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**Examining the Working Poor in Canada:
Is Working a Ticket Out of Poverty?**

By

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Abstract

Recent social policy initiatives in North America are based on the philosophy of making work pay. In Canada, programs such as wage supplement or the National Child Benefit aim to enhance the income of poor people who are employed. However, imposing a work requirement does not necessarily guarantee a higher standard of living. Using census data from three economically comparable years (i.e., 1980, 1990, and 2000), this paper discusses a study that examined the levels and trends of the working poor in Canada over the past 2 decades and the reasons why some people who are employed remain poor. The results of this study raise questions about the idea that working hard at a job prevents poverty, and they reveal that about one-fifth to one-third of the working poor experienced poverty as a result of their family situation. In addition, the results show that the primary reason for high poverty rates among young workers is low wages rather than unemployment. For example, in 2000, low wages were responsible for 79 percent of the differential in the poverty rate between young workers and other workers. Similarly, high poverty rates among recent immigrants can be attributed to differences in racial/language profiles and unexplained components and not to the effort they put into their jobs (i.e., work effort).

1. Introduction

Low earnings have become a widespread phenomenon in today's labour market. According to Canadian census data gathered in 2000, about 40.6 percent of all workers (approximately 6.6 million people) earned less than \$20,000 a year. Strikingly, more than 22 percent (or 1.5 million) of these people had full-year, full-time jobs. These low earners did not all come from disadvantaged groups: About 27 percent of them had a college or above education, and 70 percent of them were in their prime working years (i.e., 25–54).¹ The increasing incidence of low earnings raises concern about poverty,² and these data seem to contradict the idea that hard work prevents poverty. These data also raise questions about the validity of social policies based on the philosophy of making work pay.³

As market mechanisms shows signs of failing to provide Canadians with economic security, policymakers have been pressured to re-evaluate existing social policies and the rationale for the substantial cuts made to welfare programs during the 1990s. The task, however, is hampered by the prevailing definition of working poverty and a lack of knowledge about the working poor in Canada. Although a few Canadian researchers examined the working poor group, the extent of the working poor, in particular their trends and factors that affect a worker's probability of remaining or becoming poor have not received much attention. The study discussed in this paper had two specific objectives: (1) characterize the working poor over a 20-year period and analyze their relationship with labour market and family situation factors; and (2) examine factors that lead to high poverty rates, focusing on young workers, recent immigrants, and workers living in single-parent families.

¹See Statistics Canada (2003a).

²Although it is true that not every low earner lives in poverty, researchers, for example, Chung (2004) and Morissette and Picot (2005), find that about 30 percent of low-paid workers lived in poor families in 2000. Fleury and Fortin (2005), using a different definition, show that in 2000 about 24 percent of low-paid workers lived in a low-income situation.

³For example, the National Child Benefit (NCB) supplement, introduced in 1998 and administered by the federal, provincial, and territorial governments, provides cash support to low-income families with children, regardless of their source of income. It provides child benefits outside of welfare programs and ensures that enhanced benefits and services continue when parents move from social assistance to paid employment. In addition, many provincial/territorial social assistance programs are employment-related. For example, in British Columbia, a 3-week work search is a prerequisite before applying for income assistance. In Ontario, welfare (i.e., Ontario Work) participants have to sign an agreement to participate in employment activities.

Issues related to the working poor have been broadly discussed in the United States and, recently, in Europe; however, the results and scope of this research have been affected by a lack of consensus about the meaning of working poverty.⁴ The debate revolves around two distinct concepts (i.e., work and poverty) as they intermingle with individual and family dimensions, which makes the identification of working poor people less transparent. Apart from the issue of definitions, much of this literature has tried to explain why people who work hard at their jobs remain poor. Researchers such as Schiller (1994) believe that the working poor are poor simply because they do not work enough hours; however, empirical studies (e.g., Danziger and Gottschalk, 1986; Bane and Ellwood, 1991) show that a substantial proportion of workers are poor because of low wages and that most of them would remain in poverty even if they worked a full year at their current wage rates.⁵ In addition, a worker's poverty may simply be the result of his or her family situation and have little or nothing to do with worker characteristics or market conditions. For example, a well-paid worker in a family with many dependents may face a much higher risk of poverty than a minimum-wage worker with no dependents. A series of studies from the U.S. Bureau of Labor Statistics indicate that a noticeable proportion of the working poor did not experience any labour market problems, and their poverty appears to be related to their family situation.⁶

Since the mid-1990s, issues that relate to the working poor have been discussed, to a great extent, in relation to the revolutionary welfare reform that has occurred in United States, which emphasized the value of work.⁷ Key U.S. programs, such as the Temporary Assistance for Needy Families (TANF), signal that welfare benefits can no longer be considered a permanent source of income and emphasize that

⁴See Fleury and Fortin (2004) for a review of definitions.

⁵Researchers often associate the growing proportion of low-paid workers with industrial factors, arguing that institutional changes (such as a decline in unionization rates or real minimum wages), combined with technological and trade pattern changes, have resulted in rising wage inequality and, therefore, reduced the bargaining power of workers at the bottom of the wage scale. Some researchers suggest that an intervention—such as an increase in minimum wages—is needed to prevent excessively low pay. Mainstream economists, on the other hand, argue that low wages simply reflect differences in the productivity of workers, and a higher statutory minimum wage would restrict the role of the market.

⁶See, for example, Klein and Ronces (1989), Gardner and Herz (1992), and U.S. Bureau of Labor Statistics (2003).

⁷In the United States, for example, the Temporary Assistance for Needy Families (TANF), introduced in 1996, requires recipients to work as soon as a job is available or no later than 2 years after receiving n assistance. On the other hand, federal monies to support working poor families increased dramatically: The 1993 expansion of the Earned Income Tax Credit (EITC) represents the most prominent example.

everyone is expected to have a job. In addition, the Earned Income Taxes Credit (EITC) was instituted to motivate low-income families to attain self-sufficiency through work.⁸ However, Chilman (1995) and Wertheimer (1999) argue that imposing work-for-welfare requirements simply moves people off the welfare rolls and into low-paying jobs, but it does not necessarily improve their economic well-being. Wertheimer (2003) also points out that work-for-welfare policies may only see successes in a growing economy. When the economy started to slow down in 2000, McCurdy and McIntyre (2004) urged immediate welfare reform to assist the working poor.

In Canada, there has been little research into the situation of the working poor. In 1977, the National Council of Welfare (NCW) found that a large number of people living in poverty were employed, and these workers—unlike other groups living in poverty—were not easily identified. NCW issued a similar report in 1981, and once again, it stressed that the working poor received virtually no public attention and little help from governments, despite the fact that they accounted for nearly one-half (or 426,000 households) of Canadians living in poverty. Since then, NCW has not published individual reports dealing with the working poor; instead, working poor statistics have been updated in NCW's *Poverty Profile* publications. The most recent NCW (2004) report claims that there were 851,000 working poor households in 2001.

Recently, Ross, Scott, and Smith (2000) examined poor workers and which labour market factors affect them. They found that the labour market has failed to provide Canadians with the opportunities and wages to sustain their families, especially through the 1990s. The results of their study also show that factors such as low-wages, unemployment, and difficulty accessing the labour market have increased the number of working poor. They conclude that working poor families need more public support.

Fortin and Fleury (2005) use the Survey of Labour and Income Dynamics, a longitudinal resource, to examine the poverty dynamics of poor workers. They found that about 60 percent of workers

⁸Some researchers believe that EITC creates a work disincentive because after a particular point benefits paid to a family are reduced for each additional dollar earned.

who were poor in 1996 escaped poverty in the next 5 years, and 54 percent of these exits were due to an increase in earnings.

Other research, although not directly related to the working poor, focuses on low-paid workers living in low-income families (Chung, 2004; Morissette and Picot, 2005). Both studies reveal that most low-paid workers do not live in low-income families, and this pattern has remained unchanged over the past 20 years. The results of these studies also show that recent immigrants and less-educated workers are vulnerable to low-paying jobs and low-income situations.

The results of this present study reveal that being employed is not a ticket out of poverty. A large proportion of workers examined in this study experienced poverty because of problems associated low wages. In addition, regardless of work efforts, about one-fifth to one-third of the poor workers experienced poverty as a result of their family situation. High poverty rates among the three groups examined in this study were not related to the effort they put into their jobs. For example, low wages appear to be the primary reason for high poverty rates among young workers, accounting for about 79 percent of the differential in the poverty rate between young workers and other workers in 2000. Reasons for high poverty rates among recent immigrant workers are less clear: For example, about 28 to 50 percent of the poverty experienced by immigrant workers appears to be caused by compositional factors, but many factors remain unexplained. Family-related factors—observed or unobserved—appear to be the cause of high poverty rates among workers in single-parent families.

2. Data and definition

2.1. Data

The present study uses Canadian census data from 1981, 1991, and 2001. All 3 years experienced highs in the business cycle, which makes results comparable.⁹ Other studies examined the working poor using survey data. The present study's use of the 1 in 5 (20%) population coverage of census data enabled many characteristics of the working poor to be studied in more detail than available in most survey

⁹A recession started in 1990. The 1980s were generally a more prosperous decade than the 1990s.

studies. In particular, the census data made it possible to examine distribution in small geographic areas, for example, Prince Edward Island and metropolitan areas (CMAs). Census data also provided validity for the study's cross-time analysis because many variables, especially income variables, are consistently defined over time.

There are, however, drawbacks to using census data, and at least two of them may have affected the present study. First, the well-being of individuals is affected by the level of their disposable income, which is best measured by income after taxes and transfers. The tax component, however, is not available in the census data used in this study. Second, census data do not provide information about total hours of work in a reference year, which made it difficult to measure hourly wage in this study.

2.2. Defining working poverty

In this study, the *working poor* are defined as “workers aged 16 to 64 who were employed at least 27 weeks in a year and whose equivalent income falls below the poverty line (one-half of the national median).” The criteria include two distinct measures: poverty and work. This definition is not without problems. For example, poverty is normally associated with the family, and work is usually associated with the individual.

2.2.1. Poverty line

There is no commonly accepted definition of poverty in the literature. Generally, poverty is considered a situation in which a standard of living cannot be met. The standard, however, can be represented by either an absolute subsistence level of income (e.g., the U.S. poverty line) or a relative concept (e.g., 50 or 60 percent of the median income).¹⁰ Many authors (e.g., Sen, 1999) make it clear that poverty is much more than just a measure of income. Other indicators, such as material deprivation (e.g.,

¹⁰Even when the poverty line is officially defined (as it is in the United States), many researchers believe the line is too low, and they tend to use alternative measures, such as family budget levels (e.g., Boushey et al., 2001) or adopt a higher proportion (e.g., 150 or 200 percent) of the official poverty line (e.g., Kim, 1998; Boushey et al., 2001, Acs, Phillips, and McKenzie, 2000).

food and shelter) or nonmaterial indicators (e.g., health and education), should be considered when assessing poverty. In Canada, there is no official definition of poverty, and it is often substituted by the term *low income*, which can be measured by Statistics Canada's Low Income Cutoffs (LICO).¹¹

There is no new definition of poverty in the present study; instead, this study employs a commonly used and internationally accepted definition (i.e., one half of the median income) to measure poverty.¹² LICO and the recently developed Market Basket Measure (MBM) are not used in this study because of a concern about cross-time comparability. It is known that current LICOs are calculated based on the spending patterns for necessities from 1992 data (MBMs are based on a basket of necessities in 2000 standard). Using these measures (although with price adjusted) to calculate poverty rates at other points of time might be misleading because the spending patterns for essentials—such as food, clothing, and shelter—have changed over time.

