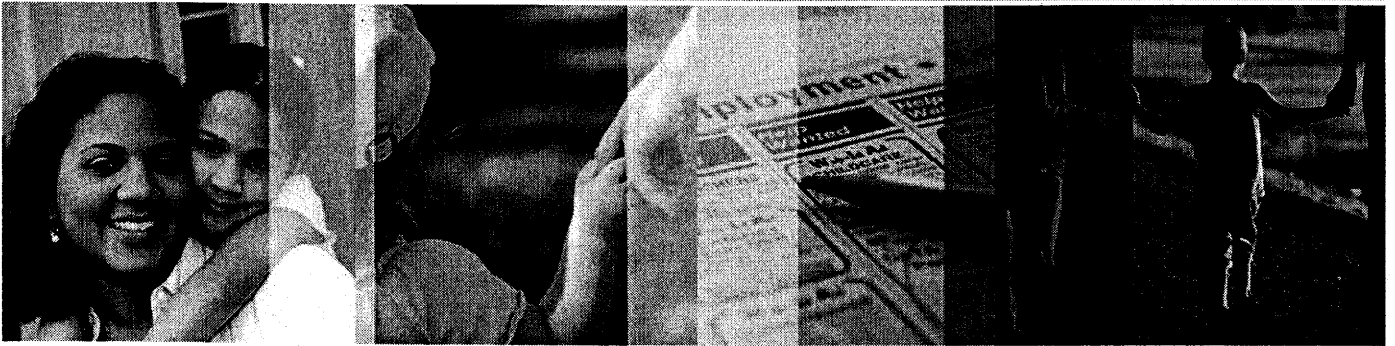




Losing Ground:

THE PERSISTENT GROWTH OF FAMILY POVERTY
IN CANADA'S LARGEST CITY

EXECUTIVE SUMMARY & RECOMMENDATIONS



United Way
Greater Toronto



United Way
Greater Toronto



Frances Lankin

President & CEO,
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Losing Ground: The Persistent Growth of Family Poverty in Canada's Largest City tells the startling story of the diminishing capacity of Toronto families, lone-parent families in particular, to meet the high cost of living in Toronto. *Losing Ground* sets out starkly that on every measure, Toronto families fared worse than the nation as a whole. The report clearly demonstrates that Toronto families are not only falling behind the rest of the nation, they are also falling behind the rest of the province and even the rest of the Toronto area—worse in terms of median incomes, percentage of low-income families, and in the number of low-income families. Even more disturbing is that these families face raising their children in the most expensive city in Canada.

In telling this story, it is our hope that we will achieve two goals. First, we hope that this evidence-based report will be a catalyst for action and second, that we can work together—with the community sector and all three orders of government—to overcome the systemic issues of poverty in Canada's largest city.

Although we are heartened by the modest gains that have resulted from recent public policy initiatives that point to fewer people living at the very bottom of the income ladder, we are nonetheless very concerned about the warning signs from other indicators. Growing levels of precarious employment, substantial increases in applications for evictions related to non-payment of rents, rising levels of indebtedness and insolvency—these signs are all deeply troubling. Tenuous financial circumstances of low-income families are pushing more and more families into a cycle of poverty as they turn to a rapidly expanding fringe-lending sector. The growth in widely available, quick-fix, and excessively expensive, financial products are “solutions” that those living in poverty can ill afford.

The numbers throughout the report illustrate the seriousness of the growth in poverty quite plainly. For instance, by 2005, nearly 1 in 5 of Toronto's two-parent families were low-income, compared to approximately 1 in 10 at the national, provincial and rest of Toronto CMA levels. For lone-parent families, incredibly, more than 50% were low-income in 2005.

There are many more unsettling trends identified in the report. *Losing Ground* charts the dramatic gap that is opening up between median incomes of Toronto families relative to other geographical areas, the increasing percentage of low-income families in Toronto (28.8% in 2005 up from 16.3% in 1990) and relative to Canada (19.5% and 16.3% respectively) and the meager incomes on which two-parent and lone-parent families struggle to live. Complicating matters for the vulnerable members of our community is that Torontonians had the lowest levels of access to Employment Insurance in Canada; a key component of the social safety net has been failing the precariously employed people in this city.



The story told by *Losing Ground: The Persistent Growth of Family Poverty in Canada's Largest City* impels us all to action. It is incumbent on all of us, the voluntary sector, as well as all three orders of government, to take our share of responsibility for the complex solutions ahead of us. An important first step will be action arising out of the Government of Ontario's commitment to develop a poverty reduction strategy that sets clear goals and indicators of success. A successful strategy will be one that addresses the uniqueness of different cities and regions in the province. Accordingly, community leaders, those with the deep knowledge of the nature of challenges of poverty locally, should be brought in to identify the critical elements of a successful poverty reduction strategy. It will be equally important that the poverty reduction strategy develop specific actions to address the significant challenges of the City of Toronto.

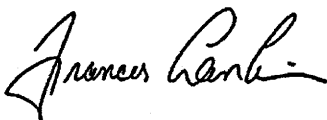
Together we should look to the successes of the Province of Quebec and to Ireland for inspiration, and to learn from their practical experience in realizing significant progress in battling the growth of poverty.

