policies, and programs, but also how we can increase economic growth and the overall well-being of our citizenry.

We know more today about the economic and social realities associated with poverty. Results from longitudinal surveys provide new insights into the dynamics of poverty, its depth, and its consequences. There is a great deal of heterogeneity, for example, in the

life courses of individuals. And although poverty is often a transient state, certain population groups seem to have a persistently high incidence of low income.

How should social and economic policies adapt to these new perspectives and realities? What emerging approaches show the most promise and warrant the careful attention of policy makers? Answers to these questions will require effective collaboration among federal departments, other orders of government, and key stakeholders. For more than a year now, the PRI has been conducting an inter-departmental project, *New Approaches for Addressing Poverty and Exclusion*. The goal is to assess the potential role of new policy approaches to address poverty emerging worldwide, with an emphasis on possible medium-term implications for Canadian federal policies.

This issue of *Horizons* features several contributions from our departmental partners and from PRI policy research staff involved in this project. The articles range from descriptions of how poverty has evolved and the groups affected to literature reviews and analytical pieces touching on tools and policies.

Responsibility for reducing poverty and exclusion does not rest solely with governments. The non-profit sector plays a significant role as well and, therefore, the issue also includes pieces from academics and non-governmental organizations that share our interest in finding solutions to problems of economic and social exclusion.

The release of this issue coincides with the PRI conference, *Exploring New Approaches to Social Policy*, to be held

in Ottawa on December 13-15. We hope this publication will serve as a useful complement to the presentations and deliberations featured at the conference, and that, together with outputs from the conference, it will contribute to the identification of more effective approaches and policies for addressing issues of poverty and exclusion.

**Jean-Pierre Voyer**  
Executive Director

### Notes

- 1 United Nations' Human Development Reports. <<http://hdr.undp.org/reports/global/2002/en>>.
- 2 Coulombe, S., J.F. Tremblay, and S. Marchand. 2004. *Literacy Scores, Human Capital and Growth Across Fourteen OECD Countries*. Statistics Canada, catalogue no. 89-552-XPE, no.11. See also, "Counting Heads: A Breakthrough in Measuring the Knowledge Economy". *The Economist*. August 28, 2004, Vol. 372, Issue 8390: 70.



### Poverty and Exclusion: Normative Approaches to Policy Research

The understanding of equality issues that informed our current social policy infrastructure predated the Canadian Charter of Rights and Freedoms. Case law dealing with human, equality, and international rights has evolved significantly in the interim. Moreover, Canada's adherence to several international human rights agreements has not, by and large, been reflected in Canadian law or in domestic policy making. This report examines these normative shifts, and makes a case for the systematic, front-loaded integration of legal norms into horizontal policy development.



### Canada-US Regulatory Co-operation: Charting a Path Forward

This interim report presents the PRI's research to date on the potential benefits of expanding regulatory co-operation between Canada and the United States, and the approaches available to Canada. The report presents options for a more strategic and concerted effort to improve regulatory co-operation with the United States in order to secure greater economic benefits, while simultaneously safeguarding and improving the integrity of the regulatory system.



### Experts Workshop on the Measurement of Social Capital for Public Policy

This document is a synthesis report from the Expert workshop on measuring social capital for public policy purposes, held on June 8th, 2004. It provides an outline of the presentations and discussions held by the experts. The exercise was to identify essential elements of a "toolbox" for analyzing social capital for purposes of developing and assessing government programs and policies.

# Poverty, Thy Name Is Hydra

**Jean Lock Kunz and  
Jeff Frank**  
Policy Research Initiative

Both developed and developing countries around the world have made great progress in reducing poverty and its corollary of human suffering. Over the past decade, new thinking has emerged in terms of research and policy relating to poverty. Among OECD countries, the focus of research on poverty has shifted from describing the poor to understanding the process and consequences of poverty (Øyen, 2003). There has been a great deal of literature devoted to the measurement of poverty, income inequality, income security, and more recently, the dynamics of poverty.

Traditionally, poverty has often been synonymous with a lack of financial resources at one point in time. New research findings have provided insights into the pathways in and out of poverty. Researchers and policy practitioners have come to view poverty not simply as a lack of financial resources, but as the cause and consequence of social exclusion. That is, a lack of money prevents individuals from fully participating in the social and economic activities of the society in which they live. Broader interpretations of poverty incorporate notions of dignity and capabilities to achieve potential.

This new understanding has led to a broader definition of poverty to include aspects other than income. The United Nations, for example, describes poverty as a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political, and social rights.<sup>1</sup> Following this definition, the United Nations'

Human and Income Poverty Index (UNHPI) includes a wider range of indicators. In addition to low income measured as the proportion of the population below 50% of median income, the UNHPI includes measures, such as life expectancy, the literacy rate, and long-term unemployment.<sup>2</sup> Using this approach, poverty can be seen as a hydra, the many-headed serpent that was the object of the second labour of Hercules.

When measured against the UNHPI, Canada does not fare particularly well, especially compared to other developed nations. In 2004, for example, Canada ranked 12 out of 17 on the UN Human Poverty Index for 17 developed nations, ahead of other predominately English-speaking countries, such as the United States, Ireland, the United Kingdom, and Australia, but well behind non-English-speaking countries, especially Sweden, Norway, and the Netherlands. Picot and Myles report a similar pattern on income inequality in this issue of *Horizons*. Further, as shown by Picot and Myles, income inequality has risen in Canada even in times of economic prosperity.

## Poverty Is a Transient State for Most People

With the availability of longitudinal data, researchers are able to identify social factors contributing to the dynamics of income mobility. It has been shown that low income is often not a permanent state (Finnie, 2000). Rather, being poor is a fluid and often temporary process. While individuals may experience low income at some point, many get out of it within a couple of years. Some may re-enter poverty, while others escape from the

---

Jean Lock Kunz is an Associate Project Director and Jeff Frank is a Project Director, both with Policy Research Initiative.



situation completely. Entry and exit from low income are often associated with events and transitions over one's life course, such as a change in family or employment status, as well as a change in place of residence.

That being said, there remains a small percentage of individuals and families who are particularly vulnerable to being persistently poor. As demonstrated by Hatfield in this issue, five groups in particular are more vulnerable to long-term poverty than the general population: lone-parent families, unattached older individuals, persons with work-limiting disabilities, Aboriginal peoples living off reserves, and recent immigrants. These groups share a number of things in common. Each group carries an identity marker defined by an event occurring over the course of life, ranging from a change of family status or a lack thereof, a change in health status, or a change in place of residence. Individuals experiencing multiple changes are particularly at risk, such as being older, single, and disabled, or being an Aboriginal lone parent, living off the reserve. Conversely, departure from some of these characteristics reduces the risks of long-term poverty.

### Poverty Is Multi-Faceted

Low income is one aspect of social exclusion. As Sen argues: "Income may be the most prominent means for a good life without deprivation, but it is not the only influence on the lives we can lead" (2000: 3). Indeed, it is the nexus of poverty and exclusion, to quote Eliadis in this issue, that is of policy interest. As mentioned, the many aspects of poverty bring to mind the hydra, the many-headed serpent that terrorized the countryside of Lerna until being defeated by Hercules.

Low-income individuals and families are often excluded from many aspects of life including access to an adequate level of goods and services, meaningful employment opportunities, affordable housing and well-provisioned neighbourhoods, and civic, social, and political participation.

*Low income is one aspect of social exclusion, and low-income individuals and families are often excluded from many aspects of life.*

*Low-income individuals and families are often deprived of opportunities to develop their capabilities.* Lack of financial resources means making choices regarding necessities of life. This may deprive individuals of opportunities to develop their capabilities. Children from lower-income families are less likely to have a computer at home or to participate in extra-curricular activities (Ross and Roberts, 1999). Women with lower incomes are less likely to be able to afford paid child care. Housing and food are the major expenses, especially for low-income families.

*Low-income individuals are marginalized in the world of work.* Labour market attachment is usually weak among the poor. The persistently poor are likely to be unemployed or working part time (again, see Hatfield's article in this issue). This could be due to a lack of education and employment opportunities. Moreover, for those who are employed, many are trapped in jobs that offer little security and low pay. Individuals in precarious jobs are less likely to receive on-the-job training. Nor can they afford skills-upgrading courses that could help them escape their predicament.

*Low-income households are in need of adequate and affordable housing.* Adequate housing, to some extent, is defined by a well-provisioned neighbourhood. Poor-quality housing is generally found in low-income neighbourhoods. Individuals usually pay a premium for living in a good neigh-

bourhood, because of the quality of community services, schools, better infrastructure, and a vibrant economy. The poor are less likely to be able to afford quality housing and, consequently, are excluded from access to quality services. Engeland and Lewis show in this issue that households with low attachment to the labour market and low income are more likely to have core housing needs.

*Low-income people often lack the social capital, or networks, that are key to getting ahead in life.* Networks are critical in enabling individuals to get by and get ahead over the course of life. There are two kinds: bonding networks that help individuals get by, such as close family and friends of the same social and economic background, and more diverse bridging networks that can help individuals get ahead. It has been argued that the poor and socially excluded are strong in bonding networks, but weak in bridging networks (Perri 6, 1997). While strong ties represented by bonding networks are essential, it is the weak ties mostly found in bridging networks that are critical, for example, in finding jobs and advancing in one's career.

## Poverty in a Life-Course Perspective

Poverty and exclusion do not occur overnight. These states evolve from circumstances affecting the entire life of an individual (Giddens, 2000). Hence, we need to apply a life course lens to the analysis of poverty and social exclusion. Broadly speaking, the life course consists of four trajectories: family, learning, employment,

*Governments have to balance between teaching individuals to fish and providing them with fish when they are unable to provide for themselves.*

and community. Events and transitions along each trajectory change an individual's role responsibilities. There will invariably be setbacks and opportunities. Individuals usually have a set of resources at their disposal including personal characteristics, social relations, human and financial resources, and government support. When facing setbacks, such as family breakdown, health problems, or employment disruptions, these individual resources act as buffers (Room, 2000). If these buffers are not strong enough to overcome life's calamities, then, individuals risk being at the margin of society. Through the lens of the life course, we can examine the critical points where exclusion likely occurs.

## Equality of Opportunity vs Equality of Outcome

What is the role of governments in effectively addressing poverty and exclusion? To use a much-quoted Eastern proverb: Give a man some fish, you feed him for a day; teach him to fish, you feed him for life.

Governments have to balance between teaching individuals to fish and providing them with fish when they are unable to provide for themselves.

On the one hand, governments can enable individuals to participate fully in the social and economic activities in the society in which they live by empowering them with the capability necessary to take hold of the social and economic situations. This includes

providing opportunities that allow individuals to build up various forms of assets, such as the capability of saving for the future, the capacity to learn, and the ability to own a home.

On the other hand, equality of opportunity does not guarantee equality of outcomes. Individuals may be unemployed due to an economic downturn. Some may not be able to work full time due to health or family reasons. Others may work hard, but still cannot make ends meet. This population can be termed the working poor, and is discussed in articles by Jackson and by Fortin and Fleury in this issue.

## Reducing Poverty Requires the Efforts of All

Hercules did not conquer the hydra by himself. One person alone could not defeat the monster: as soon as one head was struck, two others would burst out. Hercules had the assistance of his nephew Iolaus. After his uncle chopped off one of the heads of the hydra, Iolaus ensured that it would not grow back while Hercules tackled

the remaining heads. In a similar spirit of assistance, all sectors of society, governments, community, and the family, in addition to the individual, play a role in reducing poverty and exclusion (Maxwell, 2003).

Governments provide income support and programs to ease life course transitions. Early childhood education and development measures ensure that children have a good start in life. Student loans, scholarships, and long-distance education could improve the affordability and accessibility of post-secondary education. Employment insurance, welfare-to-work and job training programs can help the unemployed to get back on their feet more quickly. Legislation is in place to ensure fair labour market standards and equal access to jobs.

Non-government sectors, such as community organizations, also contribute to the well-being of individuals. Social economy enterprises offer ways to combat poverty and distressed neighbourhoods. The voluntary sector is critical in supporting efforts to reduce poverty and exclusion. This issue of *Horizons* includes two examples of how non-governmental organizations can support and mobilize communities to bring greater inclusion. (See pieces in this issue from the Laidlaw Foundation and the Canadian Council on Social Development.)

Employers, through hiring and corporate practices, are key to the labour market integration of workers. Education and skills clearly improve one's likelihood of finding and maintaining meaningful employment and job security. Getting a foothold in the world of work is not without perils for young people entering the labour market for the first time, as well as for those

## The PRI Project: New Approaches for Addressing Poverty and Exclusion

In the spring of 2003, the PRI launched an interdepartmental project called New Approaches for Addressing Poverty and Exclusion (see *Horizons*, volume 6, number 2). Significant progress has been made since then in understanding the dynamics of poverty and its link to other forms of social exclusion.

Early on, the project developed a conceptual framework outlining the intersections between income, poverty, and exclusion. Next, we worked with our departmental partners to identify the aspects of life from which low-income people are often excluded. By autumn, a compendium had been compiled of the most recent research undertaken by participating federal departments and researchers outside of government. Drawing from the research compendium, the project team developed a diagnostic that examined issues of poverty and exclusion using multiple lenses, and reviewed current and emerging approaches worldwide. These activities were discussed at the November 2003 PRI-SSHRC roundtable, Implications for Policy-Making of Current Research on Poverty and Exclusion. At the roundtable, departmental officials and experts recommended that we apply a life-course lens to poverty and exclusion, and that more attention be turned to the working poor who are at risk of exclusion.

In December 2003, the PRI organized a conference on asset-based approaches to addressing poverty. Over 150 experts, researchers, and practitioners in various

sectors from Canada and abroad took part in the event. Through the resulting exchange, participants were able to understand and discuss the merits, as well as the limits, of this emerging approach.

A life-course perspective will inevitably prove useful in how we make various kinds of social investments to address issues of poverty and social exclusion. To this end, the PRI has proposed a life-course framework for social policy analysis that will help to target our efforts more effectively. First presented this past August at the 2004 Queen's International Institute on Social Policy, the framework considers the kinds of resources to which people can turn for various forms of support (i.e., financial, physical, human, and social capital, as well as information), the possible sources of these supports (i.e., markets, governments, arm's-length institutions, communities, families, and social networks), and the potential substitutability of these resources and their sources.

In addition to examining the trajectories of stages and key events over people's life course, the framework also emphasizes the importance of significant and sometimes multiple transitions that represent the critical points where individuals may need to rely on various forms of support. This life-course framework serves as a practical backdrop for much of the work the PRI is conducting in the course of its social policy projects.

starting anew in a foreign country. Employers determine the value of the education and experience of job applicants and workers.

As active players, individuals navigate through the course of life using the social and economic resources at their disposal. The life course is fluid and multi-dimensional, encompassing gender, ethnicity, marital status, health, immigration status, and economic resources. These markers have an impact on the type and

amount of resources one is able to accumulate over each life course trajectory. Dempsey's analysis in this issue of elderly immigrants demonstrates the impact on earnings of migration later in one's life course.

Family, friends, and acquaintances offer support in times of need. Strong family support is critical in ensuring that children grow up in a loving and stimulating environment. Intergenerational support includes both financial and other contributions.

Of course, the market environment also plays a role. Economic tides affect employment prospects, as well as income and wealth accumulation. As workers, consumers, and investors, an individual's fortune is intimately linked to the market in terms of the financial return to human capital, job opportunities, and the amount of income and assets he or she accumulates. During an economic downturn, jobs are more difficult to come by, and the value of one's savings and assets

decreases. Yet, even when the economic tides are rising, not everyone will share the benefits. For example, housing may be more unaffordable for those in low-income jobs, especially in places where the local economy is booming.

## Conclusion

We have established that combating poverty is a Herculean effort. Yet, even Hercules could not completely eliminate the hydra, as one of its heads was immortal. In some sense, poverty and exclusion will likely remain a fact for all societies rich or poor. But the faces of poverty and the manifestations of exclusion will continue to change. Innovation and partnership are key to managing the associated social risks and capitalizing on emerging opportunities.

In the context of its project on New Approaches to Poverty and Exclusion (see accompanying text box), the PRI has undertaken conceptual and diagnostic work that has laid the groundwork for the assessment of new approaches to combating issues of poverty and exclusion. The current issue of *Horizons* provides an excellent indication of the directions this body of work is taking.

## References

- Finnie, Ross. 2000. *Low Income (Poverty) Dynamics in Canada: Entry, Exit, Spell Durations, and Total Time*. Applied Research Branch, Strategic Policy, Human Resources Development Canada. W-00-7E.
- Giddens, Anthony. 2000. *The Third Way and Its Critics*. Cambridge: Polity Press.
- Maxwell, Judith. 2003. *The Great Social Transformation: Implications for the Social Role of Government in Ontario*. Canadian Policy Research Networks.
- Øyen, Else. 2003. *Poverty Production: A Different Approach to Poverty Understanding*. Comparative Research Programme on Poverty, International Social Science Council.
- Perri 6. 1997. *Escaping Poverty: From Safety Nets to Networks of Opportunity*. Demos.
- Room, Graham. 2000. "Trajectories of Social Exclusions: The Wider Context for the Third and First Worlds." In *Breadline Europe: The Measurement of Poverty*, ed. David Gordon and Peter Townsend. The Policy Press.
- Ross, David, and Paul Roberts. 1999. *Income and Child Well-Being: A New Perspective on the Poverty Debate*. Canadian Council on Social Development.
- Sen, Amartya. 2000. *Social Exclusion: Concept, Application, and Scrutiny*. Social Development Papers No. 1. Office of Environment and Social Development, Asian Development Bank.

## Notes

- 1 See <<http://193.194.138.190/development/poverty-02.html>>.
- 2 United Nations' Human Development Reports. See <<http://hdr.undp.org/reports/global/2002/en>>.

## PRI-SSHRC Roundtable Series

In order to address effectively the multifaceted problems facing contemporary society, governments are increasingly required to rely on the knowledge and expertise that are found in the work of academia, research institutions, and other authoritative sources. Nonetheless, the integration of available research, analysis, and empirical evidence into the policy development process remains a significant challenge. How do we ensure that knowledge producers are effectively connecting with those who, in their efforts to promote the well-being of Canadians, can make best use of their knowledge?

The PRI-SSHRC Policy Research Roundtables is a joint effort by the Social Science and Humanities Research Council and the Policy Research Initiative. Its objective is to improve the quality of knowledge transfer between experts from academia and those responsible for the design and development of federal policies and programs.

The PRI-SSHRC Policy Research Roundtables series provides a unique venue for informed discussions on key emerging policy priorities and policy research issues. In addition, it will contribute to the development and maintenance of networks between key policy researchers and senior policy personnel.

The autumn 2004 season of the PRI-SSHRC Roundtable series is now complete, and a number of eyewitness reports from the season appear in this issue of *Horizons*. Information regarding upcoming Roundtable activities will be posted on the PRI web site, at <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>, as it becomes available.



# Income Inequality and Low Income in Canada

**Garnett Picot**  
Statistics Canada

**John Myles**  
University of Toronto and  
Statistics Canada

Garnett Picot is Director General of the Socio-Economic and Business Analysis Branch at Statistics Canada.

John Myles is a Professor in the Department of Sociology at the University of Toronto, and a Research Fellow at Statistics Canada.

Trends in low-income levels and income inequality in Canada are two of the more closely watched indicators of economic well-being. In this paper we review recent evidence regarding these trends in Canada.

## Family Income Inequality in Comparative Perspective

For cross-national comparative purposes, our selection of countries is based on a well-established body of comparative research. Reflecting long-standing institutional and

political differences, these clusters include the Scandinavian/Nordic nations, represented here by Finland and Sweden, the countries of Continental Europe (Belgium, Germany, and the Netherlands) and the predominantly English-speaking countries (Canada, the United Kingdom, and the United States).

Table 1 summarizes recent (1997-2000) results on cross-national differences in income inequality for these eight nations. Measured with the Gini index (the higher the Gini, the greater the inequality), family income inequality

**TABLE 1**

### Measures of Family Income Inequality: An International Comparison<sup>a</sup>

	After-Tax/Transfer (Disposable) Income Adult Equivalent Adjusted <sup>b</sup>			
	Gini	Ratio of High to Low Income (P90/P10)	Ratio of Low to Middle Income (P10/P50)	Ratio of High to Middle Income (P90/P50)
United States (2000)	0.37	5.43	0.39	2.10
United Kingdom (1999)	0.35	4.54	0.47	2.14
<b>Canada (1997)</b>	<b>0.29</b>	<b>3.99</b>	<b>0.47</b>	<b>1.86</b>
The Netherlands (1999)	0.25	3.27	0.53	1.75
Germany (2000)	0.25	3.17	0.55	1.73
Belgium (1997)	0.25	3.19	0.53	1.70
Sweden (2000)	0.25	2.95	0.57	1.68
Finland (2000)	0.25	2.90	0.57	1.64

Notes:

- a The Gini coefficient varies between 0 and 1.0: the higher the Gini, the greater the level of inequality. The results in Table 1 are based on family disposable (after-tax and transfer) income, where the unit of analysis is the individual, and each individual is attributed the family "adult-equivalent adjusted" family income.
- b Adult equivalent adjusted income is a per capita measure of income that accounts for the economies of scale associated with larger families. It is computed by dividing family income by the number of "equivalent adults" in the family. A family of four may have two equivalent adults, based on the assumption that four people in one household is the equivalent of two people living on their own.

Source: Smeeding (2003).

**TABLE 2****Income Inequality (Gini) From the Late 1970s to the End of the 1990s in Eight Nations**

	Late 1970s	Mid-1980s	Mid-1990s	Most Recent
United States	0.30	0.34	0.36	0.37
<b>Canada</b>	<b>0.29</b>	<b>0.28</b>	<b>0.28</b>	<b>0.29</b>
United Kingdom	0.27	0.30	0.34	0.35
Germany	0.26	0.25	0.26	0.25
Netherlands	na	0.26	0.25	0.25
Belgium	na	0.23	0.22	0.25
Finland	na	0.21	0.22	0.25
Sweden	0.22	0.22	0.22	0.25

Source: LIS key figures.

was remarkably similar among the Central European and Nordic nations by the end of the century. Canada's position (Gini = .29) as more egalitarian than the United States (Gini = .37), and the United Kingdom (Gini = .35), but less equal than the countries of Central and Northern Europe, replicates a familiar pattern found in many earlier cross-national comparisons.

Comparing percentile ratios provides a more intuitive understanding of these differences. In the United States, family incomes near the top of the distribution (the 90th percentile) are over five times higher than family incomes near the bottom of the distribution (the 10th percentile). In Canada, the ratio is about four to one, while in Sweden and Finland the ratio is about three to one. Relative to families in the middle of the distribution (at the 50th percentile), low-income persons in the Nordic countries have incomes that are 57% of the median, compared to 47% in Canada and the United Kingdom, and 39% in the United States.

In Table 2, we show how inequality has evolved in these countries since the late 1970s. Perhaps the most remarkable feature is the stability in the relative ranking of countries despite change. Countries with higher levels of family income inequality (including Canada) at the beginning of the period also had higher levels at the end of the period. The Nordic countries (Finland, Sweden) retained their distinctively low levels of inequality through the mid-1990s, at which point they began to move toward Central European levels. Canada's position relative to the United States and the United Kingdom, however, has changed quite dramatically since the 1970s. At the beginning of the period, the difference between Canada and the United States was quite modest, and Canadian inequality was higher than in the United Kingdom. By the end of the period, however, Canadian inequality was well below US and UK levels, a result of relative stability in the Canadian distribution compared to a long-term rise in inequality in both

the United States and the United Kingdom. The relative stability in the Canadian income distribution through the 1980s and early 1990s has been well documented (Beach and Slotsve, 1996; Wolfson and Murphy, 1998; Gottschalk and Smeeding, 1997) and reflects the fact that, through the 1980s and early 1990s, increases in market-based inequality among families were offset by rising social transfers. As we show in the following section, however, new evidence from recent studies indicates that income inequality in Canada deviated from this long-standing stable trend and increased moderately during the 1990s.

### Is Family Income Inequality Rising in Canada?

The data in Table 2 show that income inequality, as measured by the Gini coefficient, changed little between the late 1970s and the late 1990s. These results are based on a survey that was terminated in 1997 in favour of a new survey. However, to assess recent trends one should analyze comparable points in the business cycle, and employ more recent data. To do so, we turn to two sources: the census, and a series that is a combination of the terminated Survey of Consumer Finances (SCF) and its replacement, the Survey of Labour and Income Dynamics (SLID). We focus on 1990 and 2000, roughly the last two business cycle peaks.<sup>1</sup>

The survey data (SCF plus SLID) registered a 6% increase in the Gini coefficient between 1990 and 2000, based on after-tax and transfer income (i.e., disposable income<sup>2</sup>), the most appropriate income measure. However, the census does not collect taxes paid

data, so we turn to a slightly different definition of family income: income after government transfers and pre-tax. On that basis, the survey data again suggest a 6% increase in the Gini between 1990 and 2000, and the census data registered a 5% increase. Thus, these two sources indicate a moderate increase in income inequality over the 1990s.

Perhaps a more intuitive interpretation of the increase can be gained using top to bottom ratios. Based on survey (SCF and SLID) data, after taxes and transfer income among families in the top decile (the 10% of families with the highest incomes) was 7.5 times that of the income of families in the bottom decile in 1990. By 2000, this had increased to an estimated 8.7 times greater,<sup>3</sup> an increase of 15% in the top to bottom ratio. Census data suggested a similar 14% increase in this ratio (based on pre-tax, after transfer income).

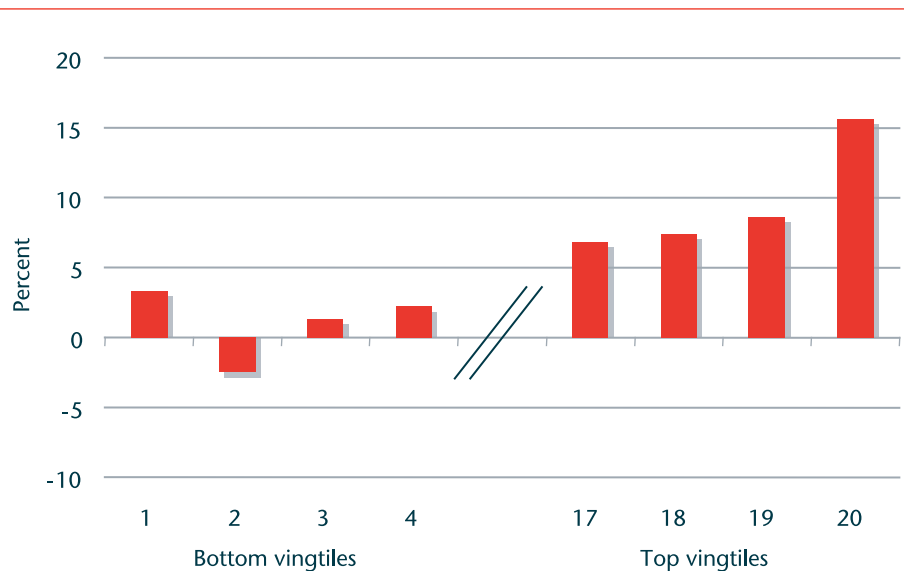
Figure 1 indicates the rise in inequality was primarily the result of faster rising incomes at the top of the income distribution. Census data suggest little change in family incomes among lower-income families between 1990 and 2000, while higher-income families saw increases between 7% and 16%.

### Low Income

Measures of income inequality indicate changes in relative distribution of income over the entire population. Low-income statistics, in contrast, provide a more focused view of changes at the bottom end of the income distribution. The low-income rate measures the proportion of people below a low-income cut-off, while the low-income gap is a measure of the

**FIGURE 1**

**Percent Change in Total Family Income by Vingtile,<sup>a</sup> 1990-2000, Census Data**



Note:

<sup>a</sup> Ordering families by their total family income (after transfer, before taxes), from the bottom vingtile (the 5% of families with the lowest total family income) to the top.

Source: Statistics Canada, Census.

depth of low income among those who fall below the cut-off.<sup>4</sup> Analysts concerned with economic exclusion typically focus on both measures, as we will see when we turn to our review of Canada-specific trends. Because of measurement problems, however, the cross-national comparisons in the section below only consider differences in low-income rates.

### Low Income in Comparative Perspective

#### a. Levels and Trends

For cross-national comparisons, we follow conventional practice and measure low income as including all persons in families with incomes less than 50% of the national median (Table 3). Our results are based on Smeeding (2003).

The low-income rate for all persons, using the 50% threshold, varies from 5.4% in Finland to 17.0% in the United States. Higher rates are found in predominately English-speaking nations, countries that also have higher levels of overall inequality. While overall rates in Canada and the United Kingdom (12%) remain well below those of the United States, Canada's relative position varies substantially among sub-groups. At 5%, the low-income rate among Canadian seniors is now among the lowest of the affluent democracies. In contrast, until the late 1990s, low-income rates among Canadian one-parent families (39%), and childless households (12%) were close to or above US levels. As we highlight below, however, these

**TABLE 3****Relative Low-Income Rates in Eight Countries**

Nation (year)	Overall	Families with Children		Childless	Elders
		1 Parent	2 Parents		
United States (00)	17.0	41.4	13.1	11.1	28.4
United Kingdom (99)	12.3	31.3	8.9	7.7	24.6
<b>Canada (97)</b>	<b>11.9</b>	<b>38.9</b>	<b>9.5</b>	<b>12.1</b>	<b>5.2</b>
Netherlands (99)	8.9	26.8	7.9	9.5	3.2
Germany (00)	8.2	31.6	2.8	9.0	12.2
Belgium (97)	7.9	12.5	6.6	7.3	13.1
Sweden (00)	6.4	11.3	2.1	9.7	8.2
Finland (00)	5.4	7.3	2.2	7.6	10.1

Source: Smeeding (2003).

**TABLE 4****Percent Reduction in Low-Income Rates, Income Before Taxes/Transfers Compared with Income After Transfers and Taxes, All Persons**

	Smeeding (2003) Percent Reduction	Corak et al. Percent Reduction
United States	28	28
United Kingdom	61	53
<b>Canada</b>	<b>52</b>	<b>52</b>
Netherlands	59	na
Germany	71	64
Belgium	75	na
Sweden	78	na
Finland	70	na

historically high levels of low income among Canadian lone-parent families moved down sharply after 1997.

**b. The Role of Transfers and Taxes**

The extent to which income transfers (and taxes) redistribute income to the benefit of the least advantaged varies significantly among advanced

economies. It is worth noting that countries differ in the extent to which services, such as education or health care, are provided publicly or privately so estimates, such as those presented below (i.e., based on cash benefits alone) do not capture the full range of government redistribution.

The standard approach to measuring the effect of transfers and taxes, as employed here, is to compare the low-income rate on a pre-transfer/tax basis (market income) with the low-income rate after transfers and taxes (disposable income).<sup>5</sup>

Table 4 summarizes the overall impact of taxes and transfers (including those for retirees) on low-income levels from Smeeding (2003) and Corak et al. (2003). Despite differences in data sources, the results are remarkably consistent.<sup>6</sup> Among the eight countries, the cash tax/transfer system in the United States reduced low income the least. Reductions were somewhat higher in Canada and the United Kingdom than in the United States, but generally less than in the European countries.

**Low-Income Rates in Canada****a. Changes in Canadian Low-Income Levels during the 1990s**

In this section, the low-income rate is the proportion of people below Statistics Canada's after-tax and transfer low-income cut-off (LICO). As shown in Figure 2, the low-income rate typically tracks the unemployment rate. Rates tend to rise during recessions and fall again as recovery sets in; however, in the 1994 to 1997 period, the low-income rate in Canada rose despite improving economic conditions. Two papers (Osberg, 2000; Picot et al., 2003) concluded that this deviation was related to the fact that, despite recovery, earnings did not increase to any great extent among poorer families, while social transfers (social assistance, Employment Insurance benefits) fell. By 2001, though,



Figure 2 suggests the low-income rate and the unemployment rate had resumed their historical relationship.

Strikingly, after years of relative stability, low-income rates among lone-parent families fell substantially in the latter part of the 1990s. Statistics Canada calculations show that the low-income rate among lone parents fell 10 percentage points (from 42% to 32%) between 1997 and 2000.<sup>7</sup> Though still not well understood, this change was at least in part the result of increased earnings. Average market income among female lone-parent families rose 46% between 1996 and 2001, a trend that appears to be primarily the result of higher labour force participation. About 82% of female lone-parent families had earnings in 2001, while in 1993 the corresponding figure was 67%. This increase may reflect changes in child tax benefits (the National Child Benefit), which reduced employment disincentives, and certain “re-investments” of transfers from social assistance to cash and non-cash programs for children. In effect, earnings trends among lone-parent families were a significant and important exception to the patterns reported for all low-income families described earlier.

The low-income gap provides additional information on the well-being of low-income families. Sometimes referred to as the depth of low income, it is the difference between the low-income cut-off and the average income of low-income families expressed as a ratio of the cut-off.

The change in the low-income gap is shown in Figure 3 by indexing the gap to 100 in 1980. Despite falling

**FIGURE 2**

**Low-Income Rate<sup>a</sup> and Unemployment Rate (Left Axis), Canada, 1980 to 2002**

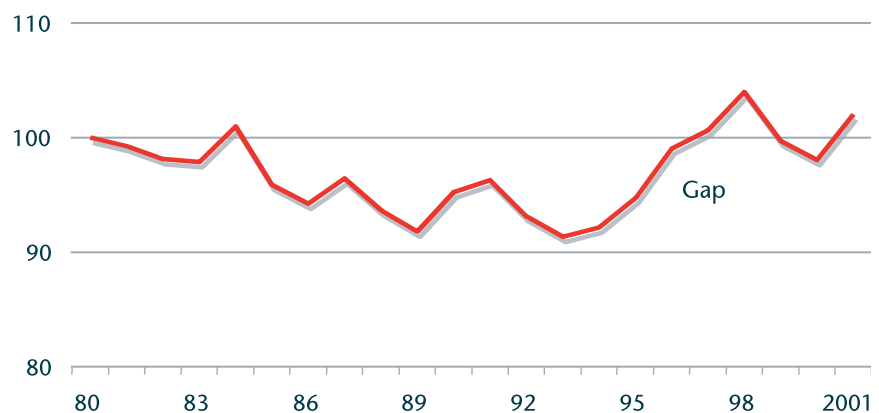


<sup>a</sup> Based on Statistics Canada’s after tax/transfer LICO.

Source: Statistics Canada, Census.