Since the poverty line is defined as one-half of the median income of the entire population, family-adjusted equivalent income (hereafter called equivalent income) for each family member is calculated on the basis of equal sharing. The OECD standard of equivalence scale is applied in this context.¹³ The resulting poverty lines are \$13,555, \$14,824, and \$15,418 for 1980, 1990, and 2000, respectively (all in 2000 constant dollars).

This poverty line comes with a few caveats. First, the line, which is based on pretax income, is probably overstated (and, therefore, the poverty rates are overestimated) when compared to results from

¹¹LICO is a set of income cutoffs below which people may be said to live in straitened circumstances. It is calculated based on the proportion of income spent on three essentials: food, clothing, and shelter. The most recent LICO is based on spending data from the 1992 Family Expenditures Survey, and it uses 64 percent of income as the cutoff point. That is, families who spent more than 64 percent of their income on essentials would have little or no income left to spend on other goods; therefore, they are considered low-income families. In addition, LICO calculates cutoff points according to the number of family members (capped by seven) and five different sized urban and rural communities, which results in 35 separate low-income cutoff points.

¹²This is similar to Statistics Canada's Low Income Measure (LIM). The only difference is that the incomes used in this study are family equivalent adjusted (see text).

¹³OECD equivalence is a two-parameter equivalence scale, which takes into account family size (because large families tend to consume proportionally less than smaller families) and the presence of children (because children generally consume less than adults). That is, the oldest person in the family receives a factor of 1.0; the second oldest person in the family receives a factor of 0.4; all other family members aged 16 and over receive a factor of 0.4; and all other family members under age 16 receive a factor of 0.3. For example, the equivalent scale is 2.6 for a family of five adults, while it is 2.3 for a family of two adults and 3 children.

studies that used post-tax income. It is well known that the progressive Canadian tax system has made the distribution of income more compressed.¹⁴ Therefore, some families living below the poverty line before taxes are taken into account may be relatively better off and no longer below the poverty line after taxes have been assessed. Second, the line should not be interpreted as a minimum standard of living; rather, it should be considered a mark of social exclusion. In other words, workers with incomes below the poverty line may experience social stigmas, even if they can meet their basic needs.

2.2.2. Work effort

There are significantly different definitions for work (i.e., amount of time spent working) in the working poor literature. Few researchers have considered this a problem because objectives and target groups are different across studies. For example, Acs et al. (2000) use a broad definition and state that a population at-risk for becoming working poor should cover all workers, regardless of their labour efforts. Ross et al. (2000) adopt a narrow definition and only consider full-year or full-time (or both) workers as an at-risk population. Klein and Rones (1989) set their standards somewhere in between, restricting their sample to those who have worked at least 27 weeks during a year. In Fortin and Fleury's (2004) study, individuals who had worked a minimum of 910 hours a year were selected for their sample. Some even extend this concept to nonworkers who live in a family with at least one worker. For example, Iceland (2000) includes all people living in a family at-risk for poverty in the analysis if the total hours worked by all family members equals or is greater than 1750 hours a year.

The main objective of the present study was to examine the common belief that working is a way out of poverty. Therefore, the sample includes every worker who was employed for at least 27 weeks during a census year, regardless of their full-time/part-time status. The choice of 27 weeks, although arbitrary, ensures a certain level of labour market attachment by workers. It was also assumed that most workers in UI/EI-covered industries would be eligible for benefits. Eligibility for UI/EI benefits is relevant because workers who worked for at least 27 weeks should be able to receive enough support

¹⁴See, for example, Paquet (2002).

from both market returns and social insurance to keep them above the poverty line. Short-year workers (less than 27 weeks) are excluded from the sample because their economic problems may stem from a lack of commitment to the labour market rather than a failure of the marketplace to provide jobs. Part-time workers are included in the sample if they worked 27 or more weeks during a census year.

3. A Profile of the Working Poor

In this study, the working poor were identified, and their relationship with the labour market, their family situation, the severity of their poverty, and their use of income security were examined. The working poor were portrayed by socio-demographic characteristics, occupation patterns, and geographic locations, and distributions, incidences, and changes over time are highlighted. Next, a link between the working poor and the labour market as well as family problems was established. Then the severity of the working poor was measured by examining poverty gaps, focusing on the relative roles of the individual, family, and state in reducing these poverty gaps. Finally, the relationship between the working poor and income security was examined, focusing on benefit take-up rates and average benefits received.

3.1. Identification

3.1.1. Socio-demographic characteristics

Overall, about 3.3 million people, or 16.7 percent of the working-age population (i.e., 16–64), lived at or below the poverty line in 2000 (see Table 1). This was an increase of 1 million (or 1.6 percentage points) from 1980. Among the poor, 35 percent (or 1.15 million people) were employed for 27 weeks or more in 2000. These people were referred to as the working poor, and they represent 8.7 percent of those who worked for 27 weeks or more. The number of working poor increased by 576,000 between 1980 and 2000, and the poverty rates grew roughly 0.7 percentage points in each decade during this period.

Generally, the working poor were not unusual workers: In 2000, about 50 percent of them were males, nearly one half of them were in the prime of life (i.e., 35–54), 38 percent had a postsecondary or

university education, more than 75 percent were native-born Canadians, and about 54 percent lived in a traditional family with or without children. Nevertheless, risks of poverty differed substantially across groups. Poverty rates were generally higher for working women than for working men, and the differences increased over time: 7.5 percent for women and 7.1 percent for men in 1980 to 9.3 percent for women and 8.1 percent for men in 2000.

Given the fact that young workers have accumulated less human capital, the proportion of poor workers who worked for 27 weeks or more was significantly higher among young workers (i.e., 16-24) than those in other age groups: for example, 5.6 percentage points higher than the second youngest group (i.e., 25–34) and 7.6 percentage points higher than older workers in 2000. It is worth noting that the differences were not as apparent 20 years ago. Poverty rates for the youngest group increased 5.5 percentage points between 1980 and 2000 compared to 2.2 percentage points for 24- to 35-year-old workers and 0.7 percentage points for 35- to 54-year-old workers.

The incidence of living in poverty can be greatly reduced as workers achieve higher levels of education. In 2000, less than 5 percent of university graduates were among the working poor, while 9.7 percent of high school graduates and 13.3 percent of high school dropouts were among the working poor. In spite of these numbers, the proportion of poor workers who possessed a college or above degree rose from 20 percent in 1980 to nearly 38 percent in 2000. In fact, poverty rates actually increased at a faster rate among university graduates (44%) than among high-school dropouts (30%) during this period. This increase in poverty rates among those with higher education could be the result of the upward trend in educational attainment.

Poverty outcome also appears to be strongly connected to a worker's immigrant status, particularly in recent decades. In 2000, 12.3 percent of the working poor were recent immigrants (those who arrived within 10 years), and only 5 percent of the working nonpoor were recent immigrants. Recent immigrant workers were especially vulnerable to poverty, partly because of the deteriorating labour

market performance.¹⁵ Among recent immigrants who worked for 27 weeks or more in 2000, 18.3 percent lived in poverty, while only 7.5 percent of immigrants who had lived in Canada for more than 10 years and 8.2 percent of native-born Canadians lived below the poverty line. It is worth noting that poverty rates of recent immigrant workers increased dramatically over the past 2 decades, increasing 6.8 percentage points (from 11.5 to 18.3) between 1980 and 2000. Given the relatively small changes in poverty rates for the other two groups, recent immigrant workers might be the cause of upward poverty rates noted during this period.

The likelihood of living in poverty diminishes significantly when a potential second earner is present. In 2000, only about 4.9 percent of workers in a childless couple family lived in poverty, while 7.4 percent of workers in a family with children (in which the presence of children reduces the ability of both parents to participate fully in the labour force) and 17 to 18 percent of workers in a single-adult family lived in poverty. The rates increased about 5 percentage points among unattached workers, while changes were relatively small for workers in other family types. Family composition among the working poor also changed significantly during this period, shifting from the traditional couple/children families (declining from 44% in 1980 to 30% in 2000) to single-adult families, particularly single, unattached workers (increasing from 23% in 1980 to 30% in 2000). The proportion of nonpoor workers in single-adult families increased only modestly during this period.

3.1.2. Occupation and nature of employment

Although the poverty status of a worker is not necessarily connected to his or her work situation, Table 2 shows that the likelihood of being among the working poor varies greatly by occupation and nature of employment. In this study, male and female workers were analyzed separately because patterns of occupation differ significantly between genders. In 2000, service, production, and farm workers constituted about two-thirds of the male working poor, while office and service workers were disproportionately represented among the female working poor. Except for farm and service jobs, the

¹⁵See, for example, Green and Worswick (2002), Frenette and Morissette (2003), and Aydemir and Skuterud (2005).

poverty rates in other occupations tended to be lower than the average level among male workers. For female workers, however, their likelihood of being in poverty was diminished only if they were employed in white-collar jobs. Female workers in other occupations faced a poverty rate higher than the national average. Compared to paid workers, self-employed workers were more likely to be among the working poor in both sexes, primarily because self-employed workers are employed in farm/agriculture-related occupations. In 2000, for example, about 17 percent and 16 percent of self-employed males and females, respectively, fell below the poverty line, while 7.2 percent of paid male workers and 9 percent of paid female workers were at or below the poverty line.

Interestingly, poverty rates increased noticeable for male workers in well-paying occupations (see Table 2). In 2000, for example, 29 percent of poor working males were employed in management, professional, or office work, an increase of 12.6 percentage points from 2 decades earlier. Women in these jobs, on the other hand, faced relatively small changes in poverty rates during this period.

3.1.3. Geographic distribution

Given a universal poverty line across Canada (in a given year), the risks of being among the working poor are expected to be different across the nation because of variations in regional economies and differences in local social policies. Tables 3 and 4 provide a picture of the working poor with respect to their geographic distribution. Table 3 reveals that, in general, the working poor are more likely to live in large cities, particularly in recent years. In 2000, roughly 514,000 (or 48%) of the working poor resided in metropolitan areas with 500,000 or more residents. The comparable figures were 249,000 (or 36%) in 1980. The increased number of working poor in big cities constituted about 58 percent of the total increase of working poor people during this period. Poverty rates were generally higher in rural areas and lower in large cities. In 1980, for example, the poverty rate in rural areas was twice as high as the rate in cities with 500,000 or more residents. However, as more people moved into urban areas in recent years, the differences became less obvious. Poverty rates actually dropped 2.2 percentage points in rural areas, while poverty rates increased in all urban areas during this period.

