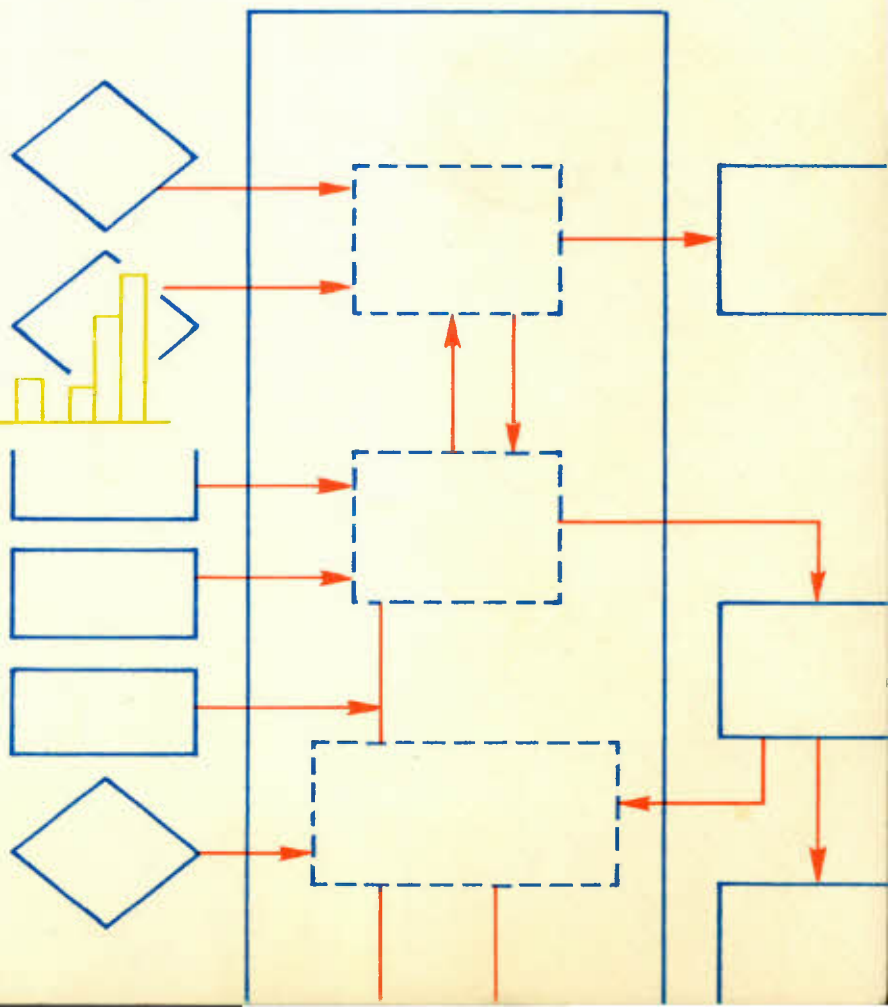
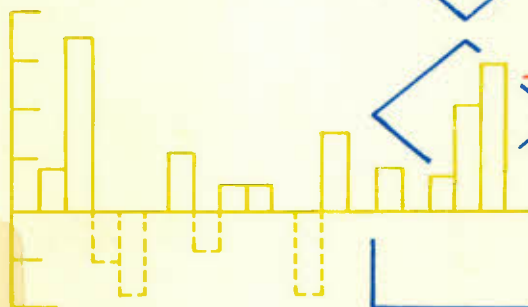




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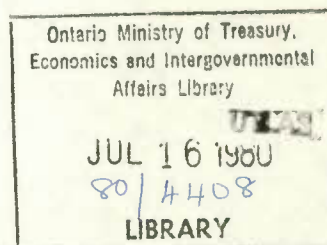
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DISCUSSION PAPER NO. 130

Poverty And Government Income Support  
in Canada, 1971-1975: Characteristics  
Of The Low Income Population

by Alister M.M. Smith  
J. Eden Cloutier  
David W. Henderson



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## SUMMARY

This paper is concerned with measuring the extent of low incomes in Canada and with an assessment of the degree of support provided by government social security programs. Data for 1971 and 1975 that permit a detailed view of the characteristics of the poor are used in an attempt to capture changes in the situation of the poor during the early seventies. Over this period, there were rather considerable changes in social security programs, and some of these changes are reflected in compositional changes in the low income population while others are reflected in changes in the means of support. Our results may dispel some erroneous notions of poverty (for example, the view that unemployment and poverty are closely linked) but the fact that we find a decrease in the relative size of the poor population over this period should not be misinterpreted. We cannot be complacent about the fact that nearly 20 per cent of the population had incomes below the rather stringent Statistics Canada low-income thresholds used in this study. Our results, as well, bear only on the question of the *extent* of poverty: the *severity* of the situation faced by the relatively fewer people who were poor in 1975 (compared to 1971) may or may not have increased. Thus, we do not hazard the guess that there has been an ameliorization in the situation of the poor, just a reduction in the extent of poverty, changes in its composition and in the way the poor are being supported.



Our methodology is based on the conventional -- but, by no means uncontroversial -- definition that the poor are those unattached individuals or families with incomes below the Statistics Canada low income cutoffs (LICOs) which are explicitly related to socially acceptable minimal standards of living. Using a modified version of these income criteria (differentiated by family size) we were able to identify the low income population and assess (a) the labour market status of individual family members, (b) the sex and age characteristics of family heads and (c) the income, earnings, transfers and unemployment insurance benefits received by unattached individuals and families in both years. We divided the low income population into three components -- those unattached individuals and families (which combined we term family units) which do not participate in the labour force, those family units which do participate but in which no members experience unemployment and those family units which participate but in which some members experience unemployment.

Some of our findings are the following. The incidence of poverty has fallen from 25.7 per cent in 1971 to 19.7 per cent in 1975. In addition to the reduction in extent of poverty, there appears to have been some basic changes in its composition. By 1975, the relative number of unattached individuals in the low income population had increased to the point where they constituted the majority of family units. In addition, there was a significant rise in the relative number of non-participant family units (which in 1975 represented the majority of family units

in the low income population). At the same time, there was a reduction in the low income population in the relative number of participant family units with unemployment; the proportion fell from 22.1 per cent in 1971 to 17.0 per cent in 1975. In 1975, about 37 per cent of the low income population turned out to be non-participating unattached individuals. Of these, almost two-thirds were aged 65 and over: that is, almost one quarter of the low income population in 1975 were non-participating unattached individuals aged 65 and over. There is also a disproportionately high incidence of female-headed family units (close to one half of the low income population in 1975).

As noted above, we found that a close identification of the poor with the unemployed is not legitimate: participant family units with unemployment in fact accounted for only 16.9 per cent of the low income population and 3.4 per cent of all family units in 1975 (compared to 22.1 per cent and 5.7 per cent, respectively, in 1971).

Thus, financial hardship, on the basis of our statistical evidence, is a problem most commonly found among older family units which do not participate in the labour market and among family units headed by women. It is not primarily (or even largely) a problem faced by the unemployed. The poor do not represent a large homogeneous group; rather they are individuals and family units with readily identifiable age, sex, earnings and labour market characteristics.

Government income support is providing some relief to the poor but support is somewhat unevenly distributed: for example, we find that participant family units with unemployment in 1975 have higher average incomes than participant family units with no unemployment simply because of the fact that the former group has higher average transfer income (primarily because of access to unemployment insurance support). A somewhat striking fact is that almost 90 per cent of unemployment insurance benefits paid in 1975 were received by family units with income in excess of the low income thresholds.

Our results lead us to the following question: how many family units would find themselves below the LICOs if they did not receive income support through unemployment insurance? In the hypothetical absence of the income support provided by unemployment insurance, the proportion of low income family units among those experiencing unemployment would increase by nearly 7 percentage points. The impact of unemployment insurance benefits on the size of the low income population as a whole, however, is relatively small; in 1975, only about 1.4 per cent of all family units were kept above the low income thresholds by these benefits.

In our view, poverty remains a problem in Canada; but, poverty (as defined here) and unemployment are not coterminous. Poverty is not homogeneous, but is heavily concentrated in certain types of family units. While the present package of income support programs is providing relief, this relief is not always concentrated at the lower end of the



income spectrum. A comprehensive direct income support program, such as a negative income tax scheme, would have a comparative advantage in reducing income disparities but there are reasons to believe it may have certain undesirable effects. An imminent policy concern is sure to be the comparative efficiency of selective and universal social programs aimed at the poor. Our work indicates, we think, the need to look into this question in far greater depth in future.

## RÉSUMÉ

Le présent document cherche à mesurer l'incidence des revenus faibles au Canada et à évaluer le degré de soutien qu'apportent les programmes de sécurité sociale des gouvernements. Dans l'espoir de comprendre les changements qui se sont produits dans la situation des pauvres au début des années 70, nous avons utilisé les données de 1971 et 1975, lesquelles donnent une liste détaillée des caractéristiques des pauvres. Au cours de cette période, il s'est produit des changements assez importants dans les programmes de sécurité sociale, et certains de ces changements se sont reflétés dans la composition de la population à faible revenu, tandis que d'autres se traduisent par des modifications des moyens employés pour soutenir les revenus. Nos résultats dissiperont peut-être certaines notions erronées concernant la pauvreté (l'idée, par exemple, que le chômage et la pauvreté sont étroitement liés), mais le fait que nous observions une baisse dans la taille relative de la population pauvre au cours de cette période ne doit pas être mal interprété. Nous ne pouvons être heureux du fait que près de 20 % de la population devait se contenter de revenus en deça du seuil, déjà bas, du revenu fixé par Statistique Canada. En outre, nos résultats ne portent que sur la question de *l'incidence* de la pauvreté; il se peut que *l'acuité* de la situation à laquelle a dû faire face un nombre relativement moindre de personnes pauvres en 1975 (par comparaison avec 1971) ait été plus grande. Nous ne saurions donc dire qu'il s'est produit une amélioration dans

les conditions de vie des pauvres, mais seulement une baisse dans le degré de la pauvreté, des changements dans la composition de la population pauvre et dans les moyens employés pour la soutenir.