Furthermore, it is timely for the Province of Ontario to seize the opportunity to protect consumers from excessive lending rates by regulating the fringe-lending sector.

To ensure that we are better positioned to act sooner in future, we must work together to build a solid foundation of data on which to deepen our capacity to undertake research on how the City of Toronto and its residents are faring.

Lastly, United Way of Greater Toronto is committed to the development of consumer information and problem-solving programs targeted to low-income borrowers in high-need communities across the city in order to empower them to make more informed decisions about their credit options.

In sharing this report we welcome and encourage an open and collaborative approach to swiftly addressing one of the key determinants of a great city—the financial health and welfare of its families. In doing so, we can collectively ensure a vibrant future for Toronto, for the Province of Ontario, and for the nation as a whole.



Frances Lankin
President and Chief Executive Officer,
United Way of Greater Toronto

Introduction

This report provides important new data about family incomes and family poverty in Toronto, Canada's largest city. It is a story of lost ground—of a significant gap, which has opened up between the financial well-being of families with children 0-17 in Toronto and their regional, provincial and national counterparts.

It is also a cautionary tale—one that points to warning signs that large numbers of vulnerable households in the Toronto area are falling into serious financial trouble, evidenced by growing applications for eviction, indebtedness, and insolvency numbers.

Most would not have predicted this at the start of the new decade. In 2000, economic indicators pointed to a robust and booming economy, and in many ways that outlook has held. Canada has enjoyed high employment, and strong job growth and corporate profits throughout most of the decade.

But there were countervailing economic forces that made the economic picture less rosy in the City of Toronto. Unemployment numbers were higher in the city in the first five years of the decade; there was overall job loss, and the number of vulnerable workers in precarious forms of employment grew.



Losing Ground documents how Toronto's families fared in this economic environment. It shows that the median income of Toronto families hardly improved at all in the first five years of the decade, and by 2005 was still much lower than it had been in 1990. In other parts of the country there were big gains in the median family income in the first half of this decade. The report also shows that poverty levels continued to climb in the City of Toronto, at the same time as they stabilized and even declined slightly in the rest of the Toronto CMA, the province and country as a whole.

On every dimension of income examined, Toronto families lost ground, falling behind families in the rest of the country: overall family median incomes were lower, as were median incomes for both two-parent and lone-parent families, and overall family poverty rates were higher, as were those of both family types. This new data comes at an important time, as the provincial government sets out to build a poverty reduction strategy for Ontario.

The Context of the Study

Five years ago, United Way of Greater Toronto released a report entitled *Decade of Decline*, which documented the decline in household incomes in Toronto in the 1990s—a turbulent decade that began with a deep recession that lasted longer and cut deeper than anyone predicted and one in which the social safety net in the province was severely frayed.

This report picks up where *Decade of Decline* left off, focusing primarily on income trends in the first five years of this decade, but also looking at how changes in this decade compared to the last.

The Approach to the Study

The report focuses on families with children 17 years of age and under, as well as on regional differences, and how City of Toronto families are faring financially, compared to their counterparts in the rest of the Toronto Census Metropolitan Area (CMA) and in the province and the country as whole.

It asked the basic questions: Did the trend of declining incomes continue? Have poverty rates continued to grow? Is poverty continuing to deepen? It also con-

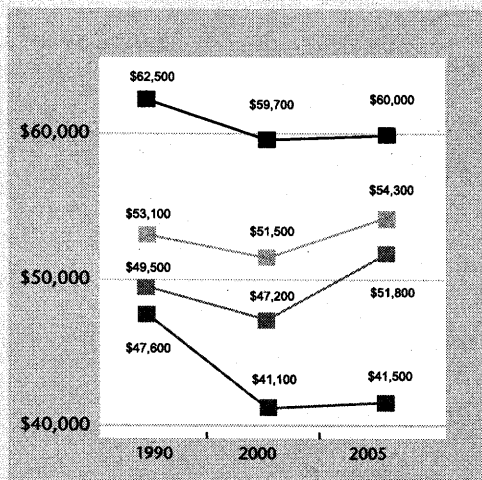
sidered two other questions: How well are Toronto families who are stuck at the lower end of the income ladder able to cover their basic cost of living? And when incomes do not go far enough, where do people turn? In other words the report considers not just the trends in income levels, but some of costs and consequences. It looks to evidence of rising indebtedness and insolvencies in our city, and examines the proliferation of “quick fix” solutions to families’ money problems, such as the rapid spread of the fringe lending sector across the city.