In terms of provincial distribution, in 2000, 381,000 (or 33%) of the working poor lived in Ontario, following by 282,000 (24.5%) in Quebec, 155,000 (13.5%) in British Columbia, and 126,000 (11%) in Alberta. The number of working poor in Ontario increased by 140,000 (or 30.8% of the total increase) between 1980 and 2000. Although a large proportion of the working poor were concentrated in Ontario, poverty rates were usually lower in Ontario and higher in the Atlantic and Prairie provinces. Although this statistic seems contradictory, it occurs because the poverty line used in this study did not take into account regional variations, and the average income was higher in Ontario than in other provinces. Over time, poverty rates grew differently across regions. Workers in British Columbia experienced the highest jump (3.1 percentage points) in poverty rates among all provinces/territories between 1980 and 2000, followed by Quebec (2 percentage points). The proportion of workers living below the poverty line remained relatively steady in Newfoundland and Ontario, while the poverty rate in Prince Edward Island and the Northwest Territories (including Nunavut) declined 2.7 and 1.9 percentage points, respectively, during this period.

In 2000, about 702,000 (or 61%) working poor lived in 27 census metropolitan areas (see Table 4). Three major cities (Toronto, Montreal, and Vancouver) accounted for roughly 32 percent of the working poor. The comparable figures were smaller in earlier decades. It is noteworthy that about 79.2 percent (361,000 out of 456,000) of the total increase in the working poor between 1980 and 2000 took place in CMAs.

Generally, poverty rates tended to be lower than the average in all CMAs in 1980. However, the patterns became more diverse in recent years as population and industry structures evolved differently across metropolitans. In 2000, poverty rates were significantly higher than average in Saint John, Sherbrooke, Trois-Riveres, and Saskatoon, while a few secondary cities in Ontario (e.g., Ottawa, Oshawa, Hamilton, Kitchener, and Windsor) tended to have poverty rates much lower than the average. Of all CMAs, Saint John had the most significant increase (4.2 percentage points) in its poverty rate between 1980 and 2000, followed by Saskatoon (3.9 percentage points), Trois-Riveres and Vancouver (3.5

percentage points), and Victoria (3.3 percentage points). Windsor and Kitchener, on the other hand, experienced no change in their poverty rate during this period.

3.2. Labour market problems

People in the working poor group have three common labour market problems: unemployment, not able to find full-time jobs, and low wages. Table 5 reveals that in 2000 about 38.5 percent of poor working males experienced 4 or more weeks (up to 25 weeks) of unemployment, 20 percent were only able to find part-time work throughout the year, and nearly 79 percent had low weekly earnings (< poverty line divided by 52). Many poor workers actually experienced multiple labour market problems. About 30 percent of poor working males experienced at least two labour market problems in 2000, and 8.3 percent of them encountered all three problems. The comparable figures for nonpoor male workers were 5.8 percent and 1.9 percent, respectively.

Among these problems, low weekly earnings were the primary factor associated with a worker's poverty. Workers who experienced unemployment or part-time jobs were also likely to experience low weekly earnings as well. Indeed, 79 percent out of 90.7 percent of poor male workers who reported having at least one labour market problem in 2000 also had low weekly earnings. The importance of low wages also increased over time: The proportion of workers receiving low wages rose significantly from 58.3 percent in 1980 to 78.6 percent in 2000. It is, however, noteworthy that poverty rates among low-paid workers decreased during this period (from 45.1% to 39.5%). This could be the result of an increase in the proportion of nonpoor workers receiving low wages (from 5.5% to 10.6%) during this period. It also suggests that more workers had to rely on family or government support to escape poverty in recent years.

Table 5 also shows that some working poor did not experience any of these labour market problems. Their classification as working poor may be explained by other factors, especially factors associated with their family situations. In 1980, about 21 percent of poor working males reported no

labour market-related problems. This proportion, however, declined to 9.3 percent in 2000, suggesting that family-related poverty was less likely to be seen in recent years.

Labour market problems among female workers show somehow different patterns than those of their male counterparts (see Table 6). Basically, most poor working females (about 91% to 95%) in this period had at least one labour market problem. Low wages was the most common problem encountered: About 73 to 85 percent of poor working females reported having low wages, either alone or in conjunction with other labour market problems, during this period. Part-time jobs were commonly seen among female workers (both poor or nonpoor). About 35 to 39 percent of poor working females reported having part-time jobs; however, only 1 to 2 percent indicated part-time was the only labour market problem they experienced. Compared to their male counterparts, females were more likely to experience multiple labour market problems. In 1980, for example, about 51 percent of poor working females reported having at least two labour market problems, and about 14.8 percent experienced all three problems. These shares increased slightly over time and reached 54 percent and 16.2 percent, respectively, in 2000.

3.3. Family situation and the working poor

From 1980 to 2000, about 9 to 21 percent of poor working males (5 to 9% of poor working females) did not experience any of the three labour market problems. Indeed, for many workers, their poverty status was a result of family circumstances and not their characteristics and work effort.

In order to make a distinction between poverty that is due to individual-related causes and poverty that is due to family-related causes, the income of a poor worker was recalculated by removing the family components (family incomes and equivalence scale) from his or her equivalent income. That is, a worker was considered to be in the individual-related poor group if his/her equivalent income fell below the poverty line and his/her total personal income also fell below the poverty line. On the other hand, a worker was considered to be in the family-related poor group if his/her equivalent income fell below the poverty line but his/her total personal income went above the poverty line.

Table 7 shows that in 1980 about one-third of the working poor (or approximately 223,000 people) experienced poverty as a result of family-related causes. The percentage is even higher among workers in single-adult families and couple/children families (43.3% and 50%, respectively). Nevertheless, as workers faced more labour market problems in recent decades, the share of family-related poverty dropped about 12.5 percentage points (from 32.2 to 19.8%) between 1980 and 2000; and about 86 percent of poor workers in childless couple families experienced poverty as a result of individual-related causes in 2000. However, it is worth noting that family-related poverty still accounted for a sizeable share of the working poor among single-adult families (40.4% in 1990 and 41.6% in 2000) and couple/children families (40.2% in 1990 and 32.7% in 2000).

3.4. The severity of the poverty

The use of a binary poverty indicator (often called head count ratio) above simply treats all workers below the poverty threshold alike and often masks important information. Therefore, in this study, the severity of the poverty was examined using workers' income level and composition. Table 8 shows the average poverty gap (also known as the depth of poverty) and the average equivalent income for working poor people by four family types, expressed as a percentage of poverty line. Overall, the poverty gap accounted for 40 percent of the poverty line in 2000. That is, a poor worker needed to earn an extra 40 percent of the poverty line in order to rise above the poverty line. The poverty gap was higher among unattached poor workers (45.3%) because they received no support from family. It is, however, a surprise that poor workers in single-parent families had, on average, a lower poverty gap (35%) than poor workers in other family types.

Despite an increase in poverty rates from 1980 to 2000, poverty gaps declined over time for all family types. The overall poverty gap dropped more than 6 percentage points (from 46.3 to 40) between 1980 and 2000, and the decline in the poverty gap was even salient among poor workers in couple families with or without children. In order to relate the change in poverty gap to underlying changes in income sources—in particular, to distinguish the roles of market, family, and state—the income of poor

workers was broken down into five different categories (i.e., individual earnings, other individual market income, government benefits received by individual, family market income, and benefits received by other family members), adding each one of them accordingly and expressing the cumulative total as a percentage of poverty line.¹⁶

In general, the breakdown of income components revealed three things about the underlying changes in income sources of the working poor. First, the working poor were poor because of a weak market performance. Their individual earnings, on average, constituted about 59 percent of the poverty line in 1980, and this proportion declined over time to 51 percent in 1990 and 47 percent in 2000. Second, government benefits provided a buffer and prevented severe hardship for many workers, especially poor workers in families with children. In 2000, for example, total government benefits (individual + family), on average, resulted in a decline of about 53.8 and 39.4 percentage points in poverty gaps among poor workers in single-parent families and couple/children families, respectively. In addition, average benefits for workers in these families rose substantially in recent decades, which offset the declining trend in earnings and resulted in stable or even declining poverty gaps. Among single-parent families, for example, even though their individual earnings dropped, on average, about 15 percentage points—with respect to the poverty line—between 1980 and 2000, their benefit level increased by 21.4 percentage points (from 32.4 to 53.9) during this period. Similarly, a considerable increase (16.4 percentage points) in the contribution of government benefits together with an increase in other sources offset the significant decline in average earnings among workers in couple/children families and drove down the poverty gap about 9 percentage points (from 45% to 36%) during this period. Finally, the earnings level of poor, unattached workers was relatively low compared to workers in other family types, and there has been no

¹⁶It should be noted that unit of income changed when family component is considered. For example, Table 8 shows that in 2000 the average individual earnings of the working poor equaled 47 percent of the poverty line; the proportion increased slightly when other individual market incomes were added. It rose about 14 percentage points to 63.6 percent of the poverty line when individual government benefits were included. The proportion then changed dramatically from 63.6 percent to 43.9 percent when family market sources were pooled together. This occurred because income was equivalent adjusted for equal sharing when family components were considered. The proportion then increased about 16 percentage points, reaching 60 percent of the poverty line, when family benefits were counted.

specific social policy developed to target this group. In addition, the level of welfare for this group dropped sharply during the 1990s due to cuts in social programs, and unfortunately, the newly introduced Canadian Child Tax Benefits (CCTB) is not applicable to these workers.

3.5. The use of income security

In Canada, a number of social programs have provided income support to impoverished individuals and families, including the working poor. Indeed, as seen above, some of the labour market imbalances can be offset, in part, through provincial/federal programs. The high-profile programs include Employment Insurance (EI), Old Age Security (OAS), Guaranteed Income Supplement (GIS), Canada/Quebec Pension Plans (CPP/QPP), Workers Compensation, and Social Assistance (SA). In addition, tax-expenditure benefits, such as child tax credits/benefits, National Child Benefits, and refundable tax credits, also provide cash assistance, particularly to low-income families with children. Some of these benefits, such as EI and OAS, are available for all eligible people, while many of them are means-tested (or decline with family income) and are aimed at helping low-income families. A poor worker, although not necessarily eligible for each program, may still benefit from these assistance programs as long as he or she lives with other family members who qualify. Table 9 shows how the working poor use income security.