Notre méthodologie est fondée sur la définition habituelle, mais non universellement acceptée, selon laquelle les pauvres sont des personnes seules ou des familles dont les revenus sont au-dessous des limites de faibles revenus de Statistique Canada, et qui sont explicitement rattachées au niveau minimum de bien-être socialement acceptable. A l'aide d'une version modifiée de ces critères de revenus (différenciés selon la taille des familles) nous avons pu identifier la population à faibles revenus et évaluer (a) le statut des membres individuels de la famille du point de vue du marché du travail, (b) les caractéristiques des chefs de famille du point de vue du sexe et de l'âge, et (c) le revenu, le salaire, les transferts et les prestations d'assurance-chômage touchés par les personnes seules et les familles, durant les deux années en question. Nous avons réparti la population à faibles revenus en trois catégories: les personnes seules et les familles (regroupées ensemble sous le terme "d'unités familiales") qui ne font pas partie de la main-d'oeuvre active, les unités familiales qui font partie de la main-d'oeuvre mais dont aucun des membres n'ont été chômeurs, et les unités familiales qui font partie de la main-d'oeuvre active mais dont certains membres ont connu le chômage.

Voici certaines de nos constatations. L'incidence de la pauvreté est passée de 25,7 % en 1971 à 19,7 % en 1975. En plus de la réduction dans l'incidence de la pauvreté, il semble qu'il se soit produit certains changements fondamentaux dans la composition de la population pauvre. En 1975, le nombre relatif de personnes seules faisant partie de la population à faibles revenus s'était accru au point où elles constituaient la majorité des unités familiales. En outre, il y a eu une hausse marquée dans le nombre relatif d'unités familiales inactives (qui, en 1975, constituaient la majorité des unités familiales de la population à faibles revenus). Simultanément, il se produisit une réduction dans la population à faibles revenus; dans le nombre relatif des unités familiales actives frappées par le chômage, la proportion est baissée de 22,1 % en 1971 à 17,0 % en 1975. En 1975, environ 37 % de la population à faibles revenus en est venue à se composer de personnes seules inactives. De ce groupe, presque les deux tiers étaient âgées de 65 ans et plus. Presque le quart de la population à faibles revenus, en 1975, se composait de personnes seules inactives de 65 ans et plus. Il existe aussi une incidence disproportionnellement élevée d'unités familiales dont le chef est une femme (près de la moitié de la population à faibles revenus en 1975).

Ainsi que nous l'avons déjà signalé, nous avons découvert qu'il n'existe pas de lien étroit entre la pauvreté et le chômage. Les unités familiales actives frappées de chômage ne représentaient effectivement que 16,9 % de la



population à faibles revenus et 3,4 % de toutes les unités familiales en 1975 (par comparaison avec 22,1 % et 5,7 %, respectivement, en 1971).

Sur la foi de nos données statistiques, la privation financière est donc un problème le plus souvent rencontré parmi les unités familiales âgées qui ne font pas partie du marché du travail et parmi les unités familiales dirigées par des femmes. Il ne s'agit donc pas d'un problème auquel surtout les chômeurs ont à faire face. Les pauvres ne représentent pas un grand groupe homogène; ce sont plutôt des particuliers et des unités familiales dont l'âge, le sexe, le salaire et les caractéristiques eu égard au marché du travail sont aisément identifiables.

Les programmes gouvernementaux de soutien du revenu apportent un certain soulagement aux pauvres, mais cette aide n'est pas répartie de façon uniforme. Ainsi, nous constatons que des unités familiales actives qui ont été frappées par le chômage en 1975 touchent des revenus moyens plus élevés que des unités familiales actives qui n'ont pas souffert du chômage, simplement parce que le premier groupe touche des revenus de transfert moyens plus élevés (principalement parce qu'elles bénéficient des prestations d'assurance-chômage). Chose quelque peu étonnante, près de 90 % des prestations d'assurance-chômage versées en 1975 ont été recueillies par des unités familiales dont les revenus étaient au-dessus du seuil des faibles revenus.

Nos résultats nous poussent à poser la question suivante: Combien d'unités familiales se trouveraient-elles à toucher moins que les limites de faibles revenus, si elles ne recevaient pas les prestations de l'assurance-chômage? En supposant que le soutien du revenu au moyen de l'assurance-chômage disparaisse, la proportion des unités familiales à faibles revenus, parmi celles frappées par le chômage, augmenterait de près de 7 points de pourcentage. Toutefois, les effets des prestations de l'assurance-chômage sur la taille de la population à faibles revenus seraient relativement sans conséquence; en 1975, à peu près seulement 1,4 % de toutes les unités familiales ont été maintenues au-dessus du seuil des faibles revenus grâce à ces prestations.

D'après nous, la pauvreté demeure un problème au Canada, mais la pauvreté (telle que définie ici) et le chômage ne vont pas nécessairement de pair. La pauvreté n'est pas homogène, mais elle est fortement concentrée dans certains genres d'unités familiales. Bien que l'ensemble actuel des programmes destinés à soutenir le revenu apporte un certain soulagement, ce ne sont pas toujours les gens dont le revenu est le plus faible qui en bénéficient le plus. Un programme d'envergure de soutien direct du revenu, tel qu'un système de mesures fiscales négatives, constituerait probablement un moyen plus efficace de réduire les disparités de revenu, mais il semble qu'un tel système puisse avoir certains effets peu souhaitables. Or, une des premières préoccupations politiques consiste certainement à choisir les programmes universels

d'aide sociale les plus efficaces et favorisant le plus les  
pauvres. A notre avis, l'étude que nous présentons indique  
qu'il nous faudra approfondir encore de beaucoup notre con-  
naissance de la question.

## ACKNOWLEDGEMENTS

We would like to thank Gail Oja, Director of Consumer Income and Expenditure Division of Statistics Canada for making the data available and to Tom Pellow, of the same division, for his excellent programming. R.A. Jenness of the Economic Council made a number of useful suggestions at an early stage in this work (some of material presented here provided inputs to the Council's Fifteenth Annual Review). Finally, we would like to thank our colleagues in the LASER group at the Council for their helpful comments.



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## Section 1: Introduction

The objectives of this paper are to identify the low income population in Canada and to assess the degree of support provided by federal government social security programs. The time frame is the 1971 through 1975 period and the data base is composed of specially-tabulated data from the Survey of Consumer Finances undertaken annually by Statistics Canada. Our hope is that an analysis of this type will be of value in indicating the extent and nature of poverty in Canada during this period. Our results, however, should be viewed as indicative rather than definitive: while we can make rather precise statements on the characteristics of the low income population and the extent to which those with low incomes are aided by federal transfers, we do not claim to make definitive statements about the state of what is, in reality, an arbitrary concept -- poverty.

The problem is simply that there is not (and seemingly, cannot be) an unequivocal standard of poverty. In economic theory, one sometimes encounters the notion of a "subsistence level" which is taken to mean some minimum amount of commodities without which the individual (or the family) cannot survive. We mean by "poverty" something more. In purely economic terms (attaching no sociological significance to the definition), we view poverty as a state in which the family unit's consumption is severely restricted by its budget constraint. The degree of severity is arbitrarily set by the Statistics Canada low income cutoffs.

There are at least two aspects of this definition on which there should be some elaboration. First, the unit of analysis is the family unit. One could choose a narrower basis - the individual - or a wider basis - the household. The existence of income and expenditure sharing within families limits the usefulness of the former. The choice is really between using the family unit and using the household. As Atkinson points out, this choice essentially depends on the purpose for which the measure is required.<sup>1</sup> Second, the degree of severity is set by low income cutoff values. One could use, in principle, any number of alternative poverty criteria.<sup>2</sup> The usual reason for using the Statistics Canada measure is simply that it presumably represents a view at the federal government level of a minimum standard of living and therefore can be regarded as an *operational* standard. It is, of course, familiar practice. Nevertheless, measures such as this have a number of theoretical deficiencies. Both of these problems, as well as the use of money income (rather than permanent income or wealth) as a measuring stick, are dealt with in some detail in Section 2.

Low income cutoffs (LICOs for brevity) are a form of poverty line budget constraint. The basis for LICO determination is the size of the ratio of family expenditures on food,

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1 A.B. Atkinson, "Poverty and Income Inequality in Britain", in D. Wedderburn, ed., *Poverty, Inequality and Class Structure* (London: Cambridge U.P., 1974). As a matter of interest, the U.K. definition of a household is very close to the Canadian definition of an economic family.

2 For a convenient survey, see *The Measure of Poverty*, A Report to Congress as Mandated by the Education Amendments of 1974 (Washington, D.C.: U.S. Department of Health, Education and Welfare, April, 1976).



shelter and clothing to family income. If the average ratio of total expenditures to income of all families is approximately 42 per cent (a figure based on information from the 1969 Statistics Canada Family Expenditures survey, FAMEX) a family which spends 62 per cent (i.e. 20 per cent more) on food, shelter and clothing alone is judged to be in straightened circumstances. The income level which corresponds to a 62 per cent ratio of family expenditures on food, shelter and clothing to family income is defined to be the LICO.<sup>3</sup>

LICOs were calculated by the Consumer Income and Expenditure Division of Statistics Canada for family units of different size and (size of) place of residence for the year 1969.<sup>4</sup> LICOs for subsequent years were obtained by updating the 1969 figures to fully account for changes in the Consumer Price Index.<sup>5</sup> In this paper, we use a modified version of the Statistics Canada LICOs that are differentiated only by size of the family unit. To have further differentiated the LICOs by size of place of residence would have considerably increased the computational complexities of the research. Further details of LICO determination are given in Section 2.

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3 G. Oja and R. Love, "Canadian Low Income Statistics", Canadian Statistical Review (C.S.R.) Statistics Canada, Cat. No. 11-003, Monthly, January 1976.

4 See "Revision of Low Income Cutoffs", unpublished paper, Consumer Income and Expenditure Division, Statistics Canada, December 17, 1973.

5 Oja and Love, *op. cit.*, C.S.R., January 1976.

In attempting to assess the degree of government support provided by social security programs, a couple of things should be kept in mind. First, no account is taken of other forms of support provided to the low income population such as reduction of premiums, rent subsidies, and in-kind transfers. And second, federal government income support to low income individuals is mainly provided *indirectly* through payments made in accordance with (a) the Canada and Quebec Pension Plans, (b) the Old Age Security and Guaranteed Income Supplement programs, (c) the Family Allowance program and (d) the Unemployment Insurance program. Income support is not provided directly via a comprehensive program such as a negative income tax scheme. As a consequence, one should not draw unwarranted conclusions about the efficiency of programs aimed at achieving objectives other than simply support of the low income population. Welfare-related payments, it should be noted, are disbursed by provincial and municipal authorities under the cost-sharing arrangements of the Canada Assistance Plan; half of the cost of these payments are borne by the federal government.

