



CROSSING THE LOW-INCOME
LINE

On July 7, Statistics Canada released the second wave of data from SLID, which sheds new light on low income experienced by Canadians over a two-year period, 1993 and 1994. It is a first look at the shifts into and out of low income that occurred during these two years, along with some of the important events in family life or work life that affected the stability of family income.

Some turnover of individuals in low-income population

According to the SLID data, it is not always the same individuals who find themselves in a state of low income year after year. In 1994, an estimated 1.2 million Canadians fell below Statistics Canada's low-income cutoff, although they had been above it in 1993. Meanwhile, about 846,000 were able to climb above the cutoff level in the same year. In addition, another 2.3 million individuals had incomes below the cutoff line in both 1993 and 1994. In total, therefore, more than 4.4 million individuals, or about 16% of the Canadian population, lived below the low-income cutoff in at least one of those two years.

Editor's Note

With this issue of Dynamics, the SLID team is pleased to announce the release of its wave 2 data, corresponding to reference year 1994. While some longitudinal data were included in the first release, complete longitudinal data are now available from SLID. To mark the availability of data, an analytical study has been prepared which looks at movements into and out of low income from one year to the next. The analytical text which was included in Statistics Canada's The Daily on

July 7 is reprinted here. The complete study is available as Working Paper 97-11. Contact information for obtaining this document is included at the end of the article. The final part of the wave 2 release is the public-use microdata file on CD-ROM. We hope to have it some time in August. However, you may order it now and receive it as soon as it is available.

Nathalie Noreau

Table 1
Persons shifting into and out of low income between 1993 and 1994*

1993	1994			
	Below LICO		Above LICO	
	'000	%	'000	%
Below LICO	2,286	8.5	846	3.2
Above LICO	1,238	4.6	22,492	83.7

* Estimates refer to persons of all ages, including unattached individuals and those in families. A person is classified as above or below the LICO based on his or her family's income, after tax.

Low-income cutoffs (LICOs) are established using data from Statistics Canada's Family Expenditure Survey. They are intended to convey the income level at which a family may be in straitened circumstances because it has to spend a greater proportion of its income on the basics (food, shelter and clothing) than the average family of similar size. The LICO varies by family size and by size of community.

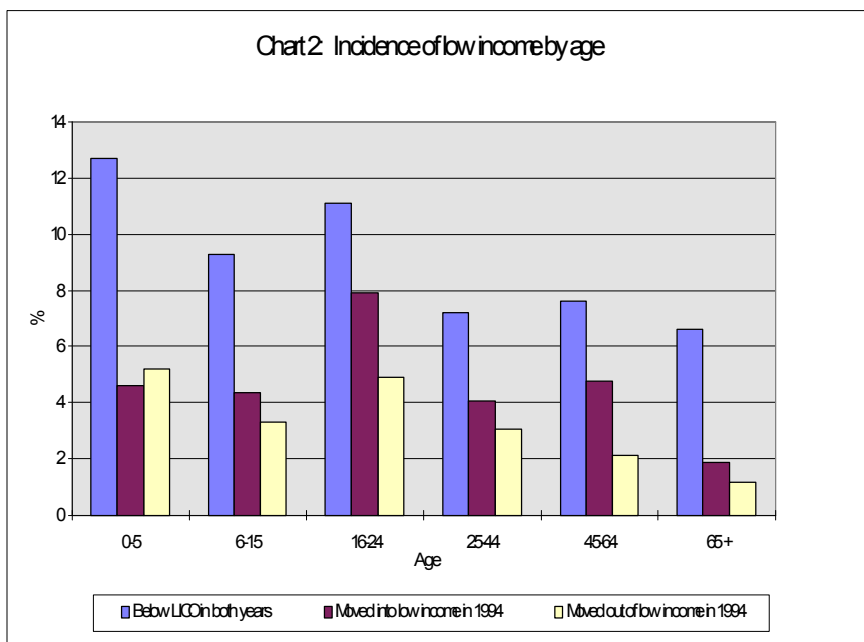
Although LICOs are often referred to as poverty lines, they have no official status as such, and Statistics Canada does not recommend their use for this purpose.

Flows into and out of low income were generally the result of substantial changes in family income, rather than small fluctuation around the low income cutoffs. For people who moved into low income between 1993 and 1994, the median decline in family income was \$8,200, adjusted for family size. Those who rose above the low-income cutoff had a median increase of \$6,200. These are substantial amounts, suggesting that major events had triggered their change in status.

Women, children affected most by low incomes

Women, children and youth aged 16 to 25 were most affected by inadequate income. A substantial proportion of children under the age of six were in low-income families, and they tended to stay below the low-income cutoff.

According to the data, 22% of all children under the age of six were part of a low-income family in either 1993 or 1994. About 13% were below the cutoff in both years, well above the average of 9% recorded for individuals of all ages.