In order to compare the working poor to other impoverished people (i.e., poor individuals with less labour attachment), a sample from all working age people (i.e., 16–64 years old) was compiled, and *other poor* (see Table 9, columns [1] and [2]) was defined as “individuals who worked for 26 weeks or less (including nonworkers) and had an equivalent income that fell below the poverty line.” Table 9 shows that the working poor were less likely to receive cash assistance than the other poor. Mean benefit levels from public sources were also generally lower among the working poor. The differences were more exaggerated in the other public assistance category. For example, in 1980, 14 percent of the working poor reported receiving benefits through “other public assistance” programs, with an average benefit of \$5,371. The comparable figures for this type of assistance were much higher among the other poor people (37%

and \$8,179). It is likely that most of the public assistance programs are means-tested, with income-eligibility criteria set below the poverty line defined in the present study. Many benefits, therefore, were simply not applicable to the working poor. Overall, working poor recipients, on average, received about \$3,860 less in total benefits than other poor people in 1980. The difference declined slightly to \$3,700 in 1990 and dropped to \$3,000 in 2000.

Notice that program participation rates and average benefits changed dramatically between 1990 and 2000. The fast-growing benefit take-up rates are due to an inability to differentiate the newly introduced refundable taxes credit (e.g., goods and services tax credit), which generally apply to everyone, from other public assistance programs in the census data. The significant drop in average benefit level, however, is likely a result of the substantial cuts in social assistance and the tightened EI program introduced in the 1990s. The average benefit of other public assistance declined 72.4 percent between 1980 and 2000 (from \$5,371 to \$1,480) for the working poor and about 59 percent for other poor people. Despite a significant decline in the level of social assistance shown in the 2000 data, the average total benefits among recipients did not decline accordingly because of a substantial gain in child-related benefits:¹⁷ For example, the average amount of child benefits increased by roughly \$1,900 for both working poor and other poor people between 1990 and 2000.

Columns (3) to (12) show the patterns of benefit receipts and benefit levels for four family types among the working poor. These patterns show that the importance of public programs differs significantly by family type. For example, in 1980, about 28.4 percent of the working poor in single-parent families received other public assistance, while only 16.2 percent of poor workers in couple/childless families and 10 percent of poor unattached workers received other public assistance. Similarly, more than 80 percent of poor workers in families with children received child-related benefits, while only 24 percent of poor

¹⁷In 1980, it was called “family allowances.” In 1990, it included “family allowances and federal child tax credits.” In 2000, it referred to federal child tax benefits, which replaced family allowances and federal child tax credits. Benefits include the Canada Child Tax Benefit (CCTB), the National Child Benefit Supplement (NCB), and child benefits and earned income supplements provided by certain provinces and territories.

workers in couple/childless families received child-related benefits.¹⁸ Overall, more than 94 percent (98%) of poor workers in single-parent (couple/children) families received benefits in 1980, with a mean benefit level of \$4,333 (\$3,320). Poor unattached workers, on the other hand, faced more barriers to program participation, and only 22 percent of them received benefits in 1980, with a mean benefit level of \$3,546.

Similar patterns were found in the 1990 census data, with a general increase in benefit levels among all poor families. The patterns, however, changed dramatically between 1990 and 2000. During the 1990s, the restructuring of the income security system reduced benefits amount among childless families. Average total benefits among poor unattached workers, for example, dropped \$2,370 (from \$3,668 to \$1,299) between 1990 and 2000. Poor workers in families with children, on the other hand, benefited from the newly introduced CCTB and its low-income supplement program (NCB). Nearly 100 percent of poor workers in families with children received benefits in 2000, and the average total benefit levels increased \$1,000 (\$2,441) among single-parent (couple/children) families between 1990 and 2000.

4. Examining reasons why some workers remain below the poverty line: Three high-risk groups

As the results of this study show, some groups have higher poverty rates than other groups. Recent immigrants, for example, were twice as likely to be among the working poor as the average person who worked for 27 or more weeks in 2000. It is striking that the poverty rate of recent immigrants (18.3%) in the present study's work-restricted sample was even higher than the poverty rate of the average person (16.7%) without the work restriction (see Table 1, row 1). Similar patterns can also be found among young workers, unattached workers, and workers in single-parent families. These findings suggest that the minimum work constraint favoured by many governments does not necessarily solve the problem of poverty, at least for these groups.

¹⁸In the present study, children are defined as those less than 16 years of age. As a result, workers in couple/childless families might still be eligible for child-related benefits if their unmarried children are 17 or 18 years old.

In order to fully understand this situation, it is necessary to discover if the high poverty rates among these workers are caused by compositional effects. That is, how much of the difference in poverty rates between recent immigrant workers, for example, and other workers can be explained by variations in observable factors, such as worker characteristics, labour effort, family circumstances, and perhaps market mechanisms. If these factors are the cause of high poverty rates for these groups, governments might be able to develop social programs that address these compositional effects. For example, if part-time work or unemployment is the main cause of a high poverty rate, then a program might be developed that increases access to the labour market using employer incentive programs, such as wage subsidies. An increase in minimum wage might address poverty rates caused by low wages (or market system failures), and more government assistance might help reduce the poverty rates for workers who have heavy family responsibilities.

In this study, a simple decomposition model was used to examine reasons for high poverty rates among three policy-targeted groups: young workers (i.e., 16–24), recent immigrant workers (i.e., arrived with 10 years), and workers in single-parent families. The analysis was conducted separately for each group and each year.

Following the Oaxaca-Blinder decomposition approach, the raw differential in mean working poor rates between two groups j (e.g., young workers) and k (e.g., nonyoung workers) is

$$\bar{p}_j - \bar{p}_k = \hat{\beta}^j (\bar{X}^j - \bar{X}^k) + \bar{X}^k (\hat{\beta}^j - \hat{\beta}^k) \quad (1)$$

where the first and second terms on the right-hand side are usually referred to as the explained and unexplained parts of the difference, respectively. Since this study only focuses on compositional effects (explained components), the equation (1) is simplified to

$$\bar{p}_j - \bar{p}_k = \hat{\beta}^j + \hat{\beta} (\bar{X}^j - \bar{X}^k). \quad (2)$$

Here $\hat{\beta}^j$ is the coefficient of the group j (i.e., young worker) dummy, capturing the unexplained differential, and the second term is the effect of variation in other observed characteristics. A probit model

is estimated and follows Even and MacPherson's (1993) approach of linearizing the probit function in order for the effects of the independent variables to add up to the total explained change.¹⁹

Dependent variable is a poverty indicator that equals 1 if a worker is poor (as defined above) and 0 if otherwise. The independent variables include the following: (1) worker characteristics, including sex, age, and education (4 groups), immigrant status (3 groups), a dummy indicating whether a worker speaks one of Canada's official languages as a mother tongue, and an indicator for visible minority; (2) family characteristics, including number of earners, family size, and composition (4 groups); (3) geography, including province/territory (12 groups) and size of area of residence (5 groups); and (4) job-related characteristics, including industry (10 groups), occupation (7 groups), an indicator for self-employment, number of weeks worked (27–52), and an indicator for full-time employment. Controls for worker characteristics take into account the differences in human capital that affect earnings. The inclusion of family variables considers the fact that well-being of a worker depends largely on his or her family situation. Geographic controls encompass any differences in local labour market conditions. The industry variable is meant to capture employment patterns that might affect the level of earnings. Broad occupational groups and self-employment indicators are included to highlight differences in occupational choices that also affect the poverty rate. Finally, the inclusion of weeks of work and a full-time indicator are meant to capture differences in work effort.

Given this framework, an important factor (i.e., market wage system failure) was captured as an unexplained component. In order to measure this as a compositional effect, a low hourly wage indicator was created to measure the proportion of workers receiving hourly wages²⁰ below an arbitrarily defined

¹⁹This is also applied to a simple linear probability model (LPM). In general, the LPM method produced quite similar results to the Even and MacPherson (E-M) method. However, LPM is less sensitive to a small set of variables, particularly education and family variables. The compositional effects of these variables are generally smaller in LPM than in the E-M method.

²⁰Hourly wage can be computed using annual wages divided by number of hours worked (number of weeks * number of hours per week). Unfortunately, number of hours per week is only available for the reference week but not for the last year. To calculate predicted hours per week (and, therefore, hourly wage), the following approach was used. For those who reported full-time (part-time) employment for the previous year and had worked equal to or more than 30 hours (less than 30 hours) during the reference week, their actual hours of work in the reference week were used as a proxy for hours of work per week in the previous year. For those who worked full-time (part-time) in the previous year but changed their status to part-time (full-time) or those who reported zero hours in the reference

amount (i.e., poverty line/2080 hours).²¹ Suppose that for some reason young workers do not receive fair market wages. In this case, the percentage of low-hourly-wage workers would be higher among young workers than other workers, given that other characteristics remained the same. This variation in the low hourly wage variable would be considered a result of a market wage mechanism. As a result, this additional specification was used on a restricted sample that excluded workers who were self-employed and whose annual earnings were zero or below because their wage rates were not determined by market mechanisms. The results were estimated separately from the previous specification because the low hourly wage indicator is highly correlated with other independent variables and, therefore, may bias coefficient estimates.

5. Empirical Results

Tables 10 to 12 present the decomposition results for young workers, recent immigrant workers, and workers in single-parent families, respectively. The results were estimated separated for each census year. Specification 1 (left panel) shows the compositional effects without the low hourly wage indicator for the original sample, and specification 2 (right panel) shows the results for a restricted sample with the low hourly wage indicator.

5.1. Young workers

5.1.1. Without the low hourly wage variable

Table 10 shows that young workers had a significantly higher poverty rate than other workers, and about one-third to one-half of the differential can be attributed to a variation in work effort. In 2000,

week, their hours of work per week in the previous year were predicted through a regression. The regression was run separately for full-time and part-time workers and separated by provinces. For example, to obtain predicted hours for full-time workers who reported part-time status or zero hours in the reference week, the hours of work were regressed on a series of independent variables (gender, age, education, family composition, immigrant status, number of weeks worked, self-employed indicator, and 10 industry and 7 occupation dummies) for all full-time workers and provinces separately. The predicted values of hours of work from the regressions are used for these samples.

²¹2080 hours represent a typical worker who worked 40 hours a week for 52 weeks a year.

for example, difference in work effort contributed to 44 percent (or approximately 3.1 percentage points) of the raw differential: About 30 percent was caused by a variation in the full-time employment rate, and 14 percent was caused by a difference in weeks of work. Apart from work effort, young workers also differed from other workers in job-related and demographic variables, accounting for about 19.5 percent and 12.5 percent, respectively, of the raw differential in 2000. Variation in family-related variables contributed an opposite effect to the differential (-56.2%), primarily because young workers are more likely to be in families with a second earner, usually parents.

The importance of characteristics also changed over time. For example, a difference in the level of education contributed about 7 percent to the differential in 1980, while this proportion doubled to 14 percent in 2000. The increasing proportion of less-educated young workers in the labour market raises concerns about the access to postsecondary education in recent years. Studies have shown that higher education in Canada has increasingly become the domain of students from wealthy families (Corak, Lipps, and Zhao, 2003; Drolet, 2005) or with highly educated parents (Finnie, Laporte, and Lascelles, 2005). Therefore, young workers who do not have any higher education are likely concentrated in low-income families.