The plan of this paper is the following. In Section 2, the conceptual basis of the relationship between poverty and the low income population is described. The advantages and disadvantages of the measures we have employed are assessed. We indicate certain reservations we have in the use of income as a criterion for measurement of the size of the low income population. In Section 3, details of the general characteristics of the low income population are presented. In Section 4,

income support of those with low incomes is assessed. A certain amount of attention is focused on the role of unemployment insurance benefits as income support. The conclusion summarizes our findings.

## Section 2: Poverty and the Low Income Population

One cannot say unequivocally that there is a strict correspondence between "poverty" and those individuals with low incomes if one means by "poverty" something other than that which we have defined. For example, if poverty is defined in terms of *permanent* rather than *current* income, one could not expect a strict correspondence. There are, in fact, at least three sources of arbitrariness in our definition. First, there is the choice of unit of analysis. Second, there is the choice of a money income criterion rather than permanent income or wealth criterion. Third, there is the choice of poverty measure. In this section, we examine each of these choices in turn.

The unit of analysis in this study is the economic family unit. All family units can be divided into (a) *unattached* individuals or (b) families of two or more. Economic families are defined to be "a group of individuals sharing a common dwelling unit and related by blood, marriage or adoption".<sup>6</sup> To examine individuals' incomes without taking into account family context is likely to result in biased judgements of the number of poor. For example, regarding a young adult living at home and supported by his parents as being poor if his personal income is low - a judgement one would make if the unit of analysis were the individual - overstates the problem he faces in terms of command over resources. A wider definition

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6 Oja and Love, *ibid*, p. 121.



than the family - say, the household - is often considered.<sup>7</sup> Adoption of a household basis would be commendable if income-sharing extended beyond the confines of the family unit to, for example, unattached individuals sharing a common dwelling. It is difficult to know for certain but our view is that a family basis is more reasonable. To the extent that household income-sharing (beyond the family) occurs, our estimates of the poor will be biased upwards because some individuals, for example those who are not related but share a common dwelling, may have command over resources additional to that indicated by their personal income.

The second problem concerns the choice of a criterion by which to measure command over resources; in a sense, this problem is closely related to the choice of an appropriate time horizon. Incomes display greater variation (and inequality) over one year periods than over five year periods or over lifetimes. Permanent income would clearly be a more appropriate criterion to apply if we were to consider poverty from a life cycle perspective. Consider the case of an apprentice or student; during years in which he is in training or receiving an education, his current income is likely to be far less than his permanent income. Regarding him as poor (on the criterion of

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7 Atkinson, "Poverty and income inequality in Britain", in Wedderburn, ed., *op. cit.*, pp. 44-45. Also, see L.A. Epstein, "Measuring the size of the low income population", in Lee Soltow, ed., *Six Papers on the Size Distribution of Wealth & Income* (N.Y.: N.B.E.R., Columbia U.P.), 1969, pp. 158-159, for a criticism of the wider definition of recipient unit.

current personal income) is inappropriate if one considers his life cycle income stream and assesses financial hardship according to some life cycle criterion. The real question is: should one be analyzing poverty from a life cycle perspective? The fact that someone currently over 65 had a high average income for most of his life is somewhat academic if his current income is below subsistence level. He may have been profligate in not being able to save enough for his retirement but he is still a problem! It would, nevertheless, be of value to assess the extent of hardship on both bases, recognizing that income flow problems do make poverty assessment on the basis of current income not only respectable but compelling. The outstanding difficulty is that lifetime income records are and will remain for some time unavailable.

There is a related problem which is very troublesome. It appears that there is a substantial number of low income families with significant assets.<sup>8</sup> The available evidence is limited but ratios of net worth to income deficit (the amount by which family income is below the cutoff) based on the 1969 Statistics Canada SCF (assets and debts survey) are suggestive. Table 1 gives the percentage distribution of unattached individuals and family units by net worth-income deficit ratios. From this table, one can infer the length of time net worth can be used to compensate for income deficiency. A large number of low income families (44.1 per cent) can cover their income

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8 Oja and Love, *op. cit.*, p. 120. Of course, if one were to include the present value of assets with current income, one would have to define different LICOs from those that are presently used in respect to money income. See R. Love and G. Oja, "Low Income in Canada", *The Journal of International Income and Wealth*, Series 23, No. 1, March 1977, p. 47.

deficits for five or more years if they liquidate their assets. In the majority of cases, this appears to involve selling the family home. In 1969, 62.7 per cent of families in the low income population owned homes; 31.8 per cent still had mortgages outstanding (see Table 2 for further details). While much of the average low income family's net asset position is attributable to home ownership equity,<sup>9</sup> the average low income family still appears to hold significant amounts of other assets; for example, almost 80 per cent of the families owned automobiles.

Table 1

THE DISTRIBUTION OF LOW INCOME UNATTACHED  
INDIVIDUALS AND FAMILIES BY NET WORTH-  
INCOME DEFICIT RATIOS, CANADA, 1969  
(%)

Net Worth-Income Deficit Ratio	Unattached Individuals	Families of 2 or more
1 or less	50.7	37.9
1 - 2	5.3	6.5
2 - 3	4.0	4.6
3 - 4	2.9	3.9
4 - 5	2.5	3.0
5 or more	34.6	44.1
Total	100.0	100.0

Source: G. Oja and R. Love, "Canadian Low Income Statistics",  
Canadian Statistical Review, Statistics Canada, Cat.  
No. 11-003, Monthly, January 1976, p. 120.

<sup>9</sup> Oja and Love calculate that the ratio of home ownership equity to net worth for individuals with low incomes in both 1968 and 1969 (a measure of the "persistently poor") is 71.0 per cent.



Table 2

FINANCIAL CHARACTERISTICS OF LOW INCOME UNATTACHED  
INDIVIDUALS AND FAMILIES, CANADA, 1969

Financial Characteristic	Unattached Individuals	Families of 2 or more
1. (a) Average assets	\$8,634	\$20,413
(b) % with assets	89.4	98.2
2. (a) Average debt	\$ 692	\$ 4,119
(b) % with debt	36.9	72.4
3. (a) Average value of home	\$3,523	\$12,005
(b) % owning home	24.1	62.7
(c) Average mortgage outstanding	\$ 266	\$ 2,818
(d) % with mortgage outstanding	3.9	31.8

Source: G. Oja and R. Love, "Canadian Low Income Statistics", Canadian Statistical Review, Statistics Canada, Cat. No. 11-003, Monthly, January 1976, extracted from Table 6, p. 127.

If income was defined broadly enough to include imputed rental income from the ownership of a home and imputed services from ownership of an automobile, the use of an income criterion would be less subject to reservation. The definition of total income used, however, is "money income received during the previous year from the following sources: wages and salaries, net income from self-employment, investment income, government transfer payments and other miscellaneous income".<sup>10</sup> The exclusion of imputed income from wealth results in an upward bias in the number of poor. Thus, to the extent that imputed income is an important component, our results overestimate the number of families in poverty. It is small consolation that almost all studies of poverty suffer from the

<sup>10</sup> Oja and Love, *ibid*, pp. 121-122.



same problem (because of data limitations). One possible strategy for future work in this area is to use expenditure data to measure command over resources. Current expenditure may be superior to current income as an indicator of lifetime income.<sup>11</sup>

The third problem concerns the choice of poverty measure. Some mention of this was made in the introduction. A large number of measures have been suggested. They can be roughly categorized as (a) *relative or quasi-relative measures*, according to which a fixed percentage of the population is (always) poor - a purely relative definition - or a percentage of the population below some fixed percentage of the median income is (always) poor - a quasi-relative definition - or (b) *absolute measures*, according to which threshold levels of income based on some notion of necessary expenditure determine the percentage of the population to be regarded as poor. The choice of one type over the other depends upon one's underlying theory of poverty. A common relative measure is the lowest quintile. A common absolute measure is the low income cutoff. Each has its uses but a low income cutoff is superior if one's notion of poverty is related to ideas of minimally necessary expenditure (however arbitrary these may be). The compelling reason for use of a modified version of Statistics Canada LICOs in our case is their status as operational standards on the basis of which various policy decisions are made.

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11 The rationale here is similar to that used by proponents of the expenditure tax.

The LICOs used in this study are given in Table 3. These values are derived from revised values of the 1969 LICOs; the revision reflects the full increase in the CPI over the period. The 1969 LICOs were obtained in the following way. Using a sample of 15,000 family unit observations from the 1969 FAMEX survey, an equation relating family expenditures on food, shelter and clothing to family income and dummy variables for (a) size of place of residence, (b) region and (c) family size was estimated. The LICO values were given by the income levels corresponding to expenditure on food, shelter and clothing to income ratios of 62 per cent.<sup>12</sup> In this paper, we use LICOs differentiated only by size of family: we are therefore using what we designate as "Canada average" LICOs for various family sizes. The 1971 and 1975 figures were calculated by adjusting the 1969 LICOs to accommodate the full change in the CPI over the relevant periods.<sup>13</sup>

One could choose to use a LICO undifferentiated by family size if one took the "human capitalist" view that family size is the result of a rational choice made by parents. A larger family, on that basis, will have larger minimally

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12 Further details of the procedure are described in "Revision of Low Income Cutoffs", Consumer Income and Expenditure Division, Statistics Canada, *op. cit.*

13 The 1975 LICOs by population of place of residence are given in *Income Distributions by Size in Canada*, Statistics Canada, Cat. No. 13-207, Annual, 1975, p. 19. The "Canada average" cutoffs we have designated correspond to the LICOs for places of residence with a population between 30,000 and 99,999. We estimated the "Canada average" cutoffs for 1971, using the Statistics Canada 1969 LICOs as a point of departure.

necessary expenditures but these may be compensated for by non-pecuniary benefits of the alternative arrangement. Most researchers advocate differentiation by family size; they reject the view that family size (indeed, marriage) is the result of rational economic choice.<sup>14</sup>

Table 3

LOW INCOME CUTOFFS FOR FAMILY UNITS BY  
SIZE OF FAMILY, CANADA, 1971 AND 1975<sup>1</sup>  
(\$)

Size of Family Unit	LICOs	
	1971	1975
1	2,512	3,481
2	3,641	5,046
3	4,647	6,437
4	5,526	7,655
5	6,178	8,558
6	6,781	9,396
7+	7,435	10,301

1 Statistics Canada's published LICOs have the extra dimension of size of place of residence. Our cutoffs (the "Canada average" cutoffs) correspond to a size of place of residence of 30,000 to 99,999.

Source: *Income Distributions by Size in Canada*, Statistics Canada, Cat. No. 13-207, Annual, 1975, p. 19 (for the 1975 values) and calculations by the authors (for the 1971 values).

