Contemporary Family Trends

THE CURRENT STATE OF CANADIAN FAMILY FINANCES 2002 REPORT

Roger Sauvé, People Patterns Consulting
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The Vanier Institute of the Family

This paper has been commissioned by The Vanier Institute of the Family as a contribution to discussion and as a source for the development of The Vanier Institute of the Family's perspective on family finances.

About the author…
Roger Sauvé is President of People Patterns Consulting. He is the author of Canadian People Patterns (1990) and Borderlines (1994). He has written numerous client reports on social, economic and demographic trends and produces long term forecasts of households spending. Roger Sauvé can be reached at roger@peoplepatternsconsulting.com or (250) 642-2771 or visit his website www.peoplepatternsconsulting.com .

The Vanier Institute of the Family was established in 1965 under the patronage of Their Excellencies Governor General Georges P. Vanier and Madame Pauline Vanier. It is a national voluntary organization dedicated to promoting the well-being of Canada's families through research, publications, public education and advocacy. The Institute regularly works with businesses, legislators, policy-makers and program specialists, researchers, educators, family service professionals, the media and members of the general public.

Contemporary Family Trends is a series of occasional papers authored by leading Canadian experts in the field of family studies.

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INTRODUCTION AND TECHNICAL NOTE

This fourth annual report updates the current state of family and household finances. The report examines incomes, spending, saving and net worth across family and household types. The positive response to previous annual reports suggests that individuals, families, governments, business, unions, the media and many other organizations want and need to know more about how families are doing financially. This report is gradually becoming a source document for both the general public and researchers. Some of the findings are now being included in textbooks.

Families are the main focus of this report but the latest available family income measures relate to the year 2000. More information, and it is more up to date, is also available for what is called the personal sector and this is used to provide several of the estimates for all households up to the year 2001 and in some instances for part of 2002. Households include both families and unattached individuals. About two-thirds of households are family households and the recent trends for households provide a good "directional" guide to what is happening in families.

For ease of understanding and to make the results more relevant, all measures have been converted to a per family or per household basis. Most dollar estimates are in 2000 dollars and thus variations over several years represent changes in real purchasing power after inflation. The term "real" indicates what would have happened if there had been no inflation. The measures incorporate updates and any recent revisions by Statistics Canada.

Much of the analysis relates to the last decade, 1991 to 2001, with special emphasis on the latest three years ending in 2000 or 2001 depending on the data series. The charts cover each year from 1991 to the latest full year available. The text tables and the appendices provide the total change over the entire period and for each of the last three years. Shaded (grey) areas in the tables represent deterioration or declines for the selected indicators. Readers are urged to examine the two Appendix tables to get a more detailed perspective of the changes experienced by different types of families and households.

Additional details on sources of data for Charts 1 to 16 are provided at the end of the report.

The opinions expressed are those of the author and may not represent the views of the Vanier Institute of the Family. Any errors and omissions are the responsibility of the author. Roger Sauvé, People Patterns Consulting, can be reached at 250-642-2771, fax (250-642-2726), Email (roger@peoplepatternsconsulting.com), or at his Website (www.peoplepatternsconsulting.com).

SELECTED HIGHLIGHTS OF THE 2002 REPORT

MORE GOOD INCOME NEWS FOR MOST FAMILIES

Average family incomes after income taxes and transfer payments improved by a healthy 3.0% in 2000 and set another new record at $54,725. This was the third new record high. Female lone-parents had the biggest improvement while senior unattached males had the biggest decline. The percentage of households with low-incomes (poverty) shrank for the fourth year in a row. The rate for all families of two or more persons peaked at 10.7% in 1996 and dropped to 7.9% in 2000.

ELIMINATING CHILD POVERTY IS NOW AN ANNUAL $2.8 BILLION CHALLENGE

The number of children under the age of 18 living in poverty declined to 868,000 in 2000.The annual aggregate low-income poverty shortfall for all non-senior families with children is now about $2.8 billion. This is the amount that would be required to raise the income of all low-income (poor) households with children up to their applicable low-income cutoffs.

TAXPAYERS AND THEIR GOVERNMENTS PLAY KEY ROLE IN REDISTRIBUTION

Even though inequality is getting worse, there continues to be significant transfers of incomes from the richest to the poorest families. In 2000, the poorest 20% had a net gain of $8,099 per family while the richest 20% of families made a net contribution of $30,814 per family.

SPENDING UP EACH YEAR FOR A DECADE

Canadian spending per household advanced by another 1.3% in 2001 and marked a full decade of positive increases. Spending on recreation, entertainment, education and culture jumped by over 50% over the decade or triple the growth rate for all expenditures.

HOUSEHOLDS MORE CAUTIOUS WITH DEBT

Households are borrowing more but the annual growth in household debt has been slowing over the last three years. The typical household had accumulated $57,400 of debt by 2001 and it seems that they added another $1,000 or so to this total in 2002.

NET WORTH DECLINES FOR FIRST TIME SINCE 1991

The continuous 10-year climb in the average net worth of Canadian households ended in 2001, as net worth slipped by $625 or 0.2% from the previous year. Indications suggest that a further drop is likely in 2002.

FOCUS ON THE IMPROVING FINANCIAL SITUATION OF FEMALE LONE-PARENTS

Several indicators suggest that female lone-parents are experiencing improved financial conditions. The poverty rate fell from 49% in 1996 to 34% in 2000. It seems that much of the gains have come from greater participation in the paid job market.

MORE GOOD INCOME NEWS FOR MOST FAMILIES

Average family incomes after income taxes and transfer payments improved by a healthy 3.0% in 2000 (the latest available) and set another new record at $54,725. This was the fifth consecutive annual improvement and the third new record high. This average family income is up by about $5,700 or 11.6% from the 1991 levels.

Among unattached individuals, average incomes after transfer payments and income taxes increased by 2% in 2000. This increase was the fourth in a row and the second new record high and represented an increase of 8.4% from 1991. See Appendix A for a closer look at the biggest winners … and yes, those who are falling behind or just staying even.

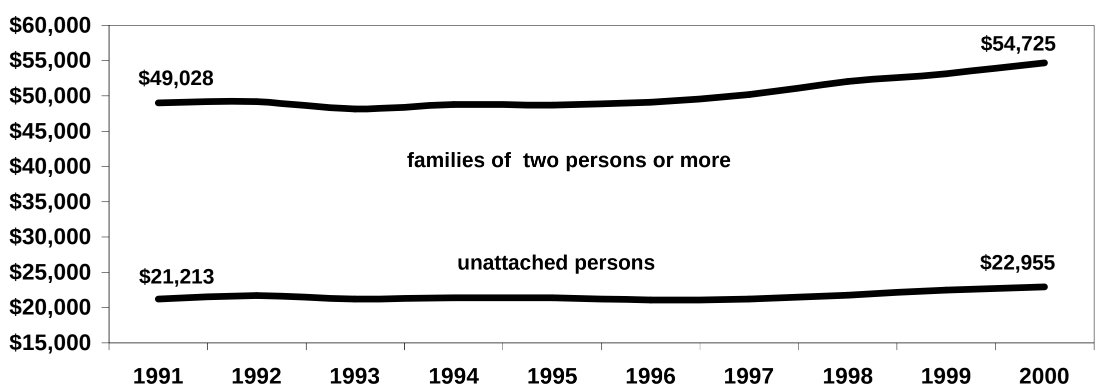
The biggest gains in 2000 were among;

- female lone-parent families (+8.4%) (more on this group near the end the report)
- male lone-parents (+7.4%)
- non-senior unattached males (+5.7%)
- and families living in Alberta (+5.7%)

A few groups suffered income declines or were stagnant in 2000;

- senior unattached males (-3.1%)
- non-senior females (-2.0%)
- one-earner couples without children (-1.7%)
- one-earner couples with children (-0.5%)
- and families living in British Columbia just stayed where they were in 1999.

CHART 1
Average incomes for families and unattached individuals after transfers and income taxes in constant 2000$



Source: People Patterns Consulting based on Statistics Canada

Over the longer-term period, from 1991 to 2000, all the groups in appendix A, except one (other senior families) experienced improvements in after income tax and transfer payment incomes.