Family structure among young workers also changed considerably from 1980 to 2000. Compared to older workers, young workers were more likely to live in smaller families in the 1980s. Differences in the proportion of living unattached contributed about 16.5 percent to the differential in 1980. The impact, however, dropped significantly over time, down to 5.5 percent in 1990 and 1.8 percent in 2000, suggesting that in recent years young workers tended to stay with other family members, mostly parents. Meunier, Bernard, and Boisjoly (1998) found that there was a trend toward deferral among young Canadians in the 1980s, including leaving the parental home, primarily due to prolonged education and deferred marriage. It has become an important factor for shielding children from poverty. Correspondingly, family size among young workers also increased during this period, indicating an increase in family needs (therefore lower equivalent income). Differences in this factor contributed to nearly 10 percent to the differential in 2000.

The other noticeable changes in compositional effect over time were observed among the work effort variables. Contributions due to variation in weeks of work decreased significantly, from 33 percent to 14 percent between 1980 and 2000, while contributions due to full-time employment increased 12 percentage points, from 18.2 percent to 30 percent during this period. This suggests that more young workers were unable to find full-time jobs in recent years, and this reason alone accounted for nearly one-third of the raw differential in the working poor rate between young workers and other workers in 2000. Similarly, young workers generally worked for fewer weeks—perhaps due to unemployment—compared to other workers, and such differences also contributed about 14 percent to the raw differential in 2000. In summary, variations in education, weeks of work, and full-time employment led to a 4.1 percentage-point difference in poverty rate between young workers and other workers. Providing access to education and full-year, and full-time jobs is therefore imperative for reducing economic hardship among this group.

5.1.2. With the low hourly wage variable

Although there were significant compositional effects from work effort and job-related variables, the strong offsetting effect of family-related variables pushed the unexplained component from 78 to 108 percent between 1980 and 2000. Many have argued that issues such as a failure in the market wage system might be the driving force in this unexplained component. In a world of rapid technological change and international competition, it is easier for firms to adjust wages of entry level jobs—most predominantly filled by young workers—downward in response to decreased labour demands than it is to adjust the wages of older/experienced workers. Picot (1998) shows that real and relative hourly wages rates have declined among younger workers in Canada. In order to assess the extent that a failure in the market wage system affected the differential in working poor rates between young workers and other workers, a second specification is presented on the right panel. Self-employed workers and those whose earnings were nonpositive were dropped because they are not relevant to the market wage system. Compared to the full sample, the restricted sample shows a small increase in the raw differential in mean poverty rates.

The inclusion of the low hourly wage indicator significantly reduced the explaining power of other variables, especially the demographic variables. This was expected because wages (even though it is a dummy for low hourly wages) are likely to be endogenous with other characteristics. The results show that even taking into account the differences in all observable characteristics a failure in the market wage system (as captured by difference in low hourly wage variable) accounted for about 78 percent of the raw differential between young workers and other workers in 2000. Compositional effects for work effort and family-related variables generally became more significant in the restricted sample (specification 2). It is also worth noting that the difference in the low hourly wage variable became more prominent in recent decades and contributed 51 to 79 percent to the differential between 1980 and 2000.

With the inclusion of the low hourly wage variable, the contribution of the unexplained part dropped significantly. In this analysis, it now accounted for only 13.6 percent of the raw differential, suggesting that the poverty rate of young workers would have been only 1.1 percentage points ($7.95 * 0.136$) higher than the poverty rate of other workers if all compositional effects were considered.

5.2. Recent immigrant workers

5.2.1. Without the low hourly wage variable

To some extent, the experiences of recent immigrant workers (i.e., those who had arrived within 10 years) are similar to the experiences of young Canadians because they are both new to the Canadian labour market. However, unlike young workers, recent immigrants in this study's sample (i.e., those who had worked for 27 weeks or more during the year) did not differ significantly from their counterparts (immigrants who had lived in Canada for more than 10 years or native-born Canadians) in other characteristics, particularly job-related variables and work effort. Table 11 reveals that differences in job-related and work effort variables accounted for about 6 percent of the raw differentials in mean poverty rates between recent immigrant workers and other workers. The largest compositional effects came from differences in racial (i.e., visible minority) and language (i.e., mother tongue is an official language) profiles. These two factors explained about 46 percent of the raw differential (or approximately 4.8

percentage points) in poverty rates between recent immigrant workers and other workers in 2000. The effect, however, was much smaller 2 decades ago (about 24%). It is well documented that visible minority groups, especially people with Asian ancestry, whose mother tongue is neither English nor French, now outnumber British and French immigrants to Canada.²² Characteristics such as not being able to speak one of Canada's official languages have resulted in deteriorating earnings for recent immigrants (e.g., Aydemir and Skuterud, 2005) and pushed their poverty rate above the national average.

Table 11 also shows that recent immigrant workers possess some characteristics that would usually lead to a lower poverty rate. For example, higher educational attainment among immigrants had a negative effect on the differential. Similarly, geographic variables also drove down the differential because recent immigrants were more likely to live in rich provinces or metropolitan areas where poverty rates were lower. An analysis of the observable characteristics of recent immigrant workers was unable to explain about 72 percent of the raw differential in 2000. Given the small compositional effects, a large proportion of the differential in poverty rates between recent immigrant workers and other workers may be the result of different marginal effects (or returns) to characteristics, perhaps due to a lack of acceptable credentials or discrimination. The unexplained part, nevertheless, was even larger in 1980 and 1990.

5.2.2. With the low hourly wage variable

Rather than attributing the large unexplained proportion to unobserved immigrant-specific factors, the role of market wage failure was analyzed to see if this variable was responsible for the unexplained differential. This was tested by restricting the sample to nonself-employed workers and those who had positive earnings (specification 2). Compared to the results for the full sample, unadjusted differences for the restricted sample were smaller, especially in recent years. Given the fact that the rates of self-employment did not differ significantly between recent immigrant workers and other workers, it is possible that the within-group differential was even more prominent among self-employed workers.

²²See, for example, Statistics Canada (2003b).

The results from specification 2 show that only 18 percent of the differential in mean poverty rates between recent immigrant workers and other workers in 2000 can be attributed to low hourly wages, and this effect was stronger in 1990 (21.6%) but much lower in 1980 (8.2%). The compositional effects for other variables remained similar to those shown in specification 1.

In spite of these results, roughly one-half of the differentials in specification 2 stayed unexplained. This indicates that regardless of compositional differences recent immigrants in the restricted 2000 sample still faced a poverty risk that was 4.1 percentage points higher than other workers. Studies have shown that recent immigrant workers' deteriorating wages are related to a decline in returns from their foreign education and experience (e.g., Green and Worswick, 2002; Aydemir and Skuterud, 2005): That is, Canadian employers do not recognize the education and experience of recent immigrants. In the long-run, the poverty rates for this group can hopefully be reduced through government programs that help immigrants obtain proper credentials and show them how to apply their skills in new situations. Cash assistance, however, might be a short-term solution to the high poverty rates of recent immigrant workers.

5.3. Workers in single-parent families

5.3.1. Without the low hourly wage variable

Workers in single-parent families are extremely vulnerable to poverty, even among those who work 27 weeks or more during a year. Their poverty rates were, on average, 8.6 to 9 percentage points higher than the rates of other workers over the past 20 years. Table 12 shows that the lack of second earners caused about 39 percent of the gap in poverty rates between workers in single-parent families and other workers in 2000. The lack of second earners was, however, smaller in 1980 and 1990 because the number of earners per family, on average, was smaller during the 1980s and 1990s. Table 12 also reveals that workers in single-parent families had several characteristics that put them at more of a disadvantage than other workers: About 15 percent of the differential in 2000 can be attributed to variations in demographic-related variables (in particular, sex, age, education, and visible minority), and surprisingly,

only 8 percent were due to differences in job-related and work effect. After taking all compositional effects into account, about 43.4 percent of the raw differential (or approximately 3.9 percentage points) remained unexplained in 2000.

5.3.2. With the low hourly wage variable

It is often argued that single parents—who need more employment flexibility because of childcare responsibilities—may be segregated into low-paying jobs: That is, they receive less pay than other workers with the same characteristics because of a compensating differential. The role of low wages was tested by including an indicator for low hourly wage and restricting the sample to nonself-employed workers and to those with positive earnings (specification 2). The compositional effect of the low hourly wage variable accounted for only 14.6 percent of the raw differential in 2000 (9.8% and 12.6% in 1980 and 1990, respectively), and this suggests that low hourly wages were not a major cause of high poverty rates among workers in single-parent families. The unexplained part, although reduced, still accounted for nearly 30 percent of the raw differential in 2000, and it was much higher in 1980 and 1990.

These results raise questions about the making work pay philosophy that underlies many recent social welfare policies. Although it is true that people (including single-parents) are, to some extent, better off when working, imposing a work constraint did not necessarily improve the well-being of single-parent families. Even when their differences in personal and work characteristics were taken into account, they still had significantly higher poverty rates than other workers because of the lack of a second earner in the family and because of some unobserved components associated with the structure of single-parent families.

6. Summary and Conclusion

The study discussed in this paper uses census data from 1980, 1990, and 2000 to examine the working poor in Canada over the past 2 decades. A portrait was drawn of poor workers who had worked at least 27 weeks or more during the year, and the study examined the factors that lead to high poverty

rates, focusing on three groups: young workers, recent immigrant workers, and workers living in single-parent families. Overall, the results of this study cast doubts on the common belief that those who work hard will not be poor. The results show that a great proportion of workers became poor because of problems associated with low wages. In addition, the risk of being poor also largely depends on family situations, regardless of a worker's labour efforts. The major findings of this paper are summarized as follows.

Working poverty is not an uncommon event. In 2000, the working poor represented 8.7 percent (1.15 million) of those people who worked for 27 weeks or more. The number increased by 576,000 between 1980 and 2000, and the proportion grew approximately 0.7 percentage point in each decade during this period. This study found that the working poor are not unusual workers: The majority of the working poor were males, in the prime of their lives, lived in a traditional two-parent families, and many had a postsecondary or university education. In 2000, about 29 percent and 45 percent of poor working males and females, respectively, were employed in well-paying occupations (i.e., management, professional, and office work).

Low wage is the primary problem associated with poverty and it was exaggerated over time. About 79 percent (85%) of poor working males (females) in 2000 reported having low weekly wages, while only 12.1 percent (9.5%) reported having a labour market problem not related to low pay (i.e., unemployment or part-time job). The proportion of low-paid workers rose significantly between 1980 and 2000, increasing about 20 percentage points among poor male workers and about 5 percentage points among nonpoor male workers.

Family situation is a determinant of poverty and its role varies greatly across family types. In 2000, about 20 percent of the poverty experienced by workers was caused by family-related factors. The shares were higher among workers living in a family with children: 42 percent among single-parent families and 33 percent among couple/children families. Family-related poverty was also salient in the 1980s and 1990s: It accounted for 32 percent and 22.6 percent, on average, in 1980 and 1990, respectively.

