

POVERTY PROFILE 2007

OVERVIEW OF POVERTY TRENDS, 1976-2007

Fast facts for 2007

2.9 million Canadians lived in poverty 2007. More than half a million were children.

	Poverty rate	Number living in poverty
All persons	9.2%	2,952,000
Children (0-17)	9.5%	637,000
Adults (18-64)	9.9%	2,113,000
Seniors (65+)	4.8%	201,000

This bulletin shows national trends in poverty rates from 1976 to 2007. We first look at trends for all persons. We then break it down by three age groups: working-age adults, children and seniors.

In separate bulletins, we look at how poverty trends change when we break down the data in different ways, such as by family type or province.

After-tax low income cut-offs are used to measure poverty in this bulletin. For details on methodology and data sources, see the bulletin *Methodology, Definitions and Information Sources*.

WHY LOOK AT POVERTY TRENDS?

When we talk about poverty trends, we are looking at whether poverty rates have increased or decreased over time. These trends can help us:

- understand past events, such as how economic slowdowns affect poverty rates;
- predict future trends; and
- evaluate whether a government program caused poverty rates to go up or go down.

WHAT AFFECTS POVERTY TRENDS?

The economy

Poverty trends are often tied to economic conditions. Since earnings are a major source of income for many Canadians, having a good job is often the key to financial security. Being out of work, or working at a low-paying job, is a common reason for poverty.

Government programs

Government programs can play a role in reducing poverty. The most notable example is income programs for seniors, such as Old Age Security. When these programs were introduced, they raised the incomes of many seniors and caused a fall in poverty rates.

Population change

Changes in the characteristics of a population may also play a role in poverty trends.

For example, female lone-parents of today tend to be older and more educated than in the past. This change has likely played a part in their recent downward poverty trend.

ALL PERSONS

As the economy slows, poverty grows

When economic growth slowed during the 1981-82 recession, the poverty rate started rising. It peaked two years later at 14%. With economic recovery, poverty rates fell for the rest of the decade, bottoming out at 10.2% in 1989.

Poverty rates started rising in 1990 as the 1990-91 recession began. But even when the recession ended, economic and employment growth remained weak. The poverty rate kept increasing until 1996 when it hit a record high of 15.2%.

Economic growth became much stronger starting in 1997. Since then, we have seen a downward trend in the poverty rate. The pace of the decrease slowed in the early 2000s, but by 2007 the poverty rate for all persons was at a record low of 9.2%.

The most recent recession that started in late 2008 caused hundreds of thousands of job

How are poverty rates for individuals calculated?

What about a married mother who is at home caring for her children and is not earning income. Is she considered to be poor?

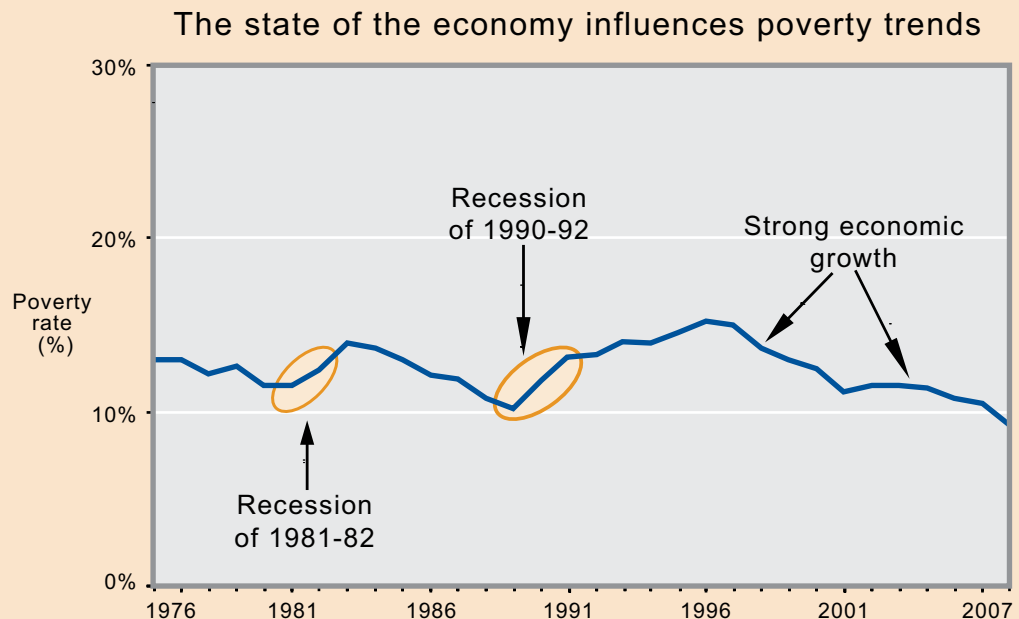
Poverty rates are based on family

incomes. That is, the income from all family members is added together. If this number falls under the poverty line, all family members are considered to be living in poverty, regardless of how much each person earns.

losses and rising unemployment rates. If the experience of past recessions is any guide, we would expect to see poverty rates increase in 2008 and beyond.