In this section, we have examined three choices implicit in this analysis. First, we chose the family as the unit of analysis. Second, we chose (or were forced to choose)

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14 See *The Measure of Poverty*, *op. cit.*, p. 25. We are not wholly convinced that the majority opinion is correct, but since larger families have larger minimally necessary expenditures and one cannot reliably measure the non-pecuniary advantages of larger families (for example, economies of scale) we have taken the normal route.

an income criterion. Third, we chose low income thresholds (updated to fully reflect changes in the CPI) indexed by family size as our poverty measures. We indicated the advantages and disadvantages of the alternatives to our choices; in addition, we stated our reservations. One major problem is the lack of comprehensiveness of the income definition: imputed income from the holding of assets is not included in total family income and this results in a downward bias in average income of those in the low income population and an upward bias in the number of families judged to be poor. This bias (which is unfortunately all too common in studies of poverty) should be taken into account in determining the strictness of the correspondence between the poor and those individuals with low incomes.



### Section 3: Characteristics of the Low Income Population

In this section, we attempt to describe the identifying characteristics of those individuals with low incomes. The time frame is the 1971 through 1975 period; our computations are made on the basis of specially-tabulated data from the 1971 and 1975 Surveys of Consumer Finances undertaken by Statistics Canada. One major policy change relevant to our work on data from this period was the introduction of the Unemployment Insurance Act in 1972: income support provided by unemployment insurance is described in Section 4. In this section we are interested in the following types of characteristics of the low income population: (1) family unit type (whether unattached individual or family of two or more), (2) labour market status of family members and (3) age and sex characteristics of family heads. In Section 4, we shall describe family income and earnings characteristics and details of government income support through transfer payments (including through unemployment insurance). Appendix I provides detailed tables (for 1971 and 1975) showing the labour market status and incomes for all family units and for family units below the low income cutoffs, with these units disaggregated by age of head, sex of head and family unit size.

A simple examination of family unit type is quite revealing. The percentages of all family units below the LICOs in 1971 and 1975 are 25.7 and 19.7: *over the period 1971-75, thus, there has been a noticeable decrease in the relative size of the low income population.* Both in 1971 and 1975, the

proportion of unattached individuals in the low income population (42.4 and 54.9 per cent, respectively) were far greater than the corresponding proportion of unattached individuals among all family units (25.4 and 28.1 per cent, respectively). Over the period, the proportion of unattached individuals in the low income population rose dramatically: *in 1975, unattached individuals accounted for the majority of family units in the low income population (54.9 per cent, almost double the proportion of unattached individuals in all family units).* Details are given in Table 4.

Table 4

UNATTACHED INDIVIDUALS AND FAMILIES OF TWO OR MORE AS A PERCENTAGE  
OF ALL FAMILY UNITS AND OF ALL FAMILY UNITS BELOW THE LOW INCOME  
CUTOFF, RESPECTIVELY, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>All Family Units</u>	100.0	100.0
- Unattached individuals	25.4	28.1
- Families of 2 or more	74.6	71.9
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Unattached individuals	42.4	54.9
- Families of 2 or more	57.6	45.1
<u>% of All Family Units Below the Low Income Cutoff</u>	25.7	19.7

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

Family units can be divided into three groups: (1) family units with no members in the labour force (non-participant family units), (2) family units with members in the labour force but with no members experiencing unemployment (participant family units with no unemployment) and (3) family units

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with members in the labour force but with some members experiencing unemployment (participant family units with unemployment).<sup>15</sup> We can now examine the proportions of each of these three groups in the low income population. Table 5 indicates that non-participant family units is the largest of the three groups in the low income population in both years. In 1975, in fact, non-participant family units account for the majority of family units in the low income population. Participant family units with no unemployment is the largest group in all family units accounting, in both years, for over 57 per cent. Interestingly, participant family units with unemployment account for only 22.1 per cent of the low income population in 1971 and this proportion drops to 17.0 per cent in 1975; of all family units, participant low income family units with unemployment accounted for only 5.7 per cent in 1971 and 3.4 per cent in 1975.

The last sentence conveys a very important message: *unemployment is not associated with low family income, or poverty, in the majority of cases (for the years we have analyzed). An identification of the low family income population with the unemployed is not appropriate in our view.*

We have examined both family unit size and labour market status characteristics separately. We find that the majority of family units in the low income population are

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15 The labels given by the bracketed terms are used as identifiers. They do not represent official Statistics Canada terms.



unattached individuals and also that a significant proportion of the low income population are non-participant family units. We now try to answer the question: for the low income population, what is the division between unattached individuals and families of two or more across the three labour market status categories?

Table 5

LABOUR MARKET STATUS OF ALL FAMILY UNITS AND OF FAMILY UNITS IN THE  
LOW INCOME POPULATION, RESPECTIVELY, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>All Family Units</u>	100.0	100.0
- Non-participant family units	15.6	17.6
- Participant family units with no unemployment	64.1	60.9
- Participant family units with unemployment	20.3	21.5
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Non-participant family units	44.6	55.3
- Participant family units with no unemployment	33.3	27.7
- Participant family units with unemployment	22.1	17.0

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

In Table 6, we can see that unattached individuals in non-participant family units accounted for 26.2 per cent of the entire low income population in 1971 and 37.4 per cent in 1975. Of the six subgroups in Table 6, this was the largest (dramatically so in 1975). Unattached individuals in participant family units with unemployment in 1975 accounted for only 5.5 per cent of the total low income population. *For almost 40 per cent of our sample of low income family units in 1975, non-participation of unattached individuals, not unemployment, was the rule.*

Table 6

LABOUR MARKET STATUS BY FAMILY UNIT SIZE IN THE LOW  
INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Non-participant family units		
(a) Unattached individuals	26.2	37.4
(b) Families of 2 or more	18.4	17.9
- Participant family units with no unemployment		
(a) Unattached individuals	10.2	11.9
(b) Families of 2 or more	23.1	15.7
- Participant family units with unemployment		
(a) Unattached individuals	6.0	5.5
(b) Families of 2 or more	16.1	11.5

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

The age characteristics of family heads give us a yet more detailed picture of the low income population. Table 7 clearly indicates that, in both years, a higher proportion of family heads in the low income population were under 25 years, or 65 years and over, than in the general population. In fact, the proportion aged 65 years and over in the low income population was roughly double that in all families. It is interesting to see the concordance between age of head and labour market status in the low income population. Table 7 tells us that 31.5 per cent of all family units in the low income population had family heads aged 65 years or over in 1971 and that 36.1 per cent had family heads aged 65 years or over in 1975. Table 8 tells us that fully 27.4 per cent of family heads aged 65

Table 7

AGE OF HEAD CHARACTERISTICS OF ALL FAMILY UNITS AND OF FAMILY UNITS  
IN THE LOW INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>All Family Units</u>	100.0	100.0
(Less than 25)	10.7	10.9
(25 - 54)	59.1	58.4
(55 - 64)	14.6	13.7
(65 or over)	15.6	17.0
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
(Less than 25)	14.0	15.2
(25 - 54)	40.7	35.1
(55 - 64)	13.9	13.6
(65 or over)	31.5	36.1

Source: Statistics Canada (Surveys of Consumer Finances) and estimates  
by the authors.

Table 8

LABOUR MARKET STATUS BY AGE OF HEAD CHARACTERISTICS IN  
THE LOW INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Non-participant family units		
(Less than 25)	3.5	3.1
(25 - 54)	8.5	10.6
(55 - 64)	5.3	8.1
(65 or over)	27.4	33.5
- Participant family units with no unemployment		
(Less than 25)	5.6	7.2
(25 - 54)	19.4	14.5
(55 - 64)	5.5	3.9
(65 or over)	2.8	2.1
- Participant family units with unemployment		
(Less than 25)	4.9	4.9
(25 - 54)	12.8	10.1
(55 - 64)	3.1	1.6
(65 or over)	1.3	0.5

Source: Statistics Canada (Surveys of Consumer Finances) and estimates  
by the authors.

years or over in the 1971 low income population were non-participants and 33.5 per cent of the 1975 low income population were non-participants. This should not come as a surprise; it confirms the generally held view that *a significant proportion (about 36 per cent in 1975) of low income family units have heads aged 65 years and over and that almost all of these older family units (93 per cent in 1975) are non-participants.*

Female-headed family units are disproportionately represented in the low income population (Table 9). In 1975, close to one half of the family units (47.4 per cent) in the low income population were headed by females even though females headed only 21.4 per cent of all family units. Table 10 reveals that in 1971 male-headed non-participant family units and female-headed non-participant family units accounted for roughly the same proportions of the low income population; but, in 1975, female-headed non-participant family units accounted for approximately 10 percentage points more.

Table 9

SEX OF HEAD CHARACTERISTICS OF ALL FAMILY UNITS AND OF FAMILY UNITS  
IN THE LOW INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>All Family Units</u>	100.0	100.0
- Male head	81.4	78.7
- Female head	18.6	21.4
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Male head	64.9	52.7
- Female head	35.0	47.4

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.



Table 10

LABOUR MARKET STATUS BY SEX OF HEAD CHARACTERISTICS FOR ALL FAMILY UNITS  
AND FOR THE LOW INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>All Family Units</u>	100.0	100.0
- Non-participant family units		
(a) Male head	8.3	8.9
(b) Female head	7.3	8.7
- Participant family units with no unemployment		
(a) Male head	55.1	51.1
(b) Female head	9.0	9.8
- Participant family units with unemployment		
(a) Male head	18.0	18.7
(b) Female head	2.3	2.9
<u>Family Units Below the Low Income Cutoff</u>	100.0	100.0
- Non-participant family units		
(a) Male head	22.1	22.8
(b) Female head	22.4	32.6
- Participant family units with no unemployment		
(a) Male head	25.2	17.9
(b) Female head	8.1	9.7
- Participant family units with unemployment		
(a) Male head	17.6	12.0
(b) Female head	4.5	5.1

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

We now have a detailed picture of some of the identifying characteristics of the low income population. It is useful, however, to stand back and try to put the picture in perspective. Table 11 sets out the components of the low income population, indexing labour market status by family size and sex of head. An even more useful way of looking at the data is to examine the situation existing in 1975 and to summarize the most important characteristics of the low income population.

