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■ HOUSING: AN
INCOME ISSUE

■ PENSIONS: IMMIGRANTS
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Perspectives on Labour and Income

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.	not available for a specific reference period
...	not applicable
p	preliminary
r	revised
x	confidential
E	use with caution
F	too unreliable to be published

Highlights

In this issue

■ **Housing: An income issue**

- In 2000, the median Canadian household spent 21% of after-tax income on housing. Owners without a mortgage spent 11%, owners with a mortgage spent 25%, and tenants spent 28%. Just over one in five tenants spent 40% or more.
- Two-thirds of households owned the dwellings they lived in—half of them mortgage-free. Income played an important role in determining the level of ownership. Only 40% of households in the lowest income group owned their homes, compared with 85% in the highest.
- While the majority (86%) of families lived in housing that did not need major repairs and had enough bedrooms to meet their needs, one in seven families lived in dwellings that did not meet these condition or size norms. The proportion living in dwellings below the norms was almost three times higher in the lowest income group than in the highest.
- Households that were more likely to live in dwellings below the norms were also more likely to spend a high proportion of their income on housing. Roughly one in four tenants, lone-parent families, and lowest-income households were housed below the norms, yet they spent approximately one-third of their income on housing.

- Compared with other families, low-income families spent proportionately twice as much of their after-tax income on housing.
- Low-income tenants spent almost half their income on housing—those living in non-subsidized housing spent 48%, while those in government-subsidized housing spent significantly less (31%).

■ **Pensions: Immigrants and visible minorities**

- In 1998, 53% of immigrant men aged 25 to 54 had a pension plan in association with their job, compared with 57% of men born in Canada. The comparable percentages for women were 44% and 48% respectively.
- Pension coverage of men who belonged to a visible minority (most of whom are immigrants) was only 46% in 1998, much lower than the rate observed for other male employees (57%). In contrast, pension coverage of visible-minority women was 45%, fairly close to that of other women (48%).
- Visible-minority immigrant men had substantially lower coverage than other immigrant men; the gap in coverage amounted to 15 percentage points. Half of the gap could be explained by differences in time spent in Canada, union status, firm size, and industry of employment.

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Housing: An income issue

Sophie Lefebvre

HOUSING IS IMPORTANT to quality of life—in addition to enough food and clothing, people expect to have a decent dwelling. But some households face affordability problems and may be forced to choose between appropriate housing and other necessities. Living in inappropriate housing can have permanent consequences, especially on children. A study by the Canadian Council on Social Development found that housing that is crowded or in disrepair has negative effects on children's health, behaviour and development (Jackson and Roberts 2001).

The housing market has changed during the last two decades. Some of the transformations affected the supply side of the rental market. Investments in social housing diminished dramatically between 1985 and 1997 (Cooper 2001) and, at the same time, construction of private rental dwellings fell. These factors, among others, led to fewer available rental units. According to the Canada Mortgage and Housing Corporation (CMHC), the average rental vacancy rate in metropolitan centres fell from 4.3% in 1996, to 1.6% in 2000, to 1.1% in 2001.

This article examines how Canadians were housed in 2000. What percentage lived in owner-occupied homes? Were their homes in good condition? Was the size suitable for their needs? And, what proportion of their income was spent on housing? (see *Data source and definitions*).

Ownership is tied to location and income

Homeownership is a long-term investment that can help maintain one's standard of living over the life cycle (see *Life cycle and housing*). Owners of mortgage-free homes can generate additional funds in retirement by

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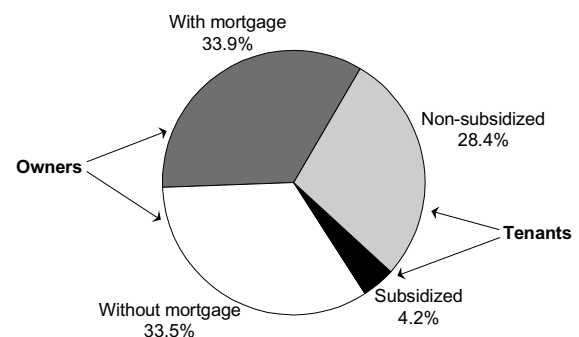
trading down to a less expensive home or negotiating a reverse mortgage, which provides regular annuity payments.¹

In 2000, 67% of Canadian households owned the dwellings they lived in, while the remainder were tenants, with 4% living in government-subsidized housing² (Chart A). Half of owners had a mortgage, while the other half were mortgage-free.

Ownership varied considerably by region and community size. In urban centres, 64% of households owned their dwelling, compared with 86% in rural areas (population under 10,000) (Table 1). Having a mortgage also varied by area—51% of rural owners were without mortgages compared with 30% of urban dwellers. This may be because the lower real estate value in small towns enables households to pay off their mortgage faster, and because farms tend to be passed down from one generation to the next.

The Atlantic and Prairie regions had the highest ownership rates (above 75%). The Atlantic region and Manitoba-Saskatchewan also had the highest level of

Chart A: Two-thirds of households lived in owner-occupied homes.



Source: Survey of Household Spending, 2000

Data source and definitions

This article used the 2000 **Survey of Household Spending (SHS)**—an annual survey on household expenditures, income, dwelling characteristics, and household facilities. Personal interviews were conducted with approximately 15,000 households throughout the 10 provinces. Collection took place between January and March 2001, and income and spending figures were obtained for January 1 to December 31, 2000. The SHS has been conducted since 1997 and replaced both the periodic Family Expenditure Survey and the Household Facilities and Equipment Survey.

This study was limited to households in 2000 consisting of one economic family that rented or owned its dwelling throughout the entire year, reported positive housing costs and income, and had a housing expenditure ratio (see below) not exceeding 100%. These households represented 90% of the total SHS estimate.

A **household** is a person or group of persons occupying one dwelling unit. A full-year household has at least one full-year member.

