

POVERTY PROFILE 2007

SOURCES OF INCOME

Highlights

- The sources of income for people living in poverty vary by age and family type.
- Poor seniors receive most of their income from government transfers.
- Very few working-age families living in poverty rely only on welfare. Most depend on employment earnings to get by.

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*.

DO ALL PEOPLE LIVING IN POVERTY DEPEND ON WELFARE?

Often the stereotype is that all poor people live off welfare. It's just not true. Welfare does play an important role in providing income to some of those living in poverty. However, many people living in poverty depend on income other than welfare to get by.

¹ The number of poor senior couples was too small to provide a reliable estimate.

SENIORS

For seniors living in poverty, transfer payments make up more than 90% of their incomes. The average transfer payment in 2007 was \$14,700 for unattached senior men and \$14,200 for unattached senior women.¹

What are transfer payments?

Government transfers include all direct payments from federal, provincial and municipal governments to individuals or families, including:

- Old Age Security and the Guaranteed Income Supplement (OAS and GIS)
- Canada and Quebec Pensions Plans (CPP/QPP)
- benefits for families with children
- Employment Insurance (EI)
- welfare
- GST/HST and provincial tax credits
- Workers' Compensation.

Three transfer programs are key sources of income for poor seniors

Old Age Security, the Guaranteed Income Supplement and Canada or Quebec Pension Plans make up the bulk of the incomes of seniors living in poverty.

These programs are not generous enough by themselves to lift all seniors out of poverty, but they have had a major impact on the living

standards of seniors since they began more than a generation ago.

A small number of poor seniors have additional sources of income, such as investment or private pension income.

People over the age of 65 who need income support do not receive welfare. Instead, they are eligible to receive payments from federal and provincial programs for seniors.

Average before-tax income for poor unattached seniors, 2007

Women	\$15,700
Men	\$15,100

WORKING-AGE FAMILIES

The sources of income for poor families, where the major income earner is under age 65, are much different than the sources of income for poor seniors.

Poor working-age families receive less of their income through transfer payments than seniors

Transfer payments made up anywhere from 44% of incomes for poor couples without children to 73% of incomes for poor female lone-parent families.

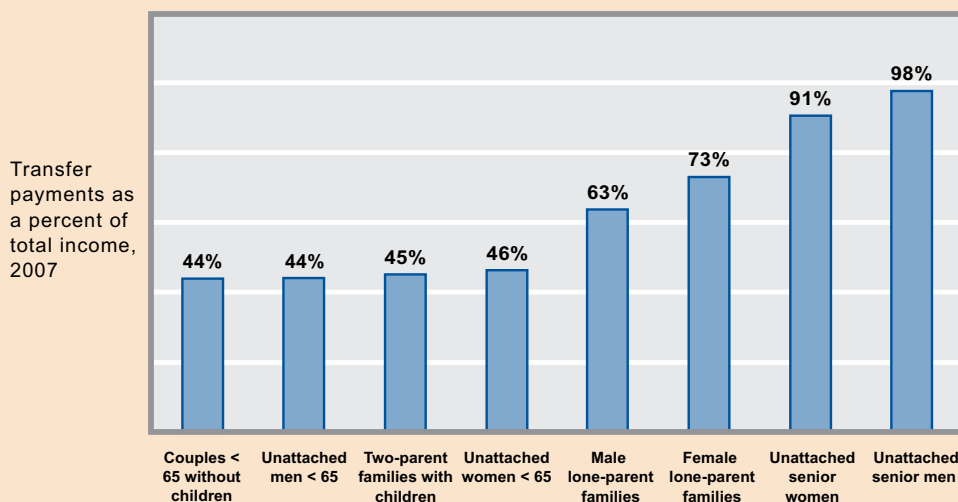
The average value of the transfer payments ranged from \$6,300 for couples without children to \$13,700 for two-parent families.

Variety of income sources

Among families living in poverty, two-parent families were the most likely to have earnings – 87% reported earnings in 2007. They were followed by couples without children (65%) and female lone-parent families (47%).

Half of female lone-parent families living in poverty received welfare in 2007. This was twice as high as other poor working-age families (23% of both two-parent families and couples without children).

Transfer payments are most important for poor seniors



Only a small percent of poor families reported receiving Employment Insurance benefits: 18% of two-parent families, 11% of female lone-parent families and 6% of couples without children.