Number of people living in poverty

Most	4.4 million in 1996
Least	2.7 million in 1989



WORKING-AGE ADULTS

The most dependent on the economy

Most working-age adults (18-64) depend on employment for their income. This means that their poverty trends are greatly affected by the health of the economy.

The poverty rate for working-age adults went up during both recessions. Rates peaked at 12.5% in 1983 and 15.2% in 1997. The rate was lower in good economic times, with the lowest being 9.3% in 1989. Most recently, the trend has been downward, leading to a near-record low of 9.9% in 2007.

Lower unemployment rates don't always lead to lower poverty rates

In general, one of the best markers of poverty for working-age adults is the unemployment

rate. As unemployment goes up or down, so does poverty. However, from 1993 to 1997 the two rates moved in opposite directions. The poverty rate continued to rise even though unemployment rates were falling.

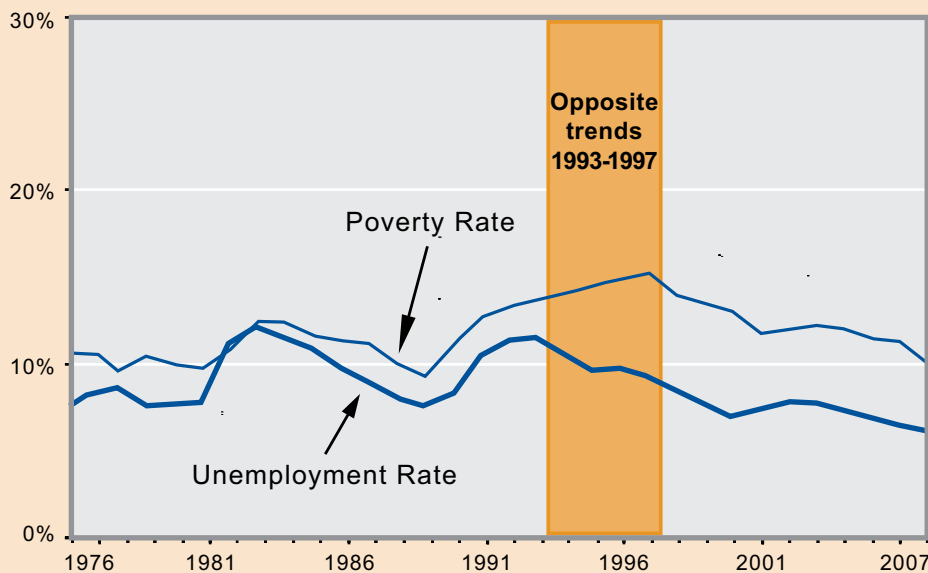
These opposing trends took place as the economy was coming out of the 1990s recession. Although the recession was over, employment growth was weak. It took until 1997 to regain all the full-time jobs lost in 1990-91.

If we see the same trend coming out of the current recession, poverty rates may remain high even after an economic recovery is underway.

Number of working-age people living in poverty

Most	2.85 million in 1997
Least	1.4 million in 1978

Poverty trends for working-age adults usually mirror unemployment rates



CHILDREN

Child poverty trends reflect those of their parents

From 1976 to 1980, the child poverty rate was around 12-13%. Once the recession struck in 1981, the rate jumped to 16.2% in just three years.

Economic recovery brought a corresponding drop in child poverty rates. By 1989, it was back down to 11.9%.

How do you determine if children are poor? After all, most children don't have any income.

Poverty statistics are based on family income. Children are considered to be poor if the income of their family falls below the poverty line.

With the onset of the recession in 1990, the rate began to increase again. Like we saw for working-age adults, the child poverty rate continued to climb after the recession ended. It reached a record high of 18.4% in 1996.

Since 1996, the child poverty rate has been on a downward trend. By 2007, the rate was at a record low of 9.5%.

In 1989, the House of Commons unanimously passed a **resolution to work to end child poverty** by the year 2000. However, it produced few results. The federal government did not adopt an anti-poverty strategy nor undertake any comprehensive action.

This downward trend appears to be a result of good economic times and, to a certain degree, government policies. Chief among them was the new child tax benefit system launched in 1998.