- The biggest gains over the 1991 to 2000 period were experienced by female lone-parents (+26.5%), male lone-parents (+19.2%), the richest 20% of families (+16.3%), families living in Ontario (+15.4%) and two-earner married couples with children (+14.2%).
- The smallest gains were among families living in British Columbia (+4.3%). In 1991, family incomes in Alberta were only $232 above those in British Columbia but this advantage jumped to over $4,000 by 2000.

FAMILY INCOMES AND INCOME TAXES ROSE IN TANDEM DURING DECADE

The major flows that make up family incomes are outlined in table 1 below.

Average incomes earned in the market (from employment and self-employment, investments and private retirement income, etc) increased by a hefty 4.5% in 2000. More up-to-date indicators suggest the rate of increase for market incomes may have slowed in 2001. In contrast, the renewed and outstanding job growth numbers experienced in 2002 point to strong market income growth again in 2002.

Government transfers to families (Employment Insurance, child tax benefits, CPP/QPP, Old Age Security, etc) dipped significantly for the fourth consecutive year. The reduction in unemployment provided much of the impetus behind this decline.

Income taxes jumped by 6.6% in 2000, following a rare decline during the previous year. Over the 1991 to 2000 period, however, income taxes rose by 12.1% or by less than the growth in market based earnings.

TABLE 1 Determinants of average family incomes

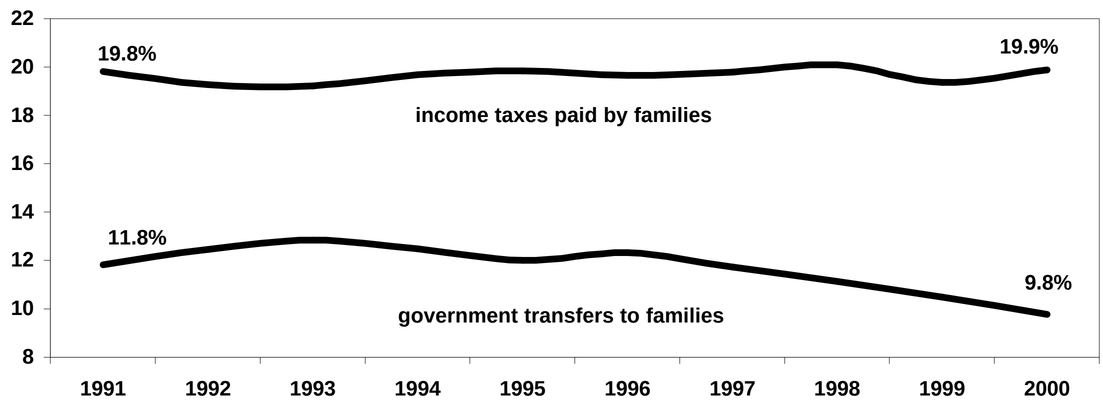
(shaded areas indicate periods when incomes or transfers shrank)

	Long-term perspective			***Shorter 3-year perspective***		
	income in 2000$		**Percent change over selected periods**			
	1991	2000	00/91	*98/97*	*99/98*	*00/99*
MARKET income (earnings, etc.)	$53,917	$61,634	14.3	*4.8*	*1.9*	*4.5*
PLUS Gov't transfers to families	$7,233	$6,684	-7.6	*-1.2*	*-4.8*	*-3.3*
EQUALS total money incomes	$61,150	$68,318	11.7	*4.1*	*1.1*	*3.7*
MINUS Income taxes	$12,122	$13,593	12.1	*5.7*	*-2.6*	*6.6*
EQUALS Income after income taxes	$49,028	$54,725	11.6	*3.7*	*2.1*	*3.0*

Source: People Patterns Consulting based on Statistics Canada, Income in Canada, 2000

It may be a surprise to some, but the longer-term trend has been marked by a relatively stable ratio (just below 20%) of income taxes payments as a percentage of total money incomes. In contrast, government transfer payments have continued to shrink as a percentage of total money incomes.

CHART 2
Government transfers and income taxes as % of total money incomes



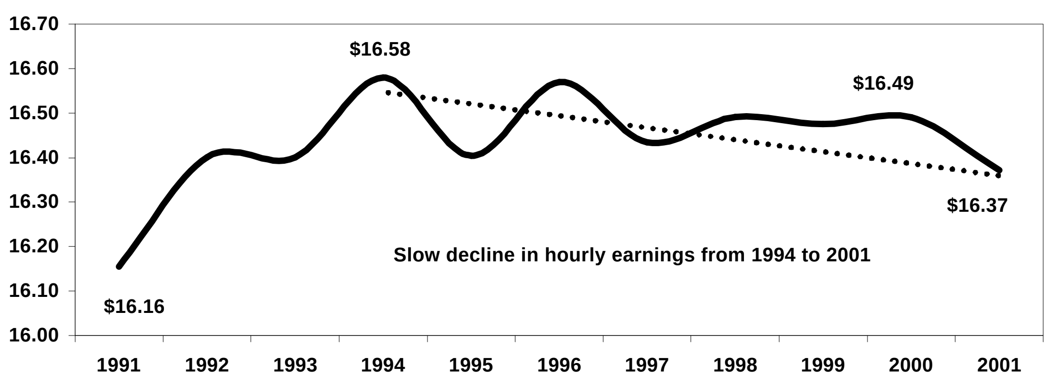
Source: People Patterns Consulting based on Statistics Canada

RISING MARKET INCOMES DUE MOSTLY TO MORE WORKERS PER FAMILY

There are a few different ways that families can increase their incomes. Workers can get a raise, they can switch to higher paying jobs, they can work more hours or more family members can work outside of the home.

The reality is that the pay hikes that most workers have received have not kept up with inflation. In real terms, average hourly earnings have been on a slow downward slide for about seven years and the same trend continued through 2002. In terms of purchasing power, the typical worker earned 21 cents less per hour in 2001 than in 1994. The number of hours worked per week per worker has remained relatively flat at 31.6 hours for the last three years.

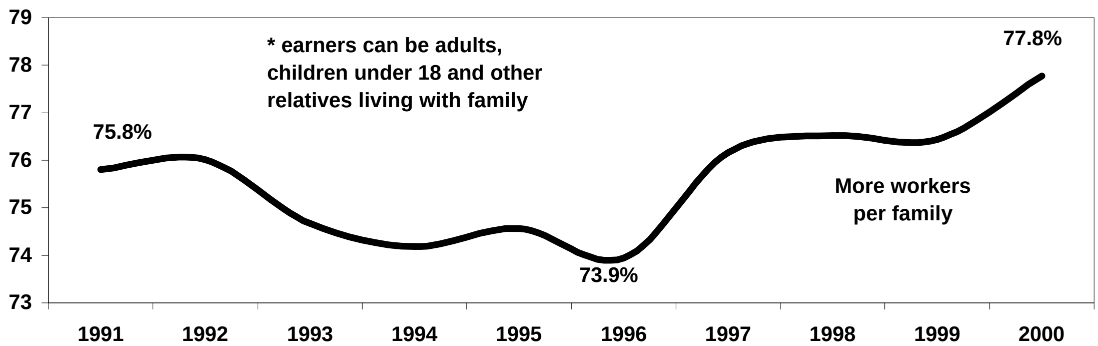
CHART 3
Average hourly earnings for employees paid by the hour including overtime in constant 2000$



Source: People Patterns Consulting based on Statistics Canada

The major reason that family incomes have risen over the last five years is that more family members have been joining the growing paid job market. The percentage of non-senior families, in which there are two or more earners, jumped from under 74% in 1996 to almost 79% in 2000.

CHART 4
Non-senior (under 65) couple families
% with two or more employment earners*



Source: People Patterns Consulting based on Statistics Canada

CONTINUED REDUCTION IN POVERTY RATES

The percentage of households with low-incomes (poverty) shrank for the fourth year in a row in 2000. The rate for all families of two or more persons peaked at 10.7% in 1996 and dropped to 7.9% in 2000. (See appendix B for more details). The number of persons living in low-income households stood at 3.3 million in 2000, the same level as in 1991 but the number was down from 4.1 million in 1996. The number of children under the age of 18 living in poverty declined to 868,000 in 2000.

