

Poverty issues for Canadian women

Background Paper

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Poverty is still very much a women's issue. While there have been improvements in the past decade or so, women are still more likely than men to be living in low income. But statistics on low income do not tell the full story of women's poverty. While governments and advocacy groups redouble their efforts to "make poverty history", the United Nations has suggested that poverty cannot be eradicated unless we adopt a more comprehensive view of poverty - one that recognizes poverty is more than a shortage of income. As the United Nations describes it, poverty is "the denial of opportunities and choices most basic to human development - to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem, and the respect of others." ¹

The social exclusion many women face as a result of gender inequalities is detrimental not only to women themselves, but to their families and their communities. Successful anti-poverty strategies must deal with issues related to women's low status and lack of empowerment.² Lack of access to education or affordable housing, for example, may mean women cannot participate as full and equal members of society. Women's economic inequality and lack of income may restrict their ability to leave violent domestic situations and to protect themselves and their children from abuse and physical harm. Living in poverty may actually result in poor health and shortened life expectancy.

Measuring poverty

Canada does not have an official poverty line, but the most common measures of low-income use the Low-Income Cut-Offs (LICOs) calculated by Statistics Canada each year. These measures calculate an income level at which a family or individual may be in straitened circumstances because they have to spend a greater proportion of their income on the necessities of food, clothing and shelter than the average family of the same size.

Most anti-poverty and social policy advocacy groups, such as the National Council of Welfare, the Canadian Council on Social Development and various women's groups which measure and report regularly on poverty, use the before-tax Low-Income Cut-Off (LICO) which measures all the income of the family or individual including government transfers such as old age pensions, employment insurance benefits and social assistance. The before-tax LICO is often referred to as "the poverty line" and people with income below the cut-off are described as being poor.

Statistics Canada prefers to use its after-tax LICOs, which take account of income taxes people have to pay as well as the tax deductions and exemptions they may receive. StatsCan says that since the purchase of necessities is made with after-tax dollars, it makes sense to use people's after-tax income to draw conclusions about their economic well-being. ³

Recent emphasis on after-tax LICOs may have created confusion because low-income rates reported by some advocacy groups are not always the same as those reported by Statistics Canada. In this report, we will use after-tax LICOs, unless indicated otherwise.

Canadian women living in low income

Almost 1.5 million adult women were living in poverty in 2003 - the most recent year for which information is available. Among adults, aged 18 or older, women account for 54% of persons in low income.⁴

For some women, poverty may not be a persistent state. They may find themselves temporarily below the poverty line as a result of a change in circumstances such as the birth of a child or the breakdown of a marital relationship. But Statistics Canada reports that over a longer period, the number of people who experience low income at some point in time is much greater than one might conclude based on annual low-income rates. Women are more likely than men to experience long periods of low income. It is also important to look at the depth of poverty experienced by women. Some women living in poverty have incomes that are thousands of dollars below the poverty line.

There are many reasons for women's poverty - from their patterns of paid and unpaid work and how these interact, to the design of income support programs that are intended to protect citizens who are disadvantaged. But women's poverty is also closely related to their cultural background and family status.

Aboriginal women

The percentage of Aboriginal women living in poverty is more than double the percentage of non-Aboriginal women who are poor. At the time of the 2001 Census, based on before-tax incomes, more than 36% of Aboriginal women, compared with 17% of non-Aboriginal women were living in poverty.⁵ Like many other women living in poverty, Aboriginal women are particularly affected by the social assistance policies of provincial and territorial governments. Aboriginal women employed on reserves may not be covered by the Canada Pension Plan.

High rates of poverty among Aboriginal people are having disastrous consequences. Their life expectancy is seven years less than that of the overall Canadian population. As well, there are almost twice as many infant deaths among Aboriginal peoples - a higher rate than the poorest neighbourhoods in Canada.⁶

Visible minority women and immigrant women

Data from the 2001 Census, based on before-tax incomes in 2000, indicated 29% of visible minority women were living in poverty. While the poverty rate for all foreign-born women was 23%, women who immigrated to Canada between 1991 and 2000 had a poverty rate of 35%. It is perhaps significant that the majority of these women were also from visible minority groups.