The first basic fact is that about one-fifth (19.7 per cent) of all families were below the LICOs. Second, over half (55.3 per cent) of those under the LICOs were non-participant family units and the majority of these (37.4 per cent of the entire low income population) were unattached individuals. Thus, nearly 40 per cent of the low income population were non-participating unattached individuals. The remainder of the low income population (62.6 per cent, to be exact) was divided among (a) non-participating families of two or more (17.9 per cent), (b) participating unattached individuals (17.4 per cent) and (c) participating families of two or more, with or without unemployment (27.2 per cent). Third, family heads of non-participant family units in the low income population were likely to be aged 65 years or over (about 60 per cent were in 1975). In fact, 36.1 per cent of low income family units have heads aged 65 years or over. Finally, in the majority of cases, unemployment is not associated with low family income. The importance of this point cannot be overemphasized. Financial hardship (being below the low income cutoff) and unemployment are sometimes concomitant (for 17 per cent of the low income population) but they really are distinct problems for the majority of low income family units (83 per cent).

Table 11

COMPONENTS OF THE LOW INCOME POPULATION, CATEGORIZED BY  
LABOUR MARKET STATUS, FAMILY UNIT SIZE AND  
SEX OF HEAD, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>Non-Participant Family Units</u>		
- Unattached individuals		
(a) Male head	9.5	11.4
(b) Female head	16.7	26.1
- Families of 2 or more		
(a) Male head	12.6	11.4
(b) Female head	5.8	6.5
<u>Participant Family Units With No Unemployment</u>		
- Unattached individuals		
(a) Male head	4.5	5.2
(b) Female head	5.7	6.7
- Families of 2 or more		
(a) Male head	20.7	12.7
(b) Female head	2.4	3.0
<u>Participant Family Units With Unemployment</u>		
- Unattached individuals		
(a) Male head	3.6	3.1
(b) Female head	2.4	2.4
- Families of 2 or more		
(a) Male head	14.0	8.9
(b) Female head	2.1	2.6
Total Family Units Below the Low Income Cutoff	100.0	100.0

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

#### Section 4: Government Support of the Low Income Population

In this section, we attempt to describe details of government income support provided to family units in the low income population. We also present some background information on income and earnings characteristics of low income population family units. We also undertake the hypothetical exercise of attempting to assess the additional numbers of families who would find themselves in the low income population if they did not receive income support through unemployment insurance.

Federal government income support to low income individuals is mainly provided indirectly through payments made in accordance with (a) the Canada and Quebec Pension Plans, (b) the Old Age Security and Guaranteed Income Supplement programs, (c) the Family Allowance program and (d) the Unemployment Insurance program. Income support *per se* is not necessarily the principal objective of these programs. It is, however, one of the multiple aims of the Unemployment Insurance Act, for example, to provide income support. Regardless of intent, income from these programs provides support for individuals in the low income population. What we call the "transfer income" of a family unit is simply the sum of a family unit's income receipts from these programs and from social assistance payments made under the Canada Assistance Program.

Table 12 gives average income figures for family units in the low income population in 1971 and 1975. It should be no surprise that unattached individuals have lower incomes on average than families of two or more: the LICOs are



differentiated by family size, increasing with the number of the family members. What is interesting is that *low income participant family units with unemployment of some family members had higher average incomes than low income participant family units with no unemployment in 1975.*

Table 12

AVERAGE INCOME OF FAMILY UNITS IN THE LOW INCOME POPULATION BY LABOUR MARKET STATUS AND FAMILY UNIT SIZE, CANADA, 1971 AND 1975

	1971 \$	1975 \$
<u>Non-Participant Family Units</u>		
(a) Unattached individuals	1,274	2,146
(b) Families of 2 or more	2,596	3,738
<u>Participant Family Units With No Unemployment</u>		
(a) Unattached individuals	1,193	1,748
(b) Families of 2 or more	3,589	4,747
<u>Participant Family Units With Unemployment</u>		
(a) Unattached individuals	1,272	1,976
(b) Families of 2 or more	3,568	5,082

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

This phenomenon could, of course, be due to differences in the earnings portion of total income, in the unearned component, or in both (for the low income population, the major source of unearned income is government transfers). We turn our attention now to finding which of these possibilities is responsible for the observed phenomenon.

In Table 13, average family earnings in both types of participant family units are detailed for the low income population. Non-participant family units, by definition, have no

earnings from work. Table 13 distinguishes between male- and female-headed family units and between unattached individuals and families of two or more. In both years, families of two or more with no unemployment had higher average earnings than families with some members experiencing unemployment. Average earnings of unattached individuals were comparable for both groups; but, for all family units in the two participant classes, a clear pattern emerges. Low income family units participating in the labour force and experiencing no unemployment had higher average earnings than low income family units participating in the labour force and experiencing some unemployment. Therefore, one cannot attribute the difference in average family unit income between the two groups to higher average family unit earnings in participating family units with unemployment - just the contrary. We must turn to differential transfer income for an explanation.

As one would guess, on the basis of the evidence in Table 13, *the average transfer income of low income family units participating in the labour force and experiencing some unemployment exceeds that of low income family units participating in the labour force and experiencing no unemployment.* Table 14 reveals, in fact, that in 1975 average transfer income of the former group was over double that of the latter group. All things being equal, *the main reason* participating family units experiencing some unemployment receive on average higher transfers than participating family units experiencing no unemployment is simply the fact that the former group may receive

unemployment insurance benefits whereas the latter group does not (except possibly for sickness, maternity, and retirement benefits).

Table 13

AVERAGE EARNINGS OF FAMILY UNITS IN THE LOW INCOME POPULATION BY LABOUR MARKET STATUS, FAMILY UNIT SIZE AND SEX OF HEAD, CANADA, 1971 AND 1975

	1971 \$	1975 \$
<u>Participant Family Units With No Unemployment</u>		
(a) Unattached individuals		
(i) Male head	840	1,279
(ii) Female head	988	1,335
(b) Families of 2 or more		
(i) Male head	2,799	3,521
(ii) Female head	1,669	2,134
(c) Total	2,173	2,417
<u>Participant Family Units With Unemployment</u>		
(a) Unattached individuals		
(i) Male head	961	1,272
(ii) Female head	933	1,364
(b) Families of 2 or more		
(i) Male head	2,598	2,831
(ii) Female head	1,069	1,662
(c) Total	2,009	2,164

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

Table 14

AVERAGE TRANSFER INCOME OF FAMILY UNITS IN THE LOW INCOME POPULATION BY LABOUR MARKET STATUS, CANADA, 1971 AND 1975

	1971 \$	1975 \$
Non-Participant Family Units	1,531	2,371
Participant Family Units With No Unemployment	470	833
Participant Family Units With Unemployment	836	1,823

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.



An interesting situation becomes apparent. *Low income family units with employed earners are often in a relatively less advantageous financial position than low income family units with some unemployed members; the reason for this is simply the higher transfer income support available to the latter group (primarily through unemployment insurance benefits).*

An earlier discussion paper by one of the present authors made the point, *inter alia*, that unemployment insurance provides protection to those family units with low income due to unemployment but it accomplishes this objective in a manner that might not be considered equitable.<sup>16</sup> We have seen evidence of the income support provided by transfers (particularly, unemployment insurance) to family units in the low income population. Table 15, however, shows that the bulk of unemployment insurance benefits are received by family units with incomes above the LICOs.<sup>17</sup> In 1971, only 23.8 per cent of total unemployment insurance benefits were paid to family units in the low income population; in 1975, only 11.8 per cent of total benefits were paid to low income family units. *Almost 90 per cent of unemployment insurance benefits paid in 1975, then, were received by family units with incomes in excess of the low income thresholds.*

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16 J.E. Cloutier, "The Distribution of Benefits and Costs of Social Security in Canada, 1971-1975", Economic Council of Canada, Discussion Paper No. 108, February 1978, p. 46.

17 It should be noted that reconciliation estimates indicate that the Survey of Consumer Finances covered about 40 per cent of all relevant UI benefits in 1971, and about 70 per cent in 1975.



Table 15

PERCENTAGES OF TOTAL UNEMPLOYMENT INSURANCE BENEFITS PAID TO FAMILY  
UNITS IN THE LOW INCOME POPULATION, CANADA, 1971 AND 1975  
(%)

	1971	1975
<u>Family Units With Unemployment Below the Low Income Cutoff</u>	23.8	11.8
- Unattached individuals		
(a) Male head	1.9	1.1
(b) Female head	0.9	0.7
- Families of 2 or more		
(a) Male head	19.8	9.2
(b) Female head	1.2	0.8

Source: Statistics Canada (Surveys of Consumer Finances) and estimates  
by the authors.

These facts give rise to the following question: how many family units would find themselves below the LICOs if they did not receive income support through unemployment insurance? Data for 1975 were used to answer this question; the computational procedure is outlined in Appendix II. Table 16 shows that the absence of the income support provided by unemployment insurance would result in an increase of 6.7 percentage points in the proportion of all family units with unemployment who fall below the low income cutoffs (i.e. from 15.6 per cent to 22.3 per cent). This is a significant increase (about 110,000 family units) in the pool of family units with both unemployment and low incomes. It is not, however, as significant an increase when examined in relation to all low income family units. As a proportion of all family units, it represents an increase of only 1.4 percentage points in the low income

population.<sup>18</sup> Thus, unemployment insurance keeps a significant number of family units with unemployed members out of the low income population; however, since unemployment and low income are not highly correlated, it has only a small overall effect on the size of the low income population.

Table 16

INCREASE IN THE PROPORTION OF LOW INCOME FAMILY UNITS AMONG FAMILY UNITS EXPERIENCING UNEMPLOYMENT AS A RESULT OF THE ABSENCE OF INCOME SUPPORT THROUGH UNEMPLOYMENT INSURANCE BENEFITS, CANADA, 1975

	Low Income Family Units With Unemployment as a Percentage of All Family Units With Unemployment	Increase in the Percentage in the Absence of UI Benefits
Total	15.6	6.7
- Unattached individuals		
(a) Male head	2.9	1.3
(b) Female head	2.2	.8
- Families of 2 or more		
(a) Male head	8.1	4.1
(b) Female head	2.4	.6

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

It is perhaps useful to summarize the results of our analysis. Our first observation was that participant low income family units with unemployment fare better in comparison

18 In 1975, about 21.5 per cent of all family units were family units with unemployment. Of family units with unemployment, 15.6 per cent were below the LICOs. An increase of 42.9 per cent (from 15.6 per cent to 22.3 per cent of all family units with unemployment) in the number of family units with unemployment and below the LICOs translates into an increase of 1.4 per cent in the proportion in all family units of those with low incomes. (A quick verification is obtained by multiplying 0.215 by 0.156 by 0.429.)

to participant low income family units with no unemployment. The latter group was found to have higher average earnings than the former group; the difference, therefore, had to be accounted for in terms of non-labour income. We found that the average transfer income of participant family units with unemployment exceeds that of participant family units with no unemployment. Families with unemployed members may receive unemployment insurance benefits whereas family units with no unemployed members are (generally) ineligible for benefits. Unemployment insurance does appear, therefore, to provide protection to family units with low incomes and unemployment. It accomplishes this objective despite the fact that the distribution of benefits is not over-loaded at the bottom end of the income scale. In 1975, in fact, almost 90 per cent of benefits were received by family units with incomes in excess of the low income thresholds. In the absence of income support provided to family units by unemployment insurance benefits, an additional 1.4 per cent of all family units would find themselves in the low income population. Once again, we see evidence of the fact that unemployment and low income are not highly correlated.