Statistics Canada does not have an official poverty measure, but it classifies families and households as being in low-income or in "straitened circumstances" if they spend 64% or more of their after government transfer and income tax incomes on food, clothing and shelter. The typical household spends about 44% of their incomes on these basic necessities. The poorest 20% of households spend two-thirds while the richest 20% spend one third of their incomes on these necessities[1]. Shelter expenses do not include household operation expenses such as communications, childcare, paper, soaps, disposable diapers, transportation, direct health care costs and many other expenses that could be considered necessities. Statistics Canada and the provinces are developing other measures of low-income that might incorporate an improved definition of basic necessities.

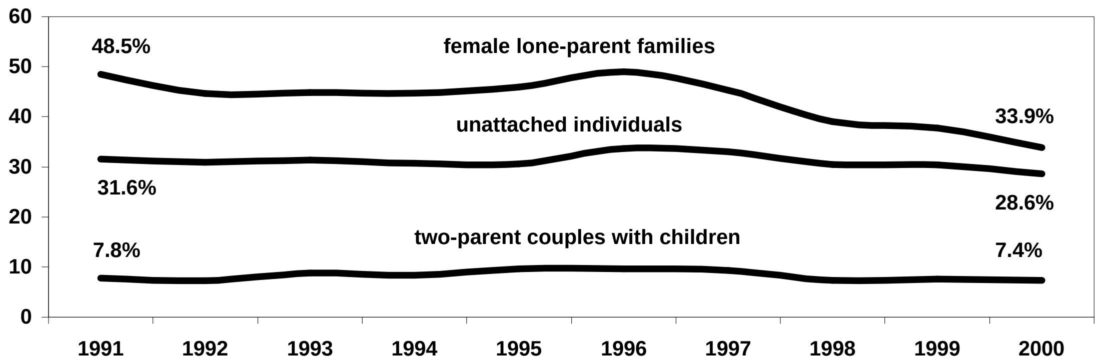
In 2000, the low-income rate improved for most household types with the biggest improvements;

- for non-senior unattached males, the rate dipped by 4.4 percentage points to 27%
- for female-lone parents, the rate shrank by 3.8 percentage points to 33.9% (more on this group later)
- among the provinces, the biggest improvements were in Quebec (-1.3 percentage points), Manitoba (-1.2% percentage points) and British Columbia (-1.1 percentage points).

In 2000, there were just a few notable exceptions to these positive trends where the low-income rates worsened;

- the rate for one-earner couples with children rose by 1.1 percentage points to 21.4%
- the rate for non-senior unattached females edged up by 0.6 percentage points to 38.2%
- the rate for senior unattached males moved up by 0.5 percentage points to 16.8%
- “other senior families” experienced a worsening of 0.7 percentage points to 9.1% and
- a small deterioration occurred in Saskatchewan (+0.3 percentage points to 9.3%).

CHART 5
Low-income (poverty) rates after transfers and income taxes
% of each household group with low-incomes



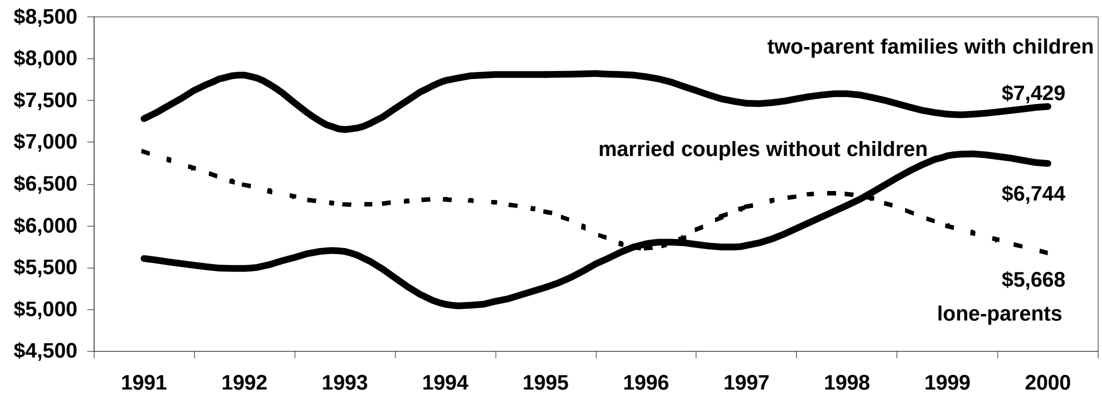
Source: People Patterns Consulting based on Statistics Canada

Over the longer-term, low-income rates have improved for most types of families. The biggest improvement was for female lone-parent families (down 14.6 percentage points to 33.9%) while the largest deterioration was among “other senior families” for whom the low-income rate almost doubled to 9.1% over the 1992 to 2000 period. “Other senior families” can include unmarried relatives living together. One-earner families with children also experienced worsening low-income rates, which rose to 21.4% in 2000 from 17.9% in 1991.

INCOME SHORTFALL LARGEST IN POOR TWO-PARENT FAMILIES WITH CHILDREN

Statistics Canada also calculates the amount that a low-income family falls short of their relevant low-income cutoff. This income shortfall for two-parent families with children is about $7,500 and has been near there during most of the last decade. The shortfall for married couples without children edged upwards from 1994 to 1999 and then declined a bit to $6,744 in 2000 and, as such, the 2000 shortfall was about 20% larger than in 1991. The shortfall for lone-parents dipped to $5,668 in 2000 compared to about $6,900 in 1991, for a reduction of 18% over the period.

CHART 6
Low-income shortfall (dollars below poverty line) after transfers and income taxes for non-senior families by type, 2000$



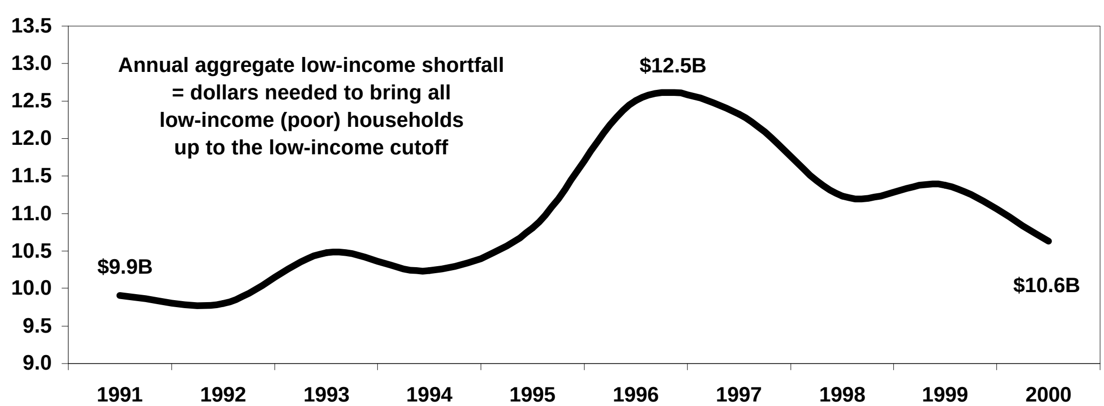
Source: People Patterns Consulting based on Statistics Canada

ELIMINATING ALL POVERTY IS NOW AN ANNUAL $10.6 BILLION PROBLEM

In very aggregate terms, the total annual low-income (poverty) shortfall for all households combined now stands at about $10.6 billion. This compares to $9.9 billion in 1991 and $12.5 billion in 1996. This is the amount that would be required to raise the income of all low-income (poor) households by type up to their applicable low-income cutoffs. This estimate excludes any administrative costs that would be involved.

The aggregate shortfall is calculated by multiplying the number of households by type with low-income by the average shortfall for each type of low-income household.