**FIGURE 3**

**The Low-Income Gap,<sup>a</sup> 1980 to 2001 Index, 1980=100**



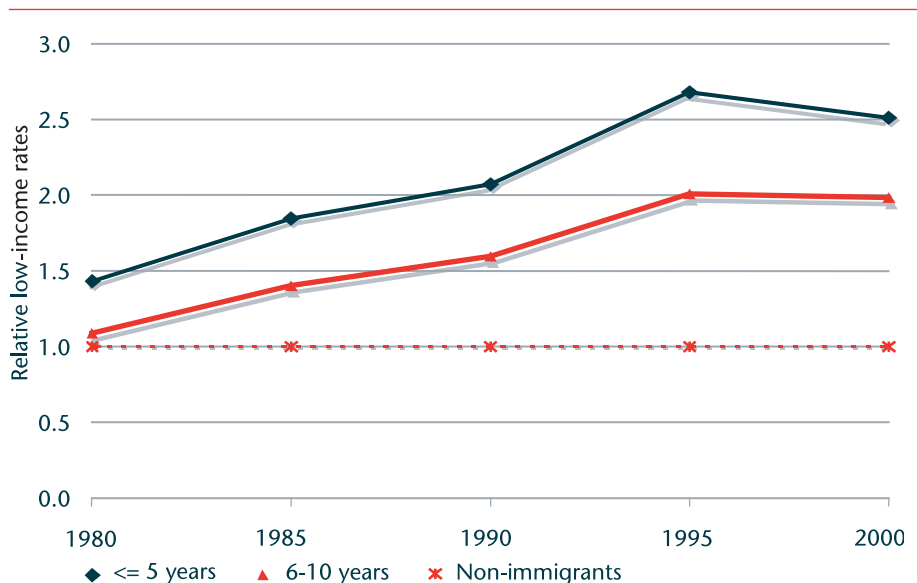
Note:

a. The gap is measured as  $(I-C)/C$

where I = average family income for among families in low-income  
 C = the dollar value of the low-income cut-off  
 (Statistics Canada after tax/transfer LICO).

**FIGURE 4**

**Low-Income Rates of Immigrants Relative to Non-Immigrants, by Five-Year Period of Immigration, 1980 to 2000**



Source: Picot and Hou (2003).

employment earnings among low-income families during the 1980s, the low-income gap fell as a result of rising transfers (Picot et al., 2003). From 1993 to 1998, in contrast, average real incomes among low-income families fell resulting in a rising low-income gap.<sup>8</sup> As a result, unlike the trend in the low-income rate, the low-income gap did not return to the levels observed at the end of the 1980s.

### **b. Low-Income Trends Among Recent Immigrants**

Low-income trends among the population as a whole tend to mask an underlying divide that has opened up between the native-born and immigrants to Canada. The decline in earnings among successive groups of immigrants entering Canada through

the 1980s and 1990s has been well documented (Bloom and Gunderson, 1991; Reitz, 2001; Green and Worswick, 2002; Frenette and Morissette, 2003; Aydemir and Skuterud, 2004).

This rising earnings gap between recent immigrants and the native-born is reflected in a growing divide in low-income rates. For most major groups among the native-born, low-income rates have been falling through the 1980s and 1990s. In contrast, low-income rates among immigrants (net of business cycle effects) have been rising. Between 1980 and 2000, two years of business-cycle peaks, the low-income rate among recent immigrants rose from 25% to 36%, while falling among the Canadian-born from 17% to 14%.<sup>9</sup> Even among traditionally

vulnerable groups of the Canadian-born, such as seniors, lone parents, and young families, low-income rates either fell, or remained constant (Picot and Hou, 2003). Among very recent immigrants (in Canada five years or less), the low-income rate was 1.5 times that of the Canadian-born in 1980, rose to 2.7 times the native-born rate in 1995, and declined marginally to 2.5 times the native-born rate in 2000.

### **Low-Income Dynamics**

With the advent of longitudinal household surveys, analysts are now able to establish levels and trends in the low-income rate and gap, and patterns of entry and exit from low income, the duration of low-income spells, and the movement of individuals within the income distribution. Income dynamics analysis is concerned with the fluidity of movement among various income states and the determinants of these flows.

#### **a. Low-Income Dynamics in a Comparative Context**

For many, low income is a transient condition. Corak et al.'s analysis of low-income dynamics in Canada, Germany, the United Kingdom, and the United States shows that between one third and one half of all people who enter low income exit after one year (Table 5).<sup>10</sup> At the other extreme, between 20% and 30% of all people who enter low income find themselves still in that state after five years. Though limited in its comparative scope to only four countries, the results of Corak et al.'s study indicate that national differences in persistent low income are correlated with higher inequality and low-income levels. Of

those entering low income in the United States, 31% were still in the state after five years, compared to 24% in Canada, and 18% in Germany and the United Kingdom. Since the number of people persistently in low income depends on how long they remain in that state and how many enter, a somewhat better indicator of long-term exclusion is the percentage of the total population in low income over an extended period. During the six years analyzed by Corak et al., 5.4% of the population was in low income in all six years in the United States, 4.4% in the United Kingdom, 2.9% in Canada, and only 1.9% in Germany.

**b. The Most Vulnerable:  
The Concentration of Persistent  
Low Income in Canada**

If persistent low income is highly concentrated among a few groups, then research focusing on the outcomes of these groups will be useful. Entering and exiting low income is not a simple matter of finding or losing jobs. Family formation patterns (divorce, separation, marriage, common-law unions) often play a major role. And regarding employment outcomes, the underlying barriers to improved outcomes may vary tremendously among groups. These barriers and underlying causes of poor employment outcomes are almost certainly very different for, say, recent immigrants, than for single parents or persons with work disabilities.

Based on SLID, Michael Hatfield and his colleagues at Human Resources Development Canada attempted to identify those groups that account for a disproportionate share of persistent

**TABLE 5**

**Low-Income Dynamics Statistics Over a Six-Year Period During the 1990s<sup>a</sup>**

	Canada %	Germany %	United Kingdom %	United States %
A. Leaving low income after one year	38.4	46.6	41.1	36.4
B. In low income after five years	24.4	17.8	18.1	31.1
C. Of the population in low income at least once	24.1	19.5	29.7	35.1
D. Of the population in low income in all six years	2.9	1.9	4.4	5.4

Note:

a. 1993 to 1998 (1990 to 1996 for the United States).

Source: Corak et al. (2003), based on the Survey of Labour and Income Dynamics for Canada, the British Household Panel Survey, the German Socio-Economic Panel, and the Panel Survey of Income Dynamics in the United States.

**TABLE 6**

**Percent of Low-Income Population Accounted for by Five Groups**

	Percent of Population 16-64 %	Low-Income in 2000 %	Low Income Measured Over Five-Year Basis (persistent) 1996-2000 %
Members of at least one of the five groups	25.9	56.2	62.1
<i>By group:</i>			
Lone parents	3.7	10.3	13.1
Unattached 45-64	5.5	19.0	16.6
Recent immigrants (10 yrs)	5.5	11.7	16.6
Work – limiting disability	10.7	22.6	26.3
Off-reserve Aboriginal people	3.1	5.1	5.5
Others not in the five groups	74.1	43.8	37.9

Source: Hatfield (2003), based on Survey of Labour and Income Dynamics.

**TABLE 7****Low-Income Rates Among Five Groups: All and Persistent Low Income**

	% of Group in Low Income	
	2000	Persistent over 1996-2000
Lone parents	30.2	25.6
Unattached 45-64	37.1	33.7
Recent immigrants (10 yrs)	22.8	24.2
Work-limiting disabilities	22.8	23.3
Self-identified Aboriginal people (off-reserve)	17.4	17.2
Others	6.4	4.2

Source: Hatfield (2003), based on Survey of Labour and Income Dynamics.

low income (Hatfield, 2003). They found that while accounting for only 26% of the population, 62% of all persons in persistent low income over the 1996-2000 period were in one of five groups (Table 6): lone-parents, unattached persons aged 45 to 64, recent immigrants (in Canada 10 years or less), persons with work-limiting disabilities, and Aboriginal people living off reserves.<sup>11</sup> Persons with work-limiting disabilities constituted the single largest group (26%) of those persistently in low income over the period, followed by recent immigrants and unattached individuals aged 45 to 64.

It would be incorrect to think that all persons in these five groups find themselves at the bottom of the income distribution for extended periods. Even among these groups, a minority is exposed to low income on a long-term (or even transient) basis (Table 7). Roughly a quarter to a third of the members of these groups found themselves in persistent low income over a five-year period.<sup>12</sup> Though not in the majority, persistent low income in these populations is

about eight times the average of 4.2% found in the rest of the population.

There is a substantial debate regarding the extent to which the concentration of persistent low income should translate into a strategy of targeting policies. Focusing policies on specific groups could, by definition, exclude many others who may be in exactly the same economic position, but who would not be eligible for program assistance. Furthermore, broad support for redistributive programs may become problematic when eligibility is determined in part by group membership rather than by some measure of need. Using the information on group concentration to determine underlying causes of persistent low income, and developing policy strategies that are then made available to the entire population may be the most fruitful approach.

### Summary and Conclusion

The standard conclusion of the research literature on Canadian incomes through the mid-1990s was

that, despite some worrying developments, Canada had largely avoided the sharp rise in income inequality evident in both the United States and the United Kingdom since the mid-1970s. The worrying developments included the declining earnings of younger adults (under 35), particularly males, the corresponding impact of this development on young families, and falling earnings among recent immigrants and less educated males. Changes in earnings combined with changing patterns of labour market participation and family structure produced a rise in inequality in market incomes (earnings) among families. However, through to the mid-1990s, most if not all of this change was offset by rising income transfers.

Recent evidence indicates this trend began changing in the 1990s. The gains associated with the economic expansion of the '90s went mainly to higher-income families while the earnings of poorer families stagnated and social transfers fell. The result was a moderate increase in family income inequality.

At any point in time, persistent low income is concentrated among five groups. When focusing on increases in low-income rates, the focus shifts squarely to recent immigrants. While low-income rates have been falling among most Canadian-born groups, rates have been rising rapidly among recent immigrants. This deterioration in family welfare is related to the declining earnings of recent immigrants during the 1980s and 1990s despite their very high educational qualifications.



In contrast to these bad news stories, there are a few good news stories to report. The dramatic decline in low-income levels among Canadian seniors since the 1970s, a result of the maturation of legislative changes introduced in the 1960s, has been evident and well documented for some time. The recent and substantial decline in low-income rates among lone-parent families is less well understood. The decline appears to be the result of higher rates of labour force participation among lone parents, possibly reflecting changes in the family benefit system aimed at breaking down the work disincentives built into traditional social assistance schemes. Why this shift occurred and its future evolution are topics deserving considerable attention. Other good news stories relate to the rising earnings of women (particularly the highly educated), older workers, and higher-income (and education level) families.

In comparative terms, the mid-Atlantic metaphor – somewhere between the United States and Europe – has often been used to describe Canadian levels of income inequality, low income, and social spending. In the 1970s, the metaphor was somewhat misleading since Canadian levels of low income and inequality left Canada anchored in close proximity to the American shoreline. Indeed prior to the mid-1970s, low-income rates among children and seniors were higher in Canada than in the United States. Since then, the metaphor has become somewhat more accurate, not so much because Canada has moved closer to Europe, but because the United States, now joined by the United Kingdom, has moved further away from Europe.

## References

- Aydemir, A. and M. Skuterud. 2004. "Explaining the Deteriorating Entry Earnings of Canada's Immigrant Cohorts." Analytical Studies Branch Research Paper #225, Analytical Studies, Ottawa: Statistics Canada.
- Beach, C., and G.A. Slotsve. 1996. "Are We Becoming Two Societies? Income Polarization and the Myth of the Declining Middle Class in Canada." The Social Policy Challenge 12. Toronto: C.D. Howe Institute.
- Bloom, D.E., and M. Gunderson. 1991. "An Analysis of the Earnings of Canadian Immigrants." In *Immigration, Trade and the Labour Market*, eds. John M. Abowd and Richard B. Freeman. Chicago: The University of Chicago Press.
- Corak, M., W-H. Chen., A. Demanti, and D. Butler. 2003. "Social Cohesion and the Dynamics of Income in Four Countries." Analytical Studies Branch Research Paper Series, Analytical Studies, Ottawa: Statistics Canada.
- Frenette, M., and R. Morissette. 2003. "Will They Ever Change? Earnings of Immigrant and Canadian Born Workers Over the Last Two Decades." Analytical Studies Branch Research Paper #215, Analytical Studies, Ottawa: Statistics Canada.
- Gottschalk, P., and T.M. Smeeding. 1997. "Cross-National Comparisons of Earnings and Income Inequality." *Journal of Economic Literature* XXXV (June): 633-687.
- Green, D.A., and C. Worswick. 2002. *Earnings of Immigrant Men in Canada: The Roles of Labour Market Entry Effects and Returns to Foreign Experience*. University of British Columbia, Department of Economics, prepared for Citizenship and Immigration Canada.
- Hatfield, M. 2003. "Persistent Low-Income: A Key Barrier to Social Inclusions." Applied Research Branch, Human Resources Development Canada. Mimeo.
- Osberg, L. 2000. "Poverty in Canada and the USA: Measurement, Trends and Implications." Presidential Address to the Canadian Economics Association, Vancouver, June 3, 2000.
- Picot, G., and F. Hou. 2003. "The Rise in Low-Income among Immigrants in Canada." Analytical Studies Branch Research Paper Series 11F0019MIE2003198, Analytical Studies, Ottawa: Statistics Canada.
- Picot, G., R. Morissette, and J. Myles. 2003. "Low-Income Intensity during the 1990s: The Role of Economic Growth, Employment Earnings and Social Transfers." Analytical Studies Branch Research Paper Series 11F0019MIE2003172, Analytical Studies, Ottawa: Statistics Canada.
- Reitz, J. 2001. "Immigrant Success in the Knowledge Economy: Institutional Changes and the Immigrant Experience in Canada, 1970-1995." *Journal of Social Issues* 57: 579-613.
- Smeeding, T. 2003. "Government Programs and Social Outcomes: The United States in Comparative Perspective." Mimeo. Centre for Policy Research, Maxwell School, Syracuse University.
- Wolfson, M., and B. Murphy. 1998. "New Views on Inequality Trends in Canada and the United States." Analytical Studies Branch Research Paper Series, No. 124, Analytical Studies, Ottawa: Statistics Canada.

## Notes

- 1 More precisely the business cycle peaks were 1989 and 2000, but census data are not available for 1989.
- 2 This includes all earnings, investment income, income from government transfers, pension income, income from other sources, and deductions of income taxes paid.
- 3 The actual top to bottom ratio in SLID in 2000 was 9.3. However, the move from the SCF data to SLID data in 1996 resulted in the top to bottom ratio artificially increasing by 0.6. Hence, to make the 2000 ratio comparable to the 1990 ratio, we estimated that the 2000 ratio would have been 8.7 (9.3-0.6) had there been no change in data sources.
- 4 That is, the income difference between the low-income cut-off and the average income among low-income families.
- 5 Such comparisons only measure the direct effects of income transfers however, and possible behavioural (i.e., indirect) responses are not considered. For example, reductions in transfer benefits may be an incentive for people to seek employment, thus raising earnings levels.
- 6 Corak et al. (2003) drew on longitudinal data to study income dynamics, and the Smeeding paper (2003) relied on cross-sectional data from the Luxembourg

- Income Study, an organization dedicated to obtaining comparable income data for numerous western industrialized countries.
- 7 To maintain consistency with the low-income concept used in the comparative tables, figures are reported based on the LIM low-income cut-off (i.e., persons in families whose adjusted income is less than 50% of median income). Results based on the more usual LICO-based measures, however, tell an identical story.
  - 8 The low-income cut-off used in this analysis is the Statistics Canada after-tax/transfer LICO, but it is held constant (except for adjustments to account for changes in inflation) over this period. Hence, an increasing gap means average real family incomes were falling among low-income families.
  - 9 The low-income rate among recent immigrants fell between 1995 and 2000 from 47.0% to 35.8%, but this was primarily associated with the significant improvement in economic conditions that caused the low-income rate for all groups to decline. Abstracting from business cycle effects (rates rise in recessions and fall in recoveries), the low-income rate among recent immigrants has been increasing.
  - 10 As in other cross-national comparisons, the low-income cut-off is one half the median income.
  - 11 The data were not available to include Aboriginal people living on reserves.
  - 12 Excluding self-reported Aboriginal people living off reserves, where the proportion tends to be lower. If the population on reserves were included, this proportion would certainly be higher.

## The Face of Low Income In Canada's Metropolitan Areas

Across the nation, businesses, policy makers, and Canadians from all walks of life share a heightened interest in, and awareness of, the state of Canada's metropolitan areas. They are concerned about renewing community life in urban centres. This means, among other things, addressing poverty, providing new opportunities to learn and work for all Canadians, including new immigrants and Aboriginal people, and enhancing the business climate.

Recently, Statistics Canada released the first in a series of reports examining trends and conditions in Canada's largest urban areas. Using census data, *Low Income in Census Metropolitan Areas* examines income and low income in Canada's 27 urban centres between 1980 and 2000. The report observes that, while the low-income rate did not rise in most of Canada's large urban centres between 1980 and 2000, there was a dramatic change in the demographic make-up associated with a low income.

For more information on this topic, please see the Statistics Canada report, *Low Income in Census Metropolitan Areas: 1980 to 2000*, by Andrew Heisz and Logan McLeod. The full report is available on-line at <[www.statcan.ca](http://www.statcan.ca)> catalogue number is 89-613-MIE, No. 001. Other reports in this series, covering demographics, immigration, housing, health, labour markets and industrial structure, work location and commuting mode, Aboriginal people, and culture, are now, or soon will be, available.

# Vulnerability to Persistent Low Income

**Michael Hatfield**  
Social Development Canada

Experiencing low income over several years can mean exclusion from meaningful participation in community life, long-term mental and physical health risks, living in bad housing, and restricted opportunities for the children whose parents must cope with inadequate incomes on a persistent basis.

As many of the findings in this article indicate, exclusion and persistent low income often reinforce one another.<sup>1</sup> Many of the factors associated with persistent low income reflect absent, disrupted, or ineffective social networks, particularly those types of networks that enable access to earnings from stable paid employment.

This article focuses on five large groups among the non-elderly population that were highly vulnerable to persistent low income over the 1996 to 2001 period. It begins by defining persistent low income and introducing the five high-risk groups. It then summarizes the main findings of recent published and unpublished research studies of these groups with the following questions in mind.

- Why are members of the high-risk groups so disproportionately

vulnerable to persistent low income?

- Why do most members of those groups avoid persistent low income while large minorities within each group experience it over several years?<sup>2</sup>

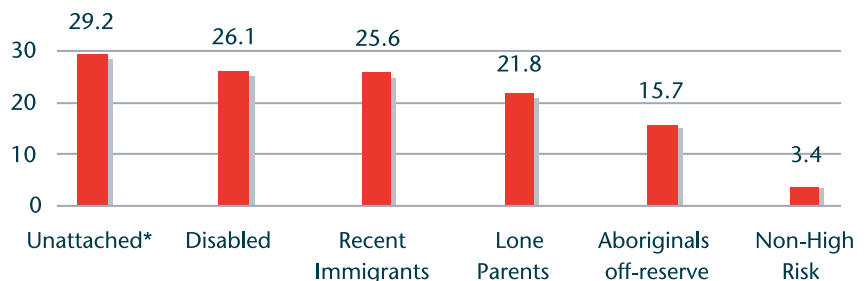
## Persistent Low Income in the Context of Overall Low Income

There are three dimensions of low income: incidence, depth, and duration. The low-income rate is the percentage of a population experiencing low income in a specified period of time (e.g., one year). The depth of low income measures how far below the low-income threshold the income of a low-income household falls. The persistence of low income, the focus of this article, tells us what percentage of the population experiences low income over a period of years.

In 1996, 14.7% of the total population under age 65 was considered to be in low income using Statistics Canada's post-transfer, post-income tax low-income cut-offs. However, using the definition of persistent low income described in endnote one, 8.0% of

**FIGURE 1**

**Percentage of Population 0-59 in 1996 Experiencing Persistent Low Income between 1996 and 2001**



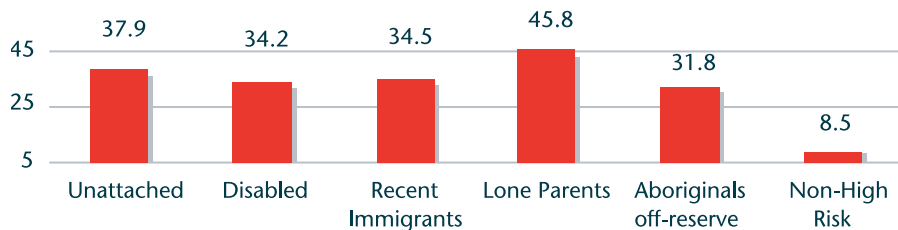
\* Aged 45-64 between 1996 and 2002.

Source: Survey of Labour and Income Dynamics Main File.

Michael Hatfield is Senior Economist, Knowledge Synthesis, Liaison and Applications at Social Development Canada.

**FIGURE 2**

**Percentage of Persons Aged 0-64 in Low Income in 1996 – Group Membership Based on Main Income Recipient**



Source: Survey of Labour and Income Dynamics Main File.

the population aged 0-59 in 1996 experienced low income persistently over the years from 1996 to 2001.<sup>3</sup>

Some groups in the non-elderly population were far more vulnerable to low income both on an annual and on a persistent basis. As shown in Figure 1, the five groups among the non-elderly population most vulnerable to persistent low income between 1996 and 2001 were<sup>4</sup>:

- unattached individuals aged 45-64;
- persons with a work-limiting disability;
- recent immigrants;
- lone parents; and
- Aboriginal people living off reserves.

Persons in at least one of these five groups accounted for 23.8% of the total population aged 0-59 in 1996 but for 67.6% of those experiencing persistent low income over the next six years.

Over this period, members of these groups were 4.6 to 8.6 times more likely to experience long-term low income than the rest of those aged 0-59 in 1996.

As Figure 2 shows, these five groups also had very high annual rates of low income in 1996, but those rates were only 3.7 to 5.4 times those of the rest of the non-elderly population, and they accounted for only 57.6% of the total non-elderly low-income population. Thus, persistent low income was more concentrated among the five groups than annual low income.

A few paragraphs are now in order to explain why the high-risk groups are defined as they are.

Statistics Canada does not estimate low-income cut-offs for reserves, and their Survey of Labour and Income Dynamics, the source of income data for this article, does not survey Aboriginal people living on reserves. Thus, it is not possible to make a meaningful estimate of persistent low income for all Aboriginal people or for Aboriginal people living on reserves. Those Aboriginal people living on reserves almost certainly have a higher incidence of persistent low income than self-identified Aboriginal people living off reserves. According to 2001 Census data, Registered Indians living on reserves had median individual incomes 20% lower than those living off reserves.

Persons over age 65 are also not on this list of those most susceptible to persistent low income. The annual low-income rate for the elderly group as a whole in 2002, the latest year for which data are available, was relatively low (6.9%, as opposed to 9.7% for persons aged 18-64 and 10.2% for children under age 18).<sup>5</sup> Even the worst-off sub-group, elderly unattached persons, had a 1996 low-income rate 13.9 percentage points lower than for unattached persons aged 45-64 (24.0%).

Other groups one might have expected to find on such a list include young people, women, persons who have not graduated from high school, and persons belonging to a visible minority group.

One category of youth – full-time, post-secondary students – experiences disproportionate rates of persistent low income. However, these youths are not considered a high-risk group in this article. Full-time, post-secondary students are not likely to continue to experience long-term low income once they complete their studies. Moreover, there is good reason to believe their incidence of low income while full-time students is inflated by the fact that two of their main sources of income – student loans and gifts from their parents – are not counted as income in the SLID. While youths who have completed their education may have high rates of low income in any given year, the vast majority experience steady growth in their earnings and soon escape from low income.

The other groups either did not experience a disproportionate rate of persistent low income over the 1996 to 2001 period or experienced it, because they also belong to one of the high-risk



groups already identified. For example, persons who have not graduated from high school have high rates of persistent low income. But the less well-educated among the non-elderly who do not belong to a high-risk group do not have excessively high rates of persistent low income.<sup>6</sup>

The 30% of visible minority Canadians who were born in Canada do not experience disproportionately high rates of persistent low income. However, those who are recent immigrants (33.7% of all visible minority Canadians in 2001) are much more likely than other recent immigrants to do so.<sup>7</sup> This article thus considers them as a sub-group of recent immigrants, rather than as visible minorities.

### Recent Studies of the High-Risk Groups and Key Findings

While many important studies of members of the high-risk groups have been published and are available to the public, others remain unpublished. One purpose of this article is to bring key findings of both sets of studies to a wider audience.

Two important recently published studies of these groups are by analysts at Statistics Canada: *The Rise in Low-Income Rates Among Immigrants in Canada* by Garnett Picot and Feng Hou (June, 2003), and “Groups at High Risk of Being in Low Income” in *Low Income in Census Metropolitan Areas, 1980-2000* by Andrew Heisz and Logan McLeod (April, 2004). A third study, *Economic Performance of Off-Reserve Aboriginal Canadians: A Study of Groups at Risk of Social Exclusion*, authored by Dominique Fleury of the Social Policy Research Group in Social Development Canada, was published

in 2002 in the Applied Research Branch working paper series.

### *Challenging Some Myths About the Rise in Low Income Among Recent Immigrants*

The Picot-Hou paper uses census data to document a secular rise in low-income rates among recent immigrants between 1980 and 2000 and 1990 and 2000.<sup>8</sup> All three years were at or near peaks in the business cycle.

*Exclusion and persistent low income often reinforce one another. Many of the factors associated with persistent low income reflect absent, disrupted, or ineffective social networks.*

It had been commonly believed that this trend resulted from changes in the source countries, official language skills, and suitability for the Canadian labour market of more recent immigrant cohorts. But Picot and Hou found that the increase was only partially explained by such factors. Most of it resulted from a rise in low-income rates among recent immigrants from all age groups, family types, language groups, education levels, and most source regions.

Two possible explanations require further research. The first is that a progressively lower value has been placed on the work experience abroad of highly educated immigrants by Canadian employers. The second is that the large numbers of highly educated Canadian-born women who entered the paid labour market after 1980 may have reduced the employer demand for recent immigrants. Picot and Hou point out that the education levels of recent immigrants rose rapidly in the 1990s, and that they were increasingly likely to enter Canada as

members of the economic immigrant class, the group that traditionally has had the best labour market outcomes.

A sharp decline in low-income rates among almost all recent immigrant sub-groups was registered during the economic recovery between 1995 and 2000, but this only partly offset the sharp rise in low-income rates for all categories of recent immigrants between 1990 and 1995.

### *Trends Are Diverging for Immigrants and Lone Parents in Large Urban Centres*

The Heisz-McLeod paper confirmed that the low-income rate among recent immigrants in Canada's 27 census metropolitan areas (CMAs consist of the largest cities and their suburbs) rose from 23.1% in 1980 to 35.0% in 2000, while it fell for all other residents of these areas from 18.0% to 16.0%.<sup>9</sup> The low-income rate among persons in lone-parent families living in Canada's large urban centres moved in the opposite direction falling from 54.2% in 1980 to 46.6% in 2000.

### *Steady Paid Employment the Key Factor for Off-Reserve Aboriginal People in Avoiding Persistent Low Income*

The Fleury study examined why Aboriginal people living off reserves, of all the high-risk groups, had the lowest rate of annual and persistent low income. Using data from the first longitudinal panel (1993-1998) of the Survey of Labour and Income

**TABLE 1****Factors Associated with Low Income**

High-Risk Group	1998 Low-Income Rate – No Paid Work %	1998 Low-Income Rate – Any Paid Work* %	1998 Low-Income Rate – All Persons 16-64 %
Lone parents	79	22	36
Persons with Work-limiting disabilities	Not Available	Not Available	27
Unattached 45-64	70	12	38
Recent immigrants	49	16	28
Aboriginal people living off reserve	43	13	23
<b>Comparison</b>			
All persons 16-64	Not Available	Not Available	12

\* Any paid work means at least one hour of paid work in the year.  
Source: Kapsalis and Tourigny, 2002, 2003a, 2003b, 2004a, 2004b.

Dynamics, she investigated four potential explanations for this outcome. Three of these explanations – higher educational levels, higher exit rates from their high-risk group, and membership in only one high-risk group – had to be rejected because Aboriginal people living off reserves did no better or worse than the other high-risk groups in these areas.

However, Fleury found that off-reserve Aboriginal people were more likely than all other high-risk groups to have stable paid employment. This single advantage explained their lower incidence of persistent low income.

The main sources for the following analysis are a series of detailed studies on each of the high-risk groups using regression analysis done by Constantine Kapsalis and Pierre Tourigny under contract to the Income Security and Labour Market Studies group of the Applied Research Branch at Human Resources Development Canada.<sup>10</sup>

### Avoiding Persistent Low Income

#### a) Have Steady Attachment to Paid Work

Not surprisingly, as Table 1 illustrates, Kapsalis and Tourigny confirmed Fleury's finding that the most important factor associated with avoiding low income for members of all the high-risk groups was attachment to paid work.

With the exception of lone parents, the low-income rate for persons in the high-risk groups examined by Kapsalis and Tourigny who had any paid work in 1998 was similar to that for all persons. Even among lone parents, the low-income rate for those who had at least 750 hours or more of paid work during the year was only 15%.

Low hourly wages for the primary adult earner in a household are also a significant factor in explaining the low income of many households. Nevertheless, Kapsalis and Tourigny

demonstrated that for the lone-parent group, low or no annual hours of paid work are the predominant explanation for high annual low-income rates. Low hourly wages and low annual hours of paid work are also correlated. Most low-paying jobs are precarious, part-time, temporary, or part-year. Overall, members of the high-risk groups with a steady attachment to paid work were no more likely to experience persistent low income than other Canadians.

This naturally leads to investigation of other factors correlated with persistent low income that might be connected to the lack of steady paid employment among significant minorities of each high-risk group. These are examined later in the article.

#### b) Exit from the High-Risk Group

Another important way of reducing the odds of experiencing persistent low income is to leave one's high-risk group. As Table 2 illustrates, members of some high-risk groups between 1996 and 2001 were more likely to be able to do this than were others.

#### c) Draw on a Spouse for Support

Having at least two potential adult earners in a family is clearly an advantage in avoiding persistent low income. By definition, this is not possible for lone parents and the unattached aged 45-64. Having a second potential adult earner is particularly important for persons with work-limiting disabilities. On a cross-sectional basis in 1998, persons with a work-limiting disability had a low-income rate of 8% if they were not the main income recipient in their family and 43% if they were.

Adults aged 16-64 without a work-limiting disability had a low-income rate of 10%. Among Aboriginal people living off reserves, those who were

unattached or lone parents had a predicted probability of being in low income in 1998 of over 60% compared to a probability of 24% for all persons in that group.<sup>12</sup>

Other family status characteristics associated with limited or disrupted family networks were also associated with persistent low income for groups not living with a spouse. Among lone parents, those with a dependent child under age five or who were not a partner in a marriage or a common-law union at the time of the birth of their first child were much more likely (4.4 times and 2.2 times respectively) to experience persistent low income than other lone parents. Among the unattached aged 45-59, those who had been in a union in the past were 28% more likely to experience low income than those who had never married or been in a common-law union.

**d) Belong to Only One High-Risk Group**

As would be expected, persons who belong to more than one high-risk group are extremely vulnerable to annual and persistent low income. Among off-reserve Aboriginal people in 1998, for example, the predicted incidence of low income (holding all other factors constant) was 56% if the person had a work-limiting disability and 60% if a lone mother. For all Aboriginal people living off reserves, the predicted incidence was only 24%. Similarly, among unattached individuals aged 45-59 in 1993, the incidence of persistent low income was 66% for those who also had a work-limiting disability in that year, but only 23% for those who did not.

**e) Graduate from High School**

Within all high-risk groups (except for Aboriginal people living off reserves),

**TABLE 2**

**Percentage of 1996 Population in Same High-Risk Group All Years 1996-2001**

High-Risk Group	%
Aboriginal people living off-reserve	100
Unattached 45-64	71.1
Recent immigrants	48.0
Lone parents	41.3
Persons with work-limiting disabilities	20.4 <sup>11</sup>

Source: Survey of Labour and Income Dynamics Main File.

not graduating from high school was a very important variable identified by regression analysis as being correlated with persistent low income over the 1993-1998 period.<sup>13</sup> (This finding is consistent with what we know about the growth in demand for high-skilled workers.)

**f) Live in a Region with a High Employment Rate**

Living in an economic region with a lower than average employment rate was a significant variable associated with persistent low income among lone parents and recent immigrants, but not for the other groups.

**Factors Important for Specific High-Risk Groups**

Several significant factors associated with persistent and annual low income were unique to individual groups. Being an older unattached person (55 and over as opposed to 45-54) was a significant variable associated with persistent low income within the older unattached group. Being a member of a visible minority (particularly being of Arab origin) among recent immigrants and being a Registered Indian among the Aboriginal population living off

reserves were also significant factors associated with being in low income in 1998 among those groups.

**Conclusions**

What insights do these findings provide in response to the two key questions posed at the beginning of this article?

The answers appear to be strongly linked to factors that encompass absent, disrupted, or ineffective social networks. Those most vulnerable to persistent low income in Canada are those most likely to belong to a group whose circumstances have sharply reduced their potential for extensive social relationships. Being a member of a high-risk group, in itself, does this. But some persons within each group are more likely than others to have supports through which they can obtain access to stable earnings from the labour market. For example, as previously noted, being married or in a common-law union gives many persons with work-limiting disabilities access to earned income through their spouse. In one way or another and, in many cases, in several ways simultaneously, the members of the five

**TABLE 3****Progress of High-Risk Groups**

High-Risk Group	Incidence of Market Low Income <sup>15</sup> 1996 %	Incidence of Market Low Income 2002 %	Incidence of Post-Income Tax Low Income 1996 %	Incidence of Post-Income Tax Low Income 2002 %
Lone parents	59.6	48.6	45.8	31.4
Unattached	46.1	35.1	37.9	29.0
Recent immigrants	46.7	31.4	34.5	25.0
People with a disability	52.0	36.7	34.2	21.4
Aboriginal people living off reserve	43.6	29.4	31.8	17.0
Non-high risk	12.9	8.6	8.5	5.2

Source: SLID Main File.

high-risk group in persistent low income lack such social support and networks.

The factors statistically correlated with a disproportionate incidence of persistent low income within each group all relate to absent, disrupted, or ineffective social networks.<sup>14</sup> Persons who belong to multiple high-risk groups, persons with a disability who live alone, older unattached individuals who were once in a union, lone parents who had their first child outside a union, those off-reserve Aboriginal people most likely to have grown up on a reserve, and recent immigrants who are members of a visible minority group and from countries with cultures most distinct from that of Canada are the persons within the high-risk groups most likely to experience persistent low income.