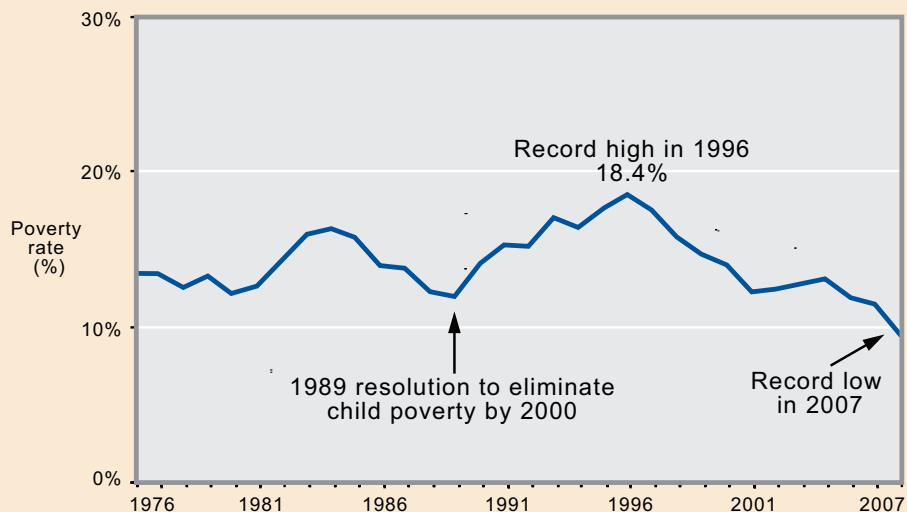
In the tough times of today, it remains to be seen if these policies will be able to shelter children from the impact of the recession more so than in earlier times.

Number of children living in poverty

Most	1.3 million in 1996
Least	637,000 in 2007



Child poverty rates at a record low in 2007



SENIORS

Canada's one big success story is the long-term decline in poverty among seniors

Government programs significantly reduce poverty among seniors

In the 1950s and 60s, government created the Old Age Security pension, the Guaranteed Income Supplement, the Canada Pension Plan and its sister plan, the Quebec Pension Plan.

These plans helped increase the incomes of seniors and led to a huge drop in poverty.

Poverty rates for seniors have fallen steadily over the last 30 years

In 1976, the poverty rate for people aged 65 and older was 29%. The rate dropped more or less steadily in the years that followed and hit a record low of 4.8% in 2007. The trend shows

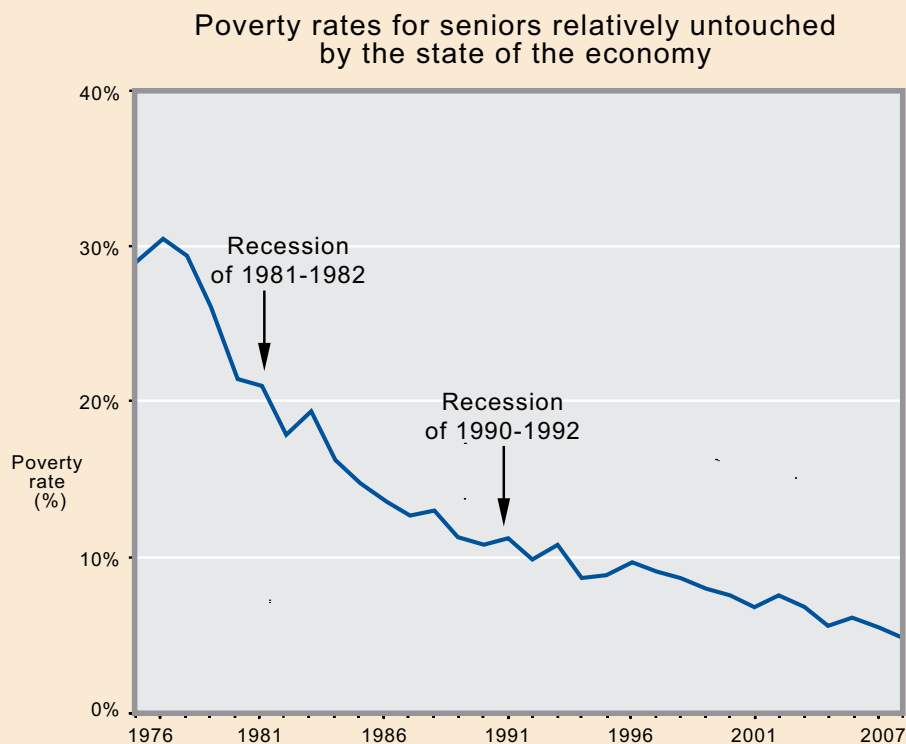


no relationship to the health of the economy, unlike poverty trends for children and working-age adults.

The downward trend in the poverty rate is even more dramatic because it occurred despite a huge increase in the number of seniors in Canada. While the total number of seniors more than doubled between 1976 and 2007, the number of seniors living in poverty fell.

Number of seniors living in poverty

Most	597,000 in 1977
Least	201,000 in 2007



HAVE WE MADE PROGRESS?

Looking back over the past 30 years, we have not seen any lasting improvement to the poverty rate for all persons. The downward trend that started in 1997 has simply brought us back to the poverty levels of 1989.

The big picture doesn't tell the whole story

To understand the whole story, we need to break things down. In this case, we looked at poverty trends for different age groups. Compared to 30 years ago, we have seen:

- no change for working-age adults;
- some small but tenuous improvements for children; and
- lasting improvements for seniors.

In our other bulletins, we continue to break down the big picture in order to better understand poverty in Canada.

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