## Section 5: Conclusion

Identification of the low income population and assessment of the income support it receives through government social security programs are the objectives of this paper. A certain amount of caution should be taken in interpreting the results of the analysis. Poverty, we know, means different things to different people: association of the poor and those who appear in the arbitrarily-defined low income population is somewhat problematic. Nevertheless, characteristics of the low income population are interesting in their own right and we hope they will shed light on the 'plight of the poor'.

Using a modified version of the Statistics Canada LICOs, we found that about 25 per cent of the family units (surveyed by the SCF) were in the low income population in 1971 and about 20 per cent appeared in 1975. There was, then, a decline in the relative size of the low income population. But, there were also some dramatic changes in composition. The proportion of unattached individuals rose notably: in 1975, they represented almost 55 per cent of the low income population. Further, among low income family units, family units with no one in the labour force exceeded those with a labour force attachment in 1975 (the opposite was the case in 1971). Finally, there was a decline in the proportion of the low income population accounted for by participant family units with unemployment: in 1975, only about 17 per cent of the low income population fell into this category (relative to about 22 per cent in 1971).



It is safe to conclude that one cannot say that unemployment is the major reason for low income (at least on the basis of our statistical evidence). If anything, having a low income is associated, to some extent, with not having any family members in the labour force. About three out of eight low income family units in 1975 were non-participating unattached individuals; it should be noted that many of the non-participant family units were headed by individuals who are 65 years and over. Being in a female-headed family unit is also often associated with having a low family unit income; female-headed units are disproportionately represented among low income family units (in 1975, 47.5 per cent of low income family units were female-headed, compared with 21.4 per cent in the population as a whole).

Thus, financial hardship is a problem found most commonly among older family units which do not participate in the labour market and among family units headed by women. The plight of the poor, in largest part, is not the plight of the unemployed. Financial hardship is not evenly spread over various groups; it is disproportionately concentrated in a small number of readily identifiable groups.

Government income support is somewhat unevenly distributed among those in the low income population. Participant family units with unemployment in 1975 received higher average incomes than participant family units with no unemployment. The reason for this is simply that the former group had higher average transfer income.

A striking fact is that, in 1975, almost 90 per cent of unemployment insurance benefits were received by family units outside the low income population. In the hypothetical absence of the income support provided by unemployment insurance, the proportion of low income family units among those experiencing unemployment would increase by nearly 7 percentage points. However, the impact of unemployment insurance benefits on the size of the low income population as a whole is relatively small; in 1975, only about 1.4 per cent of all family units were kept above the low income thresholds by these benefits. The reason for this is simply that the family units who would be added to the low income population would necessarily have both a relatively low income and some unemployed members; the fact that unemployment and low income are not highly correlated means that a fairly small proportion of family units afflicted by both would be added to the existing number when transfer incomes are reduced.

Poverty remains a problem in Canada, but our evidence seems to indicate that certain popular views of poverty are largely misleading. Poverty (as defined here) and unemployment are not coterminous. Both are considerable problems, but they are largely quite different problems. Poverty is not evenly distributed over family units (differentiated by the age and sex of head) but is heavily concentrated in certain types of family units. While the present package of income support programs is providing relief, this relief is not always concentrated at the lower end of the income spectrum. A comprehensive

direct income support program, such as a negative income tax scheme, would undoubtedly have a comparative advantage in reducing income disparities (if properly designed and administered); it does, however, have certain costs. There is a reason to believe, for example, that the working poor are likely to face an increased disincentive to work.<sup>19</sup> One must, therefore, be careful in looking for easy solutions to the problem. An imminent policy concern is sure to be the comparative efficiency of selective and universal social programs aimed at the poor. Our work indicates, we think, the need to look into this question in far greater depth.

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19 See, for example, M. Keeley, P. Robins, R. Spiegelman, and R. West, "An Interim Report on the Work Effort Effects and Costs of a Negative Income Tax, Using the Results of the Seattle and Denver Income Maintenance Experiments: A Summary", Research Memorandum 41, Centre for the Study of Welfare Policy, Stanford Research Institute (1977).

APPENDIX I



Table I-1

LABOUR MARKET STATUS AND INCOMES FOR ALL FAMILY UNITS AND FOR  
FAMILY UNITS BELOW THE LOW INCOME CUTOFF, BY AGE OF HEAD,  
SEX OF HEAD, AND FAMILY UNIT SIZE, CANADA, 1971

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff	
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup> Average Family Unit Income (Dollars)
1) Non-Participant Family Units				
Male-headed				
Unattached individuals				
less than 25 years	0.3	305	0.3 (1.3)	100.0
25-54	0.5	1,357	0.4 (1.6)	89.1
55-64	0.3	2,183	0.3 (1.1)	82.2
65 or more	1.9	2,686	1.4 (5.6)	73.4
Total	3.1	2,174	2.4 (9.5)	79.6
Families of 2 or more				
less than 25 years	0.04	2,061	0.04 (0.1)	84.6
25-54	0.4	3,440	0.4 (1.5)	89.0
55-64	0.6	4,248	0.4 (1.4)	65.3
65 or more	4.2	4,556	2.4 (9.5)	57.8
Total	5.3	4,409	3.2 (12.6)	61.5
Total for male-headed family units				
less than 25 years	0.4	505	0.4 (1.4)	98.2
25-54	0.9	2,367	0.8 (3.2)	89.0
55-64	0.9	3,481	0.6 (2.5)	71.6
65 or more	6.2	3,965	3.9 (15.0)	62.7
Total	8.3	3,584	5.7 (22.1)	68.1
Female-headed				
Unattached individuals				
less than 25 years	0.3	282	0.3 (1.3)	100.0
25-54	0.5	1,119	0.4 (1.7)	88.8
55-64	0.8	2,213	0.6 (2.4)	72.3
65 or more	3.8	2,314	2.9 (11.4)	75.9
Total	5.5	2,074	4.3 (16.7)	77.9
Families of 2 or more				
less than 25 years	0.2	1,471	0.2 (0.8)	100.0
25-54	1.0	2,745	0.9 (3.6)	93.6
55-64	0.1	2,448	0.1 (0.4)	80.9
65 or more	0.4	4,499	0.2 (1.0)	56.8
Total	1.8	3,014	1.5 (5.8)	84.4
Total for female-headed family units				
less than 25 years	0.2	1,471	0.2 (0.8)	100.0
25-54	1.0	2,745	0.9 (3.6)	93.6
55-64	0.1	2,448	0.1 (0.4)	80.9
65 or more	0.4	4,499	0.2 (1.0)	56.8
Total	1.8	3,014	1.5 (5.8)	84.4

Table I-1 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		Average Family Unit Income (Dollars)
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	
1) Non-Participant Family Units (Con't)					
Total for female-headed family units					
less than 25 years	0.5	735	0.5 (2.0)	100.0	735
25-54	1.5	2,217	1.4 (5.3)	92.1	1,904
55-64	1.0	2,243	0.7 (2.8)	73.4	1,114
65 or more	4.3	2,536	3.2 (12.3)	74.0	1,645
Total	7.3	2,302	5.8 (22.4)	79.5	1,558
Total, unattached individuals					
less than 25 years	0.7	294	0.7 (2.5)	100.0	294
25-54	1.0	1,237	0.8 (3.3)	88.9	679
55-64	1.2	2,204	0.9 (3.4)	75.1	1,014
65 or more	5.8	2,439	4.3 (16.9)	75.1	1,590
Total	8.6	2,110	6.7 (26.2)	78.5	1,274
Total, families of 2 or more					
less than 25 years	0.2	1,573	0.2 (0.9)	97.3	1,485
25-54	1.4	2,960	1.3 (5.2)	92.2	2,581
55-64	0.7	3,925	0.5 (1.8)	68.1	2,022
65 or more	4.6	4,550	2.7 (10.4)	57.7	2,801
Total	7.0	4,060	4.7 (18.4)	67.2	2,596
Total, non-participant family units					
less than 25 years	0.9	640	0.9 (3.5)	99.3	610
25-54	2.4	2,274	2.2 (8.5)	90.9	1,841
55-64	1.9	2,840	1.4 (5.3)	72.5	1,364
65 or more	10.4	3,379	7.0 (27.4)	67.4	2,052
Total	15.6	2,988	11.5 (44.6)	73.4	1,819
2) Participant Family Units With No Unemployment					
Male-headed					
Unattached individuals					
less than 25 years	1.9	4,758	0.5 (1.9)	24.9	989
25-54	3.6	8,121	0.4 (1.4)	10.3	1,132
55-64	1.1	6,775	0.2 (0.7)	17.0	1,006
65 or more	0.4	5,823	0.1 (0.5)	28.4	1,686
Total	7.1	6,863	1.2 (4.5)	16.3	1,109
Families of 2 or more					
less than 25 years	2.9	9,101	0.3 (1.1)	9.6	3,050
25-54	35.4	12,140	3.8 (14.8)	10.7	3,922
55-64	7.2	12,156	0.8 (3.2)	11.6	2,811
65 or more	2.6	10,083	0.4 (1.7)	16.3	3,020
Total	48.0	11,847	5.3 (20.7)	11.1	3,631