This is also the case for off-reserve Aboriginal people and recent immigrants living in depressed local labour

markets. Those within the high-risk groups who do not have such characteristics and have established and maintained family and community networks are much more likely to avoid low income on both an annual and persistent basis.

### A Final Note – How Each High-Risk Group Has Been Doing

Persons in households where the main income recipient belongs to a high-risk group have benefited from the strong labour market conditions prevailing in Canada since 1996, experiencing sharp reductions in their annual low-income rates. However, these rates remain well above those for persons aged 0-64 in households where the main income recipient does not belong to one of the five groups.

Among all groups, except for lone parents, the percentage point decline in the low-income rate based on

market income is greater than the decline experienced once transfer payments and the income tax system are taken into account. The impact of the introduction and enrichment of the National Child Benefit Supplement after 1996 is reflected in the larger percentage point decline in post-income tax low income for lone parents over this period (14.4 percentage points) than in market-income-based low income (11.0 percentage points).<sup>16</sup>

The percentage point gap in low-income rates between each of the high-risk groups and the non-high-risk group also declined over this period. We would expect to see such a trend during a period of tightening labour markets and strong economic growth. However, it must also be underlined that these groups suffer disproportionately during periods of recession and rising unemployment.

A more important question and, unfortunately, one which data constraints make much more difficult to answer is whether these groups have experienced structural improvement between the two most recent peaks in the business cycle between 1989 and 2000. The picture is most clear, in opposite directions, for lone parents and recent immigrants. The former group's incidence of low income fell from 39.0% to 29.5% over this period while the latter's rose. Changes to the definitions of Aboriginal persons and persons with work-limiting disabilities over the period make it impossible to make valid comparisons for these groups. The incidence of low income among unattached persons under age 65 changed little over the 1989 to 2000 period. This probably also applies to those aged 45-64 within that group.



What has changed is the share of the population living in households where a member of one of these groups is the main income recipient. Of those persons under age 65 in households where the high-risk status of the main income recipient could be established, the share in households where the main income recipient was a member of a high-risk group increased from 25.2% in 1996 to 29.0% in 2002. This indicates that these groups may be increasing in numbers faster than the rest of the population. Over the same period, their share of the low-income population whose high-risk status could be identified rose from 57.6% to 63.3%.

Thus, the members of the high-risk groups and their dependants appear to be at the centre of the struggle against annual and persistent low income from both a demographic and a socio-economic perspective.

## References

- Flcury, Dominique. 2002. "Economic Performance of Off-Reserve Aboriginal Canadians: A Study of Groups at Risk of Social Exclusion." Human Resources Development Canada, Applied Research Branch working paper series W-02-1E.
- Heisz, Andrew, and Logan McLeod. 2004. "Groups at High Risk of Being in Low-Income." *Low-Income in Census Metropolitan Areas, 1980-2000*. Statistics Canada. Catalogue 89-613.
- Kapsalis, Constantine, and Pierre Tourigny. 2002. *Profiles and Transitions of Groups at Risk of Social Exclusion: Lone Parents*. Human Resources Development Canada, Working Paper SP-577-06-03E.
- . 2003a. "Profiles and Transitions of Groups at Risk of Social Exclusion: Individuals with Work-Limiting Disabilities." Human Resources Development Canada, unpublished.
- . 2003b. "Groups at Risk of Social Exclusion: Unattached Individuals Aged 45 to 64." Human Resources Development Canada, unpublished.
- . 2004a. "Groups at Risk of Social Exclusion: Recent Immigrants." Social Development Canada, unpublished.
- . 2004b. "Groups at Risk of Social Exclusion: Off-Reserve Aboriginal Individuals." Social Development Canada, unpublished.
- Morissette, René, and Xuelin Zhang. 2001. "Experiencing Low Income for Several Years." *Perspectives on Labour and Income*. Statistics Canada. (March): 5-15.
- Picot, Garnett, and Feng Hou. 2003. *The Rise in Low-Income Rates among Immigrants in Canada*. Statistics Canada. Analytical Studies Branch research paper series No. 198.
- 4 Persons are considered to be members of a group if the main income recipient in their economic family was a member of a group. In Figure 2, unattached indicates persons 45-59 who lived alone or with non-family members. Disabled indicates persons who, in 1996, had a long-term physical or mental condition that restricted the type and amount of work for pay they were capable of doing. Recent immigrants indicates persons who first came to live in Canada in the 10 years prior to 1996. Lone parents were persons raising at least one child under age 18 in a residence in which no other parent was present. Aboriginal off-reserve indicates Canadians who self-identified as a member of an Aboriginal group (Registered Indians, Inuit, Métis, or non-status Indians) and did not live on a reserve in 1996. Non-high risk designates all other persons aged 0-59 in 1996 who did not live in a household where a member of one of the five groups described above was the main income recipient.
- 5 The lower low-income rate among the elderly as compared to other age groups in part reflects the generosity and effective targeting of Canada's public pension programs.
- 6 Similarly, among lone parents, female lone parents have higher rates of annual and persistent low income than males. But male lone parents are also disproportionately vulnerable to persistent low income.
- 7 At the time of the 2001 Census, 73.4% of recent immigrants (those coming to Canada after 1991) were members of a visible minority group. Only 13.4% of all Canadians were members of a visible minority group.
- 8 In their study, low-income rates are calculated using Statistics Canada's pre-income tax low-income cut-offs or LICOs.
- 9 Over 90% of Canada's recent immigrants reside in a CMA. Heisz and McLeod also use the pre-income tax LICOs.
- 10 These studies were done between November 2002 and May 2004 and were based on cross-sectional data from Statistics Canada's Survey of Labour and Income Dynamics (SLID) for 1998, and from the 1993-1998 longitudinal panel of that survey.

## Notes

1 In this article, a person is considered to experience *persistent low income* if the cumulative income of the economic family over the period 1993-1998 or 1996-2001 fell short of the cumulative amount of that family's post-transfer, post-income tax low-income cut-offs for those periods as measured by Statistics Canada.

This definition of persistent low income incorporates dimensions of incidence and depth of low income.

An *economic family* is either an unattached individual living alone or with others to whom he or she is unrelated, or a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, adoption, or a common-law union.

2 In attempting to answer these questions, the article draws heavily on recent and largely unpublished studies on each of these groups prepared by Constantine Kapsalis and Pierre Tourigny for Human Resources Development Canada. Any conclusions drawn from these findings are those of the author and do not necessarily reflect the views of the authors of the studies cited or of the Government of Canada.

3 Different age groups are cited in different parts of this article. The main group examined is the population under age 65. However, to ensure all persons in this group remained under age 65 throughout the 1993-1998 and 1996-2001 periods, the sample for longitudinal analysis must be those aged 0-59 in the first year of the panel. In some cases, the article cites annual data from other authors who analyze only that part of the 0-64 population aged 16-59 or 16-64.



- 11 Note that only one in five persons aged 16-64 with a work-limiting disability in 1996 remained in that state for every year between 1996 and 2001.
- 12 The sample of Aboriginal people living off-reserve in the SLID was too small to do a proper regression analysis of the factors associated with persistent low income within this group.
- 13 Having less than a high school education is an important determinant of having a work-limiting disability. Kapsalis and Tourigny found that this is not because the onset of the disability reduced opportunities to graduate from high school. Even considering only persons who became disabled at age 30 or later, persons with less than a high school diploma were more than twice as likely to become disabled as the rest of the population. Two plausible explanations are that the percentage of persons with a healthy lifestyle increases with the level of education, and persons who have not graduated from high school are more likely to have to earn their living doing hazardous work.
- 14 Note that low levels of education are not a significant factor correlated with low income for Aboriginal people living off reserves. These individuals speak at least one official language fluently and have lived all their lives in Canada. They have social connections through their families and are not geographically isolated from healthy local labour markets. In at least one of these respects they have more extensive and useful social networks than members of each of the other disadvantaged groups. These factors appear to offset lower levels of educational attainment in finding and maintaining stable paid employment.
- 15 Market low income is calculated based on an economic family's income from earnings and sources of income other than government transfer payments.
- 16 Note that these numbers are based on Statistics Canada's post-income tax LICOs and thus are not comparable to the statistics based on pre-income tax low-income cut-offs cited in the studies by Picot and Hou, and Heisz and McLeod.

## Combating Exclusion by Enhancing Financial Capability

Individuals with a good knowledge of economic and financial basics can make more informed decisions – to their benefit and to the benefit of the entire economy. Not only can they manage their personal affairs and their households better, they can be more effective and productive members of society. They can also be better citizens, capable of making reasonable judgments on public policy issues that have a bearing on their personal prospects and those of the nation (David Dodge, Governor of the Bank of Canada, 2003).

Ample evidence suggests that low financial capability (or financial literacy) is widespread. As yet, however, there is no comprehensive public policy framework in Canada for enhancing financial capability – even though there are many reasons for making such a framework a priority. A complete discussion of financial literacy and financial capability, including a review and evaluation of activities to enhance these attributes in the United Kingdom, the United States, and Canada, can be found in the discussion paper, *Financial Capability and Poverty* (2004), prepared for the PRI by Social and Enterprise Development Innovations (SEDI).

The paper is available on the PRI web site at <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>.

# Exclusion from Acceptable Housing Canadians in Core Housing Need

**John Engeland  
Roger Lewis**  
Canada Mortgage and  
Housing Corporation

---

John Engeland and  
Roger Lewis are  
Senior Researchers with  
Housing Indicators and Demographics  
of Canada Mortgage and  
Housing Corporation

**H**ousing influences many facets of the lives of Canadians. It provides a foundation for obtaining employment, for raising children, and for building relationships with neighbours and the broader community. Dwelling units that are well maintained and suited to the needs of occupants contribute to general health, well-being, and social interaction. Housing that is affordable leaves households with sufficient financial resources to participate fully in the community at large. Households unable to access good housing are potentially at a disadvantage from a variety of perspectives.

Canada Mortgage and Housing Corporation (CMHC) defines acceptable housing as housing that is adequate in condition, suitable in size, and affordable.

- *Adequate* dwelling units are those reported by their occupants as not requiring major repairs.<sup>1</sup>
- *Suitable* dwelling units have enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard requirements.<sup>2</sup>
- *Affordable* dwelling units cost less than 30% of before-tax household income.<sup>3</sup>

When households live in housing that is below one or more of the adequacy, suitability, or affordability standards, and have incomes that are too low to allow them to rent alternative local market dwellings that meet acceptable standards for less than 30% of their before-tax income, CMHC considers them to be in core housing need. By definition, these households are excluded from acceptable housing and from the benefits such housing confers.

This article draws on data derived from the 2001 Census to explore the nature of the difficulties faced by Canadians in core housing need.<sup>4</sup> It links exclusion from acceptable housing to factors, such as low incomes and weak labour force ties. It also identifies groups most at risk of falling into core housing need and describes the characteristics of neighbourhoods in which core housing need is prevalent. The notion of exclusion underlies all these pieces – exclusion from acceptable housing, from neighbourhoods, and more generally from full participation in the economy and society at large.

## Core Housing Need, Labour Force Ties, and Income from Government

Unlike everyday purchases of food, clothing, and other basic goods, accessing housing generally requires households to make long-term financial commitments. To enter into such commitments, all households, other than those with assets they can draw down, require a minimum stable monthly income. Households experiencing prolonged or repeated bouts of unemployment can be expected to pay high fractions of what income they do have on shelter.

There is, in fact, a strong association between core housing need and labour force ties. Households with weak ties to the labour force have lower incomes, are more likely to rent, and are much more likely to be in core housing need than other households.<sup>5</sup> In 2001, 15.8% of households in Canada were in core need. By contrast, 45.6% of working-age renter households whose maintainers had weak ties to the labour force were in core housing need (see Table 1).<sup>6</sup> These

**TABLE 1****Household Income and Core Housing Need, Canada, 2001<sup>1</sup>**

	Owners				Renters			
	Not in Housing Need		In Housing Need		Not in Housing Need		In Housing Need	
	#	%	#	%	#	%	#	%
A) Working-age <sup>2</sup> households								
All households	5,150,330	92.4	420,760	7.6	2,105,100	72.5	797,380	27.5
Average income	\$84,090		\$22,812		\$50,893		\$16,835	
Average STIR <sup>3</sup>	15.9%		48.9%		18.9%		49.0%	
Households with weak labour force ties <sup>4</sup>								
All households	1,178,775	85.8	195,580	14.2	568,225	54.4	476,725	45.6
Average income	\$68,980		\$18,720		\$40,550		\$14,432	
Average STIR <sup>3</sup>	15.2%		48.2%		21.2%		51.0%	
B) Senior households								
All households	1,456,830	87.8	201,750	12.2	383,710	57.0	289,755	43.0
Average income	\$50,555		\$18,866		\$35,014		\$16,371	
Average STIR <sup>3</sup>	13.2%		39.8%		22.6%		44.7%	
Major source of income								
Gov't income	698,620	79.5	180,630	20.5	233,645	46.4	270,380	53.6
Non-gov't income	758,205	97.3	21,120	2.7	150,075	88.6	19,380	11.4

## Notes:

- 1 Data exclude farm, band, and reserve households; households with incomes of zero or less; and households whose shelter costs equal or exceed their incomes.
- 2 Working-age households are those with primary maintainers aged 15 to 64.
- 3 Shelter-cost-to-income ratio = shelter costs/before-tax household income.
- 4 Households with weak labour force ties are those with primary maintainers who are either not in the labour force or in the labour force but unemployed or employed part-time.

Source: CMHC (census-based housing indicators and data).

households spent more than half of their very low incomes on shelter.

Working-age households accounted for seven out of ten households in core housing need in 2001. The remaining three in ten households in core need comprised those maintained by seniors. Senior households whose major source of income is independent from

government are much less likely to fall into housing need than those dependent on government for the bulk of their income. Over half of senior renter households whose major source of income was government lived in housing need in 2001 compared to just 11.4% of those whose incomes were derived primarily from other sources (see Table 1).

### Households at High Risk of Exclusion from Acceptable Housing

A number of specific groups of Canadian households are at high risk of falling into core housing need. They include:

- Aboriginal households,<sup>7</sup> especially renters;

**TABLE 2****Core Housing Need by Household Type, Canada, 2001<sup>1</sup>**

Household type	All Households	Households in Core Housing Need			
	#	Number in Need	In Need (%)	Average Income (\$)	Average STIR <sup>2</sup> (%)
All households	10,805,615	1,709,650	15.8	18,467	47.1
Aboriginal households	297,285	73,850	24.8	17,712	45.5
Owners	148,170	17,510	11.8	21,518	41.6
Renters	149,115	56,335	37.8	16,530	46.7
Non-Aboriginal households	10,508,330	1,635,800	15.6	18,501	47.2
Renters	3,426,835	1,030,800	30.1	16,721	47.9
Seniors living alone	456,335	243,385	53.3	15,319	45.4
Non-seniors living alone	1,003,495	326,785	32.6	13,572	51.0
Lone-parent households	483,200	204,320	42.3	17,819	47.9
Recent immigrant households <sup>3</sup>	225,055	75,025	33.3	21,503	51.1
Owners	72,385	16,660	23.0	27,868	54.1
Renters	152,675	58,360	38.2	19,686	50.2

## Notes:

1 Data exclude farm, band, and reserve households; households with incomes of zero or less; and households whose shelter costs equal or exceed their incomes.

2 Shelter-cost-to-income ratio = shelter costs/before-tax household income.

3 Recent immigrant households are households whose primary maintainers became landed immigrants during the period from 1996 through May 15, 2001 (the date of the 2001 Census of Canada).

Source: CMHC (census-based housing indicators and data).

- three groups of non-Aboriginal renters (recent immigrant households,<sup>8</sup> people living alone, and lone-parent households).

Aboriginal households fall into housing need 1.6 times more often than non-Aboriginal households (see Table 2) and, when in housing need, are about 2.5 times more likely than non-Aboriginal households to live in dwellings that are crowded or in need of major repairs. They have lower

incomes than non-Aboriginal households and are 1.4 times more likely to have weak labour force ties. In 2001, almost half of Aboriginal households and consequently almost half of those in need (around 35,000 households) resided in Canada's census metropolitan areas (CMAs). In these centres, the percentage of Aboriginal renters in core need was highest in Regina (45.5%), followed by three other western CMAs: Saskatoon

(44.5%), Vancouver (42.3%), and Winnipeg (40.1%).

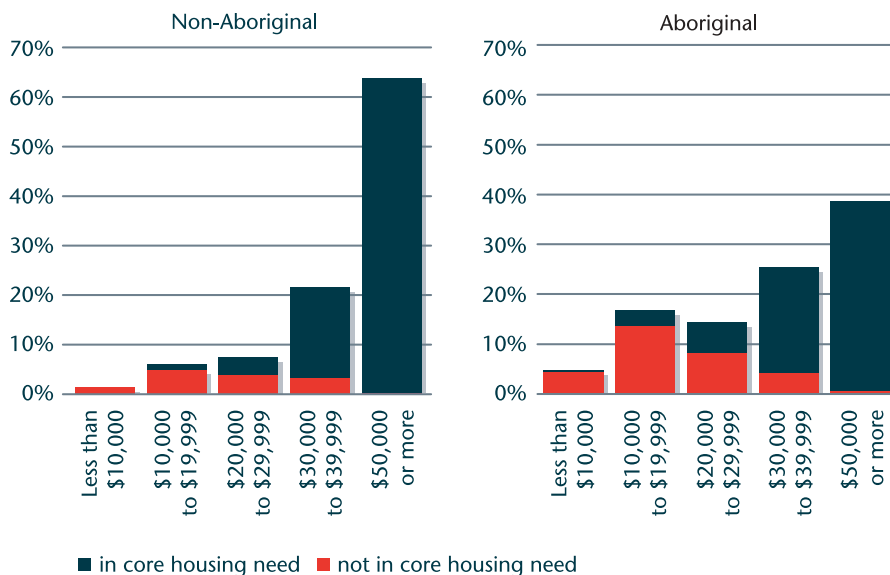
Recent immigrants – the first of the three groups of non-Aboriginal renters that experience high rates of housing need – usually attempt to find housing in Canada's biggest cities. Most immigrants settle in large urban centres where there are established immigrant communities and opportunities for employment.<sup>9</sup> In 2001, over 90% of

Canada's 225,000 recent immigrant households lived in CMAs – more than 70% in Toronto, Vancouver, and Montréal alone. In Toronto, 43.5% of recent immigrant renter households were in housing need. The percentages of recent immigrant renters in need in Vancouver and Montréal were 39.2% and 33.3%, respectively. In Canada as a whole, 38.2% of recent immigrant renters were in housing need. In 2001, these households spent half of their average before-tax incomes of just under \$20,000 on shelter. Although finding affordable housing is clearly the biggest housing challenge for these households, recent immigrants, like Aboriginal people, are much more likely than other groups to be in need, because they live in housing that is crowded or in need of repair.

Like recent immigrant renters, non-Aboriginal renters who live alone are particularly prone to being in housing need. Over half of seniors and about a third of non-seniors who lived alone and rented in 2001 were in core housing need (see Table 2). Over four in ten renting lone-parent households also lived in housing need. Together, these three groups of non-Aboriginal renters in need totalled over three quarters of a million households in 2001. Not only were a great many of these households in housing need, but many spent 50% or more of their before-tax income on shelter. In 2001, for example, 26.5% of lone-parent households maintained by 15 to 24 year olds were in need and spending 50% or more of their average incomes of just under \$12,000 on shelter. Well over half of all working-age renters living alone and in housing need, and of working-age lone-parent renters in housing need, had weak ties to the labour force. Among senior

**FIGURE 1**

**Children, by Household Income Bracket, Showing Those Living in Core Housing Need, Canada, 2001**



Source: CMHC (census-based indicators and data).

renters living alone and in housing need, more than 90% relied on government for the major part of their income.

**Children in Housing Need**

Most Canadian children live in two-parent families, less than one in ten of which are in core housing need. Still, in 2001 this placed 400,000 children of two-parent families in housing need. When four in ten children of lone parents living in housing need are added, the total number of Canadian children in housing need in 2001 swells to over three quarters of a million. With almost one in three living in core housing need, Aboriginal children are, on average, 2.3 times as likely as non-Aboriginal children to live in housing need, a result of the lower incomes of Aboriginal households (see Figure 1).

The households to which children in housing need belonged in 2001 had average before-tax incomes of just under \$22,000, of which they spent 48% on shelter alone. Despite spending almost half of their low incomes on shelter, 25.5% of these households lived in dwellings that were too small, subjecting their children, particularly Aboriginal children, to crowded conditions. Furthermore, 17.4% of these households and their children in need lived in dwellings in need of major repairs, again with Aboriginal children growing up in such dwellings more often than non-Aboriginal children.

There is preliminary evidence that the quality of the housing and of the neighbourhoods in which these children will grow up could play an important role in their development. Research demonstrates a link between



**TABLE 3**

**Average<sup>1</sup> Characteristics: High-Need<sup>2</sup> Neighbourhoods and Other Neighbourhoods  
All Census Metropolitan Areas, 2001**

Characteristic		All Census Tracts <sup>3</sup>	High-Need Census Tracts	Other Census Tracts
Households tested for core housing need <sup>4</sup>	% of households in core need	16.2	33.2	14.3
	% crowded (below suitability standard)	7.1	14.1	6.4
	% in need of major repair (below adequacy standard)	7.2	10.8	6.8
	Average STIR <sup>5</sup>	22.0	28.4	21.3
	% of households in core need that rent	57.0	84.4	53.9
All households	% of all households that rent	36.6	71.6	32.7
	Average monthly gross rent (\$)	727	601	741
	Median household income (\$)	53,509	28,570	56,294
	Unemployment rate (%)	6.9	11.7	6.3
	% of income from transfer payments	11.8	20.6	10.8
	% Aboriginal people	1.8	3.9	1.6
	% recent immigrant	4.3	8.4	3.9
	% one-person households	25.4	40.2	23.8
	% lone-parent families	17.1	26.9	16.0
	% of dwellings that are single-detached	50.7	17.9	54.4
Density - persons/km <sup>2</sup>	3,658	6,804	3,306	

## Notes:

- 1 Averages are simple, unweighted averages computed from summary data for each census tract. As such, averages represent values for a typical census tract in each group of tracts.
- 2 "High-need" refers to the 10% of tracts in each CMA with the highest incidence of core housing need.
- 3 Data exclude tracts for which Statistics Canada suppressed data to preserve confidentiality.
- 4 Households tested for core housing need exclude farm, band, and reserve households; households with incomes of zero or less; and households whose shelter costs equal or exceed their incomes.
- 5 Shelter-cost-to-income ratio = shelter costs/before-tax household income.

Source: CMHC (census-based housing indicators and data) and Statistics Canada (Census of Canada – Community Profiles data (95F0495XCB01005)).

behaviour problems in Canadian children and the physical condition of their housing and neighbourhoods.<sup>10</sup> In addition, research has shown that Canadian children living in housing that is both crowded and in need of major repair score lower on various development measures, such as academic performance and general health, than other children (CMHC, nd). Although preliminary, these studies support the contention that exclusion from acceptable housing deprives Canadians of important benefits.

### Neighbourhoods and Core Housing Need

The concentration of core housing need among certain groups has parallels at the neighbourhood level. Neighbourhoods where core housing need is prevalent account for a disproportionate share of housing need in Canada's major cities. In such high-need areas, the percentage of households in core housing need is typically more than double that in other neighbourhoods (see Table 3). The majority of these

high-need districts are located in or near the centre of Canada's 27 CMAs, although many CMAs also have pockets of core housing need in suburban areas.<sup>11</sup>

Neighbourhoods in which the incidence of core housing need is relatively high exhibit distinct physical, economic, and demographic characteristics. The central location of many of them translates into population densities that are, on average, double those of other neighbourhoods. Elevated

densities, in turn, reflect a predominance of multiple-unit rental housing in these areas.

The extent of differences in the physical make-up of high-need and other neighbourhoods is just one indication of how different they are. The residents of these neighbourhoods are disproportionately drawn from demo-

*The central location of many neighbourhoods in which core housing need is high translates into population densities that are, on average, double those of other neighbourhoods.*

graphic groups at risk of falling into core housing need. Aboriginal people, recent immigrants, one-person households, and lone-parent families are all far more common in the typical high-need neighbourhood than in other neighbourhoods.

Reflecting the high incidence of core housing need in these areas, housing in high-need neighbourhoods is much more likely to be crowded or in need of major repair than housing in other parts of Canada's CMAs. In 2001, one out of seven dwellings was crowded and one out of nine in need of major repair. In addition to the difficulties posed by unsuitable or inadequate housing, households in these neighbourhoods spent high proportions of their before-tax incomes to procure shelter – 28% on average compared to just 21% in other neighbourhoods.

The high proportion of income spent on shelter reflects the limited incomes of households in these neighbourhoods. In 2001, median household incomes were, on average, only half those of other neighbourhoods. In the same year, the unemployment rate in

the typical high-need neighbourhood was nearly double that in other neighbourhoods, and the proportion of income derived from transfer payments was twice that of other neighbourhoods.

Of course, such summary statistics cannot possibly capture the multitude of qualities that characterize individual

neighbourhoods. They do however suggest that high-need neighbourhoods are quite different from other neighbourhoods. As noted previously, research has linked differences in neighbourhood quality to variations in the incidence of behaviour problems in children. Other research has reported a relationship between neighbourhood socio-economic status and health outcomes (Pickett and Pearl, 2001). While this list is hardly comprehensive and some of the research is preliminary, such findings suggest that the benefits that are lost to households when they are excluded from acceptable housing (i.e., when they are in core housing need) are likely not limited solely to the services provided by housing itself but would also include advantages intrinsic to the kinds of neighbourhoods in which high concentrations of acceptable housing tend to be found.

## References

CMHC (Canada Mortgage and Housing Corporation). 2003. *Housing Quality and Children's Socioemotional Health*. Research Highlights Socio-Economic Series 03-021. Ottawa: Canada Mortgage and Housing Corporation.

———. 2004. *2001 Census Housing Series: Issue 2 The Geography of Household Growth and Core Housing Need, 1996-2001*. Research Highlights Socio-Economic Series 04-001. Ottawa: Canada Mortgage and Housing Corporation.

———. nd. *Special Studies on 1996 Census Data Housing Canada's Children*. Research Highlights Socio-Economic Series 55-4. Ottawa: Canada Mortgage and Housing Corporation.

Engeland, John, and Roger Lewis with Steven Ehrlich and Janet Che. 2004. *Evolving Housing Conditions in Canada's Census Metropolitan Areas, 1991-2001*. Trends and Conditions in Census Metropolitan Areas Series. Catalogue No. XXX. Ottawa: Statistics Canada.

Heisz, Andrew, and Logan McLeod. 2004. *Low-income in Census Metropolitan Areas, 1980-2000*. Trends and Conditions in Census Metropolitan Areas Series. Catalogue No. 89-613-MIE. Ottawa: Statistics Canada.

Pickett, K.E., and M. Pearl. 2001. "Multilevel Analyses of Neighbourhood Socio-Economic Context and Health Outcomes: A Critical Review." *Journal of Epidemiology and Community Health*, 55:111-122.

Statistics Canada. 2003. *Longitudinal Survey of Immigrants to Canada: Process, Progress and Prospects*. Catalogue No. 89-611-XIE. Ottawa: Statistics Canada.

## Notes

- 1 Census respondents rank the condition of their dwelling units with the aid of criteria provided in the census questionnaire.
- 2 The National Occupancy Standard dictates that the maximum number of persons per bedroom should be two, with parents eligible for a bedroom separate from their children; members 18 years of age and older eligible for a separate bedroom unless married or cohabitating as spouses; and dependants aged five or more required to share a bedroom only with siblings of the same sex.
- 3 For renters, shelter costs include rent and any payments for electricity, fuel, water, and other municipal services. For owners, shelter costs include mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water, and other municipal services.

- 4 Further information on acceptable housing and on core housing need can be obtained from CMHC (2004). The series is available on the CMHC web site <www.cmhc.ca>.
- 5 Households with weak labour force ties are those with primary maintainers who are either out of the labour force, unemployed, or employed part time. The primary maintainer of a household is the first person in the household listed by census respondents as responsible for major household payments (e.g., rent or mortgage).
- 6 Working-age households are those with primary maintainers aged from 15 to 64.
- 7 Canada Mortgage and Housing Corporation defines an Aboriginal household as any family household in which at least one spouse, common-law partner, or lone parent self-identified as Aboriginal, or at least 50% of household members self-identified as Aboriginal; or any non-family household in which at least 50% of the household members self-identified as Aboriginal.
- 8 Canada Mortgage and Housing Corporation defines recent immigrant households as households whose primary maintainers became landed immigrants during the period from 1996 through May 15, 2001 (the date of the 2001 Census of Canada).
- 9 The Longitudinal Survey of Immigrants to Canada found that the presence of family and friends was the most important reason recent immigrants chose to settle in a given census metropolitan area. Job prospects were the second most important reason. See Statistics Canada (2003: 13-15).
- 10 Canada Mortgage and Housing Corporation (2003). The study assessed the behaviour, and the housing and neighbourhood quality of a sample of children in Victoria and in Québec City.
- 11 In this paper, "high-need" neighbourhoods comprise the 10% of census tracts in each CMA with the highest proportion of households in core housing need. For a more detailed account of the distribution of core housing need within CMAs, see Chapter 6 of Engeland and Lewis (2004).

## Housing Research: Policy and Practice in the Context of Poverty and Exclusion

We have begun to consider resources and situations over the life course that contribute to a persistent lack of income or undermine the ability of those living in poverty to participate in the mainstream economy and society. Housing, as a fundamental component of physical capital, plays a unique role within this model of poverty and exclusion. As a place that should offer a sense of physical security, as well as physical and mental stability, housing can provide an individual with the constancy required to establish and nurture key assets and relationships that are vital in avoiding marginalization.

As a result of these special characteristics, housing issues have been identified as being inextricably linked to notions of poverty, both as a determinant and an outcome, requiring specific consideration within the PRI project, *New Approaches for Addressing Poverty and Social Exclusion*. To explore the dimensions of this relationship, the PRI, in partnership with the Social Sciences and Humanities Research Council of Canada, held a roundtable event to engage experts on the relationships that exist between housing issues, poverty, and exclusion. To capture and disseminate the key points of these discussions, the PRI is preparing a thematic primer based upon the presentations and contributions made during this roundtable. This paper will be available in the near future.

For more information on the work of the PRI on housing issues as they pertain to poverty and exclusion challenges, please contact Jeff Frank, Project Director, at 613 947.3905 or at [j.frank@prs-srp.gc.ca](mailto:j.frank@prs-srp.gc.ca).

# Poverty and Exclusion

## Normative Approaches to Policy Research

**F. Pearl Eliadis**  
The J.W. McConnell Family  
Foundation<sup>1</sup>

A contemporary view of policy development posits that legal policy perspectives should function as policy drivers rather than as policy outcomes (Eliadis, 2004). In Canada, this is not generally done, because the norms that underpin horizontal policy initiatives are frequently implicit. Many of these norms were, however, set in a different era and are being overtaken by domestic and international law. That is, the legal policy approach to norms shifts over time, and thus needs to be part of an ongoing process of analysis and front-loading into government policy making at the centre. This article adopts this approach and applies it to policy issues related to poverty and exclusion.

In early 2002, the Quebec government introduced Bill 112, *An act to combat poverty and social exclusion*.<sup>2</sup> Bill 112 was the result of eight years of social activism following the Bread and Roses protest march of the Quebec Federation of Women in 1995, and it brings together several anti-poverty initiatives in a single integrated legislative framework.

No federal or provincial jurisdiction in Canada has ever targeted poverty directly or comprehensively in legislation. Rather, the traditional approach has been to use distinct initiatives aimed at the component parts of poverty – temporary low income, lack of housing, and job skills – to raise income at a point in time. Bill 112 sparked an inquiry into Canada's approach to poverty and gave rise to the research project that is the source of this article. A joint initiative of the Policy Research Initiative and Justice Canada (Quebec Regional Office), the project investigated the following questions.

- Does it matter that poverty is addressed in a more integrated way?
- Are rights relevant to poverty-oriented policy?
- Is there a policy-relevant link between exclusion and poverty?
- What does legal policy offer to the equation?

The first part of this article addresses these questions through guidance from the courts and international law as a support for policy makers. The second part offers practical suggestions for designing policy from the poverty-exclusion nexus. This includes recommendations for policy makers to integrate legal policy more explicitly in the policy development process, and to ensure policy development in this priority area is responsive to, and informed by, the needs of persons living in poverty.

### A Shifting Landscape

Poverty is generally described in terms of its primary feature, namely inadequate income. However, academics and other professionals, both in Canada and abroad, are recasting poverty in terms of capabilities and power as much as income or financial resources.

Bill 112 defines poverty as follows.

2. [Definition]: For the purposes of this Act, "poverty" means the condition of a human being who is deprived of the resources, means, choices and power necessary to acquire and maintain economic self-sufficiency and favour active inclusion in Quebec society.

The United Nations and its agencies approach poverty from a more integrative perspective, expressed in

<sup>1</sup> Pearl Eliadis is Chief Knowledge Officer at The J.W. McConnell Family Foundation. Much of the work underlying this article was done when Ms Eliadis was a Senior Research Director with the Policy Research Initiative.

terms of social features as well as in economic terms.

[A] human condition characterized by the sustained or chronic deprivation of the resources, capabilities, *choices, security* and *power* necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights (UNOHCR, 2003, emphasis added).

Fundamental changes are occurring to the definition of poverty itself. It is increasingly understood that it is closely bound up with exclusion, and these social aspects are fundamental to understanding both the concept and its real-life impacts on people. A more integrated approach also subsumes many other indicators – illiteracy, increased ill health, gender inequality, environmental degradation, and racialized impacts – all of which can be aspects of being poor.

## Benchmarking Canada's Policy

How does Canada's policy framework on poverty and exclusion fare when assessed against the evolving conceptual basis of poverty discussed in the preceding section?

The first observation is that there is no federal-level, comprehensive policy framework to address poverty and exclusion. Instead, the goals are typically seen as raising people above a low-income cut-off line to address needs at times when people are without sufficient earnings. In terms of actual results, these policies and programs, operating through various levels of government, have been largely successful, and form a strong social safety net. That said, there are concerns for the future.

When the Canada Health and Social Transfer (CHST)<sup>3</sup> was introduced in 1996, the federal government's contributions decreased and were substantially lower than they would have been under the previous system. These reductions were passed on to the provinces and then to citizens

*Poverty is closely bound up with exclusion, and its social aspects are fundamental to understanding both the concept of poverty and its real-life impacts on people.*

through tighter eligibility criteria and a range of programs, such as work-for-welfare schemes.<sup>4</sup> Canada does not fare as well as many OECD countries, and the economic well-being of certain vulnerable groups, such as recent immigrants, has slipped (CCSD, 2004). Recent community-level studies show that low-income, working-age adults are falling behind in income security and net wealth, and many cannot find stable employment or accumulate enough assets to stay off welfare. In addition, many Canadians – in the general public and among those in receipt of social assistance – are dissatisfied with the income security system (St. Christopher House, 2004).