The age group 16 to 24 also stands out. About 24% of these young adults were below the low-income cutoff in at least one of the two years. Roughly 8% of this age group shifted into low income in 1994, while 5% climbed out. Together these two groups in transition outnumbered those who stayed in low income for both 1993 and 1994.

More females than males experienced low income for both 1993 and 1994. Among those 65 and over, 10% of females were in low income both years compared with 2% of men. Not surprisingly for

this group, the proportion moving into and out of low income was relatively low compared to other demographic groups.

Labour market not the whole story

The labour market drove a substantial proportion of the flows into and out of low income. Among people who rose above the low income cutoff in 1994, one person in three had at least one additional breadwinner in the family than in 1993.

Regardless of the number of breadwinners, just under half the persons who rose above the low-income line were in families where the total number of hours worked by all family members rose by at least 500 -- roughly the equivalent of four months of full-time work.

However, the labour market was not the only factor. In fact, if a change in the makeup of a family occurred, the chances of shifting into or out of low income were high.


From 1993 to 1994, about one in six Canadians experienced some change in the make-up of his/her family. Among those whose family composition changed, 17% also moved into or out of low income, well above the 9% recorded for the population at large.

Put another way, 41% of all individuals who dropped below the cutoff in 1994 underwent a change in family composition, as did 28% of those who managed to move out of low income.

New partner or separation likely to trigger change in low income status

For more than half the people with a change in family make-up, the family event was a major one, that is, a separation, a marriage, a birth or a death.

Marriage (or a common-law relationship) can result in an improvement or in a decline in one's financial situation, but the effect is far more often positive. Of those in low income with a marriage in the family, two-thirds rose above the low-income cutoff



in 1994. By contrast, SLID data confirm other studies showing that separation often entails a drop into low income.

Of all people who had a separation (or dissolution of a common-law relationship) in their family, one in four persons who started out above the low income cutoff dropped below it. Very few separated and moved out of low income. It will be important to examine data for subsequent years to determine if this effect was generally transitory or longer term.

Moving and low income went hand-in-hand

Since important family events generally involve changing dwellings for at least one person, it could be assumed that changing dwelling and crossing the low-income line tend to go hand-in-hand. The SLID data bear this out.

About 10% of all individuals who were above the low-income line in both 1993 and 1994 moved at some time in 1994. While this is substantial (and represents 2.2 million individuals who moved), it is well below the mobility rate of those who experienced low income in at least one of the two years.

The highest rates were recorded for individuals who dropped below the low-income cutoff in 1994 although they had been above it in 1993. Nearly one in three of these individuals had moved in 1994. Mobility among those below the low-income line was also very high: 22% of those in low income in both years moved in 1994.



WORKING PAPER SUMMARIES

■ The following are recently released working papers which can be ordered individually (\$5) or by annual subscription (\$25 on diskette or \$50 for paper versions for 12 to 15 papers).

97-07 Intergenerational transmission of education and socio-economic status: a look at immigrants, visible minorities and aboriginals
Fernando Mata

SLID data were used by the Department of Canadian Heritage to examine the patterns of the intergenerational transmission of education and socio-economic status among immigrants, visible minorities and Aboriginal workers. The schooling and socio-economic attainments of Canadians were related to that of their parents' educational level through a path analytic model.

97-08 SLID labour interview questionnaire: January 1997
Ruth Dibbs, Debbie Lutz, Robert Kaminsky

Since SLID uses computer-assisted interviewing (CAI) for data collection, no print questionnaire is required for collection. The question wordings and flow are documented as part of the working paper series.

This document outlines the structure of the January 1997 labour interview. The interview is presented in the same fashion as previous questionnaire documentation. Changes made to the labour interview between 1996 and 1997 are discussed.

97-09 SLID Geography and its Impact on Low Income
Measurement


Ron Cunningham, John Rowland, Pierre Lafrance,
Joanne Murray

Cross-sectional surveys can often use geographical information from the sampling frame (list from which the sample was drawn). But this is not possible for longitudinal surveys as people can change residences over time. Longitudinal data users can study persons who change dwellings and factors related to these moves. The SLID datafile contains key variables, such as low-income cutoffs, which rely on accurate geographical data. This working paper outlines the approach SLID has taken to develop and refine its geographical coding.

97-10 LFS classification

Nathalie Noreau, Alison Hale, Philip Giles

An important SLID output is the derivation of weekly labour force status (Employed, Unemployed, Not in the labour force). These



data can be used to study the durations in each of these states and transitions between them. As the monthly Labour Force Survey (LFS) also produces labour force status, this report compares the estimates from the two surveys, and outlines factors contributing to differences between the two sources.

97-11 Crossing the low-income line

Nathalie Noreau, Maryanne Webber, Philip Giles,
Alison Hale

To highlight the release of its 1994 data which included the first longitudinal income data, SLID studied the dynamics of those in low income. This document contains the complete report. A summary is presented as the main article in this version of Dynamics.