Table 1-1 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	Average Family Unit Income (Dollars)
2) Participant Family Units With No Unemployment (Con't)					
Total for male-headed family units					
less than 25 years	4.8	7,374	0.8 (2.9)	11.7	1,751
25-54	39.0	11,766	4.2 (16.2)	10.7	3,673
55-64	8.3	11,444	1.0 (4.0)	12.3	2,482
65 or more	3.0	9,500	0.5 (2.1)	18.0	2,732
Total	55.1	11,208	6.5 (25.2)	11.8	3,183
Female-headed					
Unattached individuals					
less than 25 years	1.9	3,510	0.6 (2.6)	35.4	1,212
25-54	3.0	6,065	0.4 (1.6)	13.8	1,107
55-64	1.2	5,376	0.3 (1.1)	24.1	1,412
65 or more	0.4	4,177	0.1 (0.4)	26.5	1,780
Total	6.4	5,091	1.5 (5.7)	22.6	1,259
Families of 2 or more					
less than 25 years	0.1	4,515	0.03 (0.1)	40.1	2,260
25-54	1.5	7,402	0.4 (1.6)	28.1	3,435
55-64	0.4	7,926	0.1 (0.4)	24.4	2,932
65 or more	0.6	9,660	0.1 (0.3)	12.8	2,916
Total	2.6	7,971	0.6 (2.4)	24.0	3,231
Total for female-headed family units					
less than 25 years	1.9	3,546	0.7 (2.7)	35.5	1,254
25-54	4.5	6,499	0.8 (3.2)	18.4	2,258
55-64	1.6	6,054	0.4 (1.5)	24.2	1,821
65 or more	1.0	7,652	0.2 (0.7)	17.8	2,296
Total	9.0	5,918	2.1 (8.1)	23.0	1,849
Total, unattached individuals					
less than 25 years	3.8	4,143	1.1 (4.4)	30.0	1,119
25-54	6.7	7,185	0.8 (3.1)	11.9	1,119
55-64	2.3	6,049	0.5 (1.8)	20.7	1,251
65 or more	0.8	5,044	0.2 (0.8)	27.5	1,729
Total	13.5	6,018	2.6 (10.2)	19.3	1,193
Total, families of 2 or more					
less than 25 years	3.0	8,996	0.3 (1.2)	10.3	2,980
25-54	36.8	11,952	4.2 (16.3)	11.4	3,875
55-64	7.6	11,918	0.9 (3.6)	12.3	2,825
65 or more	3.3	9,999	0.5 (2.0)	15.6	3,003
Total	50.6	11,648	6.0 (23.2)	11.8	3,589

Table I-1 (Con't)

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Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff	
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup> Average Family Unit Income (Dollars)
2) Participant Family Units With No Unemployment (Con't)				
Total, participant family units with no unemployment				
less than 25 years	6.8	6,280	1.4 (5.6)	21.4
25-54	43.5	11,222	5.0 (19.4)	11.5
55-64	9.9	10,567	1.4 (5.5)	14.3
65 or more	4.0	9,036	0.7 (2.8)	17.9
Total	64.1	10,463	8.6 (33.3)	13.4
				1,515
				3,438
				2,300
				2,623
				2,858
3) Participant Family Units With Unemployment				
Male-headed				
Unattached individuals				
less than 25 years	0.8	3,096	0.4 (1.5)	45.0
25-54	1.1	4,315	0.4 (1.6)	35.4
55-64	0.2	3,537	0.1 (0.5)	56.4
65 or more	0.1	4,002	0.01 (0.1)	24.6
Total	2.3	3,772	0.9 (3.6)	40.8
				1,222
				1,377
				1,346
				2,162
				1,320
Families of 2 or more				
less than 25 years	1.6	6,878	0.4 (1.7)	28.6
25-54	11.1	10,141	2.4 (9.3)	21.4
55-64	2.3	10,080	0.5 (2.1)	23.3
65 or more	0.8	7,593	0.2 (1.0)	29.2
Total	15.8	9,672	3.6 (14.0)	22.8
				3,315
				3,829
				3,274
				3,530
				3,663
Total for male-headed family units				
less than 25 years	2.4	5,552	0.8 (3.2)	34.4
25-54	12.2	9,600	2.8 (10.8)	22.7
55-64	2.5	9,498	0.7 (2.5)	26.3
65 or more	0.9	7,386	0.3 (1.0)	28.9
Total	18.0	8,935	4.5 (17.6)	25.1
				2,353
				3,474
				2,906
				3,463
				3,187
Female-headed				
Unattached individuals				
less than 25 years	0.6	1,980	0.4 (1.5)	65.7
25-54	0.4	3,009	0.2 (0.7)	46.6
55-64	0.1	2,615	0.05 (0.2)	46.7
65 or more	0.1	3,631	0.02 (0.1)	42.9
Total	1.1	2,472	0.6 (2.4)	56.2
				1,156
				1,280
				1,079
				1,629
				1,202
Families of 2 or more				
less than 25 years	0.1	2,400	0.1 (0.2)	88.0
25-54	0.6	6,109	0.3 (1.2)	50.4
55-64	0.3	5,591	0.1 (0.4)	37.2
65 or more	0.2	7,346	0.1 (0.2)	29.6
Total	1.1	5,959	0.5 (2.1)	46.2
				1,950
				3,231
				2,725
				2,495
				2,924



Table I-1 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff	
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup> Average Family Unit Income (Dollars)
3) Participant Family Units With Unemployment (Con't)				
Total for female-headed family units				
less than 25 years	0.6	2,022	0.4 (1.7)	67.9 1,260
25-54	1.0	4,929	0.5 (1.9)	48.9 2,524
55-64	0.4	4,780	0.2 (0.6)	39.8 2,198
65 or more	0.2	6,487	0.1 (0.3)	32.7 2,232
Total	2.3	4,237	1.2 (4.5)	51.2 1,989
Total, unattached individuals				
less than 25 years	1.4	2,643	0.8 (2.9)	53.4 1,189
25-54	1.5	3,982	0.6 (2.3)	38.2 1,347
55-64	0.3	3,243	0.2 (0.7)	53.3 1,272
65 or more	0.1	3,817	0.04 (0.1)	33.8 1,824
Total	3.4	3,343	1.5 (6.0)	45.9 1,272
Total, families of 2 or more				
less than 25 years	1.6	6,699	0.5 (2.0)	31.0 3,160
25-54	11.7	9,924	2.7 (10.5)	23.0 3,758
55-64	2.5	9,590	0.6 (2.5)	24.8 3,185
65 or more	1.0	7,552	0.3 (1.2)	29.3 3,354
Total	16.9	9,420	4.1 (16.1)	24.4 3,568
Total, participant family units with unemployment				
less than 25 years	3.0	4,810	1.3 (4.9)	41.4 1,976
25-54	13.3	9,240	3.3 (12.8)	24.7 3,330
55-64	2.9	8,871	0.8 (3.1)	28.1 2,773
65 or more	1.1	7,207	0.3 (1.3)	29.7 3,194
Total	20.3	8,410	5.7 (22.1)	28.0 2,942
4) All Family Units (Participant and Non-Participant)				
All unattached individuals				
less than 25 years	5.9	3,351	2.5 (9.9)	43.5 928
25-54	9.1	6,030	2.2 (8.6)	24.3 1,011
55-64	3.8	4,608	1.5 (5.9)	40.5 1,116
65 or more	6.7	2,766	4.6 (17.9)	68.9 1,598
Total	25.4	4,346	10.9 (42.4)	42.8 1,254
All families of 2 or more				
less than 25 years	4.8	7,853	1.0 (4.1)	21.6 2,730
25-54	50.0	11,216	8.2 (32.0)	16.5 3,627
55-64	10.8	10,863	2.0 (7.9)	18.8 2,751
65 or more	8.9	6,880	3.5 (13.6)	39.1 2,878
Total	74.6	10,428	14.8 (57.6)	19.8 3,267

Table I-1 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	Average Family Unit Income (Dollars)
4) All Family Units (Participant and Non-Participant) (Con't)					
All family units					
less than 25 years	10.7	5,390	3.6 (14.0)	33.6	1,453
25-54	59.1	10,415	10.4 (40.7)	17.7	3,071
55-64	14.6	9,246	3.6 (13.9)	24.4	2,051
65 or more	15.6	5,119	8.1 (31.5)	51.8	2,150
Total	100.0	8,881	25.7 (100.0)	25.7	2,413

1 The figures in brackets represent these low income units as a percentage of all low income family units.

2 Low income family units of a given type as a percentage of all family units of that type.

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.

Table I-2

LABOUR MARKET STATUS AND INCOMES FOR ALL FAMILY UNITS AND FOR  
FAMILY UNITS BELOW THE LOW INCOME CUTOFF, BY AGE OF HEAD,  
SEX OF HEAD, AND FAMILY UNIT SIZE, CANADA, 1975

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff	
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup> Average Family Unit Income (Dollars)
<b>1) Non-Participant Family Units</b>				
<u>Male-headed</u>				
<u>Unattached individuals</u>				
less than 25 years	0.3	514	0.2 (1.2)	91.2 174
25-54	0.4	1,906	0.4 (2.1)	91.2 1,562
55-64	0.4	3,118	0.3 (1.7)	77.0 2,019
65 or more	1.9	4,030	1.2 (6.3)	64.3 2,587
Total	3.1	3,294	2.2 (11.4)	72.3 2,055
<u>Families of 2 or more</u>				
less than 25 years	0.01	882	0.01 (0.04)	100.0 882
25-54	0.4	4,217	0.4 (1.8)	85.3 3,194
55-64	0.7	7,001	0.3 (1.5)	44.5 3,509
65 or more	4.7	7,005	1.6 (8.0)	33.6 3,938
Total	5.8	6,839	2.2 (11.4)	38.6 3,752
<u>Total for male-headed family units</u>				
less than 25 years	0.3	525	0.2 (1.3)	91.5 198
25-54	0.9	3,012	0.8 (3.9)	88.4 2,316
55-64	1.1	5,472	0.6 (3.3)	57.3 2,721
65 or more	6.7	6,172	2.8 (14.4)	42.5 3,342
Total	8.9	5,606	4.5 (22.8)	50.3 2,905
<u>Female-headed</u>				
<u>Unattached individuals</u>				
less than 25 years	0.2	348	0.2 (1.0)	97.2 254
25-54	0.6	2,209	0.5 (2.5)	82.5 1,244
55-64	1.1	2,727	0.9 (4.3)	76.0 1,752
65 or more	5.2	3,636	3.6 (18.2)	69.4 2,494
Total	7.1	3,273	5.1 (26.1)	72.4 2,186
<u>Families of 2 or more</u>				
less than 25 years	0.2	3,239	0.2 (0.8)	96.6 3,162
25-54	0.9	4,145	0.8 (4.2)	95.1 3,814
55-64	0.1	5,208	0.1 (0.5)	69.2 3,798
65 or more	0.4	6,530	0.2 (1.0)	44.3 3,714
Total	1.6	4,788	1.3 (6.5)	79.2 3,714