Household after-tax income is the sum of the after-tax incomes of all members of the household aged 16 and over in 2000. It comprises income from wages and salaries, self-employment, investments, government transfer payments, and pensions. Income information for part-year members was collected for the portion of the year during which they were members of the household.

Adjusted after-tax income is adjusted for household size, composition and part-year members. The goal is to be able to compare all households on a common income basis by allowing for economies of scale. The adjustment is the sum of individual factors:

- One adult is counted as 1, each additional adult as 0.4.
- Each child under age 16 is counted as 0.3—except in a family with only one adult, where the first child is counted as 0.4.

Each individual factor is also adjusted by the portion of the year (2000) this member was part of the household to allow the individual factor to be representative of a one-year period.

Examples:

	Household		
	A	B	C
Size and composition	2 adults, full year	2 adults, one 26 weeks	2 adults, 2 children, full year
After-tax income	\$30,000	\$30,000	\$40,000
Adjustment	1 + 0.4 = 1.4	1 + 0.4(26/52) = 1.2	1 + 0.4 + 2(0.3) = 2
Adjusted income	30,000/1.4 = \$21,429	30,000/1.2 = \$25,000	40,000/2 = \$20,000

Households A and B had the same after-tax income, but since one member of B was present for only 26 weeks, the available income for this household was divided by a smaller adjustment so that household B had a higher income than household A. Household C had the highest after-tax income, but given the size and composition of the household, it had the lowest income available.

Adjusted after-tax income quintiles are obtained by ranking households in ascending order of adjusted household after-tax income, and partitioning them into five equal groups.

Household composition:

- One-person (male or female)
- Couples (with or without children under 18)
- Lone parents (male or female) with children under 18
- Other households

'Other households' consist of relatives living together who do not fall under the definitions above—for example, a brother and sister. Also included in this category are lone parents with all children 18 and over.

Housing expenditures: Yearly spending on principal accommodation. For **owners**, these included regular mortgage payments, property taxes, utilities (water, fuel and electricity), and condominium charges. For **renters**, they included utilities (water, fuel and electricity), if not included in the rent.

Housing expenditure ratio: Housing expenditures divided by household after-tax income.

In need of major repairs: Households were asked to assess the condition of their dwelling by responding to a question on need for repairs. To guide the respondent, the question included detailed examples of regular maintenance, and minor and major repairs. The requirement was that a dwelling should need only maintenance, or at most minor repairs to be in good condition. This norm is similar to the adequacy norm defined by Canada Mortgage and Housing (CMHC 1991).

Unsuitable in size: Housing that does not meet the suitability norm defined in CMHC 1991:

- There can be no more than two persons per bedroom.
- Parents have a bedroom separate from their children.
- Household members aged 18 or over have separate bedrooms unless married or cohabiting as spouses.
- Dependants of the opposite sex aged 5 or more do not share a bedroom.

A **low-income household** in this analysis has an adjusted after-tax income less than 50% of the median adjusted after-tax income in its area. Twenty different areas were defined. Each of the 10 provinces was divided into urban and rural to allow for the difference between urban and rural housing markets. *Note: This is not an official methodology used by Statistics Canada to define low-income households.*

Table 1: Characteristics of households by ownership status

	Total households '000	Owners			Tenants
		Total	With mortgage	Without mortgage	
			%		
Total	10,501	67.4	33.9	33.5	32.6
Community*					
Urban	8,733	63.5	33.7	29.9	36.5
Rural	1,768	86.4	35.0	51.5	13.6
Region					
Atlantic	814	75.4	32.8	42.6	24.6
Quebec	2,761	57.8	29.8	28.0	42.2
Ontario	3,879	68.4	35.3	33.1	31.6
Manitoba-Saskatchewan	728	75.3	32.8	42.5	24.7
Alberta	950	75.8	41.7	34.2	24.2
British Columbia	1,370	69.1	33.9	35.2	30.9
Household composition					
One-person	2,635	42.5	13.2	29.3	57.5
Couples	6,039	80.4	43.0	37.4	19.6
Lone parents	561	36.0	26.4	9.6	64.0
Other households	1,265	71.2	36.7	34.6	28.8
Adjusted after-tax income quintiles					
Lowest	2,101	39.7	9.2	30.5	60.3
Second	2,102	60.8	23.7	37.1	39.2
Middle	2,099	72.9	40.4	32.5	27.1
Fourth	2,099	78.3	46.5	31.8	21.7
Highest	2,100	85.4	49.7	35.7	14.7

Source: Survey of Household Spending, 2000

* Urban areas include agglomerations of 10,000 and more; rural areas are under 10,000.

At every income level, single-adult households (lone-parent and one-person) had a significantly lower rate of ownership than ones with more than one adult (couples and other households). For example, the ownership rate of single-adult households was 28% in the lowest income quintile compared with 55% for couples and other households, and 66% compared with 90% in the highest quintile (data not shown).

One in seven homes needed major repairs or was unsuitable in size

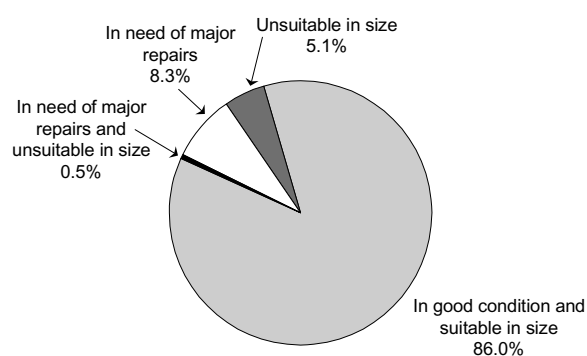
In 2000, the vast majority (86%) of households lived in housing that did not need major repairs (in good condition) and had enough bedrooms to meet their needs (suitable in size) (Chart B). The remaining 14% lived below the condition or size norms—8.3% in dwellings needing major repairs, 5.1% in dwellings unsuitable in size, and 0.5% in dwellings that both needed major repairs and were unsuitable in size.

mortgage-free owners (43%). By contrast, at 58%, Quebec had the lowest rate of homeownership in the country.