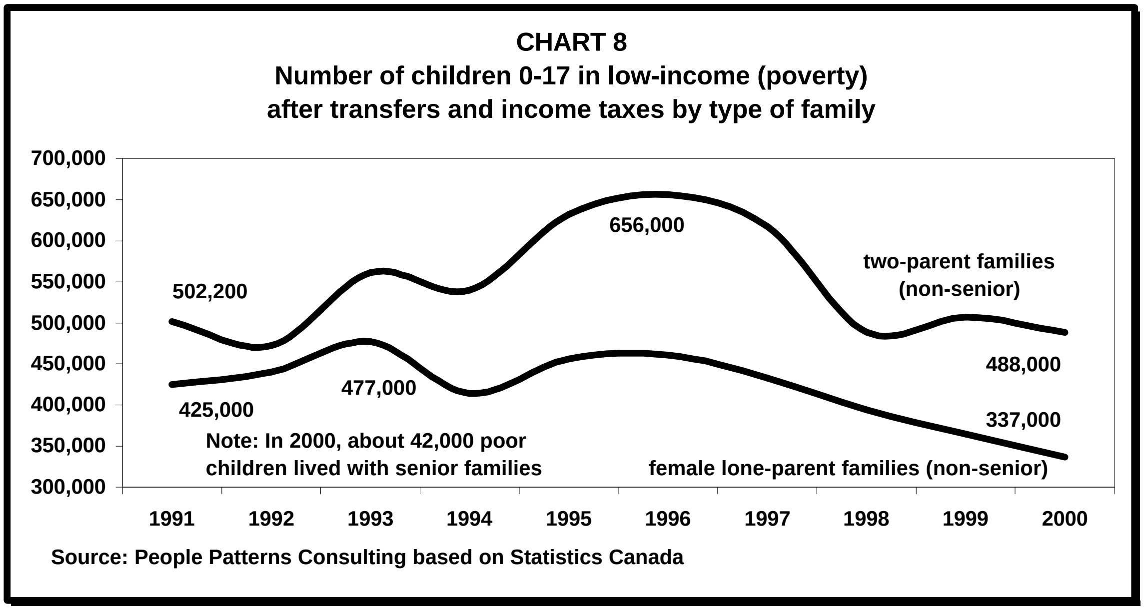
CHART 7
Annual aggregate low-income (poverty) shortfall for all households after transfers and income taxes in billions of constant 2000$



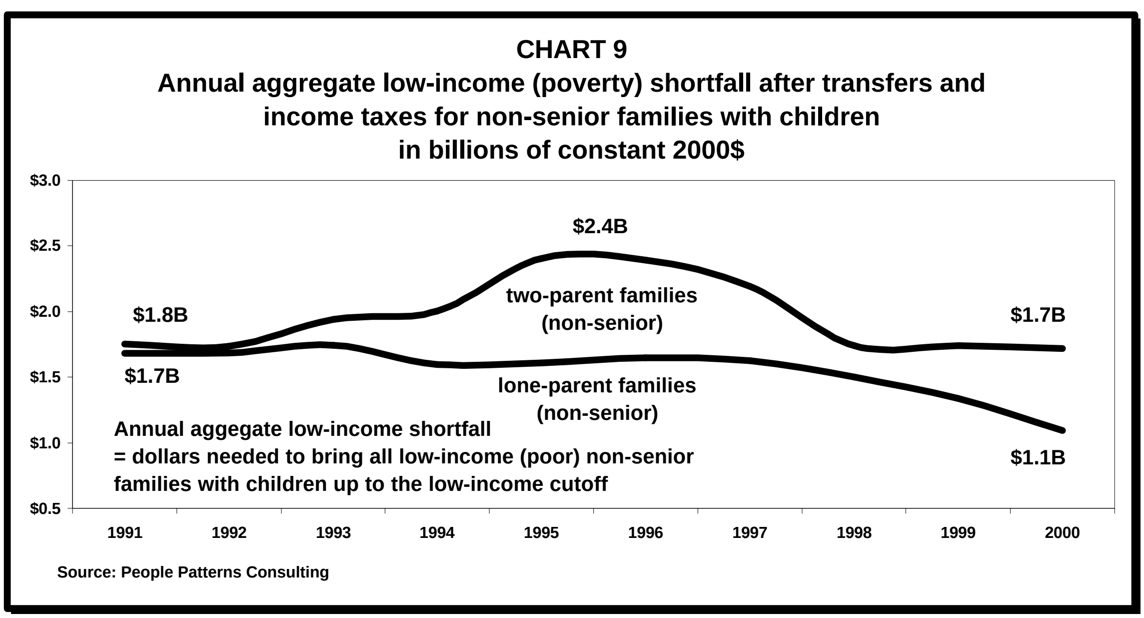
Source: People Patterns Consulting

ELIMINATING CHILD POVERTY IS NOW AN ANNUAL $2.8 BILLION CHALLENGE

In 1989, The Government of Canada committed itself to the elimination of child poverty by the year 2000. As seen earlier, some progress is underway. This has come through improved employment market conditions and changes to social programs. A lot more work needs to be done and should be done. Some 868,000 Canadian children continue to live in poverty. About 488,000 of these poor children live in non-senior two-parent families, 337,000 in non-senior lone-parent families and another 42,000 live with senior families.



The annual aggregate low-income poverty shortfall for all non-senior families with children is now about $2.8 billion. This compares to $3.4 billion in 1991 and the $4 billion level in both 1995 and 1996. Within families with children, the aggregate size of the problem has lessened for lone-parent families while the situation in two-parent families basically remains where it was in 1991. The aggregate low-income poverty shortfall for senior families with children is not included in this total.



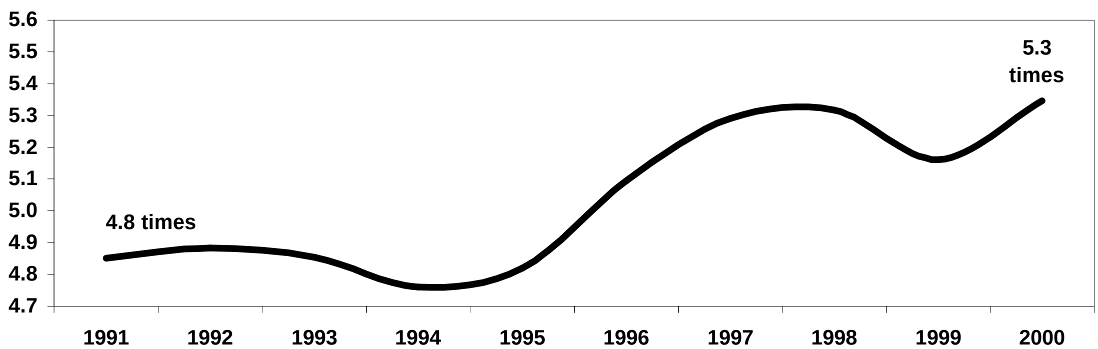
How much is $2.8 billion? In 2000, it was equal to 0.3% of the total output in the economy, 0.5% of all consumer expenditures, 1.5% of all government current expenditures or 2.1% of corporate profits before taxes.

INCOME INEQUALITY WORSENED OVER DECADE

Several respected measures provide evidence that family incomes have become less equally distributed during the last decade;

- For the richest 20% of families, the share of after transfer and income tax incomes increased from 37.2% of the total income pie in 1991 to 38.8% of the total income pie in 2000. In contrast, the share for each of the lower-middle, middle, and upper middle income groups all shrank over the same period.
- The ratio of the after transfer and after income tax incomes of the richest 20% of families to the poorest 20% of families jumped from 4.8 times in 1991 to 5.3 times in 2000.
- A more technical measure of income inequality, called the Gini coefficient, also indicates that inequality worsened over the decade[2].

CHART 10
Average incomes after transfers and income taxes of the richest 20% of families as a ratio of the average incomes of the poorest 20% of families



Source: People Patterns Consulting based on Statistics Canada

TAXPAYERS AND OUR GOVERNMENTS PLAY KEY ROLE IN REDISTRIBUTION

Even though inequality is getting worse, there continues to be significant transfers of incomes from the top 60% of families to the 40% of families that are the worst off. This is done through the income tax system and government transfers.

- In the year 2000, the poorest 20% of families received, on average, $10,319 in various forms of government transfer payments while at the same time this group paid out, on average, $2,220 in income taxes. As such, the net gain for this group was $8,099, which was equal to 40.8% of this group's average income after transfers and income taxes. In 1991, the net gain was larger and was equal to almost 52% of incomes. It is interesting to note that income tax payments in 2000 for the poorest 20% of families doubled relative to 1991 and increased much faster than for any of the other four income groups.