Almost all poor families with children under 18 years old reported receiving federal and provincial child benefits.

Among poor couples without children, 38% had investment income and 31% had CPP or QPP income. The CPP/QPP income could be disability pension or early retirement benefits.

Average before-tax income for poor working-age families, 2007

Male lone-parent families*	\$13,300
Couples without children	\$14,500
Female lone-parent families	\$17,200
Two-parent families	\$30,400

* Small sample size. Use estimate with caution.

WORKING-AGE UNATTACHED INDIVIDUALS

Transfer payments make up less than half of income

Transfer payments to poor unattached individuals made up 44% of the incomes of men and 46% of the incomes of women. The average transfer payment was \$4,000 for men and \$4,500 for women.

Importance of earnings

Earnings are the most important source of income for poor working-age unattached individuals. In 2007, more than half of unattached women (56%) and men (60%) had earnings.

Welfare was the second most important source of income, with 34% of women and 30% of men receiving welfare.

Some unattached individuals living in poverty reported other sources of income. For example, in 2007:

- 7% of women and 10% of men had income from Employment Insurance; and
- 14% of women and 10% of men reported income from CPP or QPP.

Average before-tax income for poor unattached working-age individuals, 2007

Men	\$9,000
Women	\$9,600

HOW MANY PEOPLE DEPEND MAINLY ON WELFARE?

We have shown the various sources of income for people living in poverty. But this doesn't tell us how many people depend on welfare as their main source of income.

Poor families are more likely to depend on earnings than on welfare

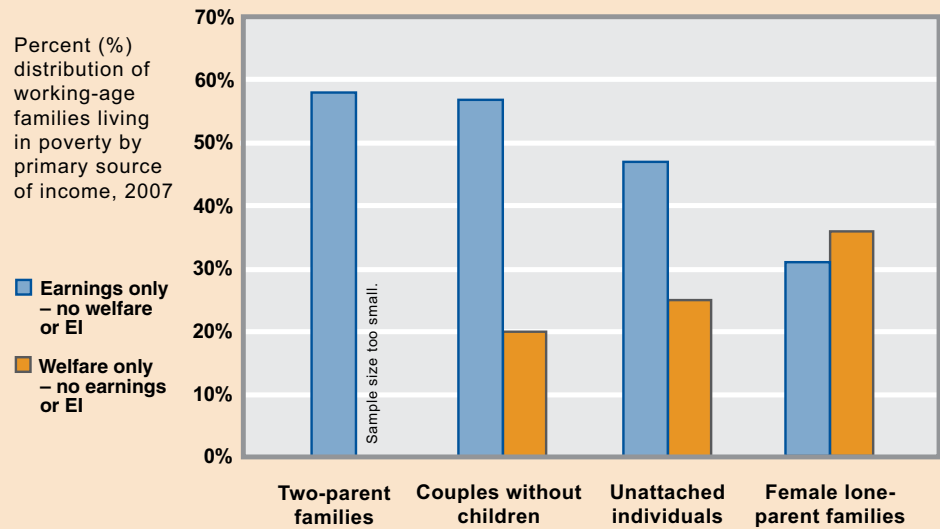
The number of two-parent families living in poverty that relied on welfare was too small to give a reliable estimate. More than half (58%) relied mainly on employment earnings in 2007.

Only 20% of poor couples without children depended mainly on welfare, while 57% relied mainly on earnings.

Just 25% of poor unattached individuals relied mainly on welfare compared to 47% who relied on earnings.



Poor working-age families are more likely to depend on earnings than on welfare



To fill this gap, we looked at different combinations of the three main sources of income for poor working-age families: earnings, welfare and Employment Insurance (EI). This section shows the results for families that:

- relied mainly on welfare (that is, they had welfare income, but no earnings or EI benefits); or
- relied mainly on earnings (that is, they had earnings, but no welfare or EI benefits).

The remaining families had other combinations of earnings, welfare and EI, or relied mainly on other sources of income.

Number of poor families that relied mainly on welfare, and did not have any earnings or EI benefits in 2007

Female lone-parent families	48,000
Couples without children	21,000
Unattached individuals	284,000

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Female lone-parent families living in poverty were the most likely to rely primarily on welfare (36%). However, an almost equal number (31%) depended mainly on earnings.