Racism and discrimination almost certainly contribute to high rates of poverty among racialized women. Immigrant women may also face difficulties in finding paid employment because credentials from their countries of origin are not recognized in Canada. Access to

language training may also be a problem. Many immigrant seniors do not receive Old Age Security benefits because they have not been in Canada long enough to qualify for a benefit. ⁸

Women with disabilities

Data from the 2001 Census, based on before-tax incomes in 2000, showed 26% of women with disabilities were living in poverty. ⁹ Provincial social assistance programs may provide income support for these women, but rates are abysmally low. Welfare incomes for single people with disabilities were the lowest in Alberta and New Brunswick at 39% of the poverty line and highest in Ontario at 59% of the poverty line (based on before-tax LICOs). ¹⁰

Lone-parent mothers

Women are much more likely to be poor if they are on their own without a spouse or partner. The depth of poverty of lone-parent mothers is a serious concern. For example, in 2003, the average income of the 208,000 women who were heads of lone parent families was \$6,300 below the poverty line. ¹¹ Recent trends are not encouraging. Between 1996 and 2001, the after-tax low-income rate for female one-parent families fell from 53% to 34%. But it increased to 39% in 2002 and was down only slightly to 38% in 2003. In contrast, the low-income rate for lone-parent families headed by men has dropped by half since 1996 - from 25% to 12.6% in 2003. ¹² Just 8.4% of all Canadian families with two persons or more were living in poverty in 2003 and the poverty rate for non-elderly two-parent families with children was 6.6%. ¹³

Many lone-parent families must count on social assistance paid by provincial and territorial governments. But welfare incomes for single parent families, most of which are headed by women, range from a low of only 48% of the poverty line (based on Statistics Canada's before-tax LICOs) in Alberta, to a high of 70% of the poverty line in Newfoundland and Labrador. ¹⁴

Older women on their own

In 2003, the low-income rate for women aged 65 and over was 8.7% compared with 4.4% for senior men. ¹⁵ For the past decade, however, the poverty rate of older women on their own has varied between 27% and 19% with no significant downward trend over that period. In 2003, 19% of senior women on their own compared with 15% of unattached older men were considered low income. ¹⁶ Average incomes of women aged 65 plus who were on their own and living in poverty in 2003 were \$2,300 below the poverty line. ¹⁷

Policy issues raised by women's poverty

There has been no comprehensive attempt to address women's poverty in Canada. Existing programs and policies seem inadequate for the task and often work at cross-purposes.

Paid work, unpaid work and low earnings

Conventional wisdom has it that a job (meaning a paid job) is the best protection against poverty. But as the National Council of Welfare has pointed out, while a large percentage of

poor people under 65 have some connection with the paid labour force, there are not enough full-time jobs and there are too many jobs with very low wages.¹⁸ For women there are additional complications. Women in the paid work force still earn less, on average, than men do even when they are employed full time. In 2003, for example, earnings of women who worked full-time for a full year averaged 70.5% of the average earnings of men working full-time for a full year.¹⁹

But many employed women do not have full-time full-year jobs. Globalization and restructuring of the labour market have resulted in a proliferation of non-standard work arrangements, such as temporary or contract work, part-time jobs, self-employment without employees. Many workers have become multiple job-holders, working several different jobs to make ends meet. Many of these jobs are poorly paid, there is little job security and generally no access to benefits such as pensions, which is why they are often referred to as "precarious jobs." About 40% of employed women, compared with 30% of employed men, are now employed in these kinds of jobs.²⁰ When all women are compared with all men in paid employment, women's earnings in 2003 averaged only 63.6% of men's.²¹

The unpaid work women do - particularly caring for children or older and dependent family members - may limit the kinds paid jobs they can undertake as well as the hours they can work for pay. Even women in full-time paid employment average fewer hours a week than men working full-time. Many full-time jobs are also poorly paid and insecure. Low earnings contribute to women's current poverty, but low earnings and lack of pension coverage also result in low incomes in the future when women reach old age.

Policies such as pay equity and employment equity, intended to address the wage gap between women and men, may be less effective in today's labour market where many women in paid employment do not have an ongoing relationship with a single employer and many work for small businesses in the service sector. Advocacy groups have lobbied for increases in the minimum wage rates set by federal and provincial governments. While some economists argue raising the minimum wage would lead to job losses, there is a growing body of evidence that refutes this conclusion.

Lack of access to support services and income replacement programs

Lack of access to support services, and particularly lack of affordable, reliable child care, also limits women's ability to participate in paid work. In 2003, about 38% of women aged 25 to 44 who were employed part-time said they were working part-time because they were caring for children or had other personal or family responsibilities. (It is perhaps an indication of the current state of the labour market that almost 33% of women aged 25 to 44 who were employed part-time in 2003 said they were working part-time because they could not find full-time work).²² There is no comprehensive family policy that would address the needs of mothers and children.