- The lower-middle 20% of families had a net gain of $3,861 in 2000, which was equal to 11% of their after transfer and income tax incomes. This net gain was less than in 1991 in both dollar terms and as a percentage of income.
- The other three income groups all made net contributions. That is to say, their income tax payments were larger than their transfer receipts in both years. For all three groups, the net contribution was larger in 2000 than in 1991 in both dollar terms and as a percentage of after transfer and income tax incomes.
- In 2000, the largest net contributors were the richest 20% of families, which received $3,894 in government transfers and paid out $34,708 in income taxes for a net contribution of $30,814. The net contribution was equal to 29% of after transfer and income tax incomes and compares to 28% in 1991. This even bigger contribution should not be surprising since, as noted above, they were the only group to increase their share of the total income pie from 1991 to 2000.

TABLE 2 Net gainers and net contributors in income redistribution by income group

	Poorest 20% of families	**Lower-middle 20% of families**	**Middle 20% of families**	**Upper-middle 20% of families**	**Richest 20% of families**
2000					
Government transfers received*	$10,319	$8,603	$6,076	$4,523	$3,894
Income taxes paid	$2,220	$5,147	$10,141	$15,753	$34,708
Net gain or net contribution	+$8,099	+$3,861	-$4,095	-$11,230	-$30,814
Net gain (+) or contribution (-) as % of after transfer and income tax incomes	+40.8	+11.0	-8.4	-17.5	-29.0
1991					
Government transfers received*	$10,645	$8,869	$6,753	$5,159	$4,740
Income taxes paid	$906	$4,815	$9,505	$15,097	$30,295
Net gain or net contribution	+$9,739	+$4,054	-$2,752	-$9,938	-$25,555
Net gain or contribution as % of after transfer and income tax incomes	+51.8	+12.4	-6.2	-17.1	-28.0

* Government transfers to families include all direct payments from federal, provincial and municipal governments. These include such items as social assistance, employment insurance, workers' compensation benefits, child tax benefits, CPP/QPP, Old Age Security, Guaranteed Income Supplements, and other transfers
Source: People Patterns Consulting based on Statistics Canada, Income in Canada

SPENDING UP EACH YEAR FOR A DECADE

Canadian spending per household advanced by another 1.3% in 2001, which marked a full decade of positive increases. In 2001, spending moved up in seven of the eight major categories listed in the following table. Quarterly estimates suggest that this upward trend persisted into 2002.

Spending on recreation, entertainment, education and cultural goods and services paced the advance again in 2001 with a hefty increase of 3.1% per household. It is startling that spending on this category jumped by over 50% over the 1991 to 2001 period or triple the growth for all expenditures. Much of this is due to the fact that many of the individual items in this category are geared to higher-income households and it is these households that have gained the most in terms of incomes over the decade. In 2000, the poorest 20% of households spent about $616 per person on recreation while the richest 20% spent $1,820 or 3 times more. The richest households spent 2.4 times more per person on education and 1.8 times more on reading materials than did the poorest 20% of households[3]. In 1999, the richest 20% of households spent 26 times more per person on the purchase of recreational vehicles than did the poorest 20% of households[4].

Spending on food, beverages and tobacco shrank by 0.4% in 2001 and was up only 1.1% per household over the entire decade. Incomes also have an important impact on food spending. . In 2001, the poorest households allocated $2.690 to food per person compared to $5,160 per person for the richest 20% of households.[5]

TABLE 3 - Average spending per household

Households include families and unattached individuals

(shaded areas indicate periods when spending)

	Long-term perspective			***Shorter 3-year perspective***		
	spending in 2000$		**percent change over selected periods**			
	1991	2001	01/91	*99/98*	*00/99*	*01/00*
TOTAL SPENDING	**$41,543**	**$48,272**	**16.2**	***2.6***	***2.4***	***1.3***
Major categories (excludes residual items)						
Food beverages and tobacco	$6,109	$6,178	1.1	*0.7*	*1.0*	*-0.4*
Clothing and footwear	$2,076	$2,333	12.4	*1.9*	*3.7*	*2.6*
Gross rent, fuel and power	$10,072	$11,012	9.3	*1.4*	*1.4*	*0.7*
Furniture, furnishings, equip & operation	$3,439	$4,014	16.7	*2.5*	*3.5*	*2.6*
Medical care and health services	$1,737	$2,284	31.5	*2.7*	*2.1*	*2.2*
Transportation and communications	$6,541	$8,074	23.4	*4.6*	*2.4*	*0.7*
Recreation, entertainment, ed. cultural	$3,718	$5,596	50.5	*5.8*	*4.6*	*3.1*
All other spending	$7,851	$8,781	11.9	*2.3*	*2.7*	*1.2*

Source: People Patterns Consulting based on Statistics Canada, National Economic and Financial Accounts

HIS, HERS AND OTHER "NOTABLES" ON HOUSEHOLD SPENDING

Some trends in spending seem to relate more to gender rather than incomes. A few of these are listed below;

- Male lone-parents with transportation expenditures in 2000 spent $8,067 or 1.7 times that of female lone-parents. Some 85% of male lone-parents owned a vehicle in 2000 compared to 65% for female lone-parents.
- Male lone-parents spent $3,872 on recreation in 2000 or 1.7 times that of female lone-parents.
- Senior men living alone spent $3,114 on transportation in 2000 or 1.9 times more than senior women living alone.
- Senior women living alone spent $1,236 on clothing and personal care in 2000, or 1.7 times more than senior men living alone.
- Senior women living alone spent only one-third of what men did on tobacco products and alcoholic beverages and two-thirds of what men did on games of chance.
- Men living alone and working full-time allocated 40% of their food budget to restaurants, which is almost twice the share for all households.

A few other notables include;

- For the 53% of households which had to pay health insurance premiums, the premiums rose to $790 or by 12% in 2000.
- For the 22% of households reporting air transportation expenditures in 2000, spending rose to $1,604 or by 15%.
- In 2000, senior couple families allocated about 6% of their expenditures to gifts of money and charity compared to 2% for all households.

ANNUAL SAVINGS LEVELS REMAIN LOW AND FLAT

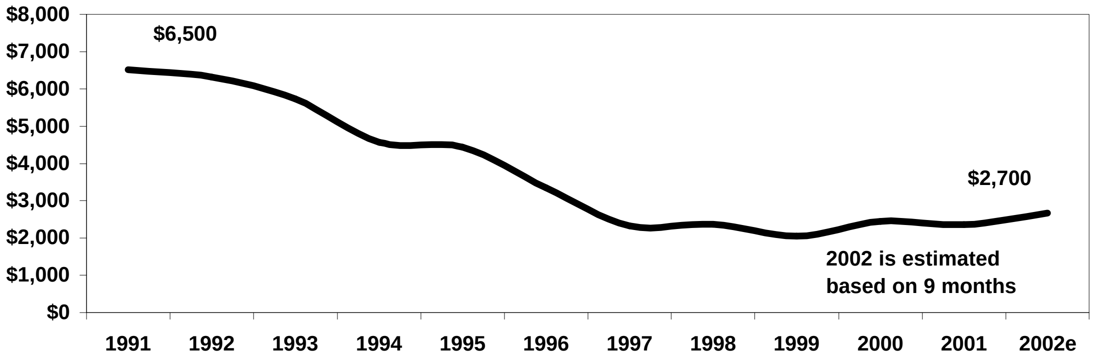
Spending has risen more than incomes during both the last decade and during the last several years. This spending was financed by both reduced savings and increased borrowing.

In the early 1990s, households, on average, put away about $6,500 per year into savings. The level of saving dipped as low as $2,000 per year in 1999 and is estimated at roughly $2,700 in 2002.

Another indicator suggests that households are having difficulty saving money. In both 2000 and 2001, only 34% of all tax-filers who were eligible to contribute to RRSPs (Registered Retirement Savings Plans), did so. The other 66% did not contribute. In 1991, total contributions were equal to 29% of the total room available to tax-filers but this slipped to only 9% of the available room in 2001. This is in spite of the reality that RRSPs are widely viewed as one of the best short and long-term investments that families can make. Of those who did contribute, the median (half contributed more and half contributed less) contribution was only $2,600.