Poverty gaps among the working poor have declined over time and much of it was due to a substantial rise in government transfers. The average benefits for workers in families with children increased considerably between 1980 and 2000, and this increase offset the declining trend in earnings and resulted in a downward trend in poverty gaps. Among workers in couple/children families, a considerable increase (16.4 percentage points) in the contribution of government transfers and an increase from other sources have offset the significant decline in average earnings among workers and driven down the poverty gap about 9 percentage points (from 45% to 36%) during this period.

Most differential in poverty rates between young workers and other workers are compositional. In 2000, variations in observed characteristics explained about 86 percent of the differential in poverty rates between young workers and other workers. Low wages caused most of the high poverty rates among young workers, accounting for 79 percent of the difference. Variations in weeks of work and full-time employment contributed another 56 percent, while a relative advantage from family-related characteristics led to a significant drop in the poverty rate among young workers, contributing about -68 percent to the differential.

Poverty rates remain high among recent immigrant workers despite of hard working. In 2000, only 3.5 percent of the differential in poverty rates between recent immigrant workers and other workers can be attributed to variations in weeks of work. Racial and language profiles are relatively important, accounting for 46 percent (or 4.8 percentage points) of the gap. Overall, only 28 to 50 percent (depending on specifications) of the differential can be regarded as compositional. Unobserved factors, such as different returns from certain characteristics, perhaps due to a lack of proper credentials or discrimination, increased the poverty risks for recent immigrant workers.

Being living in a lone-parent family significantly increased the poverty risks regardless of other characteristics. In 2000, the compositional effect of nonfamily-related variables only accounted for 21 to 31 percent (depending on specifications) of the differential in poverty rates between workers in single-parent families and other workers. About 39 to 43 percent can be attributed to the observed difference in

the number of earners in the family, while the other 30 to 43 percent was due to unobserved differences in components/returns associated with the characteristics of single-parent families.

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Table 1
Socio-demographic Characteristics of Poor and Nonpoor Workers

	1980			1990			2000		
	Poverty line (\$13,555)*			Poverty line (\$14,824)*			Poverty line (\$15,418)*		
	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Canada (all ages 16–64)	2,387,550	13,404,974	15.1	2,825,571	14,980,375	15.9	3,305,173	16,476,600	16.7
Canada ¹	691,909	8,794,848	7.3	923,791	10,580,201	8.0	1,147,569	12,101,452	8.7
Male	60.0	61.3	7.1	51.9	55.9	7.5	50.1	54.0	8.1
Female	40.0	38.7	7.5	48.1	44.1	8.7	49.9	46.0	9.3
<u>Age</u>									
16–24	24.8	18.7	9.4	21.8	12.1	13.6	20.4	11.0	14.9
25–34	29.3	30.3	7.1	31.2	29.8	8.4	23.9	22.2	9.3
35–54	35.8	39.5	6.6	38.6	48.1	6.6	46.6	56.0	7.3
55–64	10.1	11.4	6.5	8.3	10.0	6.8	9.1	10.8	7.4
<u>Education</u>									
Less than HS	49.8	34.6	10.2	37.4	24.3	11.8	28.6	17.6	13.3
HS or equivalent	30.2	33.9	6.6	36.7	35.7	8.2	33.8	29.8	9.7
Postsecondary/college	14.2	19.5	5.4	17.8	23.8	6.1	26.1	31.6	7.3
University	5.8	12.0	3.4	8.1	16.2	4.2	11.5	21.0	4.9
<u>Immigrant status</u>									
Recent immigrants ²	8.4	5.1	11.5	10.0	4.0	18.1	12.3	5.2	18.3
Old immigrants	11.3	15.0	5.6	11.1	14.8	6.1	12.2	14.3	7.5
Native-born Canadians	80.3	79.9	7.3	78.8	81.2	7.8	75.5	80.5	8.2
<u>Family structure</u>									
Unattached individual	23.3	12.0	13.2	29.7	12.6	17.0	30.2	13.0	18.1
Single-parent	12.9	5.6	15.3	13.9	6.1	16.6	16.1	7.5	16.9
Couple w/o children ³	19.5	40.7	3.6	22.5	43.0	4.4	24.0	44.2	4.9
Couple w/ children ³	44.3	41.6	7.7	33.9	38.3	7.2	29.7	35.3	7.4

* In 2000 constant dollars.

¹ Workers 16 to 64 with at least 27 weeks worked in the reference year.

² Recent immigrants refer to those who arrived with 10 years.

³ Children refer to those aged < 16 years.

Table 2
Job Characteristics of the Poor and Nonpoor Workers

(Workers 16 to 64 with at least 27 weeks worked in reference year)

	1980			1990			2000		
	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Males									
<u>Occupation</u>									
Management	3.6	9.6	2.8	8.8	14.5	4.7	9.0	14.3	5.2
Prof./tech.	2.8	7.8	2.7	4.3	10.1	3.3	6.4	12.7	4.3
Admin./secretary/clerical	10.0	16.5	4.4	12.6	17.3	5.6	13.6	17.3	6.5
Sales	7.7	9.0	6.1	5.8	6.9	6.4	5.7	6.2	7.5
Services	11.5	8.3	9.6	18.0	10.7	12.0	18.2	10.3	13.4
Production	43.3	42.8	7.2	36.3	35.6	7.6	37.6	35.0	8.7
Farm/agriculture	21.2	6.0	21.2	14.2	4.9	19.2	9.6	4.3	16.3
<u>Nature of Employment</u>									
Wage/salary	74.5	92.5	5.8	81.3	92.7	6.6	81.2	91.9	7.2
Self-employed	25.5	7.5	20.7	18.7	7.3	17.2	18.8	8.1	17.0
Females									
<u>Occupation</u>									
Management	2.2	4.1	4.1	5.2	7.5	6.3	5.9	9.2	6.2
Prof./tech.	6.4	10.9	4.6	6.2	11.7	4.8	7.3	13.2	5.4
Admin./secretary/clerical	33.4	51.9	5.0	31.5	49.5	5.7	31.3	46.1	6.5
Sales	9.8	9.0	8.2	8.7	7.8	9.6	8.6	7.0	11.2
Services	28.8	12.3	16.1	33.9	15.1	17.6	33.9	16.5	17.5
Production	12.8	10.3	9.2	9.4	6.8	11.6	9.6	6.7	12.8
Farm/agriculture	6.6	1.5	26.2	5.1	1.7	22.6	3.5	1.4	20.2
<u>Nature of Employment</u>									
Wage/salary	92.8	97.1	7.2	92.2	95.9	8.4	89.1	94.2	8.9
Self-employed	7.2	2.9	16.7	7.8	4.1	15.2	10.9	5.8	16.1

Table 3
Percent and Number of the Working Poor: by Area Size and Province

(Workers 16 to 64 with at least 27 weeks worked in reference year)

	The Working Poor							
	1980		1990		2000		<i>Changes</i> <i>1980 - 2000</i>	
	Number	Poverty rate	Number	Poverty rate	Number	Poverty rate	<i>Number</i>	<i>Poverty rate</i>
Canada	691,909	7.3	923,791	8.0	1,147,569	8.7	455,660	1.4
<u>Area Size</u>								
Rural	236,582	12.3	251,419	10.5	252,847	10.1	16,265	-2.2
<30,000	93,118	6.8	114,447	7.9	142,228	8.7	49,110	1.9
30,000–99,999	49,598	6.5	80,648	7.9	96,094	9.1	46,496	2.6
100,000–499,999	64,044	6.3	91,945	7.3	142,667	8.5	78,623	2.2
500,000+	248,568	5.6	385,333	7.2	513,734	8.0	265,166	2.4
<u>Province</u>								
Newfoundland	14,762	10.1	13,107	8.3	16,927	10.3	2,165	0.2
Prince Edward Island	4,789	12.9	3,952	9.1	5,431	10.2	642	-2.7
Nova Scotia	27,092	9.6	30,262	9.0	41,199	11.3	14,107	1.7
New Brunswick	20,702	9.8	22,949	9.3	30,634	10.6	9,932	0.8
Quebec	167,086	7.1	228,026	8.2	281,716	9.1	114,630	2.0
Ontario	241,176	6.7	292,372	6.4	381,442	7.3	140,266	0.6
Manitoba	39,254	9.9	49,670	11.0	52,792	10.7	13,538	0.8
Saskatchewan	38,781	11.1	56,222	14.5	52,775	12.7	13,994	1.6
Alberta	70,512	7.3	113,264	9.9	126,450	8.8	55,938	1.5
British Columbia	65,577	6.0	111,091	8.1	154,867	9.1	89,290	3.1
Yukon	602	6.2	800	6.4	1,087	7.9	485	1.7
NWT/Nunavut	1,576	11.4	2,076	10.3	2,249	9.5	673	-1.9

Table 4
Percent and Number of Working Poor: by 27 Census Metropolitan Areas

(Workers 16 to 64 with at least 27 weeks worked in reference year)

	The Working Poor							
	1980		1990		2000		Changes 1980–2000	
	Number	Poverty rate	Number	Poverty rate	Number	Poverty rate	Number	Poverty rate
Canada	691,909	7.3	923,791	8.0	1,147,569	8.7	455,660	1.4
St. John's	3,749	7.0	4,402	6.6	6,286	8.6	2,537	1.6
Halifax	7,287	6.4	10,843	7.4	16,042	9.4	8,755	3.0
Saint John	2,642	6.5	3,869	7.9	5,540	10.7	2,898	4.2
Chicoutimi-Jonquiere	2,774	6.6	4,076	7.0	4,704	7.8	1,930	1.2
Quebec	10,667	4.8	18,693	6.6	24,330	7.8	13,663	3.0
Sherbrooke	3,170	7.3	5,356	9.5	6,984	10.3	3,814	3.0
Trois-Riveres	2,760	7.3	4,734	9.1	5,950	10.8	3,190	3.5
Montreal	69,661	6.1	106,067	7.9	135,849	8.9	66,188	2.8
Ottawa-Hull	17,132	5.5	25,346	5.7	33,061	6.5	15,929	1.0
Kingston	3,327	7.5	4,841	8.1	5,887	9.3	2,560	1.8
Oshawa	3,039	4.7	4,563	4.1	7,443	5.3	4,404	0.6
Toronto	77,456	5.5	108,692	5.8	154,491	7.1	77,035	1.6
Hamilton	11,788	5.2	14,593	5.4	19,283	6.5	7,495	1.3
St. Catherines-Niagara	7,299	6.3	10,557	7.0	12,807	7.8	5,508	1.5
Kitchener	7,696	6.0	9,892	5.8	12,410	6.1	4,714	0.1
London	9,020	7.3	12,815	7.3	17,179	8.6	8,159	1.3
Windsor	5,922	6.7	7,224	6.6	9,456	6.7	3,534	0.0
Sudbury	3,182	5.9	4,139	6.4	5,388	8.4	2,206	2.5
Thunder Bay	2,345	4.7	2,976	5.5	3,670	7.0	1,325	2.3
Winnipeg	16,351	6.5	23,478	8.1	27,234	8.6	10,883	2.1
Regina	4,040	5.7	6,761	7.9	7,789	8.5	3,749	2.8
Saskatoon	4,446	6.9	9,164	10.2	11,109	10.8	6,663	3.9
Calgary	15,546	5.4	30,143	8.3	36,681	7.4	21,135	2.0
Edmonton	16,706	5.4	32,848	8.5	37,490	8.3	20,784	2.9
Abbotsford	-	-	3,068	7.1	5,127	8.4	-	-
Vancouver	27,952	5.1	54,088	7.5	77,100	8.6	49,148	3.5
Victoria	5,572	6.0	9,938	8.1	13,112	9.3	7,540	3.3
Total CMAs	341,529		533,166		702,401		360,872	
(% of total)	(49.4)		(57.7)		(61.2)		(79.2)	