Ownership was related to after-tax household income. Even when adjusted for household size,³ income played an important role in determining the level of ownership. For example, only 40% of households in the lowest income quintile owned their homes, compared with 85% in the highest.

Household composition—more precisely, the presence of a second adult in the household—was also tied to ownership. Ownership rates for one-person households and lone parents (43% and 36% respectively) were significantly lower than rates for couples and other households (80% and 71% respectively).

Chart B: Most households lived in housing that was in good condition and suitable in size.



Source: Survey of Household Spending, 2000

Renters were more likely than owners to live in dwellings that did not meet the norms, especially in terms of size—11% of renters compared with 3% of owners (Table 2). Some 8% of owners with a mortgage lived in housing that needed major repairs.

Female lone parents and ‘other households’ had the highest rates of living in dwellings that did not meet the condition norm (10%), as well as the highest proportions living in dwellings unsuitable in size (15% and 14% respectively).

The proportion of couples without children living below the condition or size norms (10%) was only two-thirds that of couples with children (15%). In both groups, the majority of the dwellings were in need of major repairs. But couples with children were four times more likely than couples without children to live in housing unsuitable in size. One in eight (13%) rural households lived in dwellings that needed major repairs, compared with 8% of urban households.

The proportion of households living in dwellings below the condition or size norms was almost three times higher in the lowest income group (21%) than in the highest (8%). (These data cannot separate the households that have the choice or ability to modify their housing conditions from those that do not.)

Condition and size problems often tied to affordability

Overall, households spent roughly one-fifth (21%) of their after-tax income on housing (Table 2). Those living below the housing condition or size norms also tended to have a higher median

Table 2: Households below adequacy or suitability norms, and spending on housing.

	Total number of households	In housing that was			Median housing expenditure ratio*
		In need of major repairs	Unsuitable in size	In need of repairs or unsuitable in size	
	'000	%			
Total	10,501	8.9	5.6	14.0	21
Ownership					
Owners	7,077	9.1	2.9	11.7	18
With mortgage	3,557	8.4	3.4	11.5	25
Without mortgage	3,520	9.8	2.3	11.9	11
Tenants	3,424	8.4	11.3	18.7	28
Household composition					
One-person households	2,635	7.9	4.4	12.0	28
Male	1,243	8.5	6.5	14.2	27
Female	1,392	7.4	2.6	10.0	29
Couples	6,039	8.9	3.6	12.1	18
With children under 18	2,587	9.7	6.4	15.3	21
Without children	3,453	8.3	1.5	9.8	16
Lone parents with children under 18	561	9.3	14.5	22.4	29
Male	92	F	F	F	22
Female	469	10.0	14.9	23.2	31
Other households	1,265	10.4	14.1	23.4	20
Community					
Urban	8,733	8.1	6.3	13.9	22
Rural	1,768	12.5	2.3	14.3	17
Adjusted after-tax income quintile					
Lowest	2,101	11.9	10.7	21.3	33
Second	2,102	9.3	6.1	14.9	24
Middle	2,099	9.6	4.7	13.7	21
Fourth	2,099	7.8	4.8	12.4	19
Highest	2,100	5.8	F	7.6	15

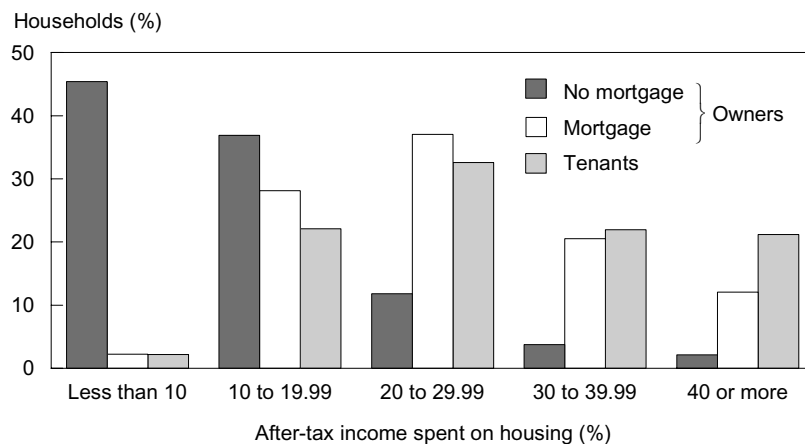
Source: Survey of Household Spending, 2000

* Housing expenditures to after-tax income ratio. See Data source and definitions.

housing expenditure ratio. For example, renters spent 28% of their income on housing, and yet 19% of them lived in housing in need of major repairs or unsuitable in size. Similar results were found for female lone-parent families and households in the lowest income quintile. For these groups, roughly one in four households lived in below-standard housing, yet they spent approximately one-third of

their income on housing⁴—suggesting that they were not in a financial position to improve their situation. However, not all households with high housing cost ratios lived in housing below norms. For example, women living alone spent 29% of their after-tax income on housing, but only 10% of them lived in dwellings in need of major repairs or unsuitable in size.

Chart C: Over one in five tenants spent 40% or more of their income on housing.



Source: Survey of Household Spending, 2000

The median ratio hides a wide distribution

The distribution of households by their housing expenditure ratio differed greatly by ownership status. A full 82% of mortgage-free owners were in the lower ranges, spending less than 20% of after-tax income on housing (Chart C). For both tenants and owners with mortgages, the distribution of households peaked in the 20.0 to 29.9% range. However, the distribution of tenants was flatter than the distribution of owners with a mortgage. Indeed, just over one in five renters, compared with only one in eight owners with a mortgage, spent 40% or more of after-tax income on housing.