In 2000, those households that comprise the poorest 20% of households, the lower-middle 20% of households and the middle 20% of households all had negative shifts in their net money flows (they dug into assets) while the top 40% of households accumulated significant net savings[6]

CHART 11
Annual savings per household in constant 1999$



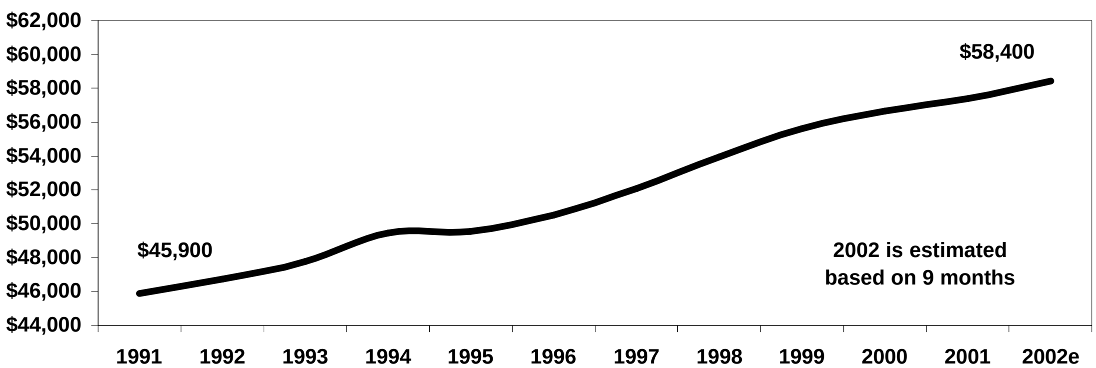
Source: People Patterns Consulting based on Statistics Canada

HOUSEHOLDS MORE CAUTIOUS WITH DEBT

Households are borrowing more but the annual growth in household debt has been slowing over the last three years. The typical household had accumulated $57,400 of debt by 2001 and it seems that they added another $1,000 or so to this total in 2002.

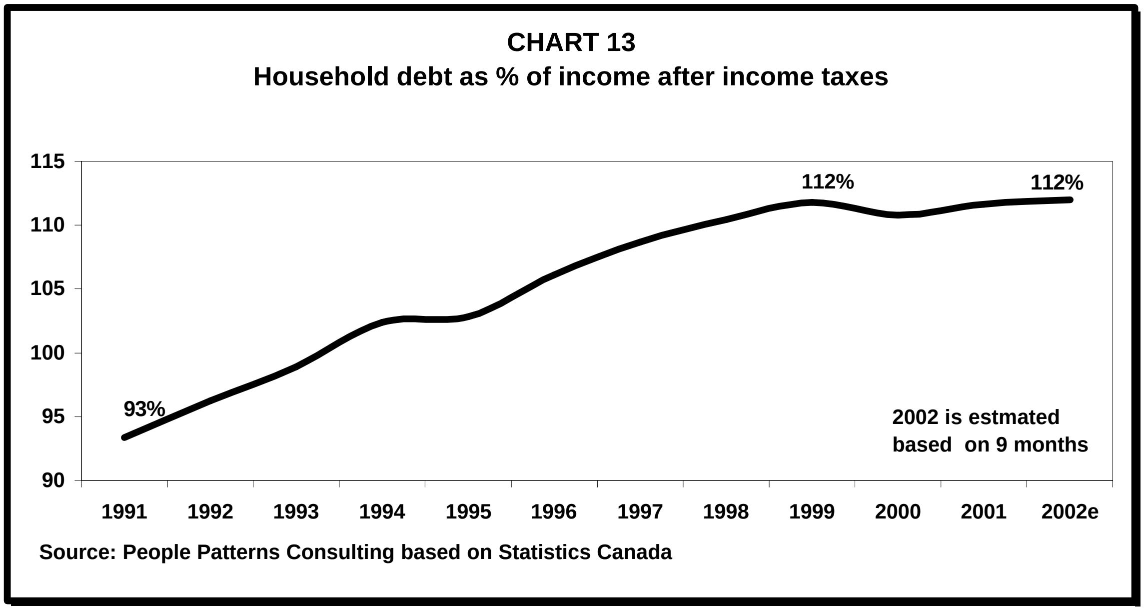
Over the 1991 to 2001 period, the most rapid growth (+39%) in debt was in "other debt" (mainly lines of credit), followed by consumer credit (+35%) and mortgages (+19%).

CHART 12
Average total debt per household in constant 2000$

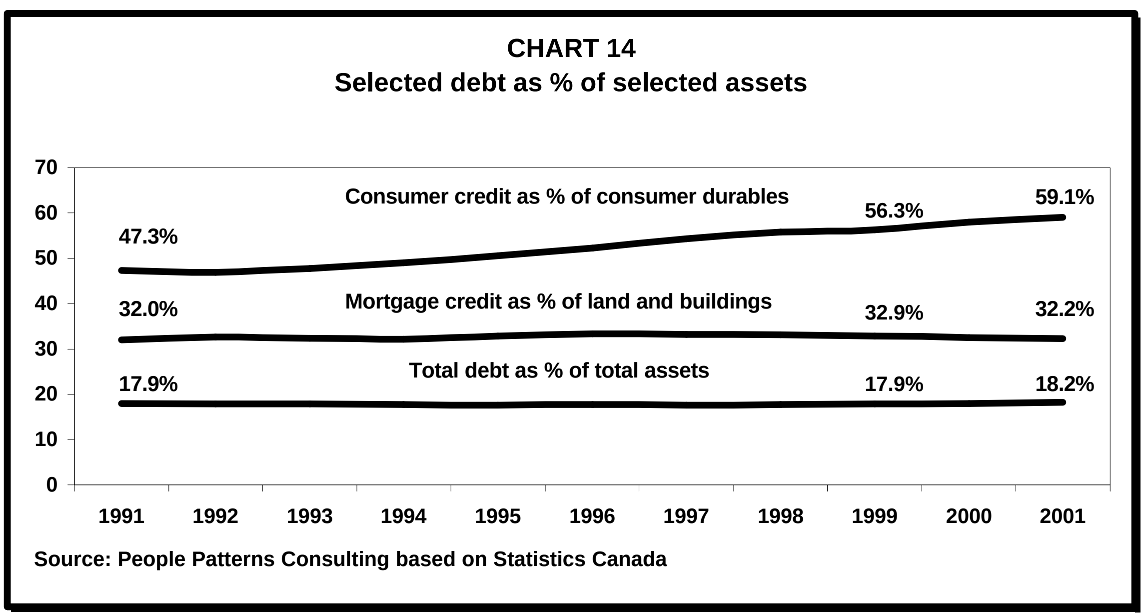


Source: People Patterns Consulting based on Statistics Canada

After huge increases during most the 1990s, the ratio of total debt to annual incomes after transfers and income taxes has remained near 112% over the 1999 to 2002 period.



The new cautiousness of householders is evident in two other measures. The ratio of mortgages to the value of land and buildings actually declined a bit from 1999 to 2001 and the ratio of total debt to total assets increased very little. The only ratio that increased significantly was the ratio of consumer credit as a percentage of consumer durables, which jumped from 56% in 1999 to 59% in 2001.



NET WORTH DECLINES FOR FIRST TIME SINCE 1991

The continuous 10-year climb in the average net worth of Canadian households ended in 2001, as net worth slipped by $625 or 0.2% from the previous year. Indications suggest that a further drop is likely in 2002.

The small shrinkage in net worth came as a result of decline in the value of financial assets led by Canada Savings Bonds (-2.5%) and for life insurance and private pension plans (-2.1%). The value of shares increased again in 2001, and did so in spite of the fact that stock values declined based on the major North American stock exchanges.

The value of real assets increased again in 2001, with similar advances (about 1.5%) evident in all three of the real asset categories.