- Data not available

Table 5
Labour Market Problems among Poor and Nonpoor Workers: Males

(Workers 16 to 64 with at least 27 weeks worked in reference year)

	1980			1990			2000		
	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Unemployment									
13–25 weeks	20.3	8.9	15.0	19.5	8.6	15.5	17.2	7.3	17.2
4–12 weeks	20.2	16.5	8.6	19.1	14.1	9.9	21.3	15.4	10.9
< 4 (full-year)	59.4	74.7	5.8	61.4	77.3	6.1	61.5	77.3	6.5
Low weekly pay*									
Weekly earnings < PL/52	58.3	5.5	45.1	72.6	8.7	40.3	78.6	10.6	39.5
Weekly earnings \geq PL/52	41.7	94.5	3.3	27.4	91.3	2.4	21.4	89.4	2.1
Part-time**									
Full-time	13.0	5.4	15.6	15.9	6.1	17.4	20.1	7.6	18.9
	87.0	94.6	6.7	84.1	93.9	6.8	79.9	92.4	7.1
Combination problems									
Low-paid only	33.2	2.0	56.2	40.9	3.6	47.9	42.1	4.3	46.2
Unemployment only	17.5	21.7	5.8	12.3	18.5	5.1	9.7	17.8	4.6
Part-time only	0.8	1.3	4.6	0.5	1.1	3.8	0.5	1.3	3.0
Low-paid/unemp. only	15.7	0.9	56.1	18.2	1.3	52.5	18.7	1.5	52.9
Low-paid/part-time only	4.7	1.3	21.4	7.2	2.2	20.7	9.6	2.9	22.5
Unemp./part-time only	2.8	1.5	12.1	1.8	1.3	10.4	1.9	1.4	10.2
All three problems	4.7	1.2	23.2	6.3	1.5	24.9	8.3	1.9	27.2
None of these problems	20.6	70.0	2.2	12.8	70.4	1.5	9.3	68.8	1.2

*A worker is called receiving low weekly pay if his or her weekly earnings fall below the poverty line divided 52. Weekly earnings are calculated as total annual earnings divided by number of weeks worked.

**Part-time refers to those who worked less than 30 hours a week.

Table 6
Labour Market Problems among Poor and Nonpoor Workers: Females

(Workers 16 to 64 with at least 27 weeks worked in reference year)

	1980			1990			2000		
	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate	Poor	Nonpoor	Poverty rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Unemployment									
13–25 weeks	25.2	12.5	14.2	20.2	10.1	16.0	18.2	8.3	18.2
4–12 weeks	23.3	18.6	9.3	21.0	15.5	11.5	22.5	16.9	12.0
< 4 (full-year)	51.5	68.9	5.8	58.8	74.4	7.0	29.3	74.8	7.5
Low weekly pay*									
Weekly earnings < PL/52	72.8	18.6	24.2	81.9	22.3	25.9	85.4	22.0	28.5
Weekly earnings ≥ PL/52	27.2	81.4	2.7	18.1	77.7	2.2	14.6	78.0	1.9
Part-time**									
Part-time**	35.4	23.0	11.2	34.7	22.3	12.9	39.0	22.8	17.4
Full-time	64.6	77.0	6.4	65.3	77.7	7.4	61.0	77.2	6.8
Combination problems									
Low-paid only	26.0	3.9	35.1	34.3	6.9	32.1	34.0	6.7	34.1
Unemployment only	12.6	17.8	5.5	7.7	14.0	5.0	6.0	13.9	4.3
Part-time only	1.7	5.6	2.5	1.2	5.7	2.0	1.0	6.0	1.7
Low-paid/unemp. only	17.1	2.4	36.4	16.7	2.7	37.2	15.9	2.4	40.3
Low-paid/part-time only	14.9	6.5	15.7	16.6	7.7	17.0	19.2	7.8	20.1
Unemp./part-time only	4.0	5.1	6.0	2.6	3.9	6.0	2.5	4.0	6.0
All three problems	14.8	5.8	17.3	14.2	5.0	21.3	16.2	5.0	25.1
None of these problems	8.8	52.8	1.3	6.6	54.1	1.1	5.0	54.2	0.9

*A worker is called receiving low weekly pay if his or her weekly earnings fall below the poverty line divided 52. Weekly earnings are calculated as total annual earnings divided by number of weeks worked.

**Part-time refers to those who worked less than 30 hours a week.

Table 7
Poverty by Individual-related and Family-related Causes:* Total and by Family Types

(Poor workers 16 to 64 with at least 27 weeks worked in reference year)

	Total	Unattached	Single Parent	Couple w/o children	Couple w/ children
	(1)	(2)	(3)	(4)	(5)
1980					
Individual-related poverty					
Number	468,542	161,392	50,543	103,065	153,542
Share of the working poor (%)	67.7	100.0	56.7	76.5	50.1
Family-related poverty					
Number	223,367	-	38,602	31,740	153,017
Share of the working poor (%)	32.3	-	43.3	23.5	49.9
1990					
Individual-related poverty					
Number	714,901	274,202	76,619	176,606	187,473
Share of the working poor (%)	77.4	100.0	59.6	85.1	59.8
Family-related poverty					
Number	208,890	-	52,002	30,843	126,045
Share of the working poor (%)	22.6	-	40.4	14.9	40.2
2000					
Individual-related poverty					
Number	920,884	346,641	107,818	236,466	229,960
Share of the working poor (%)	80.2	100.0	58.4	86.0	67.3
Family-related poverty					
Number	226,685	-	76,663	38,533	111,489
Share of the working poor (%)	19.8	-	41.6	14.0	32.7

*A worker is classified as in individual-related poverty if his/her equivalent income falls below the poverty line and his/her individual income also falls below the poverty line. A worker is classified as in family-related poverty if his/her equivalent income falls below the poverty line but his/her individual income goes above the poverty line.

Table 8
Poverty Gap and Income Composition of the Working Poor: Total and by Family Structure

(Poor workers 16 to 64 with at least 27 weeks worked in the reference year)

	Total	Unattached	Single Parent	Couple w/o children	Couple w/ children
	(1)	(2)	(3)	(4)	(5)
1980					
Poverty rate	7.3	13.2	15.3	3.6	7.7
Poverty gap (mean)	46.3	47.1	37.4	54.6	44.9
Income as % of poverty line (mean)					
Individual earnings ¹	58.9	45.0	65.2	36.6	74.3
+ Other ind. market sources ²	60.5	47.1	68.5	38.2	75.1
+ Ind. government benefit ³	70.9	52.9	84.7	44.0	88.2
+ Family market incomes ⁴	43.8	-	46.4	35.2	45.2
+ Family gov't benefits	53.7	-	62.6	45.4	55.1
1990					
Poverty rate	8.0	17.0	16.6	4.4	7.2
Poverty gap (mean)	41.6	43.8	35.4	46.7	38.8
Income as % of poverty line (mean)					
Individual earnings ¹	50.9	47.0	56.9	36.5	61.4
+ Other ind. market sources ²	53.0	49.1	61.3	38.4	62.7
+ Ind. government benefit ³	65.8	56.2	83.2	44.3	81.3
+ Family market incomes ⁴	45.5	-	44.7	41.2	45.5
+ Family gov't benefits	58.4	-	64.6	53.3	61.2
2000					
Poverty rate	8.7	18.1	16.9	4.9	7.4
Poverty gap (mean)	40.0	45.3	35.0	41.7	35.7
Income as % of poverty line (mean)					
Individual earnings ¹	47.0	44.6	50.0	38.4	54.9
+ Other ind. market sources ²	49.7	46.9	54.9	40.8	57.0
+ Ind. government benefit ³	63.6	54.7	84.2	48.0	74.2
+ Family market incomes ⁴	43.9	-	40.5	44.5	42.1
+ Family gov't benefits	60.0	-	65.0	58.3	64.3

¹ Earnings included the sum of employment income (wages, salary and self-employed income).

² Other individual market sources refer to investment income, private retirement pensions, and private transfers.

³ All income from government sources including pensions, benefits, tax refunds and credits.

⁴ Family market sources refer to the sum of market income (employment income, investment and private transfers) for other family members.

Table 9
The Working Poor and the Use of Income Security System: Total and by Family Types

	Other poor ¹		The working poor ²		The working poor ²							
					Unattached		Lone parent		Couple w/o children		Couple with children	
	(%)	Mean	(%)	Mean	(%)	Mean	(%)	Mean	(%)	Mean	(%)	Mean
	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1980												
Employment insurance	19.6	\$5,815	17.5	\$3,795	11.1	\$2,568	15.6	\$3,107	17.8	\$3,742	21.3	\$4,298
Public pension/OASGI ³	14.0	\$8,176	5.7	\$6,730	2.6	\$3,209	12.9	\$5,977	9.9	\$8,143	3.3	\$7,066
Other public assistance ⁴	36.7	\$8,179	14.2	\$5,371	10.0	\$4,208	28.4	\$6,499	16.2	\$4,882	11.4	\$5,394
Child benefits ⁵	56.8	\$1,506	58.5	\$1,399	-	-	84.6	\$1,155	23.9	\$736	96.9	\$1,533
Average benefits (recipients) ⁶	81.0 ⁷	\$7,575	70.6 ⁷	\$3,716	22.2 ⁷	\$3,546	94.1 ⁷	\$4,333	51.0 ⁷	\$4,784	97.8 ⁷	\$3,320
1990												
Employment insurance	24.0	\$5,919	24.0	\$3,859	16.2	\$2,727	23.2	\$3,358	25.7	\$4,025	29.9	\$4,460
Public pension/OASGI ³	16.5	\$7,778	7.2	\$6,091	3.5	\$3,254	11.2	\$6,495	13.8	\$7,049	4.5	\$5,684
Other public assistance ⁴	43.3	\$7,631	18.2	\$4,900	12.1	\$4,091	32.7	\$5,821	19.5	\$4,349	16.8	\$5,098
Child benefits ⁵	46.0	\$2,724	47.0	\$2,670	-	-	79.0	\$2,102	17.6	\$1,448	94.5	\$3,015
Average benefits (recipients) ⁶	80.9 ⁷	\$8,978	66.5 ⁷	\$5,283	28.7 ⁷	\$3,668	92.5 ⁷	\$5,488	55.1 ⁷	\$5,652	96.5 ⁷	\$5,483
2000												
Employment insurance	15.3	\$4,729	16.2	\$3,299	10.8	\$2,528	15.9	\$2,895	18.0	\$3,358	20.4	\$3,840
Public pension/OASGI ³	21.2	\$7,260	9.1	\$6,376	5.0	\$3,726	12.0	\$6,975	16.1	\$6,983	5.9	\$6,642
Other public assistance ⁴	96.7	\$3,375	96.4	\$1,480	91.6	\$807	99.7	\$1,883	98.4	\$1,557	97.9	\$1,833
Child benefits ⁵	43.8	\$4,598	45.2	\$4,560	-	-	79.5	\$4,138	16.9	\$2,631	95.4	\$5,025
Average benefits (recipients) ⁶	96.8 ⁷	\$7,786	96.6 ⁷	\$4,761	92.5 ⁷	\$1,299	99.7 ⁷	\$6,486	98.5 ⁷	\$3,767	98.0 ⁷	\$7,924

Note: Figures are in 2000 constant dollars.