Maternity and parental benefits, available under the Employment Insurance program provide for 52 weeks of benefits (including a two-week waiting period) for new parents. But self-employed workers are not covered. New rules implemented in 1997 have made it difficult for

some women to qualify - especially if they have been employed part-time. Claimants must have worked 600 hours in the previous 52 weeks to qualify for benefits. Statistics Canada reports that the fraction of mothers of newborns receiving income support through EI grew steadily during the 1970s and 1980s, but stopped growing during the 1990s. In 1998, about 49% of families with newborns qualified and received maternity benefits, essentially the same proportion as in 1989.²³ Data from Statistics Canada's 2003 *Employment Insurance Coverage Survey* indicate that 35% of mothers of newborns did not receive benefits in that year.²⁴

Because of differences between women and men in average hours worked, it is now easier for fathers than for mothers to qualify for parental benefits. As well, benefits replace only 55% of the claimant's usual earnings up to a maximum of \$413 a week. As a result, new mothers - and almost 90% of maternity and parental benefit claimants are mothers - may face financial hardship when they take maternity or parental leave. However there is a somewhat higher benefit rate for claimants who are in a low-income family (defined as one with a net income of up to a maximum of \$25,921 a year). Some employers may top up EI maternity/parental benefits - especially where this has been negotiated by unions through collective bargaining

Under an agreement with the federal government, concluded in March 2005, Quebec will establish its own parental insurance program beginning on January 1, 2006. The new program will cover self-employed workers and, under certain conditions, will provide benefits as high as 75% of previous earnings. Higher benefits will be available for low-income claimants and eligibility for benefits will not depend on hours worked in the qualifying period. Instead, employees and self-employed individuals will be able to qualify if they had earnings of at least \$2,000 during the qualifying period - generally the 52 weeks preceding a benefit period.²⁵

Qualifying for regular Employment Insurance benefits has been made more difficult for women since the rules changed in 1997. The Canadian Labour Congress estimated that, as a result of the changes, between 1989 and 1999, the percentage of unemployed women who qualified for benefits fell from 70% to 32%. Coverage of male unemployed workers fell from 77% to 42%.²⁶ As well, the way in which benefits are calculated also disadvantages women who may be on call or in other forms of contingent work because even weeks not worked are counted in calculating the average weekly earnings on which the benefit is based.²⁷

Training and self-employment

It is important to note that restricted access to the EI program may also limit women's access to training which may be provided to recipients of EI benefits and which could help women improve their earning power. It should also be noted that EI has a program to encourage people to "create their own jobs" by becoming self-employed. Ironically, once they do this, they are no longer eligible for EI benefits if they are out of work. A study of self-employment in 1996 found that the male/female earnings gap was larger among the self-employed than within the employee population, even after taking into account the fact that part-time employment was higher among women.²⁸

Low incomes for older women and low pension coverage for younger women

The Guaranteed Income Supplement (GIS) provides an income-tested benefit for poor seniors, with different rates for single people and for spouses or partners of a couple. The rate for married people is based on the joint income of the couple. Women are more likely than men to receive the GIS. For example, in June 2005, women accounted for about 51% of individuals who started to receive OAS, but they were 63% of those who began getting GIS.²⁹

High poverty rates among senior women on their own may continue in the future unless something can be done to help pre-retirement women prepare for a secure financial future. The percentage of women in paid employment who belong to a workplace pension plan dropped from 42% in 1992 to 39% in 2002. In the same period, pension coverage of men in paid employment dropped from 48% to 40%.³⁰ Women's low earnings make it difficult for them to accumulate retirement savings for themselves through contributions to Registered Retirement Savings Plans. As well, their low earnings and lifetime patterns of paid and unpaid work result in low pensions from the CPP which is designed to replace a percentage of average earnings at retirement. For example, the average monthly CPP retirement pension being paid to women who were new retirees in June 2005 was only \$333.76, compared with an average \$527.04 being paid to newly retired men.³¹

Inadequate social assistance rates

Social assistance programs are provided by provinces and territories to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support. But the National Council of Welfare reports that the value of most provincial and territorial welfare and related benefits continued to decline in 2004, sending many benefits down to their lowest levels since the 1980s after adjusting for inflation.³²

The federal government pays a National Child Benefit to all low-income families with children under 18. In effect, there is a Canada Child Tax Benefit and a National Child Benefit Supplement. But some provinces claw back the supplement from low-income families receiving social assistance. As a result these families are no better off than they were before.