Housing costs significant for lower-income households

Tenants spent a greater proportion of their income on housing costs because the majority of them were in the two lowest income groups. Among tenants and owners with a mortgage in the same income group, owners spent a slightly higher proportion of their income on shelter.⁵ In the lowest income quintile, tenants and owners with a mortgage spent almost 40% of their income on housing (Table 3). By contrast, owners without a mortgage spent 21%. The proportion of owners without a mortgage was almost constant

across income quintiles—approximately one third of each group (30% to 37%). On the other hand, the proportion of owners with a mortgage increased with income. Only 9% of households in the lowest income quintile were owners with a mortgage compared with 50% of households in the highest quintile.

The housing cost burden of households in the lowest income group was considerably reduced if the dwelling was mortgage-free. Housing costs do not seem manageable for households in the lowest income group unless they own their dwelling outright—but less than one-third did.

Table 3: Median housing costs ratio and households by ownership status

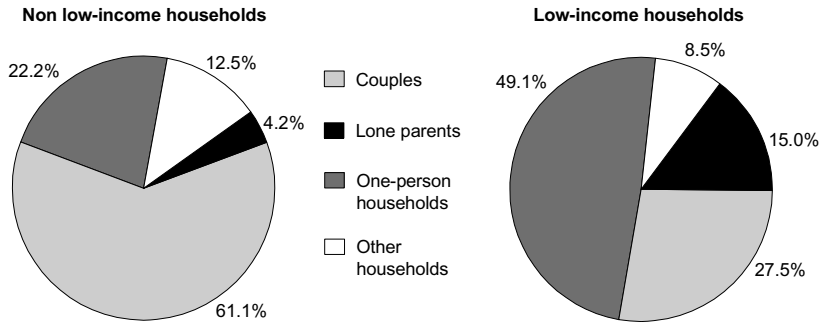
Adjusted income quintile	Owners			Tenants
	Total	With mortgage	Without mortgage	
%				
Median housing expenditure ratio				
Lowest	24	39	21	38
Second	20	30	14	29
Middle	19	28	11	23
Fourth	18	24	8	20
Highest	14	19	6	16
Ownership status				
Lowest	39.7	9.2	30.5	60.3
Second	60.8	23.7	37.1	39.3
Middle	72.9	40.4	32.5	27.1
Fourth	78.3	46.5	31.8	21.7
Highest	85.4	49.7	35.7	14.7

Source: Survey of Household Spending, 2000

Factoring in choice

Some households spend a high proportion of their income on housing because they prefer a larger house or are trying to pay off their mortgage as quickly as possible. On the

Chart D: One-person households and lone parents were overrepresented in the low-income group.



Source: Survey of Household Spending, 2000

other hand, some households simply may not have the capacity to reduce their housing expenditures. Their choices are limited by the availability of affordable housing suited to their needs. To better understand households deemed to have fewer housing choices, the final section of this article focuses on low-income households.

In 2000, 11% of households were in a low-income situation (see *Data source and definitions*). One-person households represented 49% of low-income households but only 22% of non low-income households (Chart D). The other overrepresented group was lone parents (15%). More precisely, lone mothers represented 14% of low-income households and only 3% of non low-income households. In fact, more than one-third of lone mothers were in the low-income group. Also, tenants made up almost three-quarters of low-income households, compared with just over one-quarter of non low-income households.

Low-income households more likely to experience below-standard housing

Assuming that low-income households have fewer housing choices, one might expect to find this group more vulnerable to problems such as condition and size. Indeed, one in four low-income households lived in a dwelling needing major repairs or unsuitable in size, compared with approximately one in eight non-low income households (Chart E). Low-income households were three times more likely than non low-income families to live in housing with an insufficient number of bedrooms. They were also one-and-a-half times more likely to live in a dwelling in need of major repairs.

Low-income renters spent almost half their income on housing

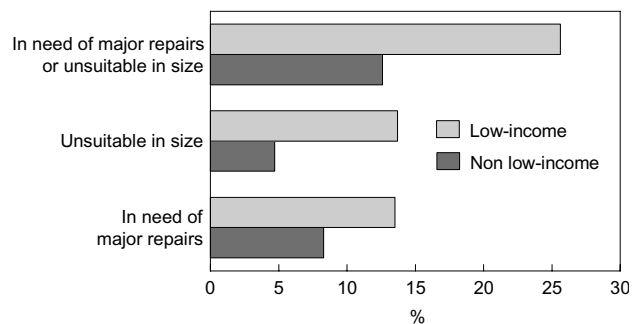
Furthermore, the median housing expenditure ratio of low-income households (39%) was twice as high as that of non low-income households (20%) (Table 4). Low-income tenants, who represented 70% of all low-income households, spent an even larger proportion of income on their dwelling (42%). Tenants living in non-subsidized housing spent 48% of their income on housing; those in government-subsidized housing spent significantly less (31%).

Mortgage-free owners represented 24% of low-income households and spent 28% of their after-tax income on housing, while owners with mortgages represented only 6% of low-income households and spent 44%.

Summary

The majority of households (67%) owned the dwelling they lived in, but ownership rates varied by several household characteristics,

Chart E: Low-income households were twice as likely to live in housing that needed repairs or was unsuitable in size.



Source: Survey of Household Spending, 2000

Table 4: Median housing expenditure ratio

	All households		Non low-income		Low-income	
	Total	Ratio*	Total	Ratio*	Total	Ratio*
	'000	%	'000	%	'000	%
Total	10,501	21	9,369	20	1,131	39
Owners	7,077	18	6,735	17	341	30
With mortgage	3,557	25	3,492	25	65	44
Without mortgage	3,520	11	3,243	10	276	28
Tenants	3,424	28	2,634	25	790	42
Non-subsidized housing	2,984	27	2,427	24	557	48
Subsidized housing**	440	29	207	27	233	31

Source: Survey of Household Spending, 2000

* Housing expenditure ratio (see Data source and definitions).

