

# POVERTY PROFILE 2007

## DURATION OF POVERTY

### Highlights

- More Canadians experience poverty than suggested by annual poverty rates.
- More people escaped from poverty in 2007 than fell into poverty.
- One in five Canadians lived in poverty for at least one year between 2002 and 2007.

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

## UNDERSTANDING HOW LONG PEOPLE STAY IN POVERTY

Poverty rates show us how many people live in poverty at a given point in time. Depth of poverty shows us how far below the poverty line they live. There is one more important dimension: how long people stay in poverty.

We can look at this in two different ways.

- **Transitions** – how many people move in and out of poverty from one year to the next.
- **Persistence** – how many years people live in poverty.

### Six-year cycles of data

The Statistics Canada survey that collects duration data follows the same group of people for six consecutive years—a longitudinal survey. This allows us to see how these people's circumstances change over time. The first group was followed from 1993-1998. The most recent group for which data is available were followed from 2002 to 2007.

### *Many people fall into or escape from poverty each year*

Before transition and persistence data was available, all we knew was how many people were living in poverty in a given year. We did not know if the same people were living in poverty year after year, or if a completely different group of people were living in poverty each year.

Transition data shows that there is a great turnover in the people living in poverty from year to year in Canada. That is, it is not necessarily the same people living in poverty every year. Persistence data shows that some people are at greater risk of living in poverty for long periods of time.

## TRANSITIONS IN AND OUT OF POVERTY

### *Transitions are often triggered by changes in family status and job status*

Looking at children, for example, one study found that about four in ten children who fell into poverty did so because of change in their family situation

(for example, parental separation or a new sibling). For the remaining children who entered poverty, the reason was lower employment income for the main family income earner or a reduction in family income from other sources.<sup>1</sup>

### **More people escaped from poverty between 2006 and 2007 than fell into poverty**

About 1.7 million Canadians changed their poverty status between 2006 and 2007. Around two in three escaped from poverty while the rest fell into poverty.

Another 1.5 million Canadians lived in poverty during both years.

Changes in the poverty rate from year to year are largely a function of the movements back and forth across the poverty line. Because more people escaped from poverty between 2006 and 2007 than fell into poverty, the overall poverty rate went down.

### **Transitions in and out of poverty, 2006 to 2007**

| <b>All persons</b>          | <b>Number</b> | <b>Percent distribution</b> |
|-----------------------------|---------------|-----------------------------|
| Escaped from poverty        | 1,017,000     | 3.5%                        |
| Fell into poverty           | 644,000       | 2.2%                        |
| Lived in poverty both years | 1,517,000     | 5.3%                        |
| Not poor either year        | 25,502,000    | 88.9%                       |

### **Youth are more likely to move in and out of poverty than other age groups**

About 11% of youth (18 to 24 years old) either moved in or out of poverty between 2006 and 2007. This is much higher than the rate for other age groups.

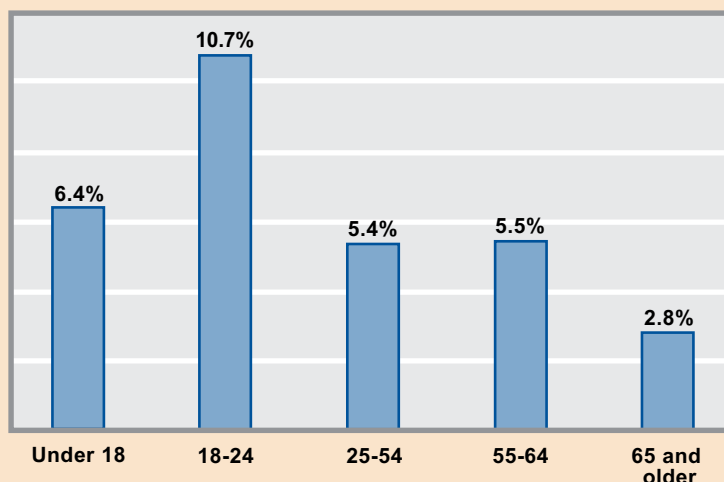
Seniors were the least likely to change their poverty status between the two years.

<sup>1</sup> Dominique Fleury, "Low-income children," *Perspectives on Labour and Income*, 20, 2 (Summer 2008), Statistics Canada Catalogue no. 75-001-X.



### **Youth were more likely to fall into poverty or escape from poverty between 2006 and 2007**

Percent of people who either fell into or escaped from poverty between 2006 and 2007



## PERSISTENCE OF POVERTY

### **4.9 million people lived in poverty at some point between 2002 and 2007**

When we look at each of the years between 2002 and 2007, we see that about one in ten Canadians lived in poverty in any given year.