How poverty is perceived and sustains itself is viewed as a function of social phenomena, such as a lack of power and choice, and the vicious circle between lack of income and other complex social indicators. One of these is exclusion.

### *Exclusion from What? The Equality Rights Test*

There is no explicit right of freedom from poverty in Canada. But when one looks at poverty from a broader definition, there is a group of

associated rights that, when combined with a test of membership and exclusion from Canadian society, can make some claims justiciable before the courts on the basis of protected rights. Persons receiving social assistance, for instance – a large group of persons living in poverty in Canada –

are now entitled to section 15 Charter equality rights (regardless of province of residence).<sup>5</sup>

In the course of research for this paper, decisions of the Supreme Court of Canada and courts of appeal that dealt with equality rights were examined to assess whether judicial consideration was given to the relationship between exclusion and equality. On analysis, 10 of these cases made explicit reference to exclusion as a marker of equality rights, and half of those occurred within the context of social assistance or social security programs. (See the accompanying textbox.)

The role exclusion plays in equality rights thus appears reasonably well established in Canadian case law under section 15 of the Charter. The link to poverty is only one step removed. A Canadian example of how the nexus between poverty and exclusion played out in an equality rights case under the Charter is illuminating. The Alberta Court of Appeal struck down a social assistance scheme for poor, widowed, older women in *Gwinner v. Alberta (Human Resources and Employment)*. The Court held that the scheme failed to consider the assets



of beneficiaries when assessing their need for the program. The program was alleged to be both over-inclusive, in that it benefited women who were asset rich, and under-inclusive, because it excluded women who are similarly situated, that is, who are older and have lost the financial support of a former spouse. The scheme was struck down, because it was considered by the Court to infringe constitutional equality rights under section 15 of the Charter.

While policy makers do not have to demonstrate a precise fit between a program and the targeted group, policy design does have to be rational and evidence-based. Distinctions must not violate human dignity. In a case called *Falkiner*, Ontario courts struck down a “spouse in the house” regulation that focused on income as the marker of poverty. Policy makers believed that the real income of welfare recipients was kept artificially low if there was cohabitation with another person, not technically a spouse, and thus whose income was not taken into account. In these circumstances, the other person was deemed to be a spouse. This assumption may or may not have been accurate, but by failing to consider the impact of the regulation on the capabilities and life choices of persons on social assistance (especially single women, according to the evidence in the case), the government had effectively diminished their capacity to enter into stable relationships, thus creating a form of exclusion that existed for no one else in society. (*Falkiner* has been appealed to the Supreme Court of Canada.)

## Designing Policy from the Poverty–Exclusion Nexus

The focus of this article is the intersection of the concepts of poverty and exclusion, and the implications for policy makers of that intersection. While income-based measures remain important, they should be placed in an overall context or framework based on a broader, context-sensitive definition of poverty. The first specific strategy is against poverty.

*The courts have rendered several decisions that have substantively changed our understanding of equality and its relationship to exclusion and the rights of persons in vulnerable or at-risk groups.*

### A National Strategy Against Poverty

There is no comprehensive policy framework to address poverty and exclusion at the federal level. This is particularly challenging in Canada, because of the federal structure. As a result of the jurisdictional complexity of poverty issues across federal and provincial lines, a comprehensive strategy against poverty is more likely to succeed if located within the framework of co-operative federalism and section 36 of the *Constitution Act*.<sup>6</sup> The federal-provincial Social Union Framework Agreement provides a good model, despite the perception that it may not have lived up to its potential in the past (especially in light of the recent creation of the Canada Social Transfer).

In developing a national strategy, policy makers need to consider the broader impacts of interventions on the life choices and circumstances of poor people, as well as the possibility that policy measures (especially those

that remove or restrict benefits) may create unfair exclusions, as occurred in the *Falkiner* case. Policy-relevant research on poverty targeted to vulnerable groups experiencing exclusion therefore should also be sensitive to the interactions of interventions (stacking), and to wider indicators of actual resources (protecting asset accumulation). More proactive measures would include ensuring better financial tools appropriate to low-income

persons and looking at access to certain health benefits (e.g., drug and dental) for persons who are working poor (St. Christopher House, 2004).

### Integration of Legal Norms

As noted above, the legal policy framework changes over time. As well, the concepts of exclusion and poverty are being understood in tandem, and together are being seen to invoke equality rights. These developments are critical for horizontal policy making, but have not been generally or explicitly accepted or integrated in federal policy-making circles. This is the case even though aspects of the capabilities framework may be implicit in certain sectors of policy research in law-based departments such as Justice Canada.

Consideration of an updated normative framework, particularly one that incorporates the legal policy side of the equation, should be integrated very early in the process, ensuring that appropriate, policy-relevant research

## Overview of Relevant Case Law

In *Corbière v. Canada (Minister of Indian and Northern Affairs)*, [1999] 2 S.C.R. 203, the Supreme Court of Canada considered the exclusion of off-reserve Aboriginal band members from band governance.

In *Egan v. Canada*, [1995] 2 S.C.R. 513, the Supreme Court of Canada considered the exclusion of persons from old age social security legislation because of sexual orientation.

In *Falkiner v. Ontario (Ministry of Community and Social Services, Income Maintenance Branch)* (2000), 49 O.R. (3d) 564 (C.A.). [Leave to appeal to S.C.C. granted [2000] S.C.C.A. 297], the Ontario Court of Appeal considered the constitutionality of a social assistance regulation that limited access to benefits when a person cohabited with another person of the opposite sex.

In *Gosselin v. Quebec (Attorney General)*, [2002] 4 S.C.R. 429, the court considered the exclusion from supplementary payments under a welfare scheme on the basis of age.

In *Gwinner v. Alberta (Human Resources and Employment)* [2002] AJ 1045, the Alberta Court of Appeal considered the exclusion of divorced and separated women from a social assistance scheme designed for older widows.

In *Granovsky v. Canada (Minister of Employment and Immigration)*, [2000] 1 S.C.R. 703, 2000 SCC 28, the court stated that “exclusion and marginalization (of persons with disabilities) are generally not created by the individual with disabilities but are created by the

economic and social environment and, unfortunately, by the state itself.”

In *Halpern v. Canada* (2003), 225 D.L.R. (4th) 529 (Ont. C.A.), the Court held that because same-sex couples are excluded from the institution of marriage, this exclusion perpetuates the view that same-sex relationships are less worthy of recognition than opposite-sex relationships.

In *Law v. Canada (Minister of Employment and Immigration)*, [1999] 1 S.C.R. 497, the Supreme Court of Canada considered the exclusion of a younger person from the Canada Pension Plan.

*M. v. H.*, [1999] 2 S.C.R. 3, dealt with the exclusion of gays and lesbians from the operation of family law legislation.

In *Polewsky v. Home Hardware Stores Limited* (2003), 60 O.R. (3rd) 600 (Div. Court), the court considered the legality of the fee to file a claim in Small Claims court where the applicant was poor.

In *Vancouver Society of Immigrant and Visible Minority Women v. M.N.R.*, [1999] 1 S.C.R. 10, the Court examined whether the denial of charitable status to a community-based organization constituted “exclusion from membership and participation in Canadian society.”

In *Vriend v. Alberta*, [1998] 1 S.C.R. 493, [1998] S.C.J. No. 29, the Court considered the exclusion of gays and lesbians from provincial human rights law protections in Alberta.

is informed by legal developments. It should be emphasized that this consideration would not necessarily be in the form of a legal opinion requested of a departmental legal services branch. Nor would it replace the legal assessment of Charter compliance that occurs at the back end of the policy process. Rather, it would be a front-end integration of legal policy considerations.

### **Charter and Human Rights Norms**

Front-loading legal norms is not as wide ranging or onerous an endeavour as might appear at first glance. The number of grounds in the Charter and in human rights laws is finite (at least at any given point in time), and the known or likely consequences of a policy can be taken into consideration as a function of policy objectives.

At the domestic level, the courts have rendered several decisions that have substantively changed our understanding of equality and its relationship to exclusion and the rights of persons in vulnerable or at-risk groups. When people are excluded from government programs in a manner that constitutes exclusion from membership and participation in Canadian society, courts are willing to wade into social policy

areas to redress the balance using equality rights. The research link between who is identified as vulnerable and which groups are considered to be discrete and insular minorities for the purposes of section 15 of the Charter are thus closely connected, and this includes groups of persons living in poverty.<sup>7</sup>

### ***International Law and Domestic Law: Bridging the Gap***

As part of a national strategy to address poverty, Canadian policy makers need to deal with the integra-

*The exclusion test ensures that government policies respect the rule of law, are consistent with the values expressed in the Charter, and reflect the values contained in international instruments Canada has ratified.*

tion of international human rights standards and domestic law and policy. A proposed approach uses an international law filter. When policy proposals are being researched in their early stages, researchers would, as a matter of course, review applicable international treaties and covenants to which Canada is a party, assessing the compliance of the proposal with international law. This process would apply to policy proposals being implemented through legislative instruments (as is now the case) and to other kinds of policy instruments.

In its guidelines to the federal public service, the Privy Council Office directs policy makers to ensure conformity with international obligations in the law-making process, but as regards other instruments (e.g., policies, guidelines, partnerships, and

negotiated rule making), policy makers are simply encouraged to consider the effects of international obligations (Canada, PCO, 2001). Given the burgeoning number of new instruments, and the active encouragement by the PCO and other central agencies to use law making as an instrument of last resort, a change to these guidelines is especially appropriate.

### **Conclusion**

The conceptual and normative foundations of poverty and exclusion have shifted considerably over the past

two decades. These changes have not been fully integrated into social policy development across the federal government's policy research agendas.

It may be difficult to see the need for reorientation of policy approaches in Canada because, for the most part, current approaches seem to work well in terms of broad averages. In comparison to other countries whose poverty levels are much worse, there seems to be little cause for concern. If a law or policy violates a person's rights or freedoms, there are legal recourses. Further, international instruments that address human rights and freedoms may be perceived by some to be directed at developing countries where the poverty situation is much worse. While Canada undoubtedly remains one of the best countries in

the world with respect to addressing poverty, none of these arguments is especially persuasive.

First, parallel research in this PRI project shows that the changing fabric of our society requires new approaches to address new problems and new aspects of traditional problems. A related legal development is the trend to viewing poverty in relation to exclusion, in particular using a judicial test of exclusion from membership and participation in Canadian society, which has evolved as a litmus test for determining whether government policies violate equality rights. The exclusion test ensures that government policies respect the rule of law, are consistent with the values expressed in the Charter, and reflect the values contained in international instruments Canada has ratified. Much of the case law on this point has been rendered over the past decade.

Second, the courts should be a venue of last resort. Compliance with the rule of law and sensitivity to emerging norms is as much the business of the policy maker as it is of the judiciary. The issue of accountability for compliance with international norms is, in particular, a matter of concern. If international instruments are not intended for Canada then, of course, Canada should not sign them. As a matter of principle, the courts have repeatedly stated that adherence to international instruments signals Canada's intent to comply. As a matter of practice, adherence to standards that Canada has promoted and adopted should be a basic feature of the development of policy across legislative and non-legislative instruments.

---

## References

### Statutes and Regulations

#### Canada

*Canadian Charter of Rights and Freedoms*, Part I of the *Constitution Act, 1982* (U.K.), 1982, c. 11.

*Constitution Act, 1982*, being Schedule B to the *Canada Act 1982* (U.K.), 1982, c.11.

*Constitution Act, 1867* (U.K.), 30 & 31 Victoria, c. 3, reprinted in R.S.C. 1985, App. II, No. 5.

#### Quebec

*An Act to combat poverty and social exclusion*, S.Q. c. 61.

### Authors and Reports Cited

Canada, PCO (Privy Council Office). 2001. Chapter 1.1, "Choosing the Right Tools to Accomplish Policy Objectives." Guide to *Making Federal Acts and Regulations*. 2nd ed. <[http://www.pco-bcp.gc.ca/default.asp?page=publications&Language=E&doc=legislation/Imgcatalog\\_e.htm](http://www.pco-bcp.gc.ca/default.asp?page=publications&Language=E&doc=legislation/Imgcatalog_e.htm)>.

CCSD (Canadian Council on Social Development). 2004. "What Kind of Canada? A Call for a National Debate on the Canada Social Transfer." <[http://www.ccsd.ca/pr/2004/social\\_transfer/st.htm](http://www.ccsd.ca/pr/2004/social_transfer/st.htm)>. Accessed April 28, 2004.

Eliadis, F. Pearl, 2004. "Normative Approaches to Policy: Integrating Legal Policy Perspectives." *Horizons* 6, no. 4. Ottawa: Policy Research Initiative.

Quebec, Commission des droits de la personne et des droits de la jeunesse. 2002. *Mémoire à la Commission des affaires sociales de l'Assemblée nationale : Projet de loi No. 112 – Loi Visant à Lutter Contre la Pauvreté et L'Exclusion Sociale*, September. <<http://www.cdpcj.qc.ca/fr/publications/liste.asp?Sujet=48&noeud1=1&noeud2=6&cle=0>>.

SRDC (Social Research and Demonstration Corporation). 2002. *Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients*. Ottawa, July.

St. Christopher House. 2004. "What Works When Income Doesn't? Income Strategies for Working-Age Adults." Project report, Spring. Unpublished; copy on file with author.

UNDP (United Nations Development Programme). 2002. *Human Development Report 2002*. <<http://undp.org/annualreports/2002/english>>.

———. 2003. *Human Development Report, 2003*. <<http://www.undp.org/annualreports/2003/english>>.

UNOHCHR (United Nations, Office of the High Commissioner for Human Rights). 2002. *Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies*. <<http://www.eldis.org/static/DOC10335.htm>>.

———. 2003. *Poverty: What Is Poverty?*

---

## Notes

- 1 P. Eliadis would like to acknowledge the contribution of Leah Spicer, a law student at the University of Windsor, who assisted with the larger work from which this article was drawn. The views expressed herein are those of the author.
- 2 *An Act to combat poverty and social exclusion*. R.S.Q. c. 61.
- 3 Now divided into the Canada Health Transfer and the Canada Social Transfer.
- 4 See the discussion in SRDC (2002 at ES-5).
- 5 Section 15(1) of the Charter came into force in 1985 and provides:
  15. (1) Every individual is equal before and under the law and has the right to the equal protection and equal benefit of the law without discrimination and, in particular, without discrimination based on race, national or ethnic origin, colour, religion, sex, age or mental or physical disability.
- 6 36. (1) Without altering the legislative authority of Parliament or of the provincial legislatures, or the rights of any of them with respect to the exercise of their legislative authority, Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to
  - a promoting equal opportunities for the well-being of Canadians;
  - b furthering economic development to reduce disparity in opportunities; and
  - c providing essential public services of reasonable quality to all Canadians.

(2) Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

- 7 Recent case law suggests that the principal bar to a finding of poverty as an analogous ground under section 15 of the Charter may be more the result of the fact that no one has brought a convincing factual and historical record to court, as opposed to an inherent prohibition against poverty as ground for equality rights (see the recent decision from Ontario in the *Polewsky* decision).



# Precarious Jobs and Social Exclusion

## Key Issues and New Policy Directions

**Andrew Jackson**  
Canadian Labour Congress

Social exclusion is often thought of primarily as an issue of low income, and there is no doubt that precarious jobs – low-wage jobs that carry a high risk of termination – are a major cause of low family incomes and poverty. However, good jobs are also important to social inclusion in the wider sense of contributing to an individual's ability to develop her or his talents and capacities, to participate actively in society and to enjoy a broad equality of life chances with fellow citizens. Precarious work is a key challenge for Canadian policy makers, because it condemns a significant proportion of citizens to lifelong exclusion from progressive job ladders and opportunities for skills development, and because these risks are concentrated among defined groups who face multiple sources of disadvantage, such as recent immigrants and lone parents. Precarious work is also highly gendered and undermines the goal of labour market equality between women and men (Vosko et al., 2003).

This article argues that precarious jobs are a key cause of social exclusion, and flags some policy directions based on European experience that may improve job quality at the bottom of the labour market. The first part of the article describes some of the major characteristics of precarious work in Canada today and the links to social exclusion. The second part outlines broad lessons that Canadians might draw from the social democratic labour market model found in some smaller European countries. These countries have achieved high rates of employment with low levels of precarious work. The final part offers concluding comments.

### Precarious Work in Canada

By some measures, Canada did well on the job front over the whole cycle of recession and recovery from 1989 to today. The proportion of the adult population with jobs reached an all-time high in 2003, and was one of the highest in the world. Talk of a knowledge-based new economy is overblown, but there is indeed an ongoing shift toward jobs requiring higher levels of education and skills. These types of jobs, in turn, usually provide higher pay and greater job satisfaction, and have promoted more equal opportunities for women. However, the overall job picture is marred by serious flaws. Most notably, Canada has a high and rising incidence of precarious jobs, and such low-paying, unstable jobs have contributed to a significant increase in inequality that threatens social inclusion.

Over the past decade, real hourly wages and median annual earnings have been remarkably stagnant, especially for men. Gains in earnings at the middle and lower end of the income distribution have been meagre, and earnings inequality has increased significantly over the economic cycle. Statistics Canada data (2003) show that the top 20% of families, with average market incomes of \$145,580 in 2001, took 45.6% of all market income in that year, up from 42.4% in 1989. This reflects increased polarization of individual earnings. As Saez and Veall (2003) reported, the earnings of the very top 1% have grown fastest. Their share of all individual income as reported on tax returns rose from 9.3% to 13.6% between 1990 and 2000. Overall, the gains that have been made since the

---

Andrew Jackson  
is a Senior Economist with  
the Canadian Labour Congress.



early 1990s are largely confined to the upper echelons of the income ladder, a group that already enjoyed a disproportionate share of earnings.

Rising market income inequality among families is partly driven by changes in the way people form families, but the main reason is increased inequality in the job market. Families down the income scale are more likely to be made up of people in lower-paid

service, and labouring occupations, even for full-time workers, while the high incidence of low pay in part-time and female-dominated private service jobs helps explain why women are at greater risk.

Data regarding precarious jobs are also of concern. Precarious jobs generally have a low hourly pay and a high risk of termination. Spells of unemployment in Canada average about four

*Precarious jobs provide very limited, if any, access to progressive career ladders and workplace training.*

jobs, and are also more likely to be hit by unemployment at some time in a year. Recent studies show a significant widening of longer-term earnings differentials and life chances for Canadians in the 1990s (Beach et al., 2003). Certainly, a significant minority of workers have very unstable and low paid jobs, and many remain trapped in these jobs for long periods of time (Finnie, 2000; Janz, 2004). Large inequalities in the job market continue to exist between women and men, and have grown sharply between recent immigrants and other Canadians.

Looking more closely at these developments, data from the Labour Force Survey show that about one in four Canadian workers – one in five men and one in three women – are low paid, defined as earning less than two thirds of the national median hourly wage, or less than about \$11 per hour in today's dollars. Of particular concern, about one in ten core working-age men age 25 to 54 and one in five core working-age women are low paid. Low-paid jobs are common in sales,

months and, in recent years, about one in eight workers has been unemployed at least once in the year. That risk is highly concentrated among persons with lower levels of education who normally earn lower than average wages when they are employed.

Precarious jobs also provide very limited, if any, access to progressive career ladders and workplace training. Dead-end jobs held by many women, recent immigrants, Aboriginal people, and persons with disabilities do not help people develop the skills and capacities they need to access better jobs, embark on lifetime career ladders, and better handle labour market risks, such as permanent layoffs due to economic change.

A precarious job does not necessarily mean poverty and exclusion. Some adult precarious workers are cushioned from poverty by the earnings of a spouse, and poverty is often the result of family breakdown and labour market exclusion rather than low earnings. However, precarious work is a significant and growing cause of Canadian

poverty today. Working-poor lone parents and families cycle in and out of poverty depending on how many weeks of work they get in a year and at what wage. A single person in a large urban centre has to work more or less full time in a full-year job and earn about \$10 per hour to escape poverty (i.e., be above the pre-tax, low-income cut-off line.) The threshold is obviously higher if a single earner has to support a child or a non-working spouse. A two-adult family with children has to put in about 75 weeks of work a year at \$10 per hour to get above the poverty line. Minimum wages are far too low in all provinces to put working poor families, even those with full-time, full-year jobs, above the poverty line, and even \$10 per hour, full-time, full-year jobs supplemented by government income supports leave most families in larger cities at risk (NCW, 2004).

Social programs and progressive income taxes can and do significantly lessen earnings-driven differences of family incomes. However, the redistributive role of taxes and transfers among the working-age population has been eroded by cuts to Employment Insurance and social assistance entitlements. Additionally, it will be very difficult to prevent increased income inequality and promote a more inclusive society if earnings inequality continues to increase.

From the perspective of social inclusion, it is disturbing that incomes in Canada after taxes and transfers became markedly more unequal between 1989 and 2001 after remaining stable over previous economic cycles. There can be no genuine equality of opportunity if there are very

large differences in family economic circumstances. Key outcomes, such as health, are closely linked to relative and not just absolute income. In relatively equal countries like Sweden, differences in life expectancy, health, literacy, education, and other key indicators of well-being between different sections of the population are much narrower than those in Canada, and gaps in Canada have hitherto been narrower than in the United States (Jackson, 2000). For all the talk of the United States as the land of opportunity, life chances, as measured by the chances of a child from a lower-income family climbing the income ladder, are lower than in Canada, and are highest in the more egalitarian Scandinavian countries (Fortin and Lefebvre, 1998). It is to those countries that we should pay greater attention.

### **Limiting Precarious Work: Learning from Social Democratic Models in Europe**

As Smeeding (2002) noted, high-equality countries, such as Sweden, tend to be that way, because of generous social programs and because the primary distribution of income by the job market is fairly equal. There are limits in the extent to which social transfers can compensate for labour market-driven inequality, and changes to how the job market itself works must be part of the policy response to social exclusion.

The experience of Scandinavian social democracy in the 1990s suggests a combination of high employment, relatively equal wages, and real opportunities for workers in traditionally low-wage, dead-end jobs is possible. The International Labour Organization and the European Commission both recently highlighted the experience

of Denmark as suggestive of a labour market model which promotes high levels of socially inclusive employment, undermining the dismal view of many orthodox economists that there is an inevitable trade-off between job creation and higher quality jobs (Auer, 2000; ILO, 2003; EC, 2002).

*Canadian policy makers should view higher minimum wages and policies to support the extension of collective bargaining to low-wage, private service workers in a much more positive light than is generally the case.*

Denmark, Sweden, and the Netherlands all had good records of job creation and economic growth in the 1990s, with a very low incidence of low-wage work compared to North America. This suggests a different model is possible, even if it is not necessarily easy to create.

The relative success of these countries in creating higher-quality jobs and high levels of employment has been accomplished by:

- regulating the labour market to create a wage floor and a low level of wage inequality;
- keeping the non-wage costs of employment low by providing social and economic security primarily through public programs financed from general taxation;
- providing significant investment in active labour market policies to upgrade the skills of those at greatest risk of engaging in precarious employment; and
- building a distinct kind of post-industrial service economy, based on a large non-market sector and high productivity private services.

The results of this approach differ markedly from those in North America. In the mid-1990s, about one in four full-time workers in Canada (23.7%) as well as in the United States were low paid – defined as earning less than two thirds of the median national full-time wage – compared

to just one in twenty workers (5.2%) in Sweden, and only one in eight in Germany (OECD, 1996). The distribution of wages in many European countries is more compressed than in North America, mainly because the wages of even private-sector service workers in smaller firms are set by collective bargaining or by the extension of union wage agreements to all workers in a sector. Advanced industrial countries differ little in terms of the big structural forces shaping job markets, such as international competition and technological change, but labour market institutions still significantly shape outcomes for workers (OECD, 1996, 1997; Aidt and Tzannatos, 2003; Freeman and Katz, 1995).

At the micro-economic level, both individual workers and firms benefit. The conventional view is that imposing decent wages for lower-skilled workers destroys jobs but, in fact, higher wages can work in a positive way by raising productivity and job quality. The fact that employers are under pressure to pay good wages will lead them to invest more in capital equipment and in training than would otherwise be the case. Wage floors can

lower worker turnover and increase experience and skills, reducing employer costs. A common wage standard can also take wage costs out of the competitive equation. If all employers pay the same wage and benefit package, firms must compete with one another on the basis of non-labour cost issues, such as quality and customer service, which require more skilled workers.

For all of these reasons, Canadian policy makers should view higher minimum wages in Canada and policies to support the extension of collective bargaining to low-wage, private service workers (with current unionization rates of well under 10%) in a much more positive light than is generally the case.

Social democratic countries, such as Sweden and Denmark, have boosted job creation in ways that do not depend on low wages. Employers are expected to provide decent wages, working conditions and training but, unlike many high unemployment European countries such as Germany, they are not expected to fund social programs and benefits in a major way. Unlike Canada, pensions and extended health benefits are provided mainly through government programs. Paying for social programs and pensions from general taxes rather than from payroll taxes or from firm-level welfare plans keeps total labour costs under control. This approach also narrows differences between core workers with good benefits and precarious workers with no benefits. The lesson for Canada is to build gradually on medicare by extending the reach of public health plans and of public pensions.

The Scandinavian countries have long emphasized employment security

rather than job security, now termed “flexicurity.” This means firms can hire and lay off workers fairly easily, but governments have the responsibility to promote full employment. Additionally, governments with employers and unions have the joint responsibility to promote training and run meaningful and effective labour market policies. This means non-standard forms of employment are accepted, so long as wages and opportunities for training are non-discriminatory (as specified in the European Union directive on part-time work).

To support this approach, the Scandinavian countries invest heavily in public education, and in workplace training and active labour market policies to promote labour adjustment and lifelong learning. Remarkably, the Danish government spends five times more than Canadian governments on public training programs, even though the unemployment rate in the two countries is similar (Madsen, 2003). Training for the unemployed and workers in precarious employment helps equalize access to job opportunities and creates a base for higher-quality jobs. Training can be a real force for better jobs in normally low-wage private services by enabling employers to pursue business strategies requiring higher skills and lower-skilled workers to climb job ladders.

There has been scepticism in Canada about the effectiveness of skills training for vulnerable workers, but research increasingly shows that turning the rhetoric of lifelong learning into real opportunities for lower-paid workers yields major benefits in terms of job quality (ILO, 2003; Madsen, 2003; OECD, 2004). Applebaum et al. (2003) supported these positions through detailed case studies of jobs in traditionally low-wage sectors being

significantly improved through a combination of higher skills and employer strategies that take advantage of those skills. With these findings in mind, governments in Canada should re-evaluate their positions regarding the potential benefits of training for vulnerable workers.

Finally, differences among advanced industrial countries regarding the structure of post-industrial employment are informative. These differences largely depend on the extent to which child and elder care and other community services have been assumed by the market or by the state. When the option of state and not-for-profit service delivery is chosen over delivery by market actors, the result is often the creation of more skilled and well-paid jobs, particularly for women. The associated choice of higher taxes for public services also means households have less after-tax income for consuming private services, resulting in fewer low-quality service sector jobs (Esping-Anderson, 1999; Pierson, 2001). Strikingly, one in six of the total working-age population in Canada and the United States is employed in the normally low-wage retail trade, restaurants, and accommodation sectors combined, compared to just one in ten in Sweden and Denmark (Scharpf and Schmidt, 2000, Data Appendix, Vol. I). High wages may squeeze private consumer services, but not necessarily at the cost of total employment, a finding that demands a re-evaluation of current government policies.

## Conclusions and Lessons for Canadians

The experience of a few European countries, such as Denmark, Sweden, and the Netherlands, tells us it is possible to have high levels of

high-quality employment, and there is no inevitable trade-off between job quantity and job quality. In the Scandinavian countries examined, a high wage floor and a very low incidence of low-paying and dead-end jobs have not precluded strong job growth, even in private services. Subsequently, it is the position of Canadian labour and anti-poverty groups that a similar wage floor in Canada is part of the answer to precarious work. This floor will be most effective when combined with public policies that raise the skills of workers and encourage employers to pursue high-skill strategies. Last, high levels of social services, financed from general taxes, can also make a positive contribution to high-quality, post-industrial employment.

Canada is a diverse and rather individualistic society, but Canadians also take pride in having created a more inclusive society than in the United States. Many elements of the new European models, such as strong unions, a large social sector, and social partner involvement in policy making exist in Quebec and, to a lesser degree, in other provinces. Canada is highly integrated with the heavily deregulated United States labour market, but this does not make impossible political projects linked to values of equality, inclusion, and solidarity. Ultimately, the challenge is to show how elimination of precarious work will promote social inclusion and help build a more productive economy.

(The arguments of this paper are developed at much greater length in Andrew Jackson, *Work and Labour in Canada: Critical Issues*, forthcoming from Canadian Scholars' Press in Spring, 2005.)

## References

- Aidt, Toke, and Zafiris Tzannatos. 2003. *Unions and Collective Bargaining: Economic Effects in a Global Environment*. Washington: The World Bank.
- Applebaum, Eileen, Annette Bernhardt, and Richard J. Murnane, eds. 2003. *Low Wage America*. New York: Russell Sage Foundation.
- Auer, Peter. 2000. *Employment Revival in Europe: Labour Market Success in Austria, Denmark, Ireland and the Netherlands*. ILO. Geneva.
- Beach, Charles, Ross Finnie, and David Gray. 2003. "Earnings Variability and Earnings Stability of Women and Men in Canada: How Do the 1990s Compare to the 1980s?" *Canadian Public Policy*, XXIX Supplement.
- Esping-Anderson, Gosta. 1999. *Social Foundations of Post-Industrial Economies*. Oxford University Press.
- EC (European Commission), Employment and Social Affairs. 2002. *Employment in Europe*.
- Finnie, Ross. 2000. *The Dynamics of Poverty in Canada*. C.D. Howe Institute.
- Fortin, Nicole, and Sophie Lefebvre, eds. 1998. "Intergenerational Income Mobility in Canada." In *Labour Markets, Social Institutions and the Future of Canada's Children*, by Miles Corak. Statistics Canada.
- Freeman, Richard B., and Lawrence F. Katz, eds. 1995. *Differences and Changes in Wage Structures*. The University of Chicago Press.
- ILO (International Labour Organization). 2003. *Decent Work in Denmark: Employment, Social Efficiency and Economic Security*.
- Jackson, Andrew. 2000. *The Myth of the Equity-Efficiency Trade-Off*. Canadian Council on Social Development.
- Janz, Teresa. 2004. *Low Paid Employment and Moving Up*. Statistics Canada, Income Research Paper.
- Madsen, Per Kongshoj. 2003. "'Flexicurity' Through Labour Market Policies and Institutions in Denmark." In *Employment Stability in an Age of Flexibility*, ed. Peter Auer, and Sandrine Cazes. International Labour Office. Geneva.
- NCW (National Council of Welfare). 2004. *Income for Living?* Spring, 2004.
- OECD (Organization for Economic Cooperation and Development). 1996. "Earnings Inequality, Low Paid Employment and Earnings Mobility." *Employment Outlook*.
- . 1997. "Economic Performance and the Structure of Collective Bargaining." *Employment Outlook*.
- . 2004. "Improving Skills for More and Better Jobs. Does Training Make a Difference?" *Employment Outlook*.
- Pierson, Paul, ed. 2001. *The New Politics of the Welfare State*. Oxford University Press.
- Saez, Emmanuel, and Michael Veall. 2003. *The Evolution of High Incomes in Canada, 1920 to 2000*. National Bureau of Economic Research Working Paper.
- Scharpf, Fritz, and Vivien Schmidt, eds. 2000. *Welfare and Work in the Open Economy*. Vol. I, *From Vulnerability to Competitiveness*, and Vol. II, *Diverse Responses to Common Challenges*. Oxford University Press.
- Smeeding, Timothy. 2002. *Globalization, Inequality and the Rich Countries of the G-20: Evidence from the Luxemburg Income Study*. Luxemburg Income Study Working Paper No. 320. July.
- Statistics Canada. 2003. *Income in Canada*. Catalogue 13F0022XCB.
- Vosko, Leah, Nancy Zukewich, and Cynthia Cranford. 2003. "Precarious Jobs: A New Typology of Employment." *Perspectives on Labour and Income*. Statistics Canada.



# Poverty and Inner-City Education

**Ben Levin**  
University of Manitoba<sup>1</sup>

Numerous studies have consistently shown that the strongest single predictor of educational achievement and attainment is the socio-economic status (SES) of the student's family. Thus, children in inner-city areas, characterized by low SES, face significant obstacles to educational success, with concomitant threats to other important life outcomes: employment, income, health, longevity, and civic participation.

Concern about inner-city education is not new, yet this long-standing concern hides a range of ideas about the nature, causes, and potential remedies for the problems of education in our cities.

## Causes of and Remedies for Poverty

Thinking about the nature and causes of poverty tends to fall into one of two broad camps. One sees poverty as a shortcoming of individuals who will not or cannot do what is required to maintain a reasonable life. In this view, poverty is often a moral failing, and measures to provide extra supports to poor people likely encourage slothfulness and a lack of initiative, thus making the problem worse. A second view holds broadly that poverty arises mainly from systematic inequities in the economy and society, and is largely the result of forces beyond the control of individuals, such as the lack of work, low wages, or discrimination. Alleviating poverty is, therefore, seen as requiring either or both (there is disagreement on this point) extra supports to families and individuals, or structural changes in the economy and society. Public opinion and government policy tend to oscillate between these two positions.

Ideas about solutions to, or strategies for, addressing issues of poverty are largely shaped by people's ideas about causes. The range of solutions or strategies falls into four broad categories. One set of policies provides some basic level of income and other supports for poor people through social assistance, minimum wages, tax credits, or a range of other vehicles. Many of these policies have little or no ameliorative element. They are simply designed to try and make life bearable, or at least possible, for people who are otherwise destitute.

Another set of strategies is intended to support greater individual effort by poor people. Examples include both positive incentives (e.g., support for training and education, savings plans, targeted programs) and negative incentives (e.g., denial of various benefits for non-employment). These strategies are based on a model of poverty as being largely the result of individual problems or incapacities.

A third, less frequently used set of strategies aims less at individuals and more at neighbourhoods or communities. Initiatives in this category derive from the belief that poverty is largely a result of structural factors rather than individual choices, and must therefore be addressed by trying to change structures, especially at the local level. Examples include economic development initiatives, neighbourhood action groups, school improvement, and employment creation.