** See note 2.

primarily income. Only 40% of households in the lowest income group were owners, compared with 85% in the highest.

Most households (86%) lived in housing that was in good condition and suitable in size, and spent roughly one-fifth of their after-tax income on shelter costs. The remaining 14% of dwellings had some condition or size problem, which was often tied to inadequate household income. Low-income households spent an average 39% of their income on housing, and yet one in four lived in a dwelling that needed major repairs or was unsuitable in size.

Life cycle and housing

Assuming age to be a good indicator of life cycle, the following analysis of ownership, cost ratio, and age group of the household's major income recipient shows changes in housing through the different stages of life.

For households in which the major income recipient was aged 34 less, the majority (56%) rented, and the housing expenditure ratio for both renters and owners was approximately 25%.

Between 35 to 44 years of age, households had the same housing expenditure ratio (25 to 27%), but 65% were owners and most had a mortgage.

Three-quarters of households with a major income recipient between 45 and 54 were owners, and the majority had a mortgage. At this stage, renters spent a higher proportion of their net income on housing than did owners with a mortgage. This difference may be partly because at this stage most households that could afford housing had already become homeowners, and a proportion of renters were lower income recipients. In fact, the median adjusted income of renters at this stage was \$20,000 compared with \$32,700 for owners.

Between 55 and 64, half of households (52%) were mortgage-free owners, thereby influencing the housing expenditure ratio of owners—only 14% versus 27% for renters.

For the 65 and over group, a smaller proportion of households were owners (70%) compared with the previous stage (80%), but 64% were mortgage-free. Older mortgage-free homeowners spent 15% of their net income on housing expenditures, compared with 34% for older renters.

In summary, ownership rates increased consistently with age until 65 when they fell off slightly. The proportion of mortgage-free owners also increased with age, and for those 55 and over, it represented the housing ownership of the majority of households. Despite ownership, the youngest group had the highest housing expenditure ratio (25%). Retired households (65 and over) living in mortgage-free, owner-occupied dwellings carried a considerably lower housing cost burden than tenants.

Age of major income recipient	All households	Owners			Tenants
		Total	With mortgage	Without mortgage	
		%			
		Median housing expenditure ratio			
Under 35	25	24	26	9	25
35 to 44	24	22	25	8	27
45 to 54	19	16	23	7	25
55 to 64	16	14	26	10	27
65 and over	20	15	35	15	34
		Ownership status			
Under 35	100	44.4	39.7	4.8	55.6
35 to 44	100	64.7	50.0	14.7	35.3
45 to 54	100	75.3	42.7	32.6	24.8
55 to 64	100	79.9	27.8	52.1	20.1
65 and over	100	70.4	6.0	64.4	29.6

Source: Survey of Household Spending, 2000

Almost three out of four low-income households were tenants, and those with government subsidies had a significantly smaller housing cost burden. Owning a mortgage-free house had a positive effect on the housing cost ratio of low-income households and older households.

Generally, one-person households and lone-parent families were more likely to experience high housing cost ratios. Lone-parent families and 'other households' were more likely to experience housing condition or size problems stemming from their high proportion in the lowest income group.

Finally, over one in five renters spend 40% or more of after-tax income for housing expenditures—a significant figure since 70% of low-income households were renters.

Perspectives

■ Notes

1 A reverse mortgage, through the Canadian Home Income Plan, allows Canadian homeowners 62 and over to convert a portion of the equity of their home into an income stream while living in and owning their home. The amount that can be obtained is between 10% and 40% based on the assessed value of the home and the age of the owners. The older the owners, the larger the percentage that can be converted (see www.chip.ca).

2 Households reported themselves if they paid reduced rent that year because of government-subsidized housing from federal, provincial or municipal programs. The

estimated 440,000 households (4%) receiving housing assistance under any level of government probably significantly underestimates the real number of households that benefited from reduced rent in 2000. As reported in CMHC's *Canadian Housing Statistics* (2000), some 639,000 households received housing assistance under existing federal agreements.

3 Household income was adjusted by an adjustment factor accounting for household size, composition, and part-year members (see *Data source and definitions*).

4 In fact, female lone parents living in dwellings below the condition or size norm had a higher median housing expenditure ratio (36%) than those living in dwellings in good condition and suitable in size (31%).

5 But even within the same income quintile, owners with a mortgage had slightly higher median adjusted after-tax income than tenants, except for the highest quintile (data not shown).

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Pensions: Immigrants and visible minorities

René Morissette

SEVERAL CANADIAN STUDIES have examined differences in earnings between immigrants and Canadian-born individuals (Grant 1999; Baker and Benjamin 1997; Bloom et al. 1995), as well as between members of visible minorities and other individuals (Hum and Simpson 1998). However, an examination of differences in pension coverage, an important component of employee compensation, has not been undertaken before.

Using the Labour Market Activity Survey (LMAS) and the Survey of Labour and Income Dynamics (SLID), this article examines the extent to which registered pension plan (RPP) coverage of immigrants and members of visible minorities differed from that of other Canadians between 1988 and 1998 (see *Data sources*). The focus is on employees aged 25 to 54.¹