Guaranteed Livable Income and other proposals

Some women's groups are now advocating a universal "Guaranteed Livable Income," (GLI) set at a level to ensure a "comfortable living," which would replace all existing income support programs and be paid by the government on an individual basis to every woman, man and child in Canada. Anyone with employment earnings or other sources of income above a certain level would apparently be required to pay back the GLI through their taxes. While cost estimates would depend on the income level to be guaranteed, Old Age Security (OAS) which is paid to individuals aged 65 or older and clawed back at source from higher-income people, pays less than \$500 a month to about 2.5 million seniors and costs about \$20 billion a year, after taking into account amounts recovered through the clawback.³³

However, public policy in Canada now seems to be moving away from collective responsibility in universal social programs, which are seen as protecting people *from the market* and shifting responsibility on to individuals by emphasizing programs that provide incentives to help people to succeed *in the market*. The emphasis is now on giving people a "hand-up rather than a hand-out."³⁴ The new approach being promoted in social policy circles is based on helping people accumulate assets that will enable them to become more self-reliant - in a sense, providing their own income support programs. "Asset-based social polices" emphasize equality of opportunity for the future, marking a shift from equality of outcomes for the present. It's an approach that should sound alarm bells for women, whose long experience of inequality has taught them that providing "equal opportunities" for those who start from a disadvantaged position does not result in equality of outcomes.

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Monica Townson is an independent researcher and consultant working in the field of social policy. She is the author of five books and many studies and reports on pensions as well as the economic situation of women. She was the Chair of the Ontario Fair Tax Commission, and has been a consultant to the United Nations Economic Commission for Europe on the economic role of women.

¹ United Nations Development Programme (1998). New York: United Nations Publications. p. 14.

² Ibid. p. 72.

³ Statistics Canada (2005) *Income in Canada 2003*. Catalogue no. 75-202-XIE, p.119.

⁴ Ibid. p. 125.

⁵ Census data supplied by Statistics Canada refer to 2000 incomes.

⁶ Townson, Monica (1999) *Health and Wealth: How Social and Economic Factors Affect Our Well Being*. Ottawa: Canadian Centre for Policy Alternatives and James Lorimer and Co. Ltd. p. 39.

⁷ Census data supplied by Statistics Canada.

⁸ National Council of Welfare (2004) *Poverty Profile 2001*. Ottawa: National Council of Welfare. p. 83.

⁹ Census data supplied by Statistics Canada.

¹⁰ National Council of Welfare (2005) *Welfare Incomes 2004*. p.28.

¹¹ Statistics Canada (2005) *Income in Canada 2003*. Catalogue no. 75-202-XIE, p. 148.

¹² Ibid. p. 120

¹³ Ibid. p. 146.

¹⁴ National Council of Welfare (2005) *Welfare Incomes 2004*. p.28

¹⁵ Statistics Canada (2005) *Income in Canada 2003*. Catalogue no. 75-202-XIE, p. 121.

¹⁶ Ibid. p. 146.

¹⁷ Ibid. p. 148.

¹⁸ National Council of Welfare (2004) *Poverty Profile 2001*, p. 101.

¹⁹ Statistics Canada (2005) "Average earnings by sex and work pattern," at <http://www40.statcan.ca/101/cst01/labor01a.htm?sdi=earnings>

²⁰ Statistics Canada *Labour Force Survey*, special tabulations

²¹ Statistics Canada (2005) "Average earnings by sex and work pattern," at <http://www40.statcan.ca/101/cst01/labor01a.htm?sdi=earnings>

²² Statistics Canada (2004a) *Women in Canada: Work chapter updates: 2003*. Table 9.

²³ Statistics Canada (1999) "Employment Insurance support to families with newborns," in *The Daily*, Monday October 25, 1999.

²⁴ Statistics Canada (2004c) "Employment Insurance Coverage Survey 2003" in *The Daily*, Tuesday June 22, 2004. Ottawa: Statistics Canada.

²⁵ National Assembly of Quebec (2001) *Bill 140: An Act respecting parental insurance*. Quebec: Quebec Official Publisher.

²⁶ Canadian Labour Congress (2000) *Analysis of UI Coverage for Women*. At <http://action.web.ca/home/clcpolcy/attach/wom-ui-00e.pdf> Accessed August 16, 2005

²⁷ Ibid. P. 1.

²⁸ Statistics Canada (1997) *Labour Force Update: The Self-employed*. Ottawa: Statistics Canada catalogue no. 71-005-XPB, p. 26.

²⁹ Social Development Canada (2005) *Statistical Bulletin: Canada Pension Plan, Old Age Security*. June 2005. Table 48.

³⁰ Statistics Canada (2004b) *Pension Plans in Canada - January 1, 2003*. Ottawa: Statistics Canada. Catalogue no. 13F0026MIE.

³¹ Social Development Canada (2005) *Statistical Bulletin: Canada Pension Plan, Old Age Security*. June 2005. Table 36.

³² National Council of Welfare (2005) *Welfare Incomes 2004*, p. 28.

³³ Human Resources Development Canada (2003) *The ISP Stats Book. Statistics Related to Income Security Programs*. Ottawa: Human Resources Development Canada

³⁴ Townson, Monica (2004) "A New "Social Architecture" For Canada?" in *The Monitor* - September 2004. Ottawa: Canadian Centre for Policy Alternatives.

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