But when we look at these six years as a whole, we find that two in ten Canadians lived in poverty for at least one of these years. This works out to 4.9 million people.

The difference between the annual rate and the six-year rate is due to the movement of people in and out of poverty over the period.

### **825,000 Canadians lived in persistent poverty from 2002 to 2007**

During the years 2002 to 2007, most Canadians did not live in poverty. Three million people lived in poverty for one or two years. Just over one million people did so for three or four years.

A small share of the population (3.4%) lived in poverty for five or six years. This worked out to 825,000 people, more than the population of New Brunswick.

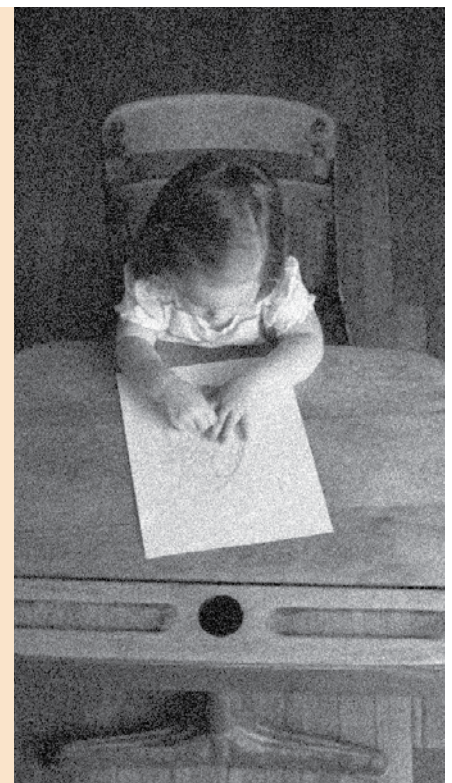
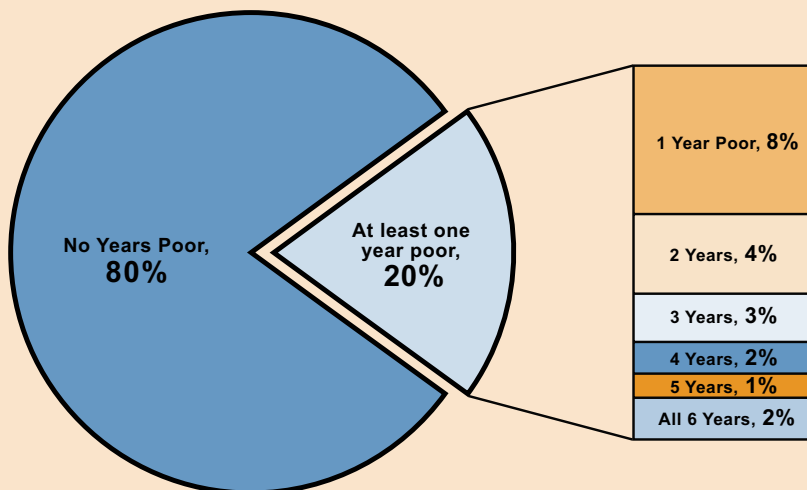
### **Children and youth were more likely to experience poverty than other age groups**

The number of children who were poor at least one year from 2002 to 2007 was 1.4 million, or 23% of all children. Of these, 107,000 lived in poverty all six years.<sup>2</sup> For younger children, that amounts to an entire early childhood in poverty.

Deep and persistent poverty has a critical effect on children's short-term and long-term development. The possible impacts are numerous, including growth delay, more frequent health problems, chronic stress and being less academically prepared to start school than other children.

<sup>2</sup> Small sample size. Use estimate with caution.

A small share of people live in long-term poverty (2002 to 2007)



Young people aged 18 to 24 years had a higher than average risk of poverty over the six-year period - 30% lived in poverty at least one year. For many of them, poverty was short-lived and lasted only one or two years.

Seniors had the lowest risk, with 12% living in poverty at some point over the period. And of those, almost half were in poverty for only one year.

### **Higher risk of long-term poverty for those with low levels of education**

Looking at education, the highest risk of experiencing poverty was for the group that did not finish high school. Almost one-quarter lived in poverty for at least one year from 2002 to 2007, twice the rate for university graduates. They were almost five times as likely as university graduates to have lived in poverty for all six years.

### **Certain groups have higher risks**

Various studies have identified certain groups as having higher risks of experiencing poverty and living in persistent poverty. These groups are:

- persons with disabilities, particularly those with work limitations
- recent immigrants
- persons in visible minority groups
- Aboriginal persons
- lone-parent families
- unattached working-age individuals.