RPP coverage of immigrants

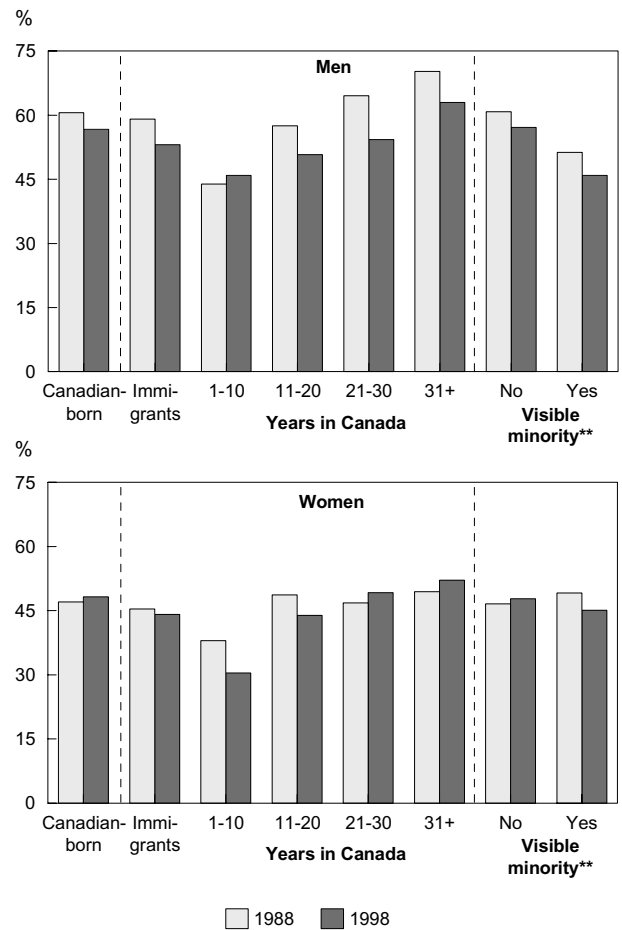
In 1998, RPP coverage of immigrants was slightly lower than that of Canadian-born individuals. Of immigrant men, 53% had a pension plan in association with their job, compared with 57% of men born in Canada. The comparable percentages for women were 44% and 48% respectively.

Between 1988 and 1998, pension coverage among immigrant men fell from 59% to 53% (Chart A). Coverage also fell among men born in Canada. Most of the decrease was associated with the decline in unionization and employment shifts towards low-coverage industries (Morissette and Drolet 2001). In contrast, pension coverage changed very little among women, whether born in Canada or not.

The small changes in pension coverage among immigrant women mask offsetting trends between specific groups. Coverage fell substantially for recent immigrant women (those who arrived 1 to 10 years before

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Chart A: The decline in men's pension coverage* was associated with declines in unionization and shifts to low-coverage industries.



Sources: Labour Market Activity Survey; Survey of Labour and Income Dynamics

* Main job in December.

** The 1988 and 1998 numbers are not strictly comparable, because of differences in the way visible-minority status was established.

Data sources

The **Labour Market Activity Survey (LMAS)**, an annual survey from 1986 to 1990, collected information on labour market participation patterns and the characteristics of jobs held during the year. The survey identified up to five jobs held by each respondent and provided data on a variety of attributes for each job, including pension plan coverage. For this study, pension plan participation means having at least one job that provided pension plan coverage during the calendar year.

The **Survey of Labour and Income Dynamics (SLID)**, a longitudinal household survey, began in January 1993. Every three years, approximately 15,000 households enter the survey. Over a six-year period, each household completes two detailed questionnaires annually, one on labour market activity and another on income.

the survey), dropping from 38% to 30%. However, it rose slightly among women who immigrated more than 20 years ago. Among men, coverage did not fall for recent immigrants but fell substantially for those who had been in Canada more than 10 years.

Does pension coverage increase with the number of years since migration?

Many of the studies mentioned previously have shown that earnings of immigrants increase with time spent in Canada. This could be the result of many factors, including their improved language skills and increased likelihood of developing networks to learn about labour market opportunities. Since well-paid jobs generally offer better pension coverage (Frenken and Maser 1992), one would expect a rise in the earnings of immigrants to be accompanied by an increase in pension coverage.

At first, the cross-sectional data appear to support this contention. For both men and women, pension coverage rises substantially with the number of years in Canada. In 1998, only 30% of women who had arrived in Canada during the previous 10 years had a pension plan, compared with 52% of those who had been in Canada for more than 30 years. Among men, the comparable percentages were 46% and 63%.

However, this positive association between pension coverage and years since migration in a single cross-section does not necessarily imply that RPP coverage of a given cohort of immigrants increases with the number of years spent in Canada. Instead, it could be

that cohorts of immigrants who arrived in Canada more than 30 years ago simply have better pension coverage than cohorts who arrived more recently. It could also be that as workers get older, they are employed in jobs with better coverage.² To assess whether pension coverage of a given cohort increases with the number of years since migration, it is necessary to control for age and examine the cohort's pension coverage over time.

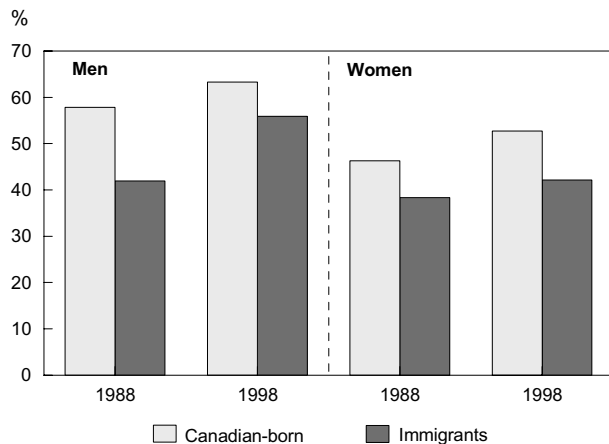
A simple way to do this is to compare RPP coverage of immigrants aged 25 to 54 in 1988 who arrived in Canada between 1979 and 1988 (1 to 10 years previously) with that of immigrants aged 25 to 54 in 1998 who arrived during the same time period (11 to 20 years previously). The results show that pension coverage of immigrant men in the 1979-1988 cohort rose from 44% in 1988 to 51% in 1998. This trend is particularly interesting since it occurred in a period when RPP coverage among Canadian-born men was falling. *A priori*, this suggests that coverage increased with the number of years since migration. A similar pattern was observed for immigrant women. Their RPP coverage rose from 38% to 44% between 1988 and 1998, even though coverage changed very little among Canadian-born women during this period.