Finally, anti-poverty strategies may be developed at the macro-social level. If the basic theory is that overall prosperity is the best way to reduce poverty – an idea that has been very powerful in mainstream thinking – then efforts to reduce unemployment or stimulate

---

<sup>1</sup> At the time of writing, Ben Levin was a professor in the Faculty of Education at the University of Manitoba.



overall economic growth, even including tax cuts, could be seen as the primary policy levers to be used.

### The Role of Education in Anti-Poverty Efforts

While more education is clearly linked to desirable life outcomes, these outcomes vary a great deal, even among those with similar levels of education. The last 20 years have shown that countries can simultaneously have

At the macro-policy level, the importance of education to overall economic growth and prosperity has become an article of faith among governments and other agencies. Whether the rhetorical commitment is matched by active educational policy is quite another matter. Many jurisdictions, including Canadian provinces, have actually reduced the level and proportion of public resources flowing to public schools and post-secondary

Longitudinal Study of Children and Youth (NLSCY) – all led to a similar conclusion that about 25% of students in Canada has some notable level of risk with about 10% to 15% likely to face serious challenges. However, these risk factors are not evenly distributed geographically. In high-poverty communities, the levels of challenge could be much higher. It is well known that Aboriginal school completion rates remain much lower than those for other Canadians.

*Some argue that it is unreasonable to expect schools to overcome, to any significant extent, the powerful social and economic forces that create and sustain inequality.*

increasing levels of education and increasing levels of economic and social inequality.

Still, efforts to encourage poor individuals to improve their situation often have the acquisition of more education as central to opening up other opportunities (though in practice many poverty support programs put substantial barriers in the way of people who want to return to education). Initiatives at the community level often involve efforts to improve education, whether in the schools or through extension into adult education or early childhood development. However, some community advocates see schools as part of the establishment that oppresses the poor, and are suspicious of school efforts given the evident failure of existing educational provisions to make large changes in patterns of inequality. Other research shows the ways in which schools sometimes support or even exacerbate social inequalities (e.g., Natriello et al., 1990).

education, while early childhood development and adult education remain marginal to the overall educational enterprise in terms of policy, institutional structures, and resources.

### Inequities in Schooling: The Achievement Gap

How big a problem do we have in urban education in Canada? Levels of child poverty in Canada remain very high by international standards (Bradbury and Jäntti, 2001). The Campaign 2000 Coalition reported that despite the commitment by Parliament to end child poverty, between 1989 and 1999 the number of poor children in Canada rose by 39%, including a large increase in families with at least one person in full-time employment.

In an analysis of students at-risk in Canada, Levin (2004) concluded that several different measures – poverty, high school dropouts, and the vulnerability index created from the National

Evidence on student outcomes shows that gaps in achievement remain substantial in Canada, and socio-economic status is an important factor in those gaps. Willms' (2003) analysis of data from the NLSCY showed that socio-economic status has substantial effects on children's educational skills, and these effects are stronger in communities with high overall levels of poverty. The Program for International Student Assessment (PISA)<sup>2</sup> study also found large gaps between the top and bottom performing 15 year olds in Canada. Moreover, these gaps grow over time. Data from the Manitoba Centre for Health Policy (MCHP) showed huge disparities in results on the Grade 12 provincial examinations for students coming from the poorest parts of Winnipeg (Brownell et al., 2004).

An important issue is whether schools in poor neighbourhoods suffer systematically, as they do in many places in the United States, from poorer facilities, less qualified teachers, and generally weaker levels of resourcing. Impressionistic evidence would suggest this is not the case in Canada, because financing tends to be more equal across school districts.

## How Much Can Schools Do?

Schools are often seen as vital contributors to efforts to reduce poverty and achievement gaps. Some argue that it is unreasonable to expect schools to overcome, to any significant extent, the powerful social and economic forces that create and sustain inequality. Another line of argument is that the target and demand must be for schools to do much more than they have in the past to equalize opportunities for poor children. Any other position is defeatist and allows schools to make excuses for poor performance. Advocates of higher expectations for schools point out that school results vary enormously even within similar SES communities, suggesting some schools are managing to produce much better outcomes.

How much improvement in student outcomes might reasonably be expected given sustained efforts by schools in high poverty areas? Teddlie and Reynolds (2001) suggested that 10% to 15% of the variation in pupil outcomes is attributable to all the things schools do (or do not do). However, this does not mean we can necessarily improve outcomes by this amount through changing school practices. Their estimate might be close to a ceiling on what is possible by way of school improvements.

Various studies examined schools that seem to be doing better than expected. These studies typically noted features of these successful schools, such as a common vision, high expectations for students, strong leadership focused on student success, use of data to guide planning, and strong ties with the community. However, schools making the greatest gains are, by definition, untypical. A reading of the literature

on various forms of deliberate school improvement work indicates gains in student outcomes are quite modest in most schools, even after extensive efforts over several years. Moreover, the improvement process will often be more difficult in schools in challenging circumstances, because such schools face higher staff and pupil turnover, lower levels of overt parent support, and a history of lack of success. Recent US evidence (Bracey, 2004) showed that sustained improvement over time in high-poverty schools is rare, despite claims by studies of exceptional schools.

## Conceptualizing Strategies to Address High Levels of Poverty in Schools

Over the years, schools and school systems adopted a variety of measures to address equity concerns. Indeed, there is very little in the current lexicon of school supports that was not advocated in the 1960s and early 1970s, if not well before that. The measures taken can be thought of as falling into three categories. The first includes in-school changes in programming or supports, such as feeding or clothing students, mounting special programs, greater outreach to parents, and whole-school reforms in teaching and learning. The second category includes system measures designed to provide positive or negative incentives for better performance, such as testing of students and teachers, choice of schools, and extra funding or other financial incentives tied to performance. The third category includes measures to extend the scope of schooling into other areas, such as early childhood, adult education, and community economic development.

This kind of general categorization understates the importance of local context. The nature of poverty and the kinds of challenges it presents to schools vary from one community to another across Canada. These differences suggest that strategies and approaches by the schools also need to be different.

## What do we Know about Efforts by Schools?

In all categories, most efforts at any level to address needs in high-poverty schools have been short term and on the margins of the basic enterprise of schooling. The same proposals reappear regularly, but do not seem to affect mainstream schooling processes. Ideas from 40 years ago, such as integrated services, community development, or parental involvement, are once again being advocated.

We do not have a good base of evidence as to the impact of these various measures. For example, there is very little evidence on the impact of initiatives, such as feeding children or providing additional counselling. It seems reasonable to think there would be effects from ensuring children eat properly, are dressed warmly, or have access to programs that give some recognition to their language or culture. The limitation of all these programs is that they do not directly address academic achievement so, while probably important, they are unlikely to make the necessary difference in outcomes.

Another common response of schools to poverty has been the development of a whole range of special or targeted programs. Many such programs create separate classes or teaching arrange-

ments for children and youth seen to be at risk. These approaches are adopted largely because they are the least disruptive to existing arrangements and, in many cases, are supported by specific funding programs.

Once again the empirical evidence on outcomes is weak but, on the whole, research evidence does not support segregated or withdrawal programs as effective interventions (Knapp et al., 1995).

Current thinking on effective school change tends to focus on basic approaches to teaching and learning, and to student-teacher relationships. Some researchers think changes in regular classroom practices are key.

[A]chievement in school is made more likely when: teachers teach for mastery; curricula are relevant to students' present and future needs; authentic assessment practices are used; democratic classrooms are created where students contribute to the rule-making and governance; rational, humane and consistent behaviour management techniques are adopted; teachers are warm, approachable, fair and supportive and a range of ways of being successful are made available to students (Howard et al., 1999, p. 316).

In the PISA 2000 study, more motivated students did better regardless of their background or the school's teaching.

Changing mainstream programs is a relatively new approach. The more popular changes include the creation of teacher advisory systems in secondary schools to try to ensure stronger adult-student connections and the use of new approaches to early literacy

in elementary schools including Reading Recovery and balanced literacy. Schools may also need to distribute resources differently in high-need communities. However, these changes in the everyday nature of school activities and, especially, in the work of teachers are not easy to do and may challenge current practices. Many studies evaluating large-scale efforts to improve schooling for at-risk students show how hard such changes are to make and sustain.

Some of what are known as whole school reform models offer evidence of positive effects, such as Success for All,<sup>3</sup> the School Development Program, or Accelerated Schools, but are still controversial, partly because of their reliance on test score results as the main criterion, and partly because the number of truly independent evaluations of most programs remains small. A massive effort in England through the National Literacy Strategy and National Numeracy Strategy included additional funding, supports, incentives, and accountability pressures. Test scores improved rapidly in the first few years, but since then have stayed flat at levels below the targets, raising concerns about whether these strategies could raise achievement to desired levels (Earl et al., 2003a).

### Extending the Scope of Schooling

Almost all the literature on education and poverty assumes that anti-poverty work should take place primarily in schools. Yet the discussion of the limits of school improvement raises the possibility that schools may not be the most efficacious sites for efforts to improve and equalize educational

outcomes. The most significant impact on student outcomes may come from other measures, such as reducing lead poisoning from substandard housing, reducing the incidence of fetal alcohol syndrome, or ensuring that children in isolated communities get an adequate diet.

There is at least some awareness in many inner-city settings of the need to take a broader approach as evidenced by efforts over many years to include early childhood, adult education, parental involvement, and community development in school programs.

Many intervention programs in inner cities have focused on the preschool years. Although there is a strong belief that early intervention will create significant improvements in outcomes, the evidence is actually not so straightforward (Bradley and Whiteside-Mansell, 1997). Preschool appears to be an important area for action, but not sufficient in itself. Canada lags behind many other countries in its effort and infrastructure to support very young children. On a per child per year basis, schools in Canada get about six times more public funding than do various programs for very young children. Moreover, the infrastructure that does exist for early childhood in Canada and many other countries is largely at ages three to five, whereas both need and impact appear greater when children are even younger.

Adult education is another promising area in high-poverty communities, especially for adults with low levels of formal education, because improving the skills of adults usually also improves the lives of the children in their care. The development of a

network of adult learning centres in Manitoba illustrates the extent to which adult participation is connected to desires to assist their children in being more successful in school. Although many school systems in Canada operate adult learning programs, support for such programs by provinces and school systems tends to be very modest, and pro-

*Schools may need to look at ways to participate in larger efforts to build strong communities by, for example, hiring local people, purchasing goods and services locally, and supporting community efforts to improve housing or create jobs.*

grams often lack a solid base in policy that would promote wider accessibility and high quality.

Parental involvement has been recognized increasingly as an important element in building school success. Educators may tend to blame parents for children's problems and seek to counteract the influence of parents. The inability of such an approach to work should be evident based on its abject failure in Aboriginal education in Canada. The stresses in children's lives are intimately connected to the conditions of their parents, which means schools have no choice but to try to build strong connections with parents. We have learned a great deal more in recent years about how to build these connections, including how to work effectively with parents who may themselves be struggling. However, with very few exceptions, the development of parent involvement in schools in Canada is a poorly resourced, add-on activity that is well down on the priority list of schools. Combining early childhood and adult

education leads to what are called two generation programs (Dunst and Trivette, 1997). The US National Governors' Association,<sup>4</sup> for example, advocates family literacy programs that involve parental support for children's literacy and school support for parent learning.

Schools may need to look at ways to participate in larger efforts to build

strong communities by, for example, hiring local people, purchasing goods and services locally, and supporting community efforts to improve housing or create jobs. Such strategies have considerable promise, but are not often attempted for a range of reasons.

Another often-advocated strategy is the integration of various educational and social services through the school to make services more available to those requiring them. Efforts to implement integrated service models go back to the beginnings of public schools. While the idea has an intuitive appeal, like many institutional changes, it is very hard to do effectively and sustain over time (Volpe, 2000).

One should avoid developing an excessively pessimistic conclusion from all this information. In particular, the evidence reviewed does not suggest that spending money on efforts to improve high-poverty schools is a poor strategy. As one group of researchers put it:

The fact is that there is virtually no evidence of the consequences of colossal increases in the educational resources to which disadvantaged children are exposed, because this strategy has never been systematically adopted (Natriello et al., 1990, p.192).

## Conclusion

Everything we know about poverty and education tells us that it has been very difficult to make any lasting change in the link between children in poverty and poor educational outcomes. Despite huge efforts by many people in schools, children who grow up in our inner cities are still at much higher risk for a whole series of adverse outcomes. We do not have enough evidence to know how schools might be able to compensate for these disadvantages. This paper has suggested that current expectations for schools are probably unrealistic, and our strategies may need re-examination. At the very least, we would benefit from a broader discussion about what steps might be most useful and most feasible.

## References

- Anderson, L., and L. Pelliger. 1990. "Synthesis of Research on Compensatory and Remedial Education." *Educational Leadership* 481 (September): 10-16.
- Barnett, W. 1996. *Lives in the Balance: Age-27 Benefits-Cost Analysis of the High/Scope Perry Preschool Program*. Ypsilanti, MI: High/Scope Press.
- Bracey, G. 2004. "The Trouble with Research, Part 2." *Phi Delta Kappan* 85, no. 8: 635-636.
- Bradbury, B., and M. Jäntti. 2001. "Child Poverty Across Twenty-Five Countries." In *The Dynamics of Child Poverty in Industrialised Countries*, ed. B Bradbury, S. Jenkins, and J. Micklewright. Cambridge: Cambridge University Press/UNICEF, pp. 62-91.



Bradley, R., and L. Whiteside-Mansell. 1997. "Children in Poverty." In *Handbook of Prevention and Treatment with Children and Adolescents: Intervention in the Real World Context*, ed. T. Ammerman and M. Hersen. New York: John Wiley and Sons, pp. 13-58.

Brownell, M., N. Roos, R. Fransoo, A. Guevremont, L. MacWilliams, S. Derksen, N. Dik, B. Bogdanovic, and M. Sirski. 2004. "How Do Educational Outcomes Vary with Socioeconomic Status?" Winnipeg: University of Manitoba Centre for Health Policy. <[www.umanitoba.ca/centres/mchp](http://www.umanitoba.ca/centres/mchp)>.

Coleman P., and J. Collinge. 1998. *Parent, Student and Teacher Collaboration*. Thousand Oaks, CA: Corwin.

Dodge, D. 2003. "Human Capital, Early Childhood Development, and Economic Growth: An Economist's Perspective." Speech at Sparrow Lake, May 2003.

Dunst, C., and C. Trivette. 1997. "Early Intervention with Young At-Risk Children and Their Families." In *Handbook of Prevention and Treatment with Children and Adolescents: Intervention in the Real World Context*, ed. T. Ammerman, and M. Hersen. New York: John Wiley, pp. 157-180.

Earl, L., N. Watson, B. Levin, K. Leithwood, M. Fullan, and N. Torrance. 2003a. *Watching and Learning 3: Final Report of the OISE/UT Evaluation of the Implementation of the National Literacy and Numeracy Strategies*. Prepared for the Department for Education and Skills, England. Toronto: OISE/University of Toronto. <[www.standards.dfes.gov.uk/literacy/publications](http://www.standards.dfes.gov.uk/literacy/publications)>.

Howard, S., J. Dryden, and B. Johnson. 1999. "Childhood Resilience: Review and Critique of Literature." *Oxford Review of Education* 25, no. 3.

Hunter, H. 2000. "In the Face of Poverty: What a Community School Can Do." In *Solutions that Work: Fighting Poverty in Winnipeg*, ed. J. Silver. Winnipeg: Canadian Centre for Policy Alternatives, pp. 111-125.

Knapp, M., P. Shields, and B. Turnbull. 1995. "Academic Challenge in High-Poverty Classrooms." *Phi Delta Kappan* 76, no. 10: 770-776.

Levin, B. 1995. "Education and Poverty." *Canadian Journal of Education* 20, no. 2: 211-224.

———. 2003. "Approaches to Policy for Equity in Lifelong Learning." Paper prepared for the OECD, Paris.

———. 2004. "Students at Risk: A Review of Research." Paper prepared for The Learning Partnership, Toronto.

McCain, M., and J. Mustard. 1999. *Early Years Study*. Toronto: Publications Ontario.

Natriello, G., E. McDill, and A. Pallas. 1990. *Schooling Disadvantaged Children: Racing Against Catastrophe*. New York: Teachers College Press.

Teddle, C., and D. Reynolds. 2001. "Countering the Critics: Responses to Recent Criticisms of School Effectiveness Research." *School Effectiveness and School Improvement* 12, no. 1: 41-82.

Volpe, R. 2000. "What Have We Learned Documenting and Evaluating School-Linked Services for Children and Youth at Risk?" Paper presented to the Pan-Canadian Education Research Agenda, Ottawa. April. <[www.cmec.ca](http://www.cmec.ca)>.

Willms D. 2003. *Ten Hypotheses about Socio-economic Gradients and Community Differences in Children's Developmental Outcomes*. Report SP-560-01-03E. Applied Research Branch, Human Resources Development, Canada, February.

## Notes

- 1 This paper is part of a larger research project on poverty and inner-city education, conducted by Ben Levin and Jane Gaskell, and funded by the SSHRC. Further details and references can be obtained by contacting either author.
- 2 <[www.pisa.gc.ca](http://www.pisa.gc.ca)>.
- 3 <[www.successforall.net](http://www.successforall.net)>.
- 4 <[www.nga.org](http://www.nga.org)>.

## Social Networks, Social Capital and Social Exclusion

"Policy-makers and practitioners have become aware over the years that the unit of their concern is neither the isolated individual nor a theoretically bounded group such as a household or a community. Themes of interdependence and interconnectedness have come to the fore in recent exchanges between researchers and policy-makers, especially in the investigation of social exclusion. The three terms 'social network', 'social capital' and 'social exclusion' (and 'inclusion') are linked in a variety of complex and interesting ways and all of the work reported here focuses, with different degrees of emphasis, on these interchanges."

"The chapters included bring together:

- an overview of the social network literature, summarizing the main sociological arguments and traditions;
- a review of the range of social phenomena which social networks seek to explain;
- examples of quantitative and qualitative studies using a broad network approach; [and]
- a discussion of the implications for social and public policy of a network perspective."

Chris Phillipson, Graham Allan, and David Morgan, eds. 2004. *Social Networks and Social Exclusion: Sociological and Policy Perspectives*. Aldershot, UK: Ashgate Publishing. Quotes from the Introduction.



# Canada's Working Poor

**Dominique Fleury and  
Myriam Fortin<sup>1</sup>**  
Social Development Canada

---

Dominique Fleury  
is a Research Analyst and  
Myriam Fortin  
is a Senior Policy Analyst,  
both with Research and  
Qualitative Analysis Division of  
Social Development Canada.

## Introduction

In industrialized countries, it is widely accepted that anyone with paid employment should be able to earn a decent living and support a family. But for some Canadians, having at least one employed person in the family is no guarantee against low income. By the 1960s, studies were already showing that a large percentage of low-income persons were in families with at least one worker exerting a significant work effort. For the past few years, the United States and several European nations have been trying to better understand the situation facing their low-income workers. In Canada, however, the few studies that have examined this subject have focused more on low-paid workers, thereby emphasizing labour market characteristics. However, there has been a renewed interest in low-income workers following the massive restructuring of social assistance in the 1990s and the accompanying reduction in the number of social assistance recipients (an average decrease of 40.6% between 1994 and 2002).<sup>2</sup> This article offers a look at the circumstances facing Canada's working poor.

The most striking observations are that low-paid workers face a very different situation from low-income workers, and that family circumstances have more to do with their low incomes than the labour market. In fact, most low-paid workers do not have a low family income. (In 2001, only 24% of low-paid workers lived in a low-income situation.) In general, family circumstances play a bigger role in determining low income than the fact that an employed person may not work many hours. (On average, low-income workers worked about the same number of hours as those who

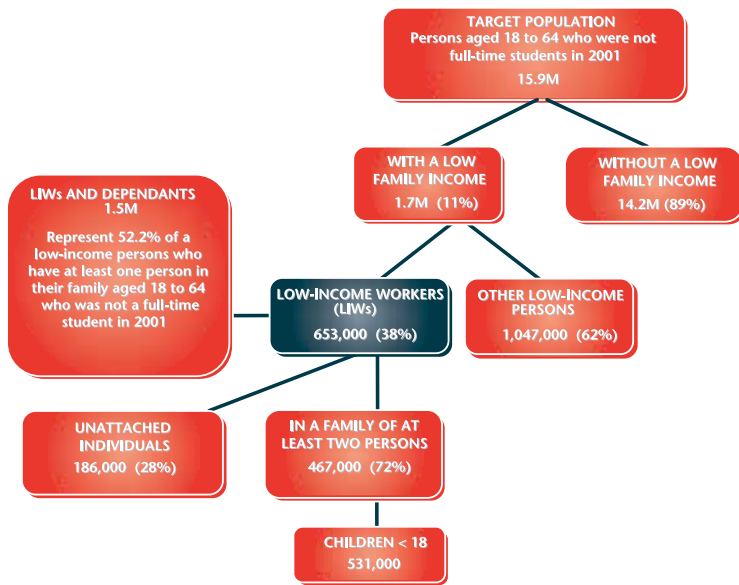
did not have a low family income in 2001.) In Canada, in particular, a worker with a significant work effort is particularly vulnerable to low income if he or she is the only person meeting the family's financial needs, and this vulnerability increases with the number of dependent children. Consequently, possible policy options to assist low-income workers could vary greatly from those to assist low-paid workers.

## Distinguishing Between "Low-Income Workers" and "Low-Paid Workers"

One of the main difficulties in studying low-income workers is defining who they are. It's not a simple matter since it involves the interplay of two usually distinct fields of study: work (which focuses on the individual) and low income (which focuses on the family). There is a great deal of confusion about low-paid workers and low-income workers. Low-paid workers are individuals whose work effort is high, but whose earnings are low. However, they are not necessarily low-income workers if their needs are met only through their own earnings as well as those of other family members. In Canada, a person who works full time throughout the year for minimum wage is considered a low-paid worker.<sup>3</sup> However, if this person lives with a spouse who earns \$100,000 a year, for example, he or she is obviously not in a low-income situation and could not be considered a low-income worker. The data show that slightly more than three out of four low-paid workers did not have a low family income in 2001.<sup>4</sup> A low-income worker, therefore, is a person whose work effort is high throughout the year, but whose family income is below the low income cut-off.<sup>5</sup>

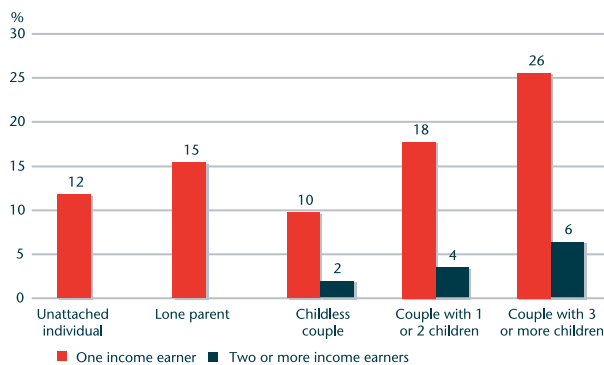
**FIGURE 1**

**Number of Low-Income Persons and Low-Income Workers in the Target Population in 2001 (Aged 18-64, Non-Full Time Students)**



**FIGURE 2**

**Predicted Probability\* of Low Income Among Workers, According to Type of Family and Numbers of Income Earners in 2001**



Note:

\* The predicted probabilities are derived from computerized regression outputs following estimations of the specific impact of each variable in the low-income probability model for workers.

**Profile of Low-Income Workers in Canada – 2001**

*Number of Low-Income Workers and Dependants*

In 2001, there were 653,000 low-income workers in Canada and 1.5 million persons directly affected by low income, more than one third of whom were children under the age of 18. This group of 1.5 million represented more than 50% of all low-income persons in Canada.

*Work Effort of Low-Income Workers*

In 2001, most low-income workers demonstrated a significant work effort: 76% of them stated they had had 1,500 hours or more of paid work during the year. This percentage is slightly lower than that of workers who were not in a low-income situation in 2001 (88%). However, the average number of hours of work by low-income workers was very close to that of other workers<sup>6</sup> and even slightly higher (2,090 hours compared to 2,050 hours in 2001).

*Labour Market Conditions for Low-Income Workers*

On average, low-income workers had less favourable working conditions than other workers despite a similar work effort. The hourly wage of low-income workers was well below that of workers who did not have a low family income in 2001 (\$12/hour compared to \$19/hour). The average hourly wage of low-income workers was also much higher than the minimum wage in effect in all the provinces in 2001. Therefore, the minimum wage would have to increase substantially to have a significant impact on reducing the number of low-income workers in Canada.

In addition, low-income workers were much less likely to have access to a safety net through their employment (see tables 1 and 2). In 2001, low-income workers were about three times less likely than other workers to have access to various work-related benefits, such as union membership, disability insurance, and a family dental plan.

Low-income workers were also much more likely to be self-employed or to have non-standard working hours. Of the 653,000 low-income workers noted in 2001, 41% stated they had had at least one period of self-employment during the year, while only 13% of workers who did not have a low income that year stated they had been self-employed. Last, nearly 40% of the low-income workers in paid employment during the year did not have a standard daytime work schedule, whereas this percentage was significantly lower (25%) for other workers.

Given these less favourable work conditions, can current programs help low-income workers effectively and efficiently? For example, since low-income workers are more likely to be self-employed and have non-standard working hours, they have less access than other workers to income support programs such as Employment Insurance. Many of them also find that the current 9-to-5 schedule for subsidized day care is inadequate as well.

### **Main Determinants of Low Income Among Workers**

Aside from wages, what makes some workers more likely to experience financial poverty than others? Low-income workers are a mixed group. However, certain characteristics

**TABLE 1**

### **Percentage of Workers with Access to Work-Related Benefits, by Low-Income Worker Status in 2001**

	Low-Income Workers in 2001 %	Workers Who Did Not Have a Low Income in 2001 %
% with access to life or disability insurance	17.9	61.5
% who are union members	10.8	30.3
% whose employer offers a pension plan	15.1	48.7

(personal, family, or work-related) are more closely associated with low-income workers, making it possible to target the related risk factors.

Family plays the greatest role in determining the probability of a worker experiencing a period of low income. Workers who are the sole earners in the family are much more likely to have a low family income than other workers. Unattached individuals, lone parents, and workers whose spouse does not work are most likely to be low-income workers. In addition, the

more dependent children that workers have, the greater the probability of a low family income, whether they are the only earners in the family or not. As indicated in Figure 2, the probability of low income is only 2% if a worker is part of a childless couple or if both spouses work. This figure increases to 26% when the worker is the only earner and has more than two dependent children.

Table 3 shows the other characteristics that significantly increase the probability of being a low-income worker.

**TABLE 2**

### **Percentage of Family Members with Access to Work-Related Benefits,\* by Low-Income Family Status in 2001**

	Persons in a Low-Income Family with at Least One Worker in 2001 %	Persons in a Non-Low Income Family with at Least One Worker in 2001 %
% with access to a dental plan	25.6	74.6
% with access to a health or medical care plan	26.6	74.6

Note:

\* It is assumed that the work-related dental or health plan covers all family members of the eligible worker.

They include being young, self-employed, a recent immigrant or an Aboriginal person living off reserve, or not working full time throughout the year, etc.

It is interesting to note that among the persons who work many hours (910 hours or more during the year), those who belong to certain high-risk groups are more likely to have a low income than those who do not belong to these high-risk groups.<sup>7</sup>

### Low-Income Trends Among Workers, 1996 to 2001

By examining low-income trends among workers over several consecutive years, we can determine such issues as whether their low-income situation is temporary and how they emerge from it.

#### Percentage of Individuals Who Are Low-Income Workers

While a small percentage of individuals were considered low-income workers in 2001 (4%), a much larger percentage of Canadians experienced at least one period of low-income employment between 1996 and 2001. One out of ten persons aged 18 to 59 in 1996, and not a full-time student, was a low-income worker for at least one year between 1996 and 2001.

#### Labour Market Experiences of Low-Income Workers

At first glance, people may think low-income workers do not exert a significant work effort and tend to alternate between employment, unemployment, and inactivity based on choice or circumstances beyond their control. But what is the real story? Table 4 shows that very few of the low-income workers identified in 1996 left the labour market in

**TABLE 3**

### Non-Family-Related Characteristics that Increase the Predicted Probability of Low Income Among Workers in 2001

	Difference in Predicted Probability of Low Income with the Category for which This Probability Is the Lowest* %
Is self-employed	8.3
Is a recent immigrant or Aboriginal person living off reserve	4.7
Has not worked full time through the year	4.5
Works for a small firm (< 20 employees)	3.8
Is young (18-24)	3.6
Lives in an area with an above-average poverty rate	3.5
Has not completed secondary school	3.3
Works in sales or service	3.1
Has work limitations	2.7
Has little work experience (< 3 years)	1.8

Note :

\* For example, if a worker has had at least one period of self-employment during the year, the percentage of probability that this person may have a low family income that year increases by 8.3 points compared with a worker who has never been self-employed.

subsequent years. Between 1997 and 2001, only 15% of the low-income workers identified in 1996 experienced at least one year without any hours of work, and this percentage is only slightly lower among other workers (11%). However, while they remained in the labour market, these low-income workers were much more likely than others to slip under the threshold of 910 hours of work at least once during the five subsequent years (46% compared to 29%).

#### Long-Term Low-Income Status Among the Working Poor

Low-income workers do not often exit the labour market, but do they manage to exit low income? As may

be expected, employment is a determining factor (see Table 5). In fact, while 40% of low-income workers experienced persistent poverty between 1996 and 2001, they escaped poverty more often than low-income persons who were not working in 1996 (61% compared to 26%). In addition, between 1997 and 2001, 85% of the low-income workers identified in 1996 escaped poverty at least temporarily.

It is interesting to note that, between 1996 and 2001, persistent poverty rates and low-income exit rates were very consistent, whether the individuals had worked a little (between 1 and 909 hours) or a lot (910 hours and

**TABLE 4**

**Trajectory on the Labour Market (1997–2001) of Individuals Identified as Workers in 1996, By Low-Income Status in 1996**

	Low-Income Workers in 1996		Workers Who Did Not Have a Low Income in 1996	
	#	%	#	%
All	513,700	100.0	8,895,200	100.0
Worked at least 910 hours every year	199,400	38.8	5,265,100	59.2
Were consistently employed but had at least one year of < 910 hours of work	237,800	46.3	2,614,600	29.4
Experienced at least one year without any work hours	76,600	14.7	1,015,500	11.4

**TABLE 5**

**Long-Term Low-Income Statistics (1997–2001), by Labour Market Attachment of Workers in 1996**

	Low-Income Workers in 1996 (910+ hours)	Worked 1,500+ Hours in 1996	Worked 1 to 909 Hours in 1996	Did Not Work at All in 1996
No. of persons in the group	513,700	358,200	227,600	708,500
% who exited LI at least once before 2002	85.3%	84.5%	85.4%	57.1%
% who were LI for one year only	26.1%	25.7%	29.4%	7.9%
% who were LI for 2 or 3 years	38.3%	37.7%	34.1%	20.6%
% who were LI for 4 or more years	35.6%	36.5%	36.5%	71.5%
Average no. of years in low income	2.99 years	3.03 years	2.98 years	4.44 years
% who have experienced persistent poverty*	39.3%	40.3%	38.4%	73.6%

Note:

\* A person has experienced persistent poverty if the total disposable family income from 1996 to 2001 is lower than Statistics Canada's total after-tax low income cut-off for the same period.

more) in 1996. Over the long term, it seems that the number of hours worked has little to do with an individual's chances of exiting low income. The more determining factor is whether the individual had connected with the labour market.

Nevertheless, not all workers manage to exit low income in the short term. From 1996 to 2001, the low-income workers identified at the beginning of the period spent on average three years below the low income cut-off, and nearly 40% of them spent four years or more below the cut-off. More than one third (36%) of those who left low-income status quickly (in 1997) fell below the low-income cut-off in the short term (between 1998 and 2001). In summary, although the working poor generally do not stay in a low-income situation for as long as other low-income persons, most of them experience a period of financial uncertainty that is more than temporary.

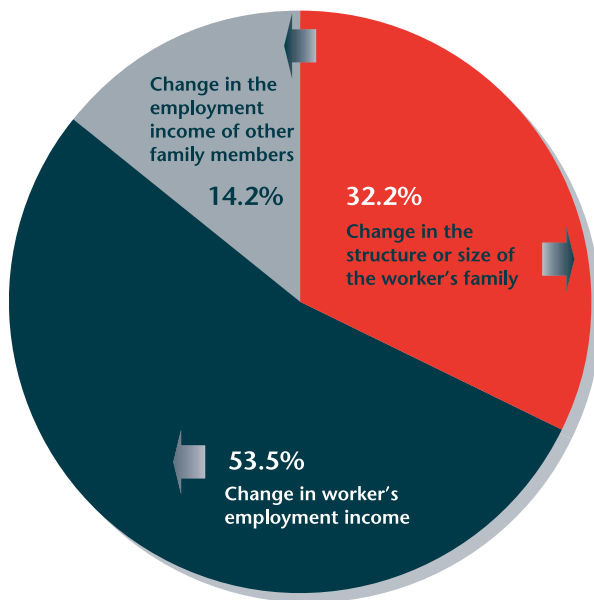
Nearly half of the low-income workers who managed to exit poverty did so because of their family environment and not their advancement in the labour market (see Figure 3). Fifty-four percent of the low-income workers identified in 1996 who managed to exit low income before 2002 did so mainly because of an increase in their own earnings. Forty-six percent of them exited low income primarily because of a change in their family structure (14%) or an increase in the income of other family members (32%).

Even after they had left low income, former low-income workers had a family income well below that of the rest of the population. From 1996 to 2001, the average disposable family income



**FIGURE 3**

**Main Reasons for Initially Exiting a Low-Income Situation Between 1997 and 2001 for Low-Income Workers Identified in 1996**



of all persons who did not have a low income in 1996 was \$57,000. However, this figure was nearly 40% lower among low-income workers who had exited poverty (\$34,600).<sup>8</sup>

**Use of Social Assistance and Employment Insurance by Low-Income Workers**

It is easy to imagine that the boundary between low-income worker, social assistance recipient or Employment Insurance recipient can sometimes be tenuous. The more uncertain a job is, the fewer advantages it offers as (opposed to inactivity), and the more likely it is that the worker will quit the job or lose it. It is therefore worth examining the relationship between being employed and receiving social assistance or Employment

Insurance benefits among individuals identified as low-income workers at a certain point.

Low-income workers tended to use social assistance more than other workers. In 1996 as in 2001, low-income workers were much more likely than other workers to have received social assistance benefits during the year (13.5% compared to 1.5% in 1996, and 9.6% compared to 1.2% in 2001). While only 6% of the workers who did not have low incomes in 2001 had received social assistance in previous years, this figure rose to 30% among low-income workers and, for the majority of this group, social assistance benefits accounted for most (80% or more) of their family income. The low-income workers

identified in 1996 were also more likely to receive social assistance benefits in the five subsequent years than other workers (18% compared to 3%) although, in this case, very few of them counted on social assistance as a main source of income.