¹Individuals 16–64 employed for 26 weeks or less (including nonworkers) in the year and whose equivalent income fell below the poverty line.

²Individuals 16–64 employed for 27 weeks or more in the year and whose equivalent income fell below the poverty line.

³Public pensions include Canada/Quebec public pension plans, Old Age Security (OAS), and Guaranteed Income Supplement (GIS).

⁴Other public assistance includes social assistance, workers compensation, provincial income supplement, and refundable tax credits.

⁵In 1980, it was Family Allowances. In 1990, it included Family Allowances and Federal Child Tax credits. In 2000, it referred to Federal Child Tax Benefits, which replaced Family Allowances and Federal Child Tax credits. Benefits include the Canada Child Tax Benefit (CCTB), the National Child Tax Benefit Supplement (NCB), and child benefits and earned income supplements provided by certain provinces and territories.

⁶The average benefits among recipients.

⁷Proportion of received benefits.

Table 10
Contribution of Characteristics to the Differential in Working Poor Probabilities:
Young Workers (16–24) versus Other Workers

<i>Contribution to differential (%)</i>	Specification 1			Specification 2*		
	1980	1990	2000	1980	1990	2000
	(1)	(2)	(3)	(4)	(5)	(6)
Unadjusted difference	2.66	6.40	7.09	3.77	7.13	7.95
<u>Demography</u>	(8.96)	(9.79)	(12.30)	(1.40)	(4.57)	(5.98)
Female	5.55	1.43	0.57	-0.17	0.03	0.07
Education (4)	7.01	8.89	14.06	4.36	5.45	7.80
Recent immigrants	-2.39	-0.11	-0.76	-1.24	-0.09	-0.45
Old immigrants	2.34	1.95	0.44	1.56	0.91	0.25
Mother tongue is official lang.	-2.21	-2.00	-2.14	-1.62	-1.41	-1.65
Visible minority	-1.34	-0.37	0.13	-1.49	-0.32	-0.04
<u>Geography</u>	-(3.19)	-(1.47)	(0.17)	-(0.09)	-(0.36)	(0.33)
Province (12)	-0.64	-0.01	0.59	0.27	0.20	0.24
Area of residence (5)	-2.55	-1.46	-0.42	-0.36	-0.56	0.09
<u>Family-related</u>	-(77.88)	-(43.95)	-(56.24)	-(77.40)	-(49.75)	-(67.67)
Live unattached	16.53	5.49	1.78	12.43	4.30	1.36
In lone-parent family	6.81	5.68	5.63	5.32	4.47	4.43
In couple family w/o kid	2.63	1.98	1.69	2.49	1.64	1.67
Number of earners	-100.53	-60.65	-75.26	-96.87	-64.21	-86.00
Family size	-3.32	3.55	9.92	-0.77	4.05	10.87
<u>Job-related</u>	(12.58)	(22.72)	(19.51)	(18.99)	(16.99)	(13.29)
Industry (10)	16.00	18.28	16.03	10.98	10.53	7.69
Occupation (7)	10.26	10.31	10.93	8.01	6.46	5.60
Self-employment	-13.68	-5.87	-7.45	-	-	-
<u>Work effort</u>	(51.22)	(34.99)	(43.90)	(49.08)	(42.20)	(55.63)
Weeks of work	33.04	14.19	14.17	22.86	9.05	16.52
Full-time	18.18	20.80	29.73	26.22	33.15	39.11
<u>Low hourly wage**</u>	-	-	-	50.97	53.82	78.82
Total explained	-8.31	22.08	19.64	42.95	67.47	86.38
Unexplained	108.33	77.90	80.35	57.06	32.53	13.63
Total	100.00	100.00	100.00	100.00	100.00	100.00
<i>Pseudo R-squared</i>	0.193	0.190	0.189	0.313	0.325	0.384

*Sample excluding self-employed workers and those with nonpositive earnings.

**Low hourly wage indicator equals 1 if predicted hourly wage < poverty line divided by 2080 hours (see text).

Table 11
Impact of Characteristics to Differential in Working Poor Probabilities:
Recent Immigrant Workers (arrived within 10 years) versus Other Workers

<i>Contribution to differential (%)</i>	Specification 1			Specification 2*		
	1980	1990	2000	1980	1990	2000
	(1)	(2)	(3)	(4)	(5)	(6)
Unadjusted difference	4.44	10.59	10.26	3.50	7.43	8.27
<u>Demography</u>	(16.56)	(37.35)	(40.88)	(29.38)	(39.76)	(39.47)
Female	0.83	-0.01	-0.17	-0.04	0.00	-0.03
Age	-1.62	1.29	1.12	-0.08	1.17	1.61
Education (4)	-6.74	-2.59	-5.83	-4.87	-1.85	-4.15
Mother tongue is official lang.	4.50	12.49	16.06	5.26	14.12	15.28
Visible minority	19.59	26.17	29.70	29.11	26.32	26.76
<u>Geography</u>	-(17.23)	-(15.20)	-(17.18)	-(12.88)	-(13.03)	-(10.76)
Province (12)	-3.45	-6.09	-7.51	-3.63	-6.12	-5.39
Area of residence (5)	-13.78	-9.11	-9.67	-9.25	-6.91	-5.37
<u>Family-related</u>	(8.87)	(1.41)	-(1.25)	(10.29)	(0.18)	-(2.63)
Live unattached	-2.65	-1.27	-4.05	-3.50	-1.98	-4.34
In lone-parent family	-1.18	-0.08	-0.49	-1.29	0.01	-0.37
In couple family w/o kid	-2.07	-1.47	-1.68	-3.15	-1.83	-1.95
Number of earners	-9.12	-11.35	-10.45	-12.98	-18.77	-15.23
Family size	23.89	15.58	15.42	31.21	22.75	19.26
<u>Job-related</u>	(2.28)	(5.14)	(2.80)	(8.47)	(5.69)	(3.28)
Industry (10)	3.25	4.18	2.76	4.74	3.40	2.31
Occupation (7)	1.49	1.73	0.43	3.73	2.29	0.97
Self-employed	-2.46	-0.77	-0.39	-	-	-
<u>Work effort</u>	(0.94)	(1.73)	(2.72)	-(2.17)	-(0.54)	(3.48)
Weeks of work	3.81	3.21	3.53	3.47	2.86	4.71
Full-time	-2.87	-1.48	-0.81	-5.64	-3.40	-1.23
Low hourly wage**	-	-	-	8.18	21.59	17.91
Total explained	11.42	30.43	27.97	41.27	53.65	50.75
Unexplained	88.59	69.58	72.05	58.71	46.34	49.25
Total	100.00	100.00	100.00	100.00	100.00	100.00
<i>Pseudo R-squared</i>	0.193	0.190	0.190	0.313	0.325	0.384

*Sample excluding self-employed workers and those with nonpositive earnings.

**Low hourly wage indicator equals 1 if predicted hourly wage < poverty line divided by 2080 hours (see text).

Table 12
Impact of Characteristics to Differential in Working Poor Probabilities:
Workers in Single-parent Families versus Other Workers

<i>Contribution to differential (%)</i>	Specification 1			Specification 2*		
	1980	1990	2000	1980	1990	2000
	(1)	(2)	(3)	(4)	(5)	(6)
Unadjusted difference	8.57	9.15	9.01	8.76	8.79	8.33
<u>Demography</u>	(11.47)	(12.94)	(15.00)	(4.60)	(5.72)	(7.00)
Female	5.43	3.77	2.95	0.10	-0.23	0.30
Age	3.67	5.61	6.01	2.80	3.55	2.48
Education (4)	2.49	2.88	4.06	1.58	1.84	2.45
Recent immigrants	-0.34	-0.04	-0.37	-0.16	0.00	-0.17
Old immigrants	0.22	0.07	0.00	0.18	0.03	0.00
Mother tongue is official lang.	-0.36	-0.87	-0.52	-0.31	-0.68	-0.39
Visible minority	0.36	1.52	2.87	0.41	1.21	2.33
<u>Geography</u>	-(2.05)	-(2.65)	-(1.89)	-(1.24)	-(1.59)	-(0.58)
Province (12)	0.23	-0.20	-0.16	-0.01	-0.20	-0.00
Area of residence (5)	-2.28	-2.45	-1.73	-1.23	-1.39	-0.58
<u>Family-related</u>	(10.81)	(24.34)	(35.51)	(11.42)	(25.78)	(38.96)
Number of earners	15.40	28.07	38.84	15.71	30.38	43.22
Family size	-4.59	-3.73	-3.33	-4.29	-4.60	-4.26
<u>Job-related</u>	(1.39)	(1.94)	(1.65)	(3.44)	(3.31)	(2.33)
Industry (10)	3.31	3.04	2.02	3.00	2.76	1.41
Occupation (7)	-0.08	0.59	1.51	0.44	0.55	0.92
Self-employed	-1.84	-1.69	-1.88	-	-	-
<u>Work effort</u>	(5.25)	(5.26)	(6.32)	(5.95)	(6.41)	(8.11)
Weeks of work	2.93	2.43	2.41	2.25	1.61	2.83
Full-time	2.32	2.83	3.91	3.70	4.80	5.28
Low hourly wage**	-	-	-	9.81	12.65	14.59
Total explained	26.87	41.83	56.59	33.98	52.28	70.41
Unexplained	73.16	58.16	43.44	66.03	47.70	29.59
Total	100.00	100.00	100.00	100.00	100.00	100.00
<i>Pseudo R-squared</i>	0.179	0.178	0.181	0.298	0.314	0.376

*Sample excluding self-employed workers and those with nonpositive earnings.

**Low hourly wage indicator equals 1 if predicted hourly wage < poverty line divided by 2080 hours (see text).