However, a different pattern was observed for those who immigrated between 1969 and 1978. In this cohort, the pension coverage of men dropped from 58% in 1988 to 54% in 1998, while women's coverage remained unchanged at 49%.

How can the diverging patterns of the two cohorts be explained? One interpretation is that RPP coverage may increase after migration only to a certain level. The advantages associated with more time spent in Canada (developing networks to obtain better information about labour market opportunities, and so forth) could occur in the early years after arrival and then disappear.

Another possibility arises because the numbers presented for the two cohorts are based on fairly broad controls for age. Part of the increase in coverage for the 1979-1988 cohort could be because, on average, those in the 25 to 54 age group in 1998 were older than their counterparts in 1988.³ Ideally, to control for this possibility, one would estimate for each cohort a logistic regression where the probability of being covered by an RPP would depend on age, and then calculate the resulting probability for a person with a given age. However, small sample sizes make the results of

Chart B: Pension coverage* of immigrant men tended to converge with that of the Canadian-born.



Sources: Labour Market Activity Survey; Survey of Labour and Income Dynamics
 * Main job in December.

such an exercise unreliable. Therefore, using LMAS and SLID, it is unclear after controlling for age if pension coverage does in fact rise with the number of years since migration.⁴

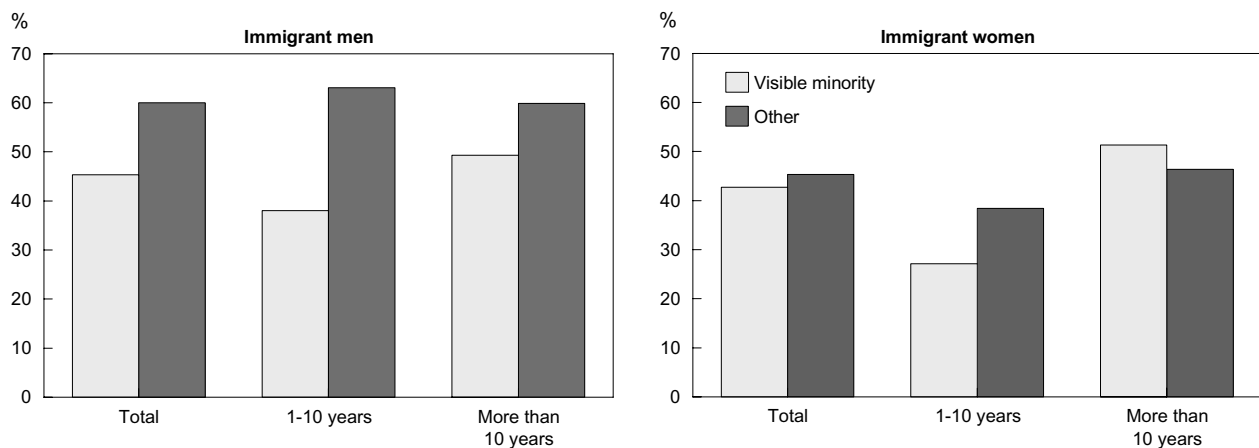
Is there convergence in coverage?

Did RPP coverage rates of immigrants and Canadian-born workers tend to converge in the recent past? The answer is ambiguous. Among men, the evidence suggests a partial convergence, while among women, no evidence of convergence is apparent.

This can be seen by comparing men aged 25 to 44 in 1988 who immigrated between 1979 and 1988 with their Canadian-born counterparts (Chart B). The immigrant men saw their RPP coverage rise from 42% in 1988 to 56% in 1998 (when they were aged 35 to 54). In contrast, Canadian-born men experienced a more moderate increase, from 58% to 63%. As a result, the difference in coverage between the two groups decreased from 16 percentage points in 1988 to 7 percentage points in 1998, indicating some convergence.⁵

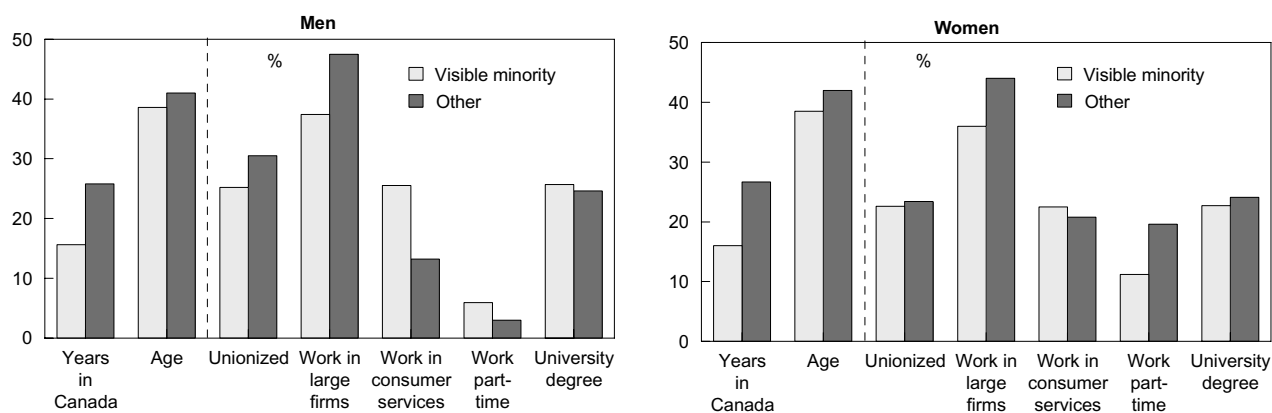
A different story emerges for women. Pension coverage of women aged 25 to 44 in 1988 who immigrated between 1979 and 1988 rose by only 4 percentage points between 1988 and 1998. However, the difference in coverage between these women and their Canadian-born counterparts did not decrease at all; instead, it rose from 8 percentage points in 1988 to 11 points in 1998.