TABLE 4 - Major components of average net worth per household

(shaded areas indicate periods when indicators shrank)

	Long-term perspective			*Shorter 3-year perspective*		
	in 2000$		percent change over selected periods			
	1991	2001	01/91	*99/98*	*00/99*	*01/00*
ADD Total assets	**$255,899**	**$315,996**	**23.5**	***2.6***	***1.4***	***0.0***
Financial assets	$137,353	$178,942	30.3	*2.5*	*1.4*	*-1.0*
of which shares	$25,209	$50,833	101.6	*4.4*	*2.5*	*3.9*
of which life insurance/ pensions	$46,865	$72,330	54.3	*1.6*	*5.2*	*-2.1*
of which Canada Savings Bonds	$3,879	$1,800	-53.6	*-5.6*	*-10.5*	*-12.5*
Real (non-financial) assets	$118,545	$137,054	15.6	*2.6*	*1.4*	*1.4*
of which land and buildings	$94,320	$111,559	18.3	*2.2*	*1.6*	*1.6*
of which consumer durables	$21,856	$23,640	8.2	*3.8*	*0.9*	*1.4*
of which all other	$2,369	$1,855	--21.7	*10.5*	*-5.8*	*-8.6*
MINUS Total debt	**$45,870**	**$57,389**	**25.1**	***3.1***	***1.9***	***1.3***
of which consumer credit	$10,333	$13,962	35.1	*4.8*	*4.0*	*3.2*
of which mortgages	$30,160	$35,960	19.2	*1.5*	*0.5*	*0.7*
of which “other debt”	$5,377	$7,467	38.9	*8.6*	*5.0*	*0.3*
EQUALS Net worth	**$210,029**	**$258,607**	**23.1**	***2.5***	***1.3***	***-0.2***

Source: People Patterns Consulting based on Statistics Canada, National Balance Sheet Accounts

FOCUS ON THE IMPROVING FINANCIAL SITUATION OF FEMALE LONE-PARENTS

Several indicators suggest that female lone-parents are experiencing improved financial conditions. These are listed below;

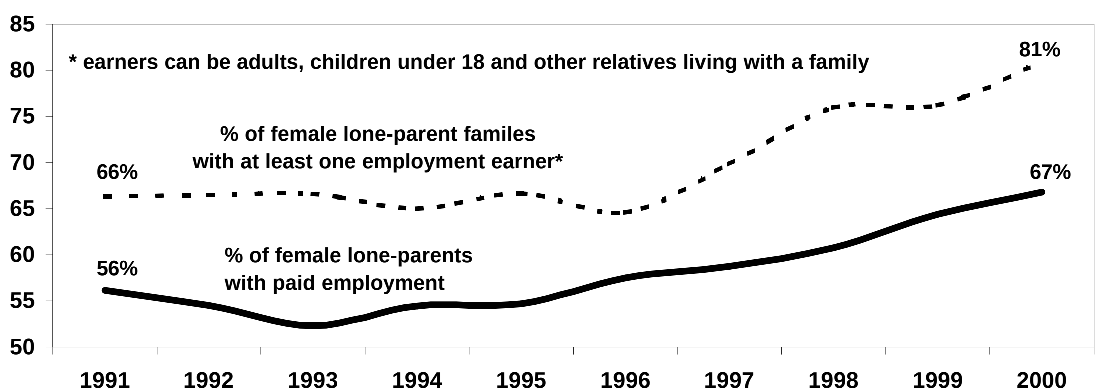
- female lone-parents had the best gains in after tax earnings over both the short and long-term,
- female lone-parents experienced the biggest drop in low-income (poverty) rates (from 48.5% in 1991 to 33.9% in 2000) over the last decade,
- the low-income (poverty) shortfall (dollars needed to rise up to the low-income cutoff) shrank by 18% from $6,916 in 1991 to $5,694 in 2000,
- and, all lone-parent families as a group experienced a near doubling of net worth between 1984 and 1999 even if their net worth was still very low in 1999[7].

Why has this happened? Is it all good news?

It seems that most of these gains are the result of having a lot more female lone-parents or their family members holding down jobs. This conclusion is supported in 2 separate Statistics Canada surveys.

The *Income in Canada* survey reveals that some 81% of female lone-parent families have at least one employment earner in the family and that this ratio is up sharply from 66% in 1991. The *Labour Force Survey* indicates that about 67% of female lone-parents held down paid jobs in 2000 … this is also up sharply from 1991. The growing divergence between these two measures suggests that an increasing proportion of children under the age of 18 and other relatives living with a lone-parent may also be holding down paid jobs. The latter may also reflect the reality that young adults are now more likely to live at home. According to the latest Census numbers for 2001, about 41% of all young adults aged 20-29 were still living with their parents compared to 33% in 1991. The earnings of these young adults are included as part of the income of the lone-parent family.

CHART 15
Female lone-parents families under 65 years of age
% with paid employment

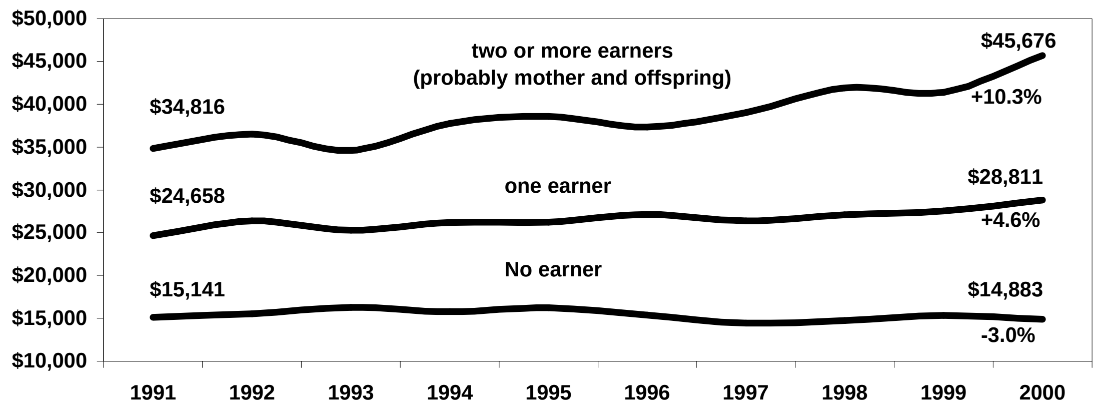


Source: People Patterns Consulting based on Statistics Canada

In the real world, female lone-parent families in which no earner is present have seen their incomes decline (-3%) over the last decade. The average incomes of families with only one earner have increased by only 4.6% over the same period. The only gains that were in the double-digit range were for those families with two or more earners. As such, the shift to more one-earner or two or more earner families has been responsible for a very large part (about 40%) of the large increase in family incomes for this group as a whole.

Other positive influences include the rising levels of education of female lone-parents, a gradual aging of female lone-parents (from an average of 41 in 1992 to 47 in 2000) and a shift towards holding better paying "standard" jobs[8]. Some of this push towards the paid job market may also be attributable to the fact, that in 1999, female lone-parents had the highest debt to asset ratio[9] of any family type.

CHART 16
Average family incomes after transfers and income taxes for female lone-parents families by number of earners in constant 2000$



It also seems, that for all female lone-parent families as a whole, the after tax income improvement has not come from higher government transfer payments to female lone-parent families. These payments actually fell from about $8,400 in 1991 to about $8,000 in 2000. Average income tax payments by female lone-parent families also increased from about $2,800 in 1991 to about $3,300 in 2000. As such, most of the gains have been due to increased market incomes.

This move to more paid employment in female lone-parent families is causing more stress. According to the Statistics Canada *General Social Survey*, the percentage of female lone-parents who are under "severe stress" jumped from 1-in-4 in 1992 to 1-in-3 in 1998. (For more detail on labour force participation among all types of families, see the recent Vanier Institute of the Family study called *Connections – Tracking the links between jobs and family*.)