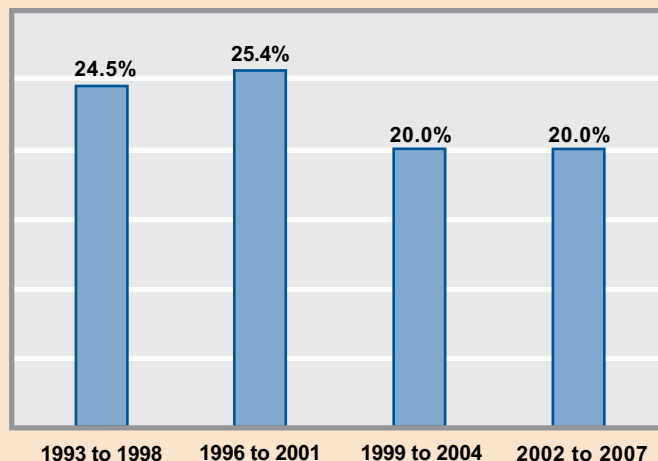
For example, looking at the three years from 2005 to 2007 showed that:

- 20% of persons in visible minority groups experienced poverty for at least one year, compared to 13% of those not in visible minority groups; and
- 22% of persons with a disability over all three years lived in poverty for at least one year, compared to 10% of those without a disability.



Little change since 1999 in the share of the population living in poverty for at least one year

Percent (%) of the population living in poverty for at least one year over a six year interval





A report using the Market Basket Measure (MBM) of poverty highlighted five groups that are at particular risk of persistent poverty:

- lone-parent families
- unattached individuals aged 45 to 64
- persons with work-limiting disabilities
- persons immigrating to Canada within the past 10 years
- Aboriginal people living off-reserve (note that data for Aboriginal people living on-reserve was not available).<sup>3</sup>

The rate of persistent poverty for families whose main income recipient (MIR) was a member of a high-risk group was 17.5%, almost five times higher than the 3.6% rate for families whose MIR was not a member of a high-risk group.

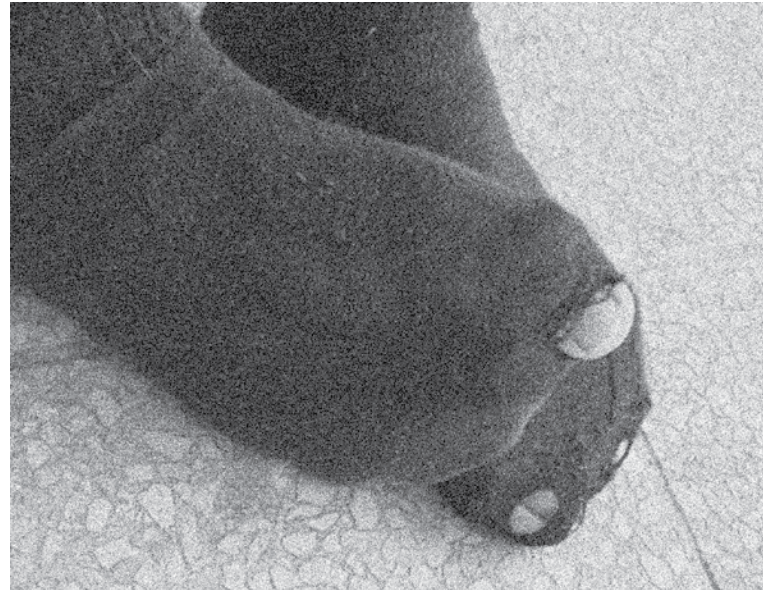
<sup>3</sup> Human Resources and Skills Development Canada. *Low Income in Canada: 2000-2007. Using the Market Basket Measure*. Gatineau, Quebec. August 2009. Catalogue no. SP-909-07-09E.

## HAVE WE MADE PROGRESS?

We saw some improvement between the overlapping six-year cycles for 1996-2001 and 1999-2004. The share of people experiencing at least one year of poverty fell, as did the share of people living in poverty for all six years.

### **No improvements seen in the most recent data**

When we look at the most recent data for 2002-2007, there is little or no change. In fact, the share of Canadians living in poverty for at least one year is exactly the same as the previous time period. This lack of improvement occurred during good economic times.



### **What will be the impact of the 2008-09 recession?**

Based on previous recessions, we would expect that annual poverty rates would rise. What the duration data might show us is unknown.

Detailed data about transitions in and out of poverty and about the persistence of poverty have only been available since 1993, just after the end of the 1990-92 recession.

Duration data from the time of the most recent recession should help us better understand its impact on Canadians. How many fell into poverty, but only for a short time before they were back on their feet? How many ended up falling into poverty and staying there?

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