However, low-income workers did not make greater use of Employment Insurance than other workers. While 12% of low-income workers in 2001 drew Employment Insurance benefits in that year, this rate was 13% among other workers.

**Conclusion**

Despite efforts to combat low income and social exclusion, many Canadians still have difficulty integrating into the labour market. For the past few years, social policy has leaned heavily on employment in its fight against low income. While employment is an effective way to avoid low income, it is by no means a panacea. In Canada, as in other countries, there are people who enter the labour market and exert a significant work effort, but who find it difficult to make ends meet. These people are the working poor.

Very little research has focused on describing and understanding the circumstances facing the working poor in Canada. The purpose of this study is to shed light on some aspects of this poorly understood issue. The highlights of the study from which this article is taken are as follows.

- In 2001, about 50% of low-income Canadians had at least one earner in the family.
- Between 1996 and 2001, one out of ten persons who was able to work was a low-income worker.

- The work effort of low-income workers is significant. However, their work conditions are much less favourable than those of workers who do not have a low family income.
- Family circumstances are a major factor for low-income workers. In Canada, families with only one earner face a greater risk of poverty, and this risk increases with the number of children in the family.
- While employment helps people exit poverty, the situation in which low-income workers find themselves is more than temporary.

The study enabled us to gain a better understanding of low-income workers in Canada and to distinguish between them and low-paid workers. The next major step is to consider the types of policies and programs that could be developed to help low-income workers achieve greater self-sufficiency.

## Notes

- 1 The present article summarizes the main findings of a broader in-progress research on the working poor in Canada. Results of this broader research have not been released yet. However, a draft of the first article entitled "A Profile of the Working Poor in Canada" is available at the following address: <<http://cerf.mcmaster.ca/conferences/June2004/fortin.pdf>>.
- 2 Karabegović, Amela (May 2003).
- 3 The Canadian Policy Research Networks define a low-paid worker as someone who works full time throughout the year but who earns less than \$20,000.
- 4 All statistical information in this article is based on the authors' calculations using the master files of the Survey of Labour and Income Dynamics, 2001.
- 5 For the purpose of this empirical study from which this article is drawn, the authors define low-income workers as follows.

Period analyses: Individuals aged 18 to 64 who are not full-time students, have worked a minimum of 910 hours for pay and who, using their disposable family income, cannot purchase the market basket of goods and services specified by the Market Basket Measure (MBM) during the year in question.

Longitudinal analyses: Individuals aged 18 to 64 who are not full-time students, have worked a minimum of 910 hours for pay and whose disposable family income does not exceed Statistics Canada's after-tax low income cut-off during the year in question.

For the purpose of the longitudinal analysis, the authors had to change the measurement of low income in order to identify low-income workers since the MBM thresholds are not available prior to 2000. However, they conducted tests to determine the soundness of results for 2001 and found that, although the number of low-income workers is higher when the MBM is used, the profile for low-income workers is very similar whether the MBM is used or the after-tax low income cut-off.

- 6 In this article, "other workers" refers to individuals aged 18 to 64 who are not full-time students and have worked at least 910 hours for pay during the year but do not have a low family income.
- 7 Research has led to the identification of certain groups who are particularly at risk of experiencing long periods of low income, exclusion from the labour market or social marginalization in Canada. These groups are lone parents, Aboriginal peoples, persons who have immigrated to Canada within 10 years prior to the year in question, persons with a long-term illness or a physical or mental condition that limits their ability to work, and persons aged 45 to 64 living alone.
- 8 The ratio between average disposable incomes ( $[57,000/34,600] = 1.6$ ) remains fairly consistent even when adjusted to reflect family size ( $[33,000/20,000] = 1.65$ ).

## Cornerstones of Community

Non-profit and Voluntary Organizations have a significant economic presence, and engage millions of Canadians, who join them as members, donating their time and money. They are an integral part of Canadian life, serving as vehicles to involve millions of Canadians in efforts to address needs in their communities. They operate in a broad range of areas, often working locally to provide public benefits. While many operate on a shoestring and are driven solely by voluntary effort, some command substantial human and financial resources in pursuit of their missions. What they have in common is their goal to serve the public or their members, and an institutional form that does not allow profits to be distributed to owners or directors.

Findings from the National Survey of Non-profit and Voluntary Organizations provide the first portrait of non-profit and voluntary organizations in Canada. The study reveals a diverse set of organizations that touch virtually every aspect of Canadians' lives.

For more information, please see the Statistics Canada report, *Cornerstones of Community: Highlights from the National Survey of Non-profit and Voluntary Organizations*. The report is available as a free downloadable electronic publication from Statistics Canada's web site at <[www.statcan.ca](http://www.statcan.ca)>. The catalogue number is 61-533-WPE.

# Elderly Immigrants Income Sources and Composition

Colleen Dempsey  
Citizenship and Immigration  
Canada

## Introduction

This article examines the income experiences of elderly immigrants in Canada. The findings presented here are taken from a larger study under way in the Strategic Research and Statistics Division at Citizenship and Immigration Canada. The complete study investigates the demographics, labour market experiences, and income situations of elderly immigrants in Canada. It distinguishes between immigrants who come to Canada in an older age group and those who reach an older age group after spending time in Canada. The results presented here focus on the differences in income sources and composition between three groups of elderly immigrants: those who landed in Canada aged 40-49 years, 50-59 years, and 60 years or older.<sup>1</sup> Results are presented for each elderly group and for the largest immigration categories within each group.

## Data and Definitions

Two general types of income are investigated in this analysis. The first is referred to as market income, which represents income available to the working age population. Market income includes income from employment earnings, self-employment earnings, investment, Employment Insurance, and social assistance. The second income type is referred to as retirement income, which represents income available exclusively to the elderly. Retirement income includes income from the Canada Pension Plan/Quebec Pension Plan (CPP/QPP),<sup>2</sup> Old Age Security (OAS), the Guaranteed Income Supplement (GIS) and Allowance, Registered Retirement

Savings Plans (RRSPs), and private pension plans. A brief description of a few of the retirement income sources is required since eligibility requirements may affect immigrants' access to them.

## Sources of Income

It is not feasible to present the results here for each category of immigrant in each of the three elderly groups. Thus, this discussion is limited to findings for the elderly groups as a whole and for the immigrant categories that represent the largest share of each elderly group.<sup>3</sup> Table 1 presents the immigrant category composition of the elderly populations used in this analysis.

Figure 1 shows the percentages of the long-term elderly population with no income, market income, retirement income, or both market and retirement income.<sup>4</sup> Although the percentage is decreasing with additional years spent in Canada, the majority of long-term elders rely solely on market income until 15 years after landing. The decline in the proportion relying exclusively on market income is paralleled by an increase in the proportion receiving either retirement income or both types of income. Over the observed period, the percentage of the long-term elderly population with only market income falls from about 70% to 30%, while the percentage receiving some or all of their income from retirement increases from 20% to 70%, with roughly 20% relying exclusively on retirement income in the 20th year.

These findings are very similar to those observed for long-term elders who landed in Canada as skilled principal applicants (25% of this

---

Colleen Dempsey  
is a Research Officer with  
Citizenship and Immigration Canada.

population). The population of skilled principal applicants fully relying on market income exhibits a similar decline over the observed period, while the proportion relying on retirement income or both income types increases. However, throughout the entire period, the proportion of skilled principal applicants with only market income remains 10% higher than the proportion for all long-term elders. Correspondingly, the proportion of skilled principal applicants with only retirement income is 10% lower.

The results for the entire population of long-term elders are notably different from those observed for long-term elders who landed under the family class as parents or grandparents (25% of this population). The proportion of parents and grandparents relying solely on market income exhibits the same decline over the 10-year period; however, it is 20% to 25% below the proportion observed for all long-term elders. Coinciding with this, 15% to 20% more of the parents and grandparents rely fully on retirement income. Additionally, up until 15 years after landing, the proportion of parents and grandparents with no source of income is 10% higher than the proportion observed for all long-term elders.

Figure 2 presents the percentages of the short-term elderly population with no income, market income, retirement income, or both market and retirement income. During the first five years after landing, 70% of short-term elders rely exclusively on market income. After the five-year mark, this percentage begins to decrease as the percentage possessing retirement income increases. Ten years after landing, only 35% of short-term

**TABLE 1**

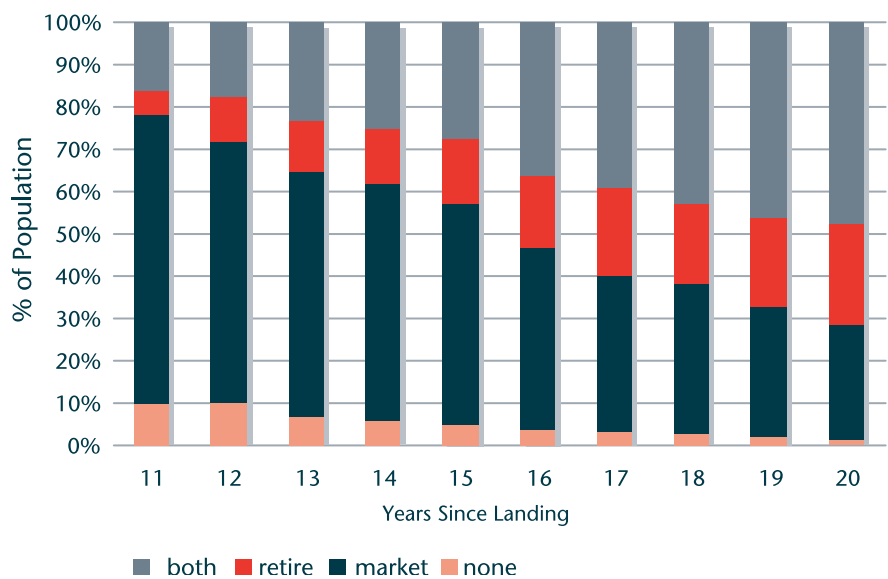
**Disaggregation of Elderly Populations by Immigration Category**

Immigration Category	Long-Term Elders (%)	Short-Term Elders (%)	Immediate Elders (%)
Economic – skilled principal applicant	24.6	9.2	3
Economic – skilled spouse or dependant	8.9	2.2	0.4
Economic – other	12.2	6.2	1.2
Family – parent or grandparent	25.3	61.7	76.6
Family – other	10.9	5.5	3.4
Refugee	16.8	6.5	3.8
Retired	1.2	8.1	11.3
Other	0.1	0.6	0.3
Total	100	100	100

Source: IMDB.<sup>5</sup>

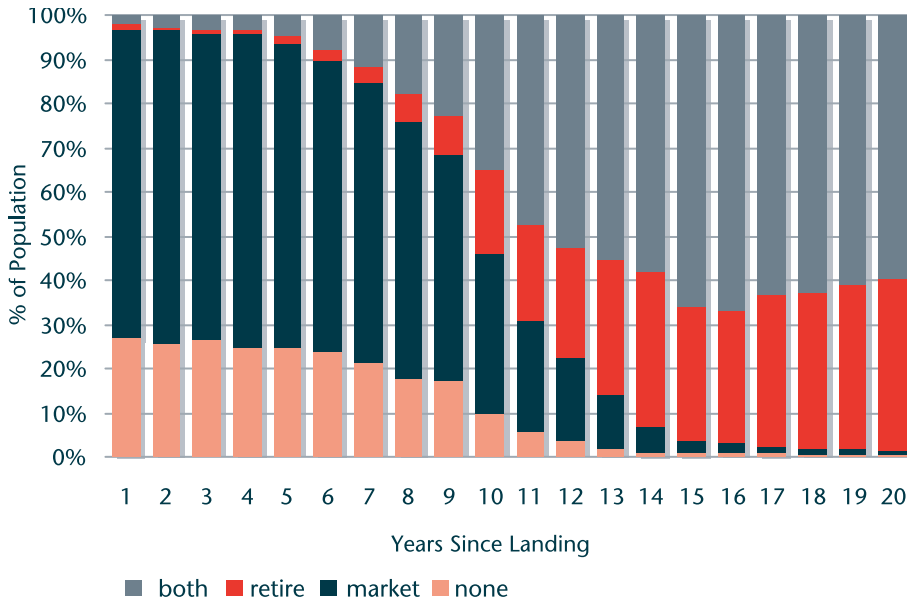
**FIGURE 1**

**Percentages of the Long-Term Elderly Population with No Income, Market Income, Retirement Income, or Both Market and Retirement Income in Tax Year 2000<sup>6</sup>**



**FIGURE 2**

**Percentages of the Short-Term Elderly Population with No Income, Market Income, Retirement Income, or Both Market and Retirement Income in Tax Year 2000**



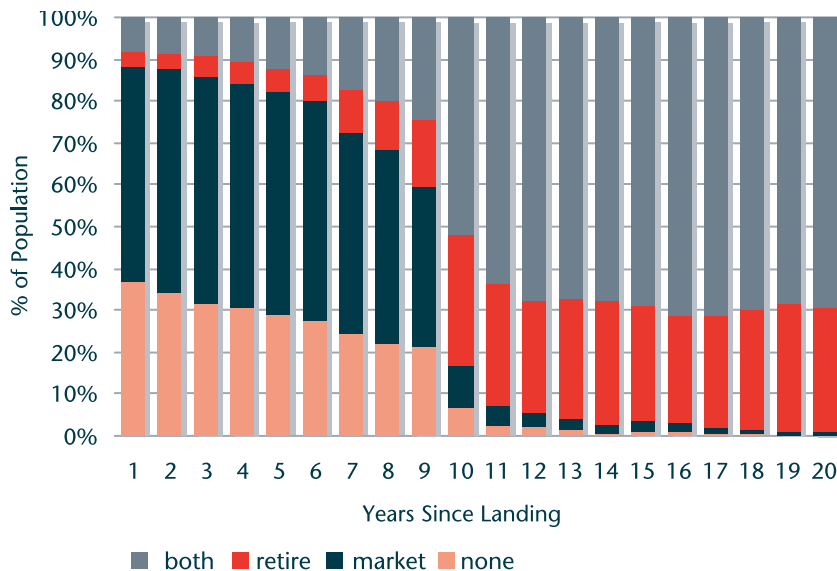
elders rely on market income alone. In the 10th year, 50% receive some or all of their income from retirement sources, and this percentage continues to increase. After 14 years, over 90% of the short-term elderly population is in receipt of some source of retirement income, with between 30% and 40% relying solely on retirement income. Also noteworthy is the decline in the proportion of short-term elders with no source of income. During the first seven years after landing, the proportion with no source of income is between 20% and 30%. After 11 years, this falls to less than 10% and after 20 years, all short-term elders are in receipt of income from at least one source.<sup>7</sup>

These results are nearly identical to those for the short-term elders who landed under the family class as parents or grandparents (62% of this population). One difference is that, during the first 10 years after landing, the proportion with no source of income is 5% higher for the parents and grandparents. The only other difference is observed at 10 to 12 years after landing where, for parents and grandparents, 10% less of the population relies solely on market income and 10% more relies on retirement income. These differences are partially explained by examining the income sources of the second and third largest components of the short-term elderly population.

The short-term elders who landed as skilled principal applicants (9% of this population) also exhibit similar findings to those of the entire population. However, there are a few notable differences. First, the skilled principal applicant population with no income during the first 10 years after landing is 10% to 20% lower than that

**FIGURE 3**

**Percentages of the Immediate Elderly Population with No Income, Market Income, Retirement Income, or Both Market and Retirement Income in Tax Year 2000**





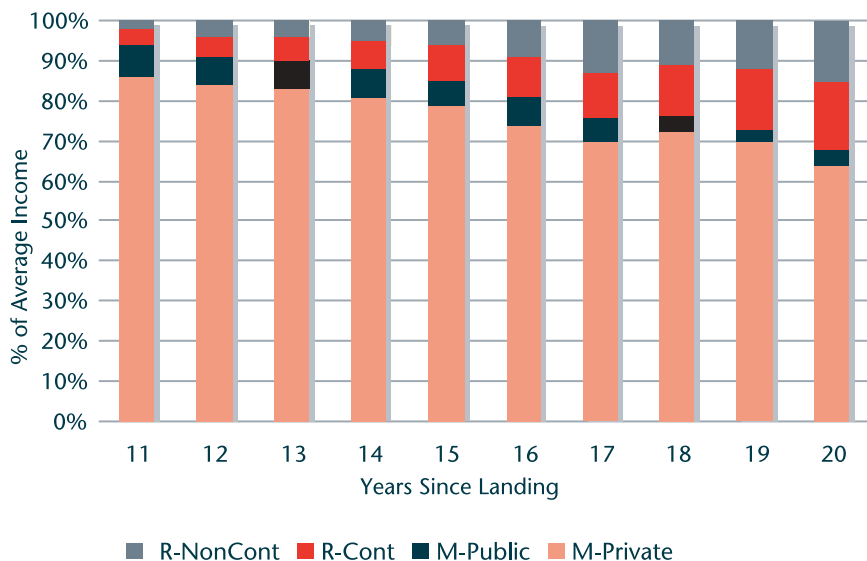
observed for all short-term elders. Second, at 10 to 12 years after landing, the proportion of skilled principal applicants with market income is 10% to 15% higher than that for all short-term elders, and the proportion with retirement income is 10% lower.

The short-term elders who landed as retired immigrants (8% of this population) have income sources very similar to those observed for the skilled principal applicants. The only difference is that from the 10-year mark, the share of retired immigrants with only retirement income is even lower – 20% lower than that observed for the total population of short-term elders. This coincides with 10% more retired immigrants having both sources of income.

Figure 3 presents the percentages of the immediate elderly population with no income, market income, retirement income, or both market and retirement income. During the first seven years after landing, about half of the immediate elders receive income from market sources. This is the lowest proportion out of all three elderly groups. After seven years, this percentage begins to decrease as the percentage with retirement income or income from both sources begins to increase. By the 10-year mark, only 10% of immediate elders rely exclusively on market income. Eleven years after landing, three years earlier than is the case for short-term elders, over 90% of the immediate elderly population receive some or all of their income from retirement sources, with about 30% of the population relying solely on this source of income. Similar to short-term elders, immediate elders exhibit a decreasing proportion with no source of income within the first 10 years after landing. However,

**FIGURE 4**

**Percentages of Average Annual Income from Private and Public Market Sources, and Contributory and Non-Contributory Retirement Sources, for Long-Term Elders in Tax Year 2000**



during these years, this proportion ranges from 25% to 40%, about 5% to 10% higher than the proportion of short-term elders with no source of income.

These findings are identical to those observed for the immediate elders who landed under the family class as parents and grandparents, a result not surprising since parents and grandparents make up over three quarters of the population of immediate elders. In contrast to short-term elders, the differences in income sources experienced by immediate elders in other immigrant categories are not large enough to affect the results for the entire population. Immediate elders who landed as retired immigrants, for example, account for 11% of this population and show some differences in income experiences. During the first

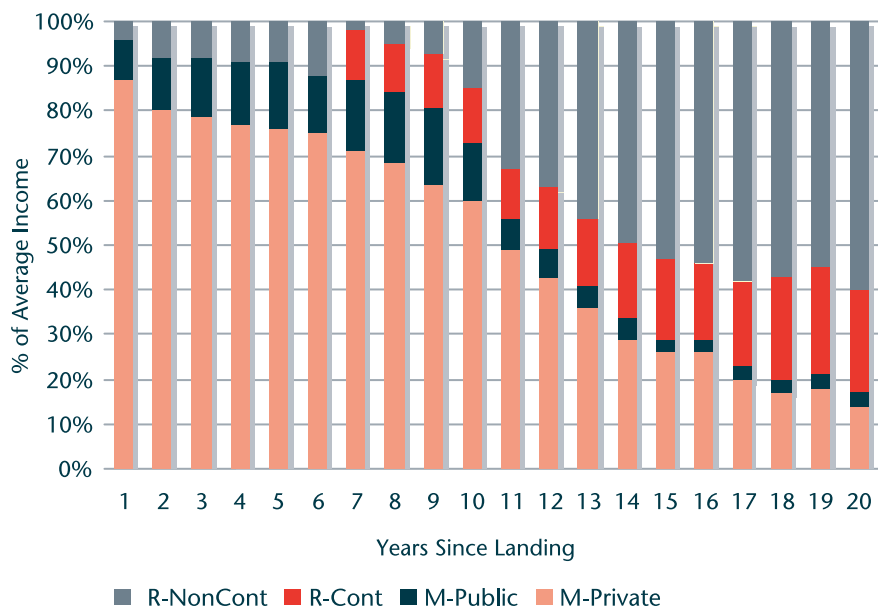
10 years after landing, the proportion of retired immigrants with only market income is 15% to 20% higher than that of all immediate elders, and the proportion with no source of income is 15% to 20% lower. Additionally, following the 10-year mark, the proportion of retired immigrants with both sources of income is 5% to 10% larger than that of the total immediate elderly population and the proportion relying exclusively on retirement income is 5% to 10% lower. Despite these differences, the results for the entire population of immediate elders truly reflect the experiences of the parents and grandparents in this elderly group.

**Composition of Income**

Figures 4 to 6 present the composition of average income for long-term,

**FIGURE 5**

**Percentages of Average Annual Income from Private and Public Market Sources, and Contributory and Non-Contributory Retirement Sources, for Short-Term Elders in Tax Year 2000**



short-term, and immediate elders, respectively. In this analysis, average income is disaggregated into four components: private and public market income, and contributory and non-contributory retirement income. Private market income (M-Private) includes employment earnings, self-employment earnings, and investment income. Public market income (M-Public) includes income from Employment Insurance and social assistance. Contributory retirement income (R-Cont) includes income from CPP/QPP, RRSPs, and private pension plans. Non-contributory retirement (R-NonCont) income includes income from the OAS and GIS.

Figure 4 presents the disaggregation of average income for long-term elderly immigrants. In the first 15 years after landing, 80% or more of long-term elders' average income comes from private market sources. From years 16 through 20, this share decreases by 15 percentage points, while the share of income from contributory and non-contributory retirement sources increase by five percentage points each.

These results are similar to those of the skilled principal applicants in this population. The only differences are that, for the skilled principal applicants, the share of private market income is about 5% to 10% higher throughout the observation period

and the share of non-contributory retirement income is about 10% lower.

The parents and grandparents in this population illustrate different results. First, the share of private market income is remarkably lower than that for all long-term elders. It begins at 70% but quickly declines to 46% and 17% in the 15th and 20th years, respectively. Second, the share of public market income is roughly 10% higher in each year than it was for the entire long-term elderly population. Finally, the share of non-contributory retirement income is substantially higher than that for all long-term elders. After 12 years, it makes up 21% of average income and increases rapidly such that after 20 years, income from non-contributory retirement sources makes up 60% of the income parents and grandparents receive.

Figure 5 presents the disaggregation of average income for short-term elderly immigrants. In the first year after landing, short-term elders receive roughly 85% of their income from private market sources. However, this share decreases steadily and after 15 years, falls to 26%, 50% lower than the share observed for the long-term elderly population. Over the same period, the share of income from contributory and non-contributory retirement sources increases by 15 and 50 percentage points, respectively. The trend continues and after 20 years, the share of income from private market sources is 14%, while the shares from contributory and non-contributory retirement sources are 23% and 60%, respectively.

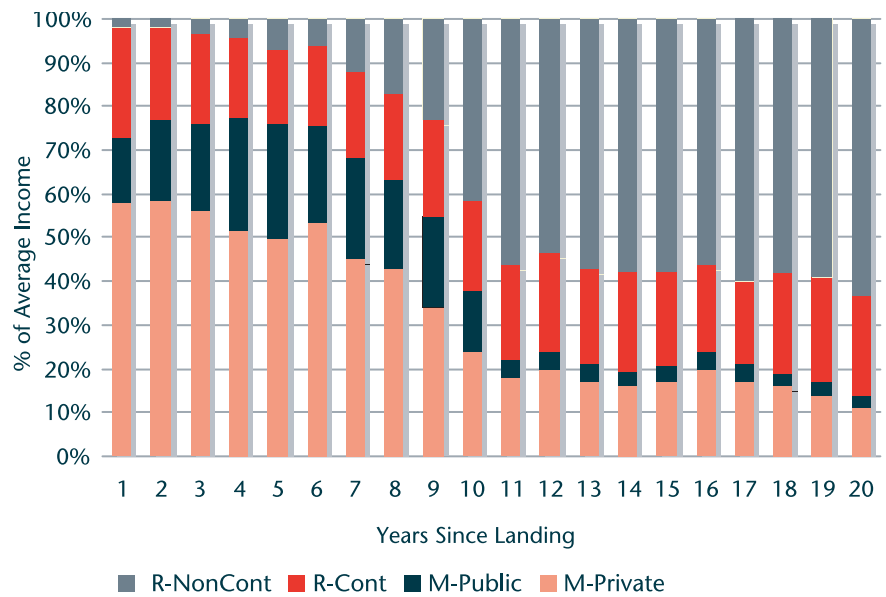
These results are generally similar to those of the parents and grandparents in this population, with only a few differences occurring after 10 years. From the 10-year mark and on, parents and grandparents have a 10% to 15% lower share of income from private market sources, a 5% to 10% lower share of income from contributory retirement sources, and roughly a 15% higher share of income from non-contributory retirement sources.

In contrast, over the same period, the skilled principal applicants in this population have a 10% to 15% higher share of income from private market sources, a 10% to 20% higher share of income from contributory retirement sources, and a 20% to 30% lower share of income from non-contributory retirement sources. The retired immigrants in this population experience income situations similar to the skilled principal applicants. However, they have a slightly lower share of income from private market sources offset by a higher share of income from contributory retirement sources.

Figure 6 gives the disaggregation of average income for the immediate elderly population. In the first year after landing, immediate elders receive roughly 60% of their income from private market sources, a share 25% lower than that observed for short-term elders. The lower share from private market sources is offset with a 20% higher share from public market sources. The share from private market sources continues to decrease each year and after 15 years, it has fallen to 17%. Over the same

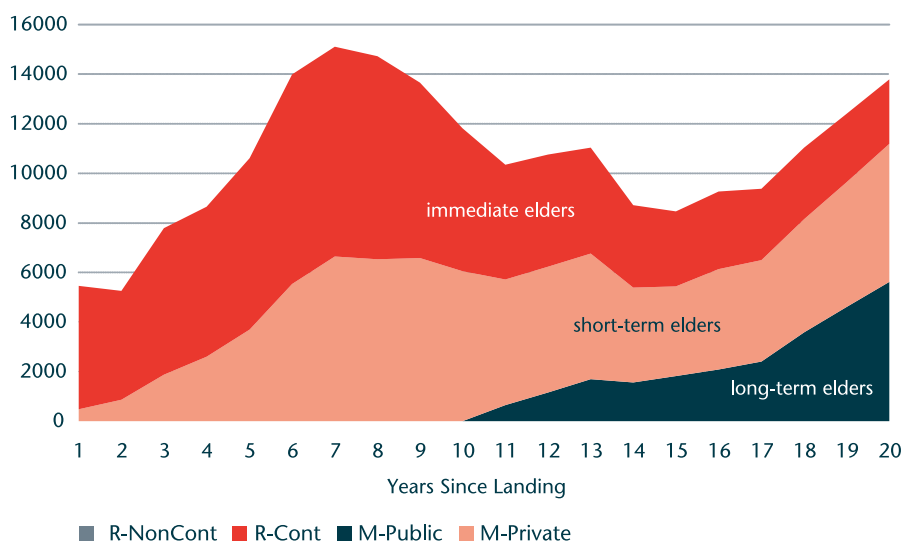
**FIGURE 6**

**Percentages of Average Annual Income from Private and Public Market Sources, and Contributory and Non-Contributory Retirement Sources, for Immediate Elders in Tax Year 2000**



**FIGURE 7**

**Number of Immediate, Short-Term, and Long-Term Elders Captured in the IMDB in Tax Year 2000**



period, the share of income from non-contributory retirement sources increases by 40 percentage points. By the 20-year mark, the share of income from private market sources is 11 percent, while the shares from contributory and non-contributory retirement sources are 23% and 63%, respectively.

These results are, again, much like those of the parents and grandparents in this population, with only a few differences occurring after 10 years. From this point forward, parents and grandparents have a 5% lower share of income from private market sources, a 10% lower share of income from contributory retirement sources, and a 10% higher share of income from non-contributory retirement sources. In contrast, during this period retired immigrants in this population have a 15% to 20% higher share of income from private market sources, a 20% to 25% higher share of income from contributory retirement sources, and 35% lower share of income from non-contributory retirement sources.

## Conclusion

It is clear that differences in the sources and composition of income exist across the three groups of elderly immigrants. With respect to income sources, there is evidence of a relationship between the length of time spent in Canada and reliance on certain sources of income. Long-term elders rely on market income most heavily and for a longer period. Consequently, fewer long-term elders receive income exclusively from retirement sources. Short-term elders are less reliant on market income; however, they are still more reliant than immediate elders.

There also appears to be a relationship between immigration category and reliance on particular sources of income. For example, skilled principal applicants exhibit more reliance on market income, while parents and grandparents show more reliance on retirement income.

In the case of income composition, differences across the elderly groups and immigration categories are also observed. Similar to the results observed in the examination of income sources, there appears to be a relationship between the length of residency in Canada and the composition of income. Long-term elders receive a larger share of their income from private market sources than either of the other two elderly groups. This is especially true for skilled principal applicants within this group. Although, short-term elders have a lower share of income from private market sources, this share remains higher than that for the immediate elder population. The lesser degree of reliance on market income for the short-term and immediate elder groups may be partially explained by the larger component of parents and grandparents in these groups. Parents and grandparents in both groups were found to receive substantially larger shares of their average incomes from non-contributory retirement sources.

Further research is required to investigate the relationships observed in this analysis. A more in-depth look at the characteristics of elderly immigrants and the economic experiences of their families will allow for a better understanding of the income situations of elderly immigrants in Canada.

## References

- Baker, M., and D. Benjamin. 2002. "Are Elderly Immigrants a Burden?" Prepared for the conference, Canadian Immigration Policy for the 21st Century, Kingston, Ontario, October 2002.
- Basavarajappa, K.G. 1999. "Distribution, Inequality and Concentration of Income among Older Immigrants in Canada, 1990." Statistics Canada, Analytical Studies Branch, Working Paper No. 129.
- Canada, Social Development Canada. 2004a. *Overview of the Old Age Security Program*. Ottawa, Ontario. <[www.sdc.gc.ca/asp/gateway.asp?hr=/en/isp/oas/oasoverview.shtml&hs=ozs](http://www.sdc.gc.ca/asp/gateway.asp?hr=/en/isp/oas/oasoverview.shtml&hs=ozs)>.
- . 2004b. *Guaranteed Income Supplement*. Ottawa, Ontario. <[www.sdc.gc.ca/en/isp/pub/oas/gismain.shtml](http://www.sdc.gc.ca/en/isp/pub/oas/gismain.shtml)>.
- . 2004c. *Canadian Pension Plan: Retirement Pension*. Ottawa, Ontario. Cat. No. SD12-1/1-2004E. <[www.sdc.gc.ca/en/isp/pub/factsheets/retire.pdf](http://www.sdc.gc.ca/en/isp/pub/factsheets/retire.pdf)>.

## Notes

- 1 Throughout this analysis, the elderly population is defined as those aged 60 years or older in a given tax year. The elderly immigrant population is divided into three groups: "long-term elders" who landed in Canada at age 40-49, "short-term elders" who landed at age 50-59, and "immediate elders" who landed at age 60 or older. Defining the elderly population as 60 years or older was done for a few reasons. First, this is the age that most Canadians can initiate their CPP/QPP, which is a common source of income for many elderly Canadians. Second, related literature has also chosen age 60 or older to define the elderly population; therefore, results found here may be compared (Baker and Benjamin, 2002; Basavarajappa, 1999). Third, a preliminary analysis on the employment behaviour of immigrants found very similar patterns between immigrants 60 and older and immigrants 65 and older. Choosing the 60 and older population increases the sample size for the analysis and thus, strengthens the statistical results.
- 2 The CPP/QPP is a contributory pension that is related to an individual's lifetime

earnings. Although there are no special provisions for immigrants, their benefits will be directly related to the length of time they have worked in Canada. To qualify, an individual must have made a minimum of one valid contribution to the Plan and be at least 65 years of age. It is possible to qualify for a reduced pension between the ages of 60-64 if a person stops working or earns less than the current monthly maximum CPP/QPP payment.

The OAS is a non-contributory pension related to an individual's years of residence in Canada. It is available to Canadians 65 years of age or older who have a minimum of 10 years of residence in Canada after reaching age 18. A full OAS pension is only available to those who have lived in Canada for 40 years or longer. A person who cannot meet the requirements for the full OAS pension may qualify for a partial pension. A partial pension is earned at the rate of 1/40th of the full monthly pension for each year an individual has lived in Canada after reaching age 18.

The GIS is another non-contributory pension and is available to residents of Canada who receive a full or partial OAS pension. Guaranteed Income Supplement benefits may begin in the same month as OAS benefits. To qualify for GIS, a person must be in receipt of an OAS pension and have an annual income not exceeding a specified amount. Sponsored immigrants from countries with which Canada has agreements are not eligible for GIS during their sponsorship period (up to a maximum of 10 years). The OAS and GIS are activated on approval of an individual's application, with GIS requiring individuals to reapply on an annual basis.

The Allowance is a non-contributory pension available to the spouse or common-law partner of a pensioner receiving the OAS and/or GIS, or to a survivor. Canadian citizens or permanent residents between the ages of 60 and 64 who have lived in Canada for at least 10 years are eligible to receive the Allowance. To qualify, the combined annual income of the couple, or the annual income of the survivor must not exceed the specified limits. The Allowance stops when the recipient reaches age 65 and becomes eligible for the OAS. Sponsored immigrants

wishing to apply for the Allowance face the same eligibility requirements as those applying for the GIS.

In addition to these retirement sources, the Guaranteed Annual Income System (GAINS) is available to residents of Ontario 65 years of age or older. More information on GAINS can be found on the Ontario Ministry of Finance's Web site: < <http://www.trd.fin.gov.on.ca>>. Similar programs may also exist in other provinces.