Chart C: Pension coverage* of visible-minority immigrant men tended to be lower.



Source: Survey of Labour and Income Dynamics, 1998
 * Main job in December.

Chart D: The characteristics* of visible-minority immigrants aged 25 to 54 differed from those of other immigrants.



Source: Survey of Labour and Income Dynamics, 1998
* Main job in December.

Visible minority status

While pension coverage of immigrant men was slightly lower than that of Canadian-born men, pension coverage of men who belonged to a visible minority (most of whom are immigrants) was only 46% in 1998, much lower than the rate observed for other male employees (57%).⁶ In contrast, pension coverage of visible-minority women was 45%, fairly close to that of other women (48%).

Among immigrants, the degree of coverage varied substantially by visible-minority status. In 1998, visible-minority immigrant men had substantially lower coverage than other immigrant men—45% versus 60% (Chart C).⁷ This is observed not only among recent immigrants but also among those who arrived earlier,⁸ and suggests that the gap does not result simply because visible-minority immigrant men generally have lived in Canada for less time than other immigrant men.

The difference in coverage is much less pronounced among immigrant women.⁹ Among recent immigrants, visible-minority women appear to have lower coverage than other women. However, the difference is not statistically significant at conventional levels. Further-

more, among immigrant women who arrived in Canada more than 10 years ago, coverage appears if anything to be higher for visible-minority women.

Why is RPP coverage so much lower among visible-minority immigrant men than among other immigrant men? There could be at least four explanations. First, compared with other immigrant men, visible-minority men have lived in Canada for a much shorter period of time: 15.6 years compared with 25.8 years (Chart D). Second, visible-minority immigrant men are found less often in unionized jobs, which offer better pension coverage than non-unionized jobs. Third, they are less likely to be employed in large firms, which provide better coverage than small firms (Morissette 1991). Fourth, they are much more often employed in low-coverage industries such as consumer services. When these four factors are controlled for in a multivariate analysis, the gap in coverage drops from 15 to 8 percentage points.¹⁰ This result suggests that these four factors account for roughly half of the difference in pension coverage between visible-minority immigrant men and other immigrant men.

What accounts for the remaining difference? Differences in level of education are unlikely to be a factor since visible-minority immigrant men have, on

average, the same education level as other immigrant men.¹¹ Differences in employment by broad occupational groups do not appear to offer a plausible explanation either, since visible-minority immigrant men are found slightly less often in well-covered occupations such as professionals and managers.¹² Differences in field of study, language skills, or recognition of education credentials could play a role by influencing one's access to jobs with good fringe benefits. However, this cannot be examined, either because of sample size restrictions or because the information is not available in SLID.

Summary

In 1998, pension coverage of immigrant employees was slightly lower than that of their Canadian-born counterparts. And recent immigrants had lower coverage than those who came to Canada earlier. Immigrant men belonging to a visible minority had much lower coverage than other immigrant men. However, a similar pattern was not observed among immigrant women. While pension coverage does seem to increase with time spent in Canada—presumably as a result of improved language skills and a better knowledge of labour market opportunities—a thorough investigation of this question requires large data sets that would allow analysts to control for factors such as country of origin, ethnicity, and class of immigrant.

Perspectives

Notes

1 Workers under 25 were excluded, since potential changes in their coverage would probably have little effect on their retirement income, given the high probability of future job changes. Likewise, those over 54 were omitted because many may have taken early retirement and those still working may not be representative of the whole group. Statistical tests performed for this article take account of the complex design of the surveys.

2 The overrepresentation of older workers in large firms is consistent with this notion.

3 For immigrant men aged 25 to 54 in 1998, the average age was 38.9 years, compared with 34.0 years for their counterparts in 1988. Corresponding numbers for women were 38.4 and 33.6 respectively.

4 A more promising avenue would be to take advantage of the Longitudinal Immigration Database (IMDB) and use matching methods. This would mean comparing the pen-

sion coverage of two immigrants of *different* ages from the same country, with the same level of education and intended occupation upon arrival, belonging to the same class of immigrants, and arriving in Canada during the same year. For instance, pension coverage would be compared for two men who immigrated to Canada in 1988, one aged 35 in 1988 and the other aged 35 in 1998 (25 in 1988). Since pension coverage of Canadian-born men did not rise between 1988 and 1998, the possibility could be rejected that an increase in pension coverage observed between these two immigrants during the 1988-1998 period was due simply to a general increase in pension coverage among Canadian men. Since the IMDB database contains no data on the current education level of an immigrant, an assumption would have to be made that the education level of the second immigrant had not increased between 1988 and 1998 in order to conclude that an observed increase in pension coverage had been caused by a greater number of years since migration.

5 Using a one-tailed test, the hypothesis that the difference in coverage did not change between 1988 and 1998 can be rejected at the 10% level in favour of the hypothesis that it fell during the period.

6 The difference is statistically significant at the 1% level (two-tailed test).

7 The gap in coverage is statistically significant at the 1% level (two-tailed test).

8 For both recent immigrants and those who arrived earlier, the difference in coverage is statistically significant at the 5% level (two-tailed test).

9 It is not statistically significant at the 5% level.

10 A linear probability model was used in which workers' pension coverage was regressed simply on union status, industry (8 major groups), firm size (4 categories), and years since migration (1 to 10 years, 11 to 20 years, more than 20 years). The sample included 1,041 immigrant men, 402 of whom belonged to a visible minority.

11 Among visible-minority immigrant men, 13% did not graduate from high school, 14% had a high school diploma, 47% had some postsecondary education, and 26% had a university degree. The corresponding numbers for other immigrant men were 14%, 13%, 48%, and 25% respectively.

12 Among visible-minority immigrant men, 32% were professionals and managers, 26% white-collar workers, and 42% blue-collar workers. The corresponding percentages for other immigrant men were 36%, 23%, and 41% respectively.

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