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APPENDIX A Average incomes of families and unattached individuals and low-income poverty shortfall after transfers and income taxes

(shaded areas indicate periods when incomes shrank)

	Longer-term perspective			***3-year perspective***		
	income in 2000$		**percent change over selected periods**			
	1991	2000	00/91	*98/97*	*99/98*	*00/99*
All families of 2 persons or more	$49,028	$54,725	11.6	*3.7*	*2.1*	*3.0*
Senior families of 2 persons or more (65 and over)						
Senior married couples	$35,643	$38,010	6.6	*1.4*	*4.7*	*-1.7*
Other senior families	$49,070	$43,462	-11.4	*1.5*	*1.0*	*1.0*
Non-senior families of 2 persons or more (under 65)						
Married couples without children	$47,900	$52,163	8.9	*2.6*	*-1.1*	*1.4*
One earner	$37,364	$41,617	11.4	*3.2*	*2.1*	*-1.9*
two earners	$53,938	$58,406	8.3	*3.4*	*-1.6*	*0.6*
Married couples with children	$53,458	$61,068	14.2	*4.2*	*2.3*	*3.4*
One earner	$39,207	$43,542	11.1	*11.2*	*0.2*	*-0.5*
two earners	$53,914	$61,589	14.2	*3.2*	*1.3*	*3.5*
Female lone-parent	$22,998	$29,081	26.5	*7.7*	*2.4*	*8.4*
Male lone-parent	$33,547	$39,983	19.2	*7.7*	*-3.9*	*7.4*
All families of 2 persons or more by income groups						
Poorest 20% of families	$18,803	$19,844	5.5	*3.9*	*3.9*	*1.0*
Lower-middle 20% of families	$32,734	$35,159	7.4	*3.1*	*3.6*	*1.7*
Middle 20% of families	$44,419	$48,211	8.5	*3.1*	*2.3*	*2.0*
Upper-middle 20% of families	$58,001	$64,354	11.0	*3.3*	*2.5*	*2.4*
Richest 20% of families	$91,191	$106,083	16.3	*4.4*	*0.8*	*4.6*
All families of 2 persons or more by province						
Newfoundland	$39,984	$42,150	5.4	*2.0*	*4.8*	*0.8*
Prince Edward Island	$42,007	$45,181	7.6	*3.6*	*0.1*	*0.9*
Nova Scotia	$42,526	$46,861	10.2	*3.0*	*3.9*	*3.6*
New Brunswick	$42,211	$45,974	8.9	*2.3*	*3.8*	*2.1*
Quebec	$44,240	$47,592	7.6	*2.7*	*2.0*	*3.3*
Ontario	$53,769	$62,062	15.4	*4.7*	*3.4*	*3.1*
Manitoba	$43,374	$48,294	11.3	*5.2*	*-0.8*	*1.8*
Saskatchewan	$42,632	$47,741	12.0	*2.0*	*2.5*	*2.6*
Alberta	$51,606	$57,737	11.9	*4.2*	*-1.6*	*5.7*
British Columbia	$51,374	$53,602	4.3	*2.2*	*0.4*	*0.0*
Unattached individuals (living alone or with someone who is not related)						
Total	$21,213	$22,955	8.2	*2.6*	*3.3*	*2.0*
Senior males (65 and over)	$20,301	$22,025	8.5	*0.6*	*-1.9*	*-3.1*
Senior females (65 and over)	$18,082	$19,299	6.7	*-1.5*	*0.3*	*1.8*
Non-senior males (under 65)	$23,614	$25,926	9.8	*4.4*	*2.3*	*5.7*
Non-senior females (under 65)	$20,398	$21,499	5.4	*3.0*	*8.2*	*-2.0*
Average low-income poverty shortfall - $ needed to reach low-income cutoff						
(shaded areas indicate growing income shortfall)						
All families of 2 persons or more	$6,575	$6,707	2.0	*4.5*	*-3.6*	*3.6*
Unattached individuals	$4,891	$5,338	9.1	*-2.8*	*4.9*	*-2.1*

Source: People Patterns Consulting based on Statistics Canada, Income in Canada, 2000

APPENDIX B Families and unattached individuals with low-incomes (poverty) after income taxes

(shaded areas indicate periods when low-income rates worsened)

	Longer-term perspective			***Shorter 3-year perspective***		
	% with low incomes		**change in percentage points over selected periods**			
	1991	2000	00/91	*98/97*	*99/98*	*00/99*
All families of 2 persons or more	9.1	7.9	-1.2	-1.4	-0.2	-0.7
Senior families (65 and over)						
Senior married couples	2.4	1.6 (98)	-0.8	*-0.3*	*na*	*na*
Other senior families	4.6 (92)	9.1	+4.5	*+0.4*	*-2.3*	*+0.7*
Non-senior families (under 65)						
Married couples without children	6.6	5.8	-0.8	*-0.9*	*+1.2*	*-1.0*
One earner	9.9	8.5	-1.4	*-3.1*	*+1.6*	*0.0*
two earners	2.1	2.7	+0.6	*-0.6*	*0.0*	*-0.4*
Married couples with children	7.8	7.4	-0.4	*-1.9*	*+0.2*	*-0.2*
One earner	17.9	21.4	+3.5	*-4.5*	*+1.6*	*+1.1*
two earners	4.2	3.6	-0.6	*-1.4*	*+0.1*	*-0.1*
Female lone-parent	48.5	33.9	-14.6	*-6.2*	*-1.4*	*-3.8*
Male lone-parent	20.1	16.3 (99)	-3.8	*-2.4*	*+0.6*	*na*
All persons in families of 2 persons or more and unattached individuals by province						
Newfoundland	12.0	13.0	1.0	*+0.5*	*+0.1*	*-0.5*
Prince Edward Island	8.5	7.9	-0.6	*-1.1*	*+1.0*	*-0.3*
Nova Scotia	10.6	10.4	-0.2	*-0.1*	*-2.3*	*-0.3*
New Brunswick	10.3	8.8	-1.5	*-0.7*	*-0.6*	*-0.9*
Quebec	15.1	13.6	-1.5	*+0.4*	*-2.2*	*-1.3*
Ontario	10.0	9.0	-1.0	*-1.4*	*-0.1*	*-0.9*
Manitoba	16.7	12.6	-4.1	*-2.0*	*+0.7*	*-1.2*
Saskatchewan	13.0	9.3	-3.7	*-0.8*	*0.0*	*+0.3*
Alberta	12.4	10.1	-2.3	*-1.8*	*-1.0*	*-0.4*
British Columbia	11.1	12.4	1.3	*-2.3*	*+2.4*	*-1.1*
Unattached individuals						
Total	31.6	28.6	-3.0	*-2.5*	*-0.1*	*-1.8*
Senior males (65 and over)	22.2	16.8	-5.4	*+1.2*	*-0.4*	*+0.5*
Senior females (65 and over)	29.2	21.0	-8.2	*-1.1*	*+0.2*	*-1.0*
Non-senior males (under 65)	30.2	27.0	-3.2	*-3.2*	*+0.4*	*-4.4*
Non-senior females (under 65)	37.0	38.2	+1.2	*-3.4*	*-1.1*	*+0.6*

Note: A 4-person family living in a city of 500,000 or more with less than $29,163 ($7,290 per person) and a 4-person rural family with less than $19,120 ($4,780 per person) annually are classified as being low income.

Source: People Patterns Consulting based on Statistics Canada, Income in Canada, 2000

[1] Statistics Canada, Income in Canada 2000 (75-202-XIE)
[2] Statistics Canada, Income in Canada 2000 (75-202-XIE)
[3] Statistics Canada, Spending Patterns 2000 (62-202-XIE)
[4] Statistics Canada, Spending Patterns 2000 (62-202-XIE)
[5] Statistics Canada, Spending in Canada 2001 (Daily December 11, 2002)
[6] Statistics Canada, Spending Patterns 2000 (62-202-XIE)
[7] Morrisette, Zhang and Drolet, Statistics Canada, The Evolution of Wealth Inequality in Canada, 1984-1999, report No. 187
[8] Roger Sauvé, Connections – Tracking the links between jobs and family, prepared for the Vanier Institute of the Family, 2002
[9] Roger Sauvé, The Dreams and the Reality – Assets, Debts and Net worth of Canadian Households, prepared for the Vanier Institute of the Family 2002.

Additional details on Chart Sources

Charts 1, 2, 4, 5, 6, 8, 10 and 16 – Statistics Canada, Income in Canada 2000 (75-202-XIE).
Chart 3 – Statistics Canada, Cansim II.
Charts 7 and 9 – Calculations based on various numbers found in Income in Canada 2000 (75-202-XIE).
Charts 11 and 12 – Based on Statistics Canada, National Balance Sheet Accounts, (13-214-PPB), Income in Canada 2000 (75-202-XIE), Bank of Canada Weekly Financial Statistics (table E2) and author estimated household numbers for 2001 and 2002.
Chart 13 - Based on Statistics Canada, National Balance Sheet Accounts, (13-214-PPB) and National Economic Accounts.
Chart 14 - Based on Statistics Canada, National Balance Sheet Accounts, (13-214-PPB).
Chart 15 - Statistics Canada, Income in Canada 2000 (75-202-XIE) and The Labour force historical Review 2001 (71-F0004XCB).

Note: Household numbers for the years 1991 to 2000 are derived from Statistics Canada, Income in Canada, 2000. Household numbers for 2001 and 2002 are assumed to grow at the same percentage rate as in 2000.