- 3 Findings for each immigration category will be presented in the larger report being produced by the Strategic Research and Statistics Division of Citizenship and Immigration Canada. The anticipated release date for this report is early 2005.
- 4 Individuals with no source of income may have filed taxes to receive certain tax credits (e.g., GST credit).
- 5 The primary source of data used in this analysis is the longitudinal Immigration Database (IMDB). The IMDB is managed by Statistics Canada on behalf of a federal-provincial consortium led by Citizenship and Immigration Canada. The IMDB combines administrative records on immigration with taxation information to form a comprehensive source of data on the labour market experiences of the landed immigrant population. The IMDB covers the period 1980-2000, providing data on about 2.5 million immigrants in Canada. To be captured in this sample, an individual must have filed a tax return at least once during the period 1980-2000.
- 6 In figures 1 to 6, it is important to recognize that the size of the elderly cohorts examined changes across years since landing, as existing elders exit the population and new elders enter. Figure 7 presents the cohort sizes for each elderly group in tax year 2000 by years since landing. All information reported in figures 1 to 7 is taken from the IMDB.
- 7 Although long-term elders could not be observed until 11 years after landing, a similar pattern for the proportion with no income was seen from the 11-year mark.

## Immigrant Integration

Immigrants are not fools: they leave their homes in the hope of finding something better, not just economic opportunity, but also freedom and a sense of belonging.

What happens when immigrants try to adjust to Canada? Neither the immigrants themselves nor Canadian society understand the daunting venture of giving up on one country in exchange for another.

Historical grievances, xenophobia, security concerns and cultural misunderstandings make it stressful for immigrants to adapt to Canada, and vice versa. Recently, fears of terrorism have complicated things further, especially for Canada's growing Muslim population.

More than just a personal memoir, Cherif Rifaat's book confronts both the immigrant's and society's misconceptions, describes Canada's uniqueness with respect to immigrant integration, and does not hesitate to recommend changes in policy that may be controversial in some circles.

Rifaat, Cherif. 2004. *Immigrants Adapt, Countries Adopt...Or Not: Fitting Into the Cultural Mosaic*. Montreal: New Canadians Press.



# Relating Homelessness to Education, Employment and Income Support

## A Review of Canadian Literature

**Gordon J. Josephson**  
Human Resources and Skills  
Development Canada

---

Gordon J. Josephson is an independent consultant working with the National Secretariat on Homelessness in Human Resources and Skills Development Canada.

To support the development of effective measures to prevent and reduce homelessness, the National Research Program (NRP) of the National Secretariat on Homelessness has undertaken a review of print and electronic documents relating homelessness to education, employment, and income support.<sup>1</sup> The review indicates there is very little documented Canadian research exploring these themes.

A general point on which several authors agree is that homelessness is both affected by and affects education, employment, and income support, as well as related topics, such as health and addictions. However, concrete theoretical models relating education, employment, or income support to homelessness are rare in the Canadian literature. To rectify this situation, in-depth studies that use and document more rigorous research methods have recently been published. Such studies provide initial insights into the training and economic activities of people who are homeless. Further use of such empirical research methods is needed to direct future research and trial interventions in this domain.

### Existing Knowledge

In examining existing Canadian literature, the following can be said with some certainty.

- Difficulties with education, employment, and income support can be related to difficulties with health, mental health, and addictions, and all of these factors both affect and are affected by homelessness.
- Specific sub-populations of homeless people, such as First Nations people and youth, face considerable

challenges in the areas of education and employment.

- Among homeless people, there are high rates of unemployment. Many have not completed high school, and income support is often difficult to access.
- There is agreement on the need for programs in education, training, and employment. Toward this end, several programs exist. However, information is lacking on the details of their operations, and objective evaluations of their performance are rare.

### *Homelessness as Cause and Effect*

It has been known for some time that areas of concern, such as health, mental health, and addictions, are related to education, employment, and income support. In turn, these areas affect, and are affected by, homelessness (Smart and Ogborne, 1994). However, while correlations are evident, deeper studies of these associations are rare. As a result, it is difficult to understand causality when examining any of these factors and an individual's current life situation. Longitudinal research would be helpful in understanding these interactions.

Although it is easy to imagine how homelessness might impact attempts to secure education, employment, or financial stability, very little research exists that attempts to evaluate services to assist with these challenges. In a Toronto study, street youth participants noted that a lack of services to assist with difficulties regarding contacting and being contacted by employers, preparing résumés, and getting to work on time in clean clothes makes gainful employment

difficult to obtain (Dachner and Tarasuk, 2002). Homeless people also report the need for facilities to safeguard their money and identification (Bergeron et al., 2000).

The impact of health and mental health on education, employment, and income and, subsequently, homelessness has been studied directly in the United States by Zuvekas and Hill (2000). They surveyed 471 homeless adults, randomly selected from shelters, and found that a large number of them worked, but few were able to generate significant earnings from employment alone. Many had physical health problems and addictions that limited both their ability to work and to access assistance with their health. These findings suggest avenues for future Canadian research.

### **Sub-Populations with Specific Difficulties**

In developing responses to the challenges identified above, it must also be recognized that access to education and employment can vary by identity and circumstance. Greater difficulties have been noted for First Nations people (Hull, 2000) and people coming from foster care (Fitzgerald, 1995). Descriptive research indicates many homeless youth are not on income support as they find it too difficult to access (Gaetz and O'Grady, 2002; Raising the Roof, 2001). Other barriers to income support include policies regarding youth aged 16-18 years (Fitzgerald, 1995).

The challenges faced by youth have been the subject of much of the work in this area. Gaetz and O'Grady (2002) completed significant research on the economic activity of youth from a sociological perspective. They found

that youth might be involved in several different income-generating activities in a week or even in a given day. The authors also found that 83.4% of young men and 87.8% of young women indicated they were interested in finding paid employment. Furthermore, contrary to some stereotypes, the youth were interested in employment in the formal economy. The researchers found, however,

*Several authors agree that homelessness is both affected by and affects education, employment, and income support, as well as related topics, such as health and addictions.*

that the ability of these youth to join the formal economy was influenced by the youth's abilities and aspects of their lifestyle, history, and social relationships. Therefore, the authors concluded that successful strategies to move young people off the street cannot rest simply on low-paying employment or the addition of hard and soft skills. Instead, various training and support services, combined with adequate income support are needed.

In a similar study, O'Grady and Greene (2003) explored the effect of legislation banning squeegee cleaning and the subsequent decrease in this source of economic activity for homeless youth. They found that the housing situation for youth eroded after this legislation was introduced.

One study of young women at risk of homelessness recommended more opportunities for education and employment for youth, as well as changes to the *Employment Insurance Act*, supportive educational programs, services within schools to prevent

homelessness, and access to education for homeless young women (Novac et al., 2002).

In summary, several authors have documented the specific challenges with regards to education, employment, and income support of several sub-populations. While much remains to be done, this research provides a starting point.

### **The Need for Education, Employment, and Greater Income Support**

Many authors cited under-employment, the lack of training, and insufficient social assistance as causes of homelessness (e.g., Charette, 1991; Falvo, 2003). Indeed, it is common to find references to low levels of education and high unemployment in most surveys of homeless people (Aubry et al., 2003; Norman et al., 1993; Raising the Roof, 2001).

In contrast to the United States, research on homelessness and education, employment and income support in Canada has a short history with few large surveys based on data collected over several years. Nevertheless, while much remains to be determined, education appears to be a key factor: the percentage of homeless people without high school has been cited as ranging between 63% and 90% in Ottawa and Toronto (CMHC, 2001). As well, many homeless youth not in school express an interest in returning to school (Aubry et al., 2003). Some initial patterns between education and

employment have been observed. Tolomiczenko and Goering (1998) found that 64.3% of their sample of shelter users in Toronto did not finish high school (vs. 34% for all Canadians) and, when compared to information on employment, found a pattern in which those who did not drop out were more likely to be employed. In a sample of youth, it was also found that those with the least education were more likely to be involved in less stable or illegal economic activities, such as the drug trade or prostitution (Gaetz and O'Grady, 2002).

Aside from such descriptive statistics, little is known about the factors related to homeless people's education and the relationships among these factors. In general, very little information was located on how to address the education needs of homeless people in Canada. There is some initial qualitative evidence suggesting assistance with physical and learning disabilities would be a potentially important service as these have had a negative impact on schooling and employment among homeless people (Guirguis-Younger, Runnels, and Aubrey, 2003). However, much research remains to be done in this area.

In contrast, unemployment rates, inadequate income, and difficulties with income support have been well documented as causes and contributing factors to people cycling in and out of homelessness (Eberle et al., 2001). In a study of at risk homeless people, 21% reported being unemployed (GVRD, 2002). Among surveyed shelter users, 38% had no current income and only 20% were receiving any welfare support (Tolomiczenko and Goering, 1998).

Of 360 homeless Toronto youth, only 15% identified paid employment as their primary source of income and only 15% reported being on social assistance (Gaetz and O'Grady, 2002). In addition to documenting the rates of unemployment and poverty among homeless people, researchers have begun to explore the distribution of homelessness and contrast it with the distribution of services (Bunting et al., 2002).

Homeless people surveyed by the national charitable organization, Raising the Roof (2001), also described difficulties accessing social assistance. The Raising the Roof study, *From Street to Stability*, recommended that the welfare system be better designed to provide immediate assistance to those in crisis and to simplify the application process. It also recommended higher minimum wages, more job training, job seeking assistance, and apprenticeship programs. Unfortunately, the report is largely descriptive, and although it highlights themes of potential importance in future studies, it does not gather sufficient information to suggest how to best address areas of concern. Nor does such descriptive work allow for an examination of the relative importance of the proposed interventions.

Despite their limitations, the above-mentioned works have begun to define the severity of these issues. They point to areas requiring services and suggest possible types of interventions to address these program gaps.

### **Promising Practices**

Several reviewed documents listed programs labelled as education, employment, and income support for homeless people (e.g., Raising the

Roof, 2001; CMHC, 1995). On close examination, however, very few of the projects offer well-developed programs that explicitly target education, employment, and income support. But there are exceptions.

Raising the Roof's Shared Learnings on Homelessness Web site identifies a few programs targeting these areas. For example, the Causeway Work Centre of Ottawa is designed to strengthen skills and develop the supports necessary to sustain, in the community, an individual with a severe mental illness.

Other studies look at more examples of educational programming. Although now somewhat dated, work by Love (1993) described a storefront school located in Winnipeg offering flexible and applied education to street youth. Another example is the Literacy and Homelessness project in Toronto (Trumpener, 1997). It offers literacy training to homeless adults at drop-in centres, trains service providers on literacy, and facilitates the sharing of experiences between literacy programs. In describing this and similar projects, Trumpener indicated a need to document projects in a more detailed manner.

As is common in the literature, descriptions of the above programs lack the details necessary to evaluate their success objectively. Project descriptions do not indicate if they are being evaluated or are collecting data for future evaluations. Bridgman (2001) and other authors noted this shortcoming in current literature, and stressed the need to move beyond simple descriptions of projects. They also noted, however, that the lack of funding, or the short-term nature of funding, often discourages such program evaluations.

A clear exception to the lack of detail is the work of Bridgman (2001), who used qualitative interviews and observations to describe the implementation of a project designed to develop housing and offer employment training for homeless youth. In the pilot project, youth who lacked stable housing were trained in construction. The author documented issues to consider in this type of project and a method

employment services for homeless people need to consider helping their clients find housing, emotional counselling, health care, and recreational opportunities.

- The Raising the Roof study (2001) identified the need for:
  - better information sharing regarding available programs;
  - attention to homelessness in the education system;

demonstrate the positive effects of the policy interventions recommended above through research design and objective measures.

Perhaps the most important lesson from the literature review is that sustained funding is needed for detailed and objective research to design interventions and examine their effectiveness. Related to this need, a number of policy-relevant research gaps were also identified.

*This review confirms a lack of knowledge about education, employment, and income support among homeless people and those at risk of becoming homeless in Canada.*

for conducting similarly detailed examinations of other projects. This work marks a significant step in this area of exploration.

Evaluation research on housing programs in other jurisdictions appears to be more extensive than that observed in Canada. American researchers documented the difficulties of evaluating education programs for homeless people (Penuel and Davey, 1998) and compiled a description of best practices for employment training for homeless people (Beck et al., 1997). British researchers conducted a comprehensive evaluation of a range of projects that provide specialist employment and training services to homeless youth (Randall and Brown, 1999).

## Lessons Learned

In the limited Canadian research that exists, authors identified the following policy conclusions.

- Researchers from Vancouver (CS/RESORS, 1989) concluded that

- more social assistance programs;
- a higher minimum wage and better access to employment insurance;
- more assistance with finding employment and more opportunities for employment;
- more training opportunities and affordable and flexible post-secondary education; and
- greater access to support services to enable people to remain employed.

- Bridgman (2001) concluded that successful projects need to cross regulatory boundaries and ensure the co-operation of many different agencies and funding bodies. Indeed, such multi-agency research is beginning to provide examples of longitudinal data (e.g., Aubry et al., 2003). A difficulty with these observations is that many are based on opinions, reviews of others' opinions, and simple descriptive research. Although opinions and descriptions are important starting places, it would be helpful to

- Gaetz and O'Grady (2002) suggested that to better understand the dynamics of the education and employment of homeless youth, there is a need for a more thorough understanding of how young people end up on the streets and what keeps them there. As well, they indicated a need to understand the changes in "occupational identity" that occur in youth on the street. More research is needed on the degree to which the most marginalized of homeless people are restricted from entering the economic mainstream.
- In the area of homelessness and education, there is a need for research that examines the relationships among factors related to education and is not simply a description of levels of education.

## Future Directions

This literature review confirms a lack of knowledge about education, employment, and income support among homeless people and those at risk of becoming homeless. Although there are numerous examples of research in the United States on job preparation, skill development, special employment arrangements, income



support programs, and access to education, there is very little written on these topics in Canada.

While statistics and observations exist in Canada of homeless people regarding their difficulties securing education, employment, and income support, research is required in a number of areas.

- Basic information is needed on the employment preferences of homeless people.
- Detailed accounts of the economic activities of adults and youth are needed, particularly outside of Ontario.
- Basic information on the educational needs and preferences of homeless youth and adults is needed.

The following efforts are required to obtain these sorts of data:

- research projects with a clear research design, valid method, and objective measures;
- detailed and objective evaluations of interventions to prevent and alleviate homelessness; and
- longitudinal and multi-site research examining education, employment, and income support for homeless people.

In the future, research needs to move beyond simple counts and descriptions to more in-depth explanations and the exploration of the relative importance of these factors. Such information will facilitate the design, implementation, and evaluation of effective interventions.

## References

- Aubry, T., F. Klodawsky, E. Hay, and S. Birnie. 2003. *Panel Study on Persons Who Are Homeless in Ottawa: Phase 1 Results. Final Report*. Ottawa: University of Ottawa.
- Beck, S., J. Trutko, K. Isbell, F. Rothstein, and B. Barnow. 1997. *Employment and Training for America's Homeless: Best Practices Guide*. Arlington, VA: James Bell Associates, Inc.
- Bergeron, N., G. Josephson, T. Aubry, and C. Andrew. 2000. *Assisting Recipients of Social Benefits with a History of Homelessness with Financial Matters: A Needs Assessment in the Region of Ottawa-Carleton*. Ottawa: University of Ottawa.
- Bridgman, R. 2001. "I Helped Build That: A Demonstration Employment Training Program for Homeless Youth in Toronto, Canada." *American Anthropologist* 103: 779-795.
- Bunting, T., P. Filon, and R. Walks. 2002. *Households at Risk of Homelessness: Distributional Patterns within Eleven Canadian Metropolitan Regions*.
- Charette, C. 1991. *Research Initiative on Homelessness: International Year of Shelter for the Homeless*, Occasional paper 27. Winnipeg: University of Winnipeg.
- CMHC (Canada Mortgage and Housing Corporation). 1995. *Inventory of Projects and Programs Addressing Homelessness*. Ottawa: CMHC.
- . 2001. *Research Highlights: Environmental Scan on Youth Homelessness* 86. Socio-Economic Series. Ottawa: CMHC.
- CS/RESORS Consulting Ltd. 1989. *A Study of the Vancouver ReConnect Program and Vancouver Street Youth*. Vancouver B.C.: RESORS Consulting Ltd.
- Dachner, N., and V. Tarasuk. 2002. "Homeless Squeegee Kids: Food Insecurity and Daily Survival." *Social Science and Medicine* 54: 1039-1049.
- Eberle, M., D. Kraus, and L. Serge. 2001. *Homelessness – Causes and Effects*, vols. 1, 2, 3, and 4. Vancouver: British Columbia Ministry of Social Development and Economic Security.
- Falvo, N. 2003. "Gimme Shelter!" Toronto: CSJ Foundation for Research and Education.
- Fitzgerald, M. 1995. "Homeless Youths and the Child Welfare System: Implications for Policy and Service." *Child Welfare* 74: 717-730.
- Gaetz, S., and B. O'Grady. 2002. *Making Money: Exploring the Economy of Young Homeless Workers. Work, Employment and Society* 16: 433-456.
- Guirguis-Younger, M., V. Runnels, and T. Aubry. 2003. *A Study of the Deaths of Persons who are Homeless in Ottawa – A Social and Health Investigation*. Report to the City of Ottawa, Volume 1. Ottawa: University of Ottawa (Centre for Research on Community Services).
- GVRD (Greater Vancouver Regional District). 2002. *Research Project on Homelessness in Greater Vancouver*, vol. 1. Vancouver: Greater Vancouver Regional District.
- Hull, J. 2000. "Aboriginal Post-Secondary Education and Labour Market Outcomes." Winnipeg: Prologica Research Inc.
- Love, M. 1993. "Storefront School Draws Street Kids Back to Education." *Education Manitoba* 20: 30-31.
- Norman, R., S. Schwandt, and S. Eisler. 1993. *The Impact of Supported Housing on a Downtown Homeless Population*. Ottawa: CMHC.
- Novac, Sylvia, Luba Serge, Margaret Eberle, and Joyce Brown. 2002. *On Her Own: Young Women and Homelessness in Canada*. Ottawa: Status of Women Canada.
- O'Grady, B., and C. Greene. 2003. "A Social and Economic Impact Study of the Ontario Safe Streets Act on Toronto Squeegee Workers." *Online Journal of Justice Studies* 1.
- Penuel, W., and T. Davey. 1998. *Evaluation Design for Homeless Education Programs: A Meta-Evaluation of McKinney Programs in Tennessee*. EDRS microfiche.
- Raising the Roof. 2001. *From Street to Stability: A Compilation of Findings on the Paths to Homelessness and Its Prevention*. <[www.raisingtheroof.org](http://www.raisingtheroof.org)>.
- Randall, G., and S. Brown. 1999. "Employment and Training Schemes for Homeless Young People." <[www.jrf.org.uk/knowledge/findings/housing/6139.asp](http://www.jrf.org.uk/knowledge/findings/housing/6139.asp)>.
- Smart, R., and A. Ogborne. 1994. "Street Youth in Substance Abuse Treatment: Characteristics and Treatment Compliance." *Adolescence* 29: 733-745.



Tolomiczenko, G., and P. Goering. 1998. "Pathways into Homelessness: Broadening the Perspective." *Psychiatry Rounds* 2.

———. 2000. "The Process and Politics of Community-Based Research with People Currently Homeless." *Psychiatric Rehabilitation Journal* 24: 46-51.

Trumpener, B. 1997. *Gimme Shelter: Homelessness and Literacy*, Toronto: St. Christopher House Adult Literacy Program Publications.

Zuvekas, S., and S. Hill. 2000. "Income and Employment among Homeless People: The Role of Mental Health, Health and Substance Abuse." *The Journal of Mental Health Policy and Economics* 3: 153-163.

**Note**

- 1 The National Research Program (NRP) is one of Canada's leading research-funding agencies on homelessness. An initiative of the National Secretariat on Homelessness, the NRP's mandate is to increase understanding of the magnitude, characteristics and causes of homelessness through a call for proposals process.



**Financial Capability and Poverty**

This discussion paper, prepared by the Social and Enterprise Development Innovations (SEDI), focuses on developing financial literacy as a complementary strategy to asset building through a review of existing research and current initiatives in Canada and abroad.



**Views on Life-Course Flexibility and Canada's Aging Population**

This paper describes the methodologies used in, and the results coming out of, focus groups that were organized to better understand Canadians preferences concerning the allocation of time for work, care-giving, education and leisure, their preferences concerning the time at which they intend to retire. Canadians that participated to these focus groups were also ask for their opinions on policies that could support the reallocation of time over the course of life.



**Pamphlet: A Fresh Look at Freshwater**

**Briefing Note: Integrated Water Resource Management**

This pamphlet outlines the background and plans for the PRI's freshwater project.

This Briefing Note is the first in a new series designed for the senior decision-maker. Introducing the concept of Integrated Water Resources Management, this Note defines the concept, and gives examples of its practical application.

# The OECD Jobs Strategy Review Old Wine in New Bottles or a Truly New Vintage?

Stuart Sykes and  
Kaili Lévesque  
Policy Research Initiative

---

Stuart Sykes and Kaili Lévesque  
are Policy Research Officers with  
the Policy Research Initiative.

By way of evidence-based policy discussions, the OECD significantly influences the conceptualization of socio-economic policy debates in both member and non-member states around the world. As such, the Organization's recently declared intention to re-evaluate the fundamental assumptions and principles that underpin its *Jobs Strategy*, a document that for the past 10 years has served as the foundation for its annual *Employment Outlook*, is cause to take notice.

The reassessment of core assumptions is largely driven by shifts within the labour markets of member states. A decade ago, the OECD *Jobs Strategy* was crafted with the intent of outlining reforms that would slash high and persistent unemployment in OECD member states. At that time, major structural reforms regarding employment protection legislation, pension systems, and employment supports (such as unemployment insurance and active labour market measures) were seen as vital. The *Employment Outlook* has provided annual reports on the implementation of these reforms and on labour market developments and trends in OECD member states.

Although traditional employment concerns, such as unemployment and economic stagnation, remain important, new challenges, such as population aging are becoming increasingly central policy considerations. Additionally, the implementation of many responses to previously identified challenges has led to structural changes that now require evaluation. For these reasons, the time has come for modernization of the OECD *Jobs Strategy*.

However, such socio-economic shifts are not the only drivers for change. For years, there has been concern among analysts that many international organizations, including the OECD, have failed to address gaps in their diagnostics or recognize negative socio-economic distortions that can result from their policy prescriptions. The narrow, market-based approaches frequently used by many international organisations have also increasingly come under scrutiny. As time has passed, these criticisms have become increasingly difficult to ignore.

## Emerging Themes for the Review

The 2004 *Employment Outlook* identifies a number of issues for review. A key concern to be addressed by the new *Jobs Strategy* is the projected increase in dependency ratios that could result from an aging population. While the urgency of this challenge varies across countries, much of the OECD's focus in addressing this issue is aimed at increasing employment.

This concern was not entirely neglected in the current *Jobs Strategy* and previous issues of *Employment Outlook*. Groups targeted to effect reform in this area also remain largely unchanged from previous OECD documents, namely those most likely to be excluded from the labour market (women, lower-skilled workers, and youth), the employment of whom would support the costs of aging societies.

However, never before has this challenge been made so central to the analysis. Three other fundamental philosophical shifts are also apparent within the themes of the OECD's

review process, suggesting that the new *Jobs Strategy* could differ significantly from the current document.

### **Increased Appreciation of Demand-Side Issues**

Whereas policy prescriptions in the current *Jobs Strategy* and past issues of *Employment Outlook* focused on managing the supply of labour (through education, more restrictive benefits,

*Even as those outside the labour market remain the priority group of focus, there has been an alteration of the understanding of issues to be addressed, such as the supply of, and demand for, labour.*

etc.), the 2004 edition of the *Employment Outlook* argues that issues of job quality (e.g., wage levels, benefits) must also be addressed. This acknowledgment of demand-side issues, which effectively increase the draw and value of employment as regards individuals, marks a significant break from past approaches.

### **The Relevance of Social Objectives**

For perhaps the first time, the OECD explicitly acknowledges in the 2004 *Employment Outlook* that measures to improve employment must be reconciled with social goals, leading to concerns about job security, work-life balance and widening disparities in earnings. This shift reflects the dilemmas faced by states grappling with a wide array of social and economic challenges. With the addition of this new dimension, the OECD also acknowledges that some of its past policy recommendations, if imprudently or partially applied, could have deleterious social effects. For example, the OECD notes that the rise of precarious employment is in part due to the

many reforms made to employment protection legislation in OECD countries during the 1990s.

### **Different Policy Contexts Among Member Countries**

In part reflecting the above two shifts, the OECD acknowledges that policy interactions and complementarities need to be better understood to determine why various countries,

despite different policy contexts and institutions, achieve similar employment outcomes. Subsequently, unlike the current *Jobs Strategy*, which effectively established a single set of institutional arrangements and targets for all states, it is now recognized that alternate policy packages that are sensitive to state-specific conditions and objectives may be more effective.

These themes did not develop overnight. They had been alluded to in a more cursory manner in 2003, suggesting an under appreciation of their relevance rather than a lack of awareness of their existence. Elevation of these themes in the 2004 *Employment Outlook*, however, has transformed the criteria against which past policies and future proposals must be measured. As a result, the 2004 edition reads very differently than its predecessors, and includes discussions touching on a number of social issues of importance to the issue of poverty, such as diverging wages, job quality, and making work pay.

## **Moving Forward: Issues and Options**

In placing new emphasis on issues, such as population aging and the need for flexible work arrangements, the OECD must determine which conceptualizations of employment are still appropriate, and which require complete refurbishing to maintain their relevance. The OECD's success in doing this over the two-year review process will determine if the new employment strategy is truly fresh and responsive to the above-described challenges and issues.

In the 2004 *Employment Outlook*, labour market integration remains the key unit of analysis. Target groups remain unaltered, and activation policies remain central to the policy prescriptions aimed at addressing underemployment. This focus on activation appears still to be limited by the underlying assumption that those not engaged in the labour market choose not to be. Structural barriers to participation, such as a lack of available child care, remain marginal to the analysis. Despite the themes driving the review, much of the basic diagnostic and underlying approach of the report appears unchanged.

However, there are other signs that significant analytical shifts are taking place. Even as those outside the labour market remain the priority group of focus, there have been slight modifications to the definitional aspects of employment policies, and there has been an alteration of the understanding of issues to be addressed, such as the supply of, and demand for, labour. The role of training and education has also been recast. No longer portrayed

as a silver bullet for increasing individual employability, the role of education is being repositioned within a life-long learning approach. This approach, is intended to help mitigate the labour market effects of an aging work force, improve employment security (if not job security), make individuals less vulnerable to the pitfalls of precarious employment and address a number of other socio-economic challenges. In short, education is now portrayed as underpinning a multidimensional approach to addressing a number of societal needs rather than employability.

These are significant shifts that, in part, explain why the feel of the 2004 *Employment Outlook* is so different from its predecessors. However, two other philosophical shifts also warrant particular attention.

### **Job Quality Is About More than Earnings**

Quality of employment in previous issues of *Employment Outlook* was based on two indicators: having a job, and the level of income earned in employment. However, there is now a clear awareness that this approach fails to take into consideration other factors, such as job satisfaction, work-life balance, and the role of employment in achieving individual and social goals. In the 2004 *Employment Outlook*, individuals are recognized as having many concurrent goals that are not mutually exclusive, such as achieving gainful employment while having a family and participating in community activities.

Not all of these goals are quantifiable, nor do they all contribute to a traditional understanding of employment benefits. They are, however, now recognized, and the OECD has pledged to place part of its strategy focus on making work more flexible and appealing to a broader segment of the population, including older individuals.

### **Quality of Life Is More than Having a Job**

The role of employment within society and an individual's life has fundamentally shifted. Before, overall levels of employment and average income levels were seen as appropriate indicators of the overall performance of the employment market. The diagnostic in the 2004 *Employment Outlook* does not adopt this position. Instead, the labour market is viewed only as one aspect of a country's socio-economic structure, and a job is now only one part of a person's life. This fundamental shift results in past policy approaches often being cast in a completely new light.

For example, although a training program targeted at lone parents may not lead them directly into paid employment, it may lead to improvements in broader social goals, such as increases in social capital and community involvement. These have not been quantified as have traditional indicators, such as income and employment, but the OECD acknowledges the importance of understanding the achievement of broader social goals as policy successes in and of themselves.

## **Conclusions**

There is no doubt the new diagnostic research themes identified earlier are beginning to assert themselves. Marked changes, especially regarding the underlying assumptions and approaches that ground much of the OECD *Jobs Strategy* and past issues of *Employment Outlook*, are apparent. While the 2004 *Employment Outlook* appears to retain much of the current *Jobs Strategy*, this is not conclusive evidence that this exercise is merely window dressing. No one should want to see solid diagnostic and analytical work abandoned just because it is no longer fashionable.

The key challenge within the review will be balancing new and old. Retained ideas will have to remain consistent with emerging diagnostic themes if the document is to be coherent. The OECD's success in doing this will determine if the *Jobs Strategy* that emerges in two years is truly new wine or whether it is the same old vintage in a shiny new bottle.

# Social Inclusion as Policy Challenges and Opportunities

**Ted Richmond**  
Laidlaw Foundation

How is the concept of social inclusion evolving in policy terms? Are we working from a common understanding or “definition” of the notion? What does social inclusion mean for issues like poverty, and the growing racialization of poverty? What theories and practices are most relevant in developing a made-in-Canada version of social inclusion that is policy relevant? These issues provide both challenges and opportunities for our Advisory Committee (Inclusive Communities for Children, Youth and Families) as Laidlaw Foundation further develops its work on social inclusion.<sup>1</sup>

The Children’s Agenda Initiative of the Laidlaw Foundation started several years ago, with a focus on social inclusion as a tool for developing and testing social policy. It promoted the development of inclusive communities in the cities and neighbourhoods where children and their families experience various forms of exclusion, and was rooted in the Laidlaw commitment to promoting the well-being of children and families. The long-range goal was to promote improvements in child and family social policy in Canada.

It has been a few years since the Laidlaw Board took the courageous step of endorsing funding for what was basically an idea – social inclusion. Since then, our social inclusion work has not only developed and expanded, it has received a significant amount of attention and support. Laidlaw-sponsored activities included seminars and conferences as well as a series of working papers exploring different areas and aspects of social inclusion as theory and applied policy. Funding was also provided for partner organizations involved in projects, such as the

development of inclusive indicators as well as research and public education on the welfare of Canada’s children.

In the last year, we have expanded and renewed the program’s advisory committee, renamed our program, and begun addressing new challenges.

## Issues and Challenges

First and foremost, we must recognize that the “definition” of social inclusion is in development; it is not fixed as a concept or theory. A progressive and policy-relevant version of social inclusion will be rooted in practice, and it will recognize and respect different interpretations.

The social inclusion work we want to develop must combine theory and practice. As well, it must exhibit three essential features: It must deal with the structural roots of exclusion, be rooted in community (self-) organization and mobilization, and be transformative. It must lead to real, applied policy changes transforming the structures that promote exclusion and limit inclusion.

To deal with these issues, we need to appreciate fully the social and economic impact of rapid demographic and economic changes in Canada. Immigrants – those born outside of Canada – form a growing percentage of the population in our major urban centres, and are increasingly from non-European countries. There is an increasing degree of coincidence therefore between “newcomer” and “visible minority” status, precisely at a time when these newcomers face systemic barriers to the recognition of internationally acquired education and skills.<sup>2</sup> The alarming process of the racialization of poverty in Canada is, in fact, a product of these trends.

---

Ted Richmond is the Program Co-ordinator of the Inclusive Communities for Children, Youth and Families Pilot Program at the Laidlaw Foundation.



Poverty is not just an issue for newcomers. There has been a general deterioration of labour market opportunities for vulnerable groups, such as newcomers, those with a disability, young families, lone parents, and urban Aboriginal people. The world of work in Canada is becoming more precarious; the low-paid segment of the labour force is growing as a portion of the total employed; and long-term poverty is becoming more associated with paid employment. From a social inclusion perspective, we need to ask why certain groups identified more by social or cultural characteristics rather than economic features are at such risk of long-term poverty. The answers should lead us away from neo-liberal economic policies, emphasizing the universal benefits of general economic growth, and into a deeper understanding of the social supports and policy reforms needed by specific excluded communities.<sup>3</sup>

Since poverty is not just an issue for newcomers, we must realize that diversity issues go well beyond the labour market or even general economic well-being. Increasing ethno-racial diversity in our major urban centres poses challenges from a social inclusion perspective, because both the process and the end result of this inclusion must be re-negotiated. Ethno-racial communities, as with other excluded groups, will no longer accept the paternalism of being invited, one by one, to enter existing institutions. Rather, they are demanding their rightful voice and role in reshaping these institutions to combat exclusion and promote a truly inclusive form of Canadian diversity.<sup>4</sup>

The notion of social capital is also important to our work on social inclusion. We believe that both “bonding” and “bridging” networks and linkages are vital for combatting exclusion with vulnerable groups; and while government cannot create social capital, government policies can facilitate its development. The role of non-governmental service and

*The Children's Agenda Initiative promoted the development of inclusive communities in the cities and neighbourhoods where children and their families experience various forms of exclusion.*

umbrella organizations in public education and advocacy – increasingly threatened by funding restrictions – is, in this regard, an issue of great concern.<sup>5</sup>

In his Laidlaw-sponsored working paper, Anver Saloojee emphasized that the development of social inclusion is a political process that depends on locating and transforming specific forms of exclusion.<sup>6</sup> In other words, an inclusive society identifies the historical and material basis of various forms of exclusion and works actively to overcome them. This leads to a process involving social citizenship, mobilization and community organizing, and transformation (resource sharing, institutional changes).

### Examples from Our Work

Due to the various factors outlined above, our program is moving toward a focus on support for pilot projects as a means to further develop the theory of social inclusion through dialogue with our partners based on practice.

We recognize that the social inclusion application projects we support will have an experimental nature (new theories lead to new practices, and further debates on specific issues).

One example of a project we currently support (along with the Ontario Trillium Foundation) is Closing the Distance for Children in Sudbury.

The Social Planning Council of Sudbury has been engaged, in the last 18 months, in a project designed to create more inclusive school and recreation environments from the perspective of Greater Sudbury's children. The project is being extended to neighbourhood schools and community recreation programs over the next two years to introduce the voices of children into how learning and recreation occurs in these two important social environments. The initiative addresses all children, but will also pay particular attention to the inclusion and participation of children at higher risk of being left out or unheard (e.g., children dealing with linguistic and cultural barriers in Sudbury, such as Francophone and Aboriginal children). We think this is a good example of a project with grass-roots mobilization that deals with the non-economic forms of exclusion for vulnerable communities. We believe, as well, that the emphasis on listening to the voices of children provides a good demonstration of inclusion in practice.<sup>7</sup>

Part of our work involves supporting the activities of partner organizations, whether financially or through publicity and networking. Campaign 2000, which receives financial support from Laidlaw, has been working very actively across Canada on public education and mobilization, which links child poverty to broader issues including housing and labour market problems, child care and early childhood education. Another example is St. Christopher House, which is developing a truly grass-roots policy initiative with its project Income Security for Working-age Adults in Ontario.<sup>8</sup>

The development of inclusive indicators is another aspect of our work, essential to bridging social inclusion theory with social inclusion practice. We provided funding (along with Health Canada) to the inclusive indicators project carried out by the Ontario Prevention Clearinghouse, and we played an advisory role in the Health Canada funded Alternative Social Audit carried out by the Social Planning Council of Toronto and the Alternative Planning Group.<sup>9</sup> We are working to structure a useful dialogue among the various groups involved in developing alternative social indicators.