Table I-2 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff	
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup> Average Family Unit Income (Dollars)
1) Non-Participant Family Units (Con't)				
Total for female-headed family units				
less than 25 years	0.4	1,632	0.4 (1.9)	96.9 1,541
25-54	1.5	3,353	1.3 (6.7)	89.9 2,949
55-64	1.3	3,003	0.9 (4.8)	75.2 1,960
65 or more	5.6	3,862	3.8 (19.2)	67.5 2,556
Total	8.7	3,554	6.4 (32.6)	73.7 2,491
Total, unattached individuals				
less than 25 years	0.5	440	0.4 (2.3)	93.9 211
25-54	1.0	2,080	0.9 (4.6)	86.2 1,533
55-64	1.6	2,838	1.2 (6.1)	76.3 1,828
65 or more	7.1	3,744	4.8 (24.5)	68.0 2,516
Total	10.2	3,280	7.4 (37.4)	72.4 2,146
Total, families of 2 or more				
less than 25 years	0.2	3,126	0.2 (0.9)	96.7 3,049
25-54	1.3	4,168	1.2 (6.0)	91.9 3,629
55-64	0.8	6,695	0.4 (2.0)	48.7 3,579
65 or more	5.1	7,011	1.8 (9.0)	34.5 3,914
Total	7.4	6,393	3.5 (17.9)	47.4 3,738
Total, non-participant family units				
less than 25 years	0.7	1,172	0.6 (3.1)	94.7 1,001
25-54	2.3	3,227	2.1 (10.6)	89.4 2,717
55-64	2.4	4,166	1.6 (8.1)	66.8 2,268
65 or more	12.2	5,117	6.6 (33.5)	53.9 2,893
Total	17.6	4,592	10.9 (55.3)	61.9 2,661
2) Participant Family Units With No Unemployment				
Male-headed				
Unattached individuals				
less than 25 years	1.9	6,937	0.5 (2.5)	26.1 1,820
25-54	4.1	12,617	0.3 (1.5)	7.2 1,666
55-64	0.7	9,292	0.2 (0.8)	21.3 1,537
65 or more	0.4	6,897	0.1 (0.4)	22.1 1,957
Total	7.1	10,466	1.0 (5.2)	14.5 1,743
Families of 2 or more				
less than 25 years	2.6	13,770	0.2 (1.1)	8.4 4,203
25-54	32.6	19,783	1.7 (8.9)	5.4 4,938
55-64	6.3	18,802	0.3 (1.6)	5.1 4,476
65 or more	2.5	16,138	0.2 (1.1)	8.9 4,505
Total	44.0	19,085	2.5 (12.7)	5.7 4,778



Table I-2 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		Average Family Unit Income (Dollars)
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	
2) Participant Family Units With No Unemployment (Con't)					
<u>Total for male-headed family units</u>					
less than 25 years	4.4	10,889	0.7 (3.6)	15.9	2,543
25-54	36.7	18,980	2.0 (10.4)	5.6	4,463
55-64	7.1	17,794	0.5 (2.4)	6.8	3,496
65 or more	2.9	14,899	0.3 (1.6)	10.7	3,793
Total	51.1	17,884	3.5 (17.9)	6.9	3,893
<u>Female-headed</u>					
<u>Unattached individuals</u>					
less than 25 years	2.1	5,530	0.7 (3.3)	31.3	1,680
25-54	3.1	9,457	0.4 (1.8)	11.3	1,777
55-64	1.2	7,759	0.2 (1.1)	19.3	1,707
65 or more	0.4	7,635	0.1 (0.4)	20.3	2,302
Total	6.8	7,840	1.3 (6.7)	19.4	1,752
<u>Families of 2 or more</u>					
less than 25 years	0.2	8,468	0.1 (0.3)	31.0	3,408
25-54	1.9	10,380	0.5 (2.3)	23.6	4,809
55-64	0.4	13,645	0.1 (0.3)	14.6	4,224
65 or more	0.5	15,392	0.02 (0.1)	3.6	4,845
Total	3.0	11,526	0.6 (3.0)	19.6	4,616
<u>Total for female-headed family units</u>					
less than 25 years	2.3	5,757	0.7 (3.6)	31.3	1,812
25-54	5.0	9,809	0.8 (4.1)	16.0	3,483
55-64	1.6	9,380	0.3 (1.5)	18.0	2,270
65 or more	0.9	11,555	0.1 (0.5)	11.6	2,706
Total	9.8	8,968	1.9 (9.7)	19.5	2,634
<u>Total, unattached individuals</u>					
less than 25 years	4.0	6,193	1.1 (5.8)	28.9	1,739
25-54	7.2	11,256	0.6 (3.3)	9.0	1,727
55-64	1.9	8,357	0.4 (2.0)	20.1	1,637
65 or more	0.8	7,287	0.2 (0.9)	21.2	2,132
Total	13.9	9,182	2.4 (11.9)	16.9	1,748
<u>Total, families of 2 or more</u>					
less than 25 years	2.7	13,430	0.3 (1.4)	9.3	4,042
25-54	34.5	19,260	2.2 (11.2)	6.4	4,912
55-64	6.7	18,463	0.4 (1.9)	5.7	4,433
65 or more	3.0	16,021	0.2 (1.2)	8.1	4,528
Total	47.0	18,601	3.1 (15.7)	6.6	4,747

Table I-2 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	Average Family Unit Income (Dollars)
2) Participant Family Units With No Unemployment (Con't)					
Total, participant family units with no unemployment					
less than 25 years	6.7	9,148	1.4 (7.2)	21.1	2,177
25-54	41.7	17,874	2.8 (14.5)	6.8	4,186
55-64	8.7	16,230	0.8 (3.9)	8.9	3,033
65 or more	3.8	14,128	0.4 (2.1)	10.9	3,522
Total	60.9	16,447	5.4 (27.7)	8.9	3,451
3) Participant Family Units With Unemployment					
Male-headed					
Unattached individuals					
less than 25 years	1.1	5,443	0.3 (1.8)	31.7	1,900
25-54	1.3	7,731	0.2 (1.0)	16.2	2,055
55-64	0.2	6,487	0.1 (0.3)	27.3	1,445
65 or more	0.1	7,621	0.01 (0.1)	14.0	2,594
Total	2.6	6,682	0.6 (3.1)	23.4	1,926
Families of 2 or more					
less than 25 years	1.7	11,454	0.3 (1.3)	15.3	4,247
25-54	11.6	17,065	1.3 (6.4)	10.9	5,560
55-64	2.2	17,759	0.2 (0.9)	8.1	4,907
65 or more	0.7	13,029	0.1 (0.3)	8.4	5,145
Total	16.0	16,406	1.7 (8.9)	10.9	5,291
Total for male-headed family units					
less than 25 years	2.7	9,071	0.6 (3.0)	21.8	2,892
25-54	12.8	16,150	1.5 (7.5)	11.5	5,073
55-64	2.3	16,873	0.2 (1.1)	9.6	4,134
65 or more	0.8	12,516	0.1 (0.3)	8.9	4,766
Total	18.7	15,050	2.4 (12.0)	12.6	4,421
Female-headed					
Unattached individuals					
less than 25 years	0.7	3,836	0.3 (1.5)	42.6	1,984
25-54	0.6	5,621	0.1 (0.7)	24.4	2,174
55-64	0.1	5,778	0.05 (0.2)	36.9	1,930
65 or more	0.1	7,534	0.01 (0.05)	16.9	2,269
Total	1.4	4,855	0.5 (2.4)	33.9	2,039
Families of 2 or more					
less than 25 years	0.1	5,568	0.1 (0.4)	68.2	2,897
25-54	1.0	9,557	0.4 (1.9)	38.9	4,765
55-64	0.1	10,427	0.05 (0.2)	20.9	3,530
65 or more	0.1	15,524	0.02 (0.1)	11.6	4,168
Total	1.4	9,947	0.5 (2.6)	35.7	4,373



Table I-2 (Con't)

Labour Force Status	All Family Units		Family Units Below the Low Income Cutoff		
	Percentage of All Family Units	Average Family Unit Income (Dollars)	Percentage of All Family Units <sup>1</sup>	Incidence of Low Incomes <sup>2</sup>	Average Family Unit Income (Dollars)
4) All Family Units (Participant and Non-Participant) (Con't)					
All family units					
less than 25 years	10.9	8,287	3.0 (15.2)	27.5	2,077
25-54	58.4	16,654	6.9 (35.1)	11.8	3,924
55-64	13.7	14,055	2.7 (13.6)	19.5	2,660
65 or more	17.0	7,542	7.1 (36.1)	41.9	2,949
Total	100.0	13,841	19.7 (100.0)	19.7	3,120

1 The figures in brackets represent these low income units as a percentage of all low income family units.

2 Low income family units of a given type as a percentage of all family units of that type.

Source: Statistics Canada (Surveys of Consumer Finances) and estimates by the authors.



APPENDIX II

Appendix II: Calculating the Effect on the Low Income  
Population of Withdrawing Income Support  
Provided by Unemployment Insurance Benefits

This appendix describes the computations used in arriving at the entries of Table 16. The basic procedure is best described here rather than in the body of the paper.

We shall first describe how the low income population is obtained. The data for each of the three groups (1) non-participant family units, (2) participant family units with no unemployment and (3) participant family units with unemployment was obtained in a form which allowed disaggregation by labour market status of individual members, sex and age of head, family income and earnings and transfers and unemployment insurance benefits received. The data were stratified by income classes. For each size of family unit (up to seven or more) in each of the groups a LICO was imposed. The sum of the populations of these groups with incomes below the relevant (family size indexed) LICOs is the low income population.

The calculations for Table 16 required only data for group (3). A cross-tabulation of the unemployment insurance benefits received by family units in this group was obtained. The data were disaggregated by unemployment status of individual members, sex of head and family income. The data were stratified by income class.

An assessment of the effect on the size of the low income population of withdrawing the income support provided by unemployment insurance benefits was made by computing the additional numbers of family units appearing in the low income

population as a result of subtracting from family incomes (of family units in the income classes affected) the average unemployment insurance benefits they receive (doing this calculation on an income group by income group basis).

The arithmetic was complicated by the necessity for interpolations (since LICOs generally lie within income classes) and for consideration of more than one income class (since average unemployment insurance benefits for some subgroups are large enough that their withdrawal results in family units descending more than one income class).

The increments to the subgroups of (3) below the LICOs resulting from withdrawal of unemployment insurance benefits were summed to obtain the total increase in the low income population. Various additional computations of a minor nature (see footnote 17) were then performed.

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