We also consider it vital to work with both community organizations and various concerned funders to halt the destructive trends in financing of the non-governmental organization sector. The transition to narrowly defined service contract funding as the dominant form of government support to the community sector cannot be allowed to destroy the social capital represented by these organizations.<sup>10</sup>

We also work to build community capacity (or social capital) by promoting healthy research partnerships between the community and the academic sector. Currently, we are partners in a Ryerson University proposal to the Social Sciences and Humanities Research Council Community-University Research Alliances, on the situation of newcomers with less than full status. We are also hosting networking meetings of researchers concerned with immigrant women's issues, and participating in a Canadian Institutes of Health Research funded research project, Racialized Communities and Health Status, led by the Access Alliance Community Multicultural Health Centre.

Finally, we continue to contribute to the conceptual work in exploring, debating, and refining the meaning of social inclusion in Canada. We are preparing an edited publication of some of the best of the working papers commissioned by Laidlaw and are working with various partners to develop seminars and forums that will link the issues of inclusion to current public policy options.

All this leads to lots of experimentation and public discussion. We don't expect our work to go smoothly; the issues are too complex, and the challenges are too great! But we do expect that with the help of our many partners, supporters, and friends, we can make small but real progress in advancing the inclusion agenda in Canada over the next few years.

---

## Notes

- 1 I want to acknowledge the contributions of Uzma Shakir to this update on our social inclusion work at Laidlaw. Uzma is Executive Director of the Council of Agencies Serving South Asians (CASSA), and President of the Board at the Ontario Council of Agencies Serving Immigrants (OCASI). Uzma is also a member of our program Advisory Committee.
- 2 For a discussion of these issues as well as extensive references, see the Laidlaw Working Paper *Immigrant Settlement and Social Inclusion in Canada* (Ratna Omidvar and Ted Richmond, 2003), <[http://www.laidlawfdn.org/page\\_1069.cfm](http://www.laidlawfdn.org/page_1069.cfm)>.
- 3 For recent reflections on these issues, see Cynthia Williams, "Policy Responses for Groups at Risk of Long-Term Poverty" <[http://www.queensu.ca/sps/queens\\_international\\_institute\\_on\\_social\\_policy/qiisp\\_2004/Session\\_3.williams.pdf](http://www.queensu.ca/sps/queens_international_institute_on_social_policy/qiisp_2004/Session_3.williams.pdf)>.
- 4 See, for example, the paper "Social Inclusion and the City" by the Alternative Planning Group <[http://www.laidlawfdn.org/page\\_1213.cfm](http://www.laidlawfdn.org/page_1213.cfm)>.
- 5 See, for example, Ted Richmond's paper presented to the Metropolis immigration research conference in Montréal in March 2004 "Promoting Newcomer Civic Engagement: The Role of Umbrella Organizations in Social Citizenship." <[http://www.laidlawfdn.org/page\\_1213.cfm](http://www.laidlawfdn.org/page_1213.cfm)>.
- 6 "Social Inclusion, Anti-Racism and Democratic Citizenship" (2003), <[http://www.laidlawfdn.org/page\\_1069.cfm](http://www.laidlawfdn.org/page_1069.cfm)>.
- 7 More information about this project, and others funded by our pilot program, can be found on the Laidlaw web site.
- 8 More information is available on the organizations' respective web sites.
- 9 For further information, see the web sites of the respective organizations.
- 10 See, for example, Ted Richmond and John Shields, *Third Sector Restructuring and the New Contracting Regime: The Case of Immigrant Serving Agencies in Ontario*, in the CERIS series, Policy Matters. <[http://www.laidlawfdn.org/page\\_1222.cfm](http://www.laidlawfdn.org/page_1222.cfm)>.

# Adequate and Affordable Housing for All

June 24–27, 2004  
Toronto, Ontario

Lori Brooks  
Policy Research Initiative

During the conference, Adequate and Affordable Housing for All, the housing situation in Canada was often presented in terms of a crisis of historic proportions. Toronto's affordable housing shortage was compared to a refugee camp, with a major difference being that a camp at least has a level of standards required under UN guidelines. Advocates have also adopted the term "man-made national disaster" in an effort to bring more attention to the housing situation in Canada. By framing it in this way, advocates hope governments will respond with the same sense of urgency as they do to natural disasters.

The challenge of improving government support for housing was directly linked to efforts to raise public awareness. Presenters characterized federal government involvement in housing over the years as having been sporadic and limited at best.<sup>1</sup> They noted that the government's role has shifted to that of a facilitator in supporting home-ownership schemes for first-

time buyers and lower-income people through the Canada Mortgage and Housing Corporation (CMHC). Other federal programs discussed included the Supporting Community Projects Initiative (SCPI) and Residential Rehabilitation Assistance Programs (RRAP), both under the mandate of the National Homelessness Secretariat.

In recent years, provincial governments have increasingly downloaded housing management to the municipal level. In the absence of accompanying funds, many municipalities have experienced difficulties in coping with the added responsibilities. As a result, the challenge of dealing with the housing crisis tops the current agendas of many municipal governments.

Toronto Mayor David Miller addressed the conference in the opening plenary, describing the efforts initiated in 1998 under the Mayor's Homelessness Action Task Force. These have included eviction prevention, a high level of outreach support, and a controversial project to redevelop the Regent Park public housing community.

Adequate and Affordable Housing for All brought together over 350 delegates and researchers from 40 countries that have been working to develop an understanding of the challenges of housing and homelessness. Representatives from both developing and industrialized countries spoke on their regional as well as global housing issues. The conference was organized by the University of Toronto's Centre for Urban and Community Studies under the auspices of the International Sociological Association's Research Committee on Housing and the Built Environment, co-sponsors included Canada Mortgage and Housing Corporation, the City of Toronto, Social Housing Services Corporation, and the Toronto Community Housing Corporation.

The conference had a broad mandate including themes based on raising awareness, gaining understanding, and increasing the impact of housing programs and policies. Considerable focus was also placed on issues surrounding homelessness including a framework on episodic homelessness, presented by Uzo Anucha.

At the time this article was written, Lori Brooks was an Analyst with the Policy Research Initiative.

Improved government efforts to address affordable housing needs require a sound understanding of the complex challenges involved. The affordable housing picture is complex. One element is the stagnation, or even decline, of rental stocks, especially at the lowest end, at a time when the economic situation of the most vulnerable in society has failed to improve. Presenters argued that levels of rental stocks have stagnated, because the profit incentives for developers in recent years have been principally in the construction of new homes for ownership and converting old rental stock into new condo units. As a result, while demand is increasing for affordable rental units, the relative numbers available are declining. Due to the increasing demand and declining supply of rental units, Toronto rents increased by 31% between 1997 and 2002. The social housing waiting lists in urban areas continue to grow in the tens of thousands, and shelter use is becoming a more common form of housing, especially for families.<sup>2</sup>

Discussions about how governments might improve the housing situation in Canada are generally framed in terms of supply-side and demand/income-side policies. In other words, should policy focus on interventions that address the actual supply of affordable and adequate housing or on improving the purchasing power of housing consumers, by way of vouchers or allowances, in the market as it currently functions? Many would argue that the supply of housing should be left alone, because market mechanisms will find the equilibrium point to best reconcile supply and demand. It was also observed that although the market functions very well for those above a certain income level, if you are poor, the housing

market does little to address your needs. The general consensus at the conference was that addressing this gap is the responsibility of the public sector.

With the *laissez-faire*, non-intervention approach at one end of the spectrum, at the other is the actual construction by the government of units for occupancy by low-income tenants. This, however, often comes in the form of public housing projects that can result in the social isolation of low-income communities, which has occurred along racial lines in the United States.

Between the two extremes of doing not much and building actual units lie several possibilities discussed at the conference. One is a city by-law that requires that a certain proportion of new developments be reserved for affordable housing units. Also included in the spectrum of policy options is the development of transitional spaces, such as emergency shelters, building supportive housing for people with special needs, and partnerships with developers in the construction of affordable housing and co-op units.

From a demand or income-side perspective, policy options include those that will affect what a person can acquire by increasing the amount of money they have available for housing. While social assistance programs take into account housing costs as part of the calculation of benefits, these amounts have not been rising proportionately to the cost of housing, and have therefore become inadequate to meet the basic needs for which they are intended.

One of the most well known demand-side policies is the housing voucher for people meeting certain means tests. In some instances, these vouchers will go

directly to the landlord, which may consequently pose other problems regarding stigmatization and discrimination. Quebec has instituted an allowance scheme wherein people meeting certain criteria are directly given a cash allowance intended for housing. Such options can be effective when local vacancy rates are high.

Another option that is beneficial for the so-called best-off of the worst-off is home-ownership incentive schemes. Toward this end, CMHC has been developing new financing and borrowing regulations for first-time home-owners. In addition, more innovative programs in the asset-based family have surfaced such as Home\$ave by the Social Enterprise Development Incorporation. This program matches savings of program participants, and allows these matched grants plus personal savings to be used toward home-ownership or home improvement goals.

Overall, the main message from the conference was that the best solutions would consist of both supply-side and demand-side approaches. There is no magic bullet. Rather, it is imperative that policy makers recognize the complexity of housing and its inter-relationship with poverty, exclusion, work, and income if they are to address the housing needs of low-income Canadians effectively.

## Notes

- 1 Housing is under provincial authority, thus making involvement in this policy area a challenge for the federal government. Nevertheless, the federal government has actively sought to build affordable housing in urban areas at different times.
- 2 City of Toronto. 2003. *The Toronto Report Card on Housing and Homelessness*. Toronto: City of Toronto.



# The Policy Research Needed to Support the Social Economy

A PRI–SSHRC Roundtable

September 28, 2004  
Ottawa

Alan Painter  
Policy Research Initiative

---

Alan Painter is a Senior Policy Research Officer with the Policy Research Initiative.

The social economy is a fairly new label for a diverse collection of organizations that have been producing and delivering goods and services across Canada and the world for over a century, generally at the community level. These organizations are separate from governments and different from commercial enterprises in that they involve a diverse collection of stakeholders in decisions, and reinvest profits to advance the mission of the organization, instead of disbursing them to shareholders. Examples include co-operatives, non-profit organizations, and credit unions.

The social economy has received considerable policy attention over the past decade in Europe and in several provinces, especially Quebec. Interest has also increased in Ottawa. As a concrete example, the February 2004 Speech from the Throne cited the Roasted Cherry Coffee House, located a few blocks from Parliament Hill. This coffee shop with a difference offers employment and a welcoming environment to young Canadians, particularly those at risk.

The focus of the day was not on the specific initiatives announced in the March 2004 federal budget, but on the policy research needed to provide fact-based, high-quality advice regarding possible future initiatives. The Roundtable explored what policy researchers need to examine now in consultation with practitioners and policy makers to better support organizations like the Roasted Cherry Coffee House to help Canadians.

The proceedings opened with a presentation by the Honourable Eleni Bakopanos, Parliamentary Secretary to the Minister of Social Development

with special emphasis on Social Economy. The Parliamentary Secretary provided background on the social economy and its evolving role in Canada's communities. She wants to see research collaboration that is policy relevant.

Janet Halliwell, Executive Vice President of the Social Sciences and Humanities Research Council (SSHRC), provided an overview of the process underway to transform the organization from a granting council to a knowledge council. She also described the ongoing development of the new SSHRC Community-University Research Alliance (CURA) program on social economy. It will link research with communities and not-for-profit organizations to work on social and community economic development issues.

There was considerable discussion regarding the importance of community-level action and the promotion of self-help for individuals and communities. These concepts are clearly an important part of Canada's evolving social economy.

Several senior officials offered views on ongoing policy and program development efforts. Identified themes included citizen-led community-based processes, social innovation, corporate social responsibility, and employer demand for skills, particularly hybrid skills. Several participants emphasized the need to avoid creating silos of information across organizations.

Three experts from outside government made well-received presentations on the scope of the social economy.

- Marguerite Mendell from Concordia University provided an overview of the paper she



prepared with Benôit Lévesque from l'Université du Québec à Montréal to support the development of the CURA program on social economy. Professor Mendell's presentation emphasized the diversity of the social economy, which has been defined in a variety of ways since the 19th century. She noted, for example, that social economy organizations have contributed to the transformation as well as to the delivery of health services.

- Nancy Neamtan, Executive Director of le Chantier de l'économie sociale, described the social economy as an integral part of a pluralist economy. She outlined an emerging model for managing development that integrates social, economic, cultural, and environmental goals in communities. She provided several examples of how the social economy has evolved in Quebec in diverse sectors, such as home care and forestry, as well as examples of how the social economy is supported in different jurisdictions. Ms. Neamtan suggested that policies and programs need substantial change in recognition of the emerging model.
- Brett Fairbairn from the University of Saskatchewan provided an overview of the social economy outside Quebec. He noted that while co-operatives, mutuals, and associations all play a significant role across Canada, the social economy as a whole has not yet been conceptualized much as a single entity outside Quebec. For many organizations that make up the third sector throughout Canada, key underlying themes place people

before profit and emphasize the importance of community orientation. Professor Fairbairn ended his presentation with several questions and observations concerning the development of effective policy regimes. For example, he noted that public policies can be any of destructive, neutral, supportive, participating, or controlling. Care is needed when supporting the social economy not to inhibit the effectiveness of organizations that tend to value highly their autonomy.

Alan Painter from the PRI provided an overview of an issues paper shared with participants in advance of the Roundtable. The paper applied welfare economics principles and findings from the social economy literature, and made some broad observations regarding whether and how governments should support the social economy. It also identified policy research issues that might be explored in the future. The general conclusion of the paper was that the development of the social economy is a promising approach rather than a solution to the problem of how to direct public money to increase well-being.

There was considerable discussion and significant agreement at the Roundtable concerning future policy research priorities, although views differed on whether further data collection should be a priority. Asking what are the necessary conditions for the success of the social economy was identified as a good way to think about research priorities. Answering this question helps identify best practices which, in turn, need to be communicated to those within and outside governments who will apply them. Examining specific sectors, such as child

care, was also identified as a possible way forward. Framework policies adopted in different jurisdictions and reporting and evaluation were among the policy research issues identified as possible priorities.

While there was considerable productive discussion and information exchange during the day, one clear point of contention emerged. The concern was that the PRI issue paper represented a viewpoint that was too narrow and placed too much emphasis on economic considerations. There would be merit in exploring how diverse perspectives can and should inform policy development concerning the social economy.

As a specific next step, the PRI is preparing a publication based on the background documents distributed in advance of the Roundtable, additional research, and the presentations and discussions of the day. The document will be designed as a reference tool to support future policy research on the social economy. It will identify and discuss key policy research issues, and further explore the perspectives that underlie the development of policy advice. The document will also include resources useful to policy researchers.

In addition, the PRI's December conference, *Exploring New Approaches to Social Policy*, will include a workshop on the social economy. It will explore the role of government and of policy research in supporting the social economy based on the underlying objective of increasing the well-being of Canadians, with speakers representing a variety of perspectives.

# A Life-Course Approach to Social Policy

Queen's International  
Institute on Social Policy

August 23, 2004

Ali Béjaoui  
Policy Research Initiative

---

Ali Béjaoui  
is a Senior Policy Research Officer  
with the Policy Research Initiative.

Starting in 2011, when significant numbers of baby boomers begin to leave the labour market, we will see a decrease in the total number of hours worked and, commensurately, in economic growth. Will keeping elderly workers in the labour market longer be enough to counteract this trend? That was the issue on people's minds following Jean-Pierre Voyer's (Policy Research Initiative) presentation, *A Life-Course Approach to Social Policy Analysis*. The presentation renewed the debate on this topic at a conference organized by the Queen's University International Institute on Social Policy, held August 23, 2004.

While the economic impacts of aging were only one aspect of the analytical framework presented by Voyer, they were a focal point for speakers at the conference. This was expected given the emphasis that most OECD countries place on the tax repercussions of aging, and the consequent need to reform the pension system.

Although they are significant, the life-course analytical framework looks at more than tax repercussions. The framework is based on the premise that the classic vision of a linear, three-stage life course (education-work-retirement) is no longer the societal norm. Increasingly, the three stages are overlapping, which affects how we allocate time to each one. While we have less time during our lives to combine work, education, and family responsibilities (caring for children and parents), we will have more time at retirement (given the increase in life expectancy). Thus, people need more flexibility so they can better allocate time throughout their life course. Giving more flexibility to senior citizens, so they can work longer and

enjoy a progressive retirement is only one aspect of a life-course analytical framework. Various surveys have already shown that Canadians want to work longer.

The benefits of the life-course framework were emphasized in Michael Wolfson's (Statistics Canada) presentation on the need for accurate simulation models to support the analytical framework, and in the presentation by Peter Hicks (Social Development Canada). Hicks used the analytical framework to highlight the periods in which people experience time crunches and how those periods affect their well-being throughout their lives. Empirical data show that these time crunches, are associated with marital status and caring for children. Hicks advocated an approach that links the under-used pool of time during the retirement years to the high demand periods of time during the active periods of a person's life.

While no direct link has been established, there seems to be a relationship between high demand time periods, personal well-being, and low income over the life course. Garnett Picot (Statistics Canada) presented the results of an analysis measuring low income over the life course in which family characteristics (marital status and children) play an important role. This relationship is one more argument in favour of a life-course approach to social policy.

Although there is a consensus on the need for a life-course approach, opinion is still divided on how to operationalize the analytical framework.

In this regard, John Myles (University of Toronto) warned conference participants against any social policy aimed

solely at senior citizens. He maintained that this type of policy only increases intergenerational conflict. Unlike their counterparts in the 1960s and 1970s, recent retirees have accumulated enough wealth to enjoy a comfortable retirement. However, the outlook for future generations is not as rosy. Because of increased educational requirements and family responsibilities, the generation made up of the children and

However, the importance of a life-course approach that does not discriminate on the basis of age and reflects the characteristics of various socio-cultural groups did not help much to advance the debate on operationalizing the analytical framework. Anne-Marie Guillemard (Sorbonne) gave the proceedings a push in this direction in her presentation on how European countries have managed to counteract decreased employment

David Foot addressed the first issue in this regard: the current pension system does not give people the flexibility to work while receiving retirement income. In addition, contribution limits encourage employers to demand more from older employees rather than hire other workers. While pension reform is recognized as being essential to increased flexibility, another important factor is the availability of jobs that are flexible enough to interest not only senior citizens, but the population in general. The issues of flexibility and the availability of quality employment have not been explored in the Canadian context, but they relate back to the need for concerted and collaborative action among institutions (government and employers), as mentioned by Guillemard.

*There seems to be a relationship between high demand time periods, personal well-being, and low income over the life course.*

grandchildren of the baby boomers will begin working and accumulating wealth later in life. Social policy needs to focus on this generation. It requires more assistance in terms of access to continuous learning, post-secondary studies, and training. Myles added that, as the population ages, future generations will have to support the growing cost of pension systems.

In her presentation, Cynthia Williams (CPRN) echoed the warning about social policies that discriminate based on age. She stated that, of the five groups identified as being at greater risk of experiencing persistent poverty, only one is defined in terms of age: unattached persons aged 45 and older. The other groups are defined in terms of socio-cultural status (single mothers, Aboriginal people, those with a disability and recent immigrants). A policy that discriminates on the basis of age could increase intragenerational inequities (inequities within a single age group). Williams recognized the importance of a life-course approach since these groups are affected by poverty throughout their lives.

among senior citizens (in Sweden and Finland). These countries underwent a cultural change as they moved from a management style based on segmentation by age group to one based on diversity. At the same time, they introduced a new social policy that is age neutral and encourages people to remain active as they age. This cultural change was sparked by the creation of quality jobs to increase the flexibility and mobility that people need to work at any age. These policies bring together current employment programs, continuous learning programs, and a reformed pension system, with the goal of increasing flexibility. It is worth noting that this cultural change came about through the concerted effort and close collaboration of various stakeholders (different levels of government, communities, businesses and unions).

Guillemard's presentation brought the discussion to a more concrete level concerning the life-course approach to social policy: how to identify and overcome barriers to flexibility.

Aside from availability and flexibility, areas in which employers play a major part, progress has been made in realizing a life-course approach. Andrew Treusch added to the debate by presenting labour-force-based policies that affect continuous learning, which is an integral part of a life-course approach to policy. In his analysis, Michael Mendelson (Caledon Institute) pointed out the relationship between savings vehicles and provincial social assistance programs (usually people's savings must be exhausted before they can access the programs). Once again, the discussion came back to concerted action and dialogue among organizations (levels of government). To conclude the evaluation of these policies, Mendelson recommended that the objectives of labour-force-based policies be determined before their results are evaluated.

As with any federal initiative, as soon as we begin to translate policies into programs, we run up against funding problems and the perennial stumbling block of jurisdiction. Tom Kent (School of Policy Studies) reiterated the importance of considering and respecting provincial jurisdictions when developing programs. Hugh Segal (IRPP) supported Kent's call for caution, and advocated the use of tax credits to leverage action in sensitive areas, such as day care and social housing, which greatly influence the life-course of Canadians.

We can conclude that a consensus emerged on the life-course approach to social policy at the conference. In addition, reforming the pension system to create greater flexibility seems essential. This reform must be accompanied by the creation of quality jobs that offer increased flexibility, not only for seniors, but for all Canadians. While the creation of these jobs is outside the area of social policy, the federal government can still act as a catalyst. Launching a national debate on aging from a life-course perspective could help to introduce pension reform and bring the various socio-economic stakeholders together around such thorny issues as poverty, continuous learning, and work-family balance. The overall economic impact of aging, and the tax repercussions in particular, offer an opportunity to introduce this debate and strive for a social consensus.

## Canada – United States Regulatory Cooperation

There is considerable evidence that NAFTA has generated substantial economic benefits for Canada. However, many argue that more regulatory cooperation with the United States can deliver greater economic benefits, all the while safeguarding, and even improving, the integrity of Canada's regulatory system.

This issue was addressed at a joint PRI-SSHRC symposium on Canada-US Regulatory Cooperation, held on October 29, 2004 in Ottawa. The purpose of the symposium was to discuss key research issues arising from the PRI's Interim Report, *Canada-US Regulatory Cooperation: Charting a Path Forward*.

By the end of the day, the discussions focused on how to move forward on this policy agenda with a clear, practical, and above all, politically achievable strategy. On balance, the discussions set out the following themes:

- There is a need to accelerate Canada-US regulatory cooperation.
- Political commitment and a practical plan are required.
- There is a need to develop a central or unifying theme to engage the Canadian public and US partners.
- Any strategy must be supported by a sound internal organizational framework, and provide a role for Parliament.

A report from the symposium is available on the PRI web site at <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>. For more information on the work of the PRI on Canada-US regulatory cooperation issues, please contact Doug Blair, Project Director, at 613 947.3912 or at [d.blair@prs-srp.gc.ca](mailto:d.blair@prs-srp.gc.ca).

# Using Market-Based Instruments for Water Demand Management

June 14–15, 2004  
Ottawa

**Bernard Cantin**  
Policy Research Initiative<sup>1</sup>

---

Bernard Cantin is a Senior Policy Research Officer with the Policy Research Initiative.

It is often suggested that Canada should make greater use of market-based instruments (MBIs) to support sustainable development. To explore this proposition, the Policy Research Initiative launched its new freshwater project with an experts' symposium on Canadian and international experiences with MBIs for water demand management.<sup>2</sup>

Market-based instruments depend on complex legislative and administrative arrangements, and so are a product of, and are constrained by, specific institutional contexts. For water demand management, the main MBIs reviewed were prices, taxes, or markets, applied with the intention of modifying the incentives to individuals, firms, or institutions regarding their decisions to use water. The symposium examined MBIs in the residential, agricultural, and industrial contexts, as well as experiences with the creation of markets to allocate water.

## Understanding Water Use

Water is a very special resource that can meet very different needs. Water can be used for drinking or for cooling in industrial processes, two uses that do not need the same water quality. As David Brooks (Friends of the Earth) reminded us, the demand is often not for the water itself, but for the variety of services it provides.

We do not have a comprehensive knowledge of present water uses in Canada. The last industrial water use survey was done in 1996. In addition, we have limited knowledge of our groundwater resources and their relation to surface waters.

We do know three important facts.

- Although Canada is relatively well endowed with water, it is not always where we need it.
- There are signs of increasing water scarcity in a number of regions, often compounded by water pollution.
- Municipal water infrastructures are falling into disrepair even as growing urban populations demand increased supplies of treated water and place increased demand on wastewater treatment capacity.

## Finding the Right Price

Using pricing to promote sustainable use of water involves taking into account environmental costs when charging users. In Canada, however, municipal and agricultural water use is generally subsidized, and most utilities do not recover all their treatment and distribution costs. In this context, some argue that the priority should be to make sure consumers receive the right signals on water use and thus make informed choices. Once this is done, one can begin including environmental costs in water prices.

But, finding the right pricing strategy to send the right signal is not a simple task. The cost of metering individual dwellings or farms, a prerequisite to knowing how much water they use and should pay for, is high. Studies also show that while price matters, it may not be very effective in the short run to modify water use patterns. A related problem is that utilities have limited understanding of consumers' concerns and preferences and face the



risk of actually losing revenues if price changes are too large. Diane Dupont (Brock University) thus argues that the regulatory environment faced by utilities should be modified so they have the incentive to better understand their client's view of their services, and meet pre-specified performance standards, which should simplify and legitimize the process of establishing realistic pricing strategies. She reviewed examples from Great Britain, noting that regulatory changes do not have to involve privatization.

Another important issue is to plan adequately for infrastructure needs. Utilities most often plan for peak demand, usually in the summer when people water their gardens and wash their cars. This leads to over-investment in infrastructure, which is only used at full capacity for a few days each year. An option reviewed by Jim Robinson (University of Waterloo) is to introduce peak use rates so consumers better plan their water use, and utilities can benefit from a reduced peak demand. Utilities could experiment with these rates with a sample of consumers to determine the effectiveness of this strategy. Phil Dick (Ontario Ministry of Agriculture and Food) presented another option to control infrastructure needs, with the experience of Leamington, Ontario, a municipality with a large number of heavy water users. Early in the history of the municipality, a large water user – Heinz – got involved in the planning process and helped design a system based on capacity management where large users shift their water consumption to times of non-peak use.

In the industrial sector, 90% of companies withdraw water directly from a lake or river. While they pay for their

own water infrastructure, these companies pay very little for accessing water, and thus for the environmental cost of withdrawing it. One option for governments is to implement a charge (or tax) for using water, which could reflect the actual quantity of water used. Steven Renzetti (Brock University) explained that although companies are sensitive to changes in the price of water, we do not know how

*One option is to introduce peak use rates so consumers better plan their water use, and utilities can benefit from a reduced peak demand.*

sensitive. To establish the right level of tax requires knowledge about the value firms give to water, which varies, and therefore requires extensive analysis and is costly. Furthermore, raising water prices through taxes could negatively affect exporting industries. Stefan Speck (Consultant) noted that European experience does not show a detectable impact of water taxes on industrial competitiveness, but this could be because a number of sectors in Europe have been shielded from these taxes. In fact, Pierre Strosser (Consultant) argued, European water taxes have been used mainly for revenue generation and not for environmental purposes.

Yacov Tsur (The Hebrew University of Jerusalem) showed how to establish efficient pricing of water in the agriculture sector to reconcile supply and demand considerations. Reducing water use is crucial in this sector, which is the largest in terms of water consumption. (Thermoelectric power generation uses more water, but returns most to the river or lake from

which it is taken.) But efficient pricing has to be examined in light of the cost of implementing it, which can be high enough to offset the expected benefits. Two other important lessons are that:

- covering the fixed costs of water supply should be decoupled from farmers' water demand decisions; and
- water prices (without quotas) have limited distributional effects.

Looking at the broad picture when designing pricing schemes is important. In all countries, as Pierre Strosser and David Eaton (University of Texas, Austin) remarked, agricultural water use is subsidized. But price may not be the most important factor in explaining water consumption. Agricultural subsidies that promote particular water-demanding or dry-land crops play a more important role.

### *Prices and Markets*

If it is difficult for utilities or governments to find the right price or tax, why not create water markets, where free exchanges between willing buyers and sellers would take care of the problem? Markets would ensure an efficient allocation of water, in the economic sense, since it would move from lower to higher value uses.

The examples of California and Texas, presented respectively by Richard Howitt (University of California, Davis) and David Eaton (University of

Texas at Austin), show mixed results. A first point to note is, as is the case with the Alberta allocation transfer system presented by Beverly Yee (Alberta Environment), trade accounts only for a fraction of water used, and appears to be mostly an adjustment mechanism to cope with uncertainty and annual changes in water flows. In that sense, then, markets can indeed foster more efficient allocation of water. Regulators of the California market, however, have had to develop other instruments to take into account environmental or third party effects (effects on users external to the trade), apparently with success. In Texas, while the market is functioning well, there are signs that less well-off communities and smaller farmers are disadvantaged. An important concern, at least in Texas, is that the creation of markets has provided more efficient water circulation but it has not led to more efficient water use.

More generally, David Zilberman (University of California at Berkeley) argued, experiences with the implementation of markets show that existing systems of water allocation and rights based on seniority rules, coupled with the relatively low price of water, can limit incentives for trading. In addition, implementing markets can be costly. Government intervention is required to set them up, and to ensure monitoring and enforcement of rules. The existence of transaction costs can also limit the efficiency of markets. These costs can be high, which means water markets may not become more attractive until the resource is really scarce.

According to Mike Young (CSIRO Land and Water, Australia), the Australian experience shows that markets can be

efficient to allocate water and to create new economic opportunities. However, one should look beyond them to find the appropriate tools to deal with social and environmental goals. From a policy standpoint, different goals should be pursued with different policy tools, which leads to the question of finding the appropriate instruments. For Young, the answer lies in history, with the knowledge acquired in applying specific instruments for specific goals, such as licensing to control access to a resource.

### **MBIs, Co-operation, and Sustainable Development**

Preliminary conclusions suggest that MBIs can play a role to foster water demand management, but that role will depend on the location and institutional context in which they are applied. An important hurdle is the need to better understand and account for implementation costs, including transaction and institutional costs. A number of examples reviewed show also that co-operation can lead to a better appreciation for the need to use MBIs, and incidentally lower some of the implementation costs in designing and applying them. Co-operation requirements also apply to relevant federal and provincial agencies that have different, but complementary, responsibilities for water management. Co-operation could, in fact, extend to program evaluation and controlled experiments, as suggested by Theodore Horbulyk (University of Calgary).

Another important conclusion is that MBIs will not promote sustainable development on their own. While they can lead to more efficient water use or help recover costs, meeting

environmental or social objectives requires other, carefully designed, policy instruments. Depending on the type of water use, and the specific location, different approaches might have to be adopted.

Given this, it might be time to follow David Brooks' suggestion and start water soft path planning, that is, carefully analyze the bundle of services required from water resources, project an ideal future social setting, and back-cast from there. In this way, we clarify the contemporary decisions needed to meet a desired future outcome.

In other words, it might be time to determine more precisely where we want to go, before we select the appropriate policy tools to get there.

---

### **Notes**

- 1 A complete synthesis report from this symposium is available on the PRI Web site at <[www.policyresearch.gc.ca](http://www.policyresearch.gc.ca)>.
- 2 The symposium was made possible by way of partnerships with Agriculture and Agri-Food Canada, the Walter and Duncan Gordon Foundation, Environment Canada, and the Canadian Water Network. Over 60 experts, academics, and practitioners from Australia, Israel, the United States, and Europe, as well as policy makers from the Canadian federal, provincial, and municipal governments participated.

# Community Social Data Strategy

## Empowering the Local Level

**John Anderson and  
Nathasha Macdonald**  
Canadian Council on Social  
Development (CCSD)

---

John Anderson  
is Vice-President,  
Strategic Partnerships and Alliances,  
and Nathasha Macdonald  
is a CSDS Research Officer,  
both with the CCSD.

The Community Social Data Strategy (CSDS) is a new initiative from the Canadian Council on Social Development (CCSD), in partnership with Statistics Canada.<sup>1</sup> This participatory project democratizes access to social data at the community level. The result is improved research, policy and advocacy capacities at the local level. The adage that knowledge is power has been extended to community knowledge is community power, and is one of the foundations of this project.

The CSDS involves 13 communities across Canada, with more to join soon.<sup>2</sup> Each community builds a consortium to administer the project. It usually includes the city or municipality and organizations such as the Social Planning Council and the United Way. These consortia then access and share very large amounts of Statistics Canada social data on life in their communities.

These data are highly detailed and comprehensive. They paint a picture down to the neighbourhood level (census tract or dissemination area) and cover work, housing, low-income levels, and much more. The data are primarily from the 2001 Census, but also include all major Statscan products and the small areas administrative data gathered from tax files. A special run of data on low-income called the Urban Poverty Project is also provided to complete data sets at the neighbourhood level. Together, these data sources provide comprehensive information that cross-tabulates low-income neighbourhood status by family, visible minority, and Aboriginal status to name just a few themes.

The CSDS initiative is particularly well suited to examine issues of low income in our cities. The *Poverty by*

*Postal Code* report produced by the CCSD and the United Way of Greater Toronto showed that it is not enough to look at low-income changes or comparisons by city. The real story of deepening and growing concentrations of poverty is in the neighbourhoods. The CSDS is designed so communities can develop a set of indicators for what is happening in their own backyards.

Consortia targeting the issue of poverty have been established either around purchasing the complete package of data or just the urban poverty data. These projects provide a great opportunity to help build and strengthen the research and advocacy capacities of organizations in cities both large and small.

Developing a local consortium maximizes the use of Statscan data. It is also a highly effective tool for sharing administrative data from municipalities, health units, and many other non-profit organizations. In this way, these consortia can become real local hubs of information and empower municipalities, non-profits, and local citizenry.

It costs up to *two-thirds* less than what any city would pay to buy these data on their own. But even more important than the price, the initiative enables communities to share both the costs and the data with any number of non-profit organizations in their region.

### Notes

- 1 For more information on the CCSD, please visit <[www.ccsd.ca/subsites/socialdata/home.html](http://www.ccsd.ca/subsites/socialdata/home.html)>.
- 2 Regions already involved in the CSDS include Calgary, Edmonton, Halton Region, Hamilton, London, Ottawa, Peterborough, Red Deer, Region of Peel, Region of York, Toronto, Waterloo Region, and Simcoe County.