Data Sources

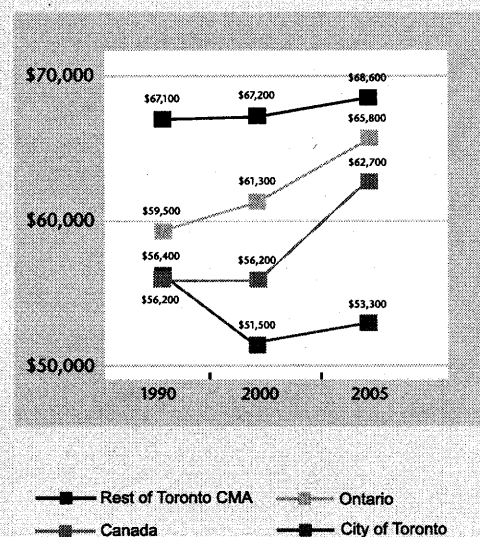
The income data in the study was obtained from Statistics Canada, and is derived from income tax returns. All income data was adjusted to 2005 dollars, and are expressed in after-tax dollars. The report uses Statistics Canada’s Low-Income Measure (LIM) as a measure of “poverty”.



Median Income of All Families, with Children 0-17, By Selected Geographic Areas, 1990, 2000, 2005 (constant 2005 dollars)



Median Income of Two-Parent Families, with Children 0-17, By Selected Geographic Areas, 1990, 2000, 2005 (constant 2005 dollars)



Summary of Key Findings

The median income of Toronto families was static in the 2000-2005 period, and far below families in other areas

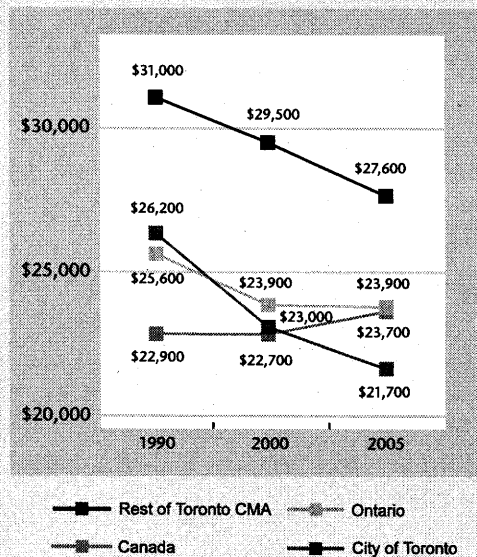
- The after-tax median income of City of Toronto families was \$41,500 in 2005, just \$400 dollars more than in 2000—a meagre 1.0% increase. It was also \$6,100 less than it was in 1990 (in constant 2005 dollars).
- The median income of families at the provincial level increased 5.4%, and at the national level it surged ahead almost 10% in the first five years of the decade.

- By 2005, the median income of City of Toronto families was well below the median in other major urban centres in the country—\$21,000 less than the Calgary CMA, for example.

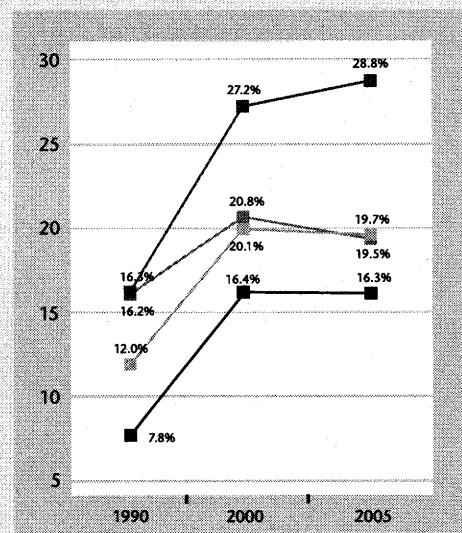
The median income of Toronto's two-parent families falling behind

- A large gap has opened up between the median income of Toronto's two-parent families and their counterparts in other areas.
- By 2005, the \$53,300 median income of Toronto's two-parent families was \$9,400 less than for families in the country as a whole, \$12,500 less than the provincial median, and \$15,300 less than the median in the rest of the Toronto CMA.

Median Income of Lone-Parent Families, with Children 0-17, By Selected Geographic Areas, 1990, 2000, 2005
(constant 2005 dollars)



Percentage of Low-Income Families with Children 0-17, (of Total Family Population with Children 0-17), By Selected Geographic Areas, 1990, 2000, 2005



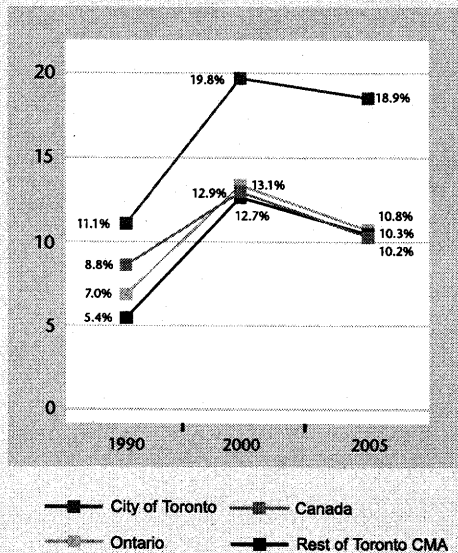
The median income of lone-parent families in a continuous downward path

- The median income of lone-parent families in the City of Toronto continued to fall in the 2000s, after dropping substantially in the 1990s.
- By 2005, the median income of Toronto's lone-parent families was \$21,700, which was \$1,300 less than it was in 2000, and \$4,500 less than it had been fifteen years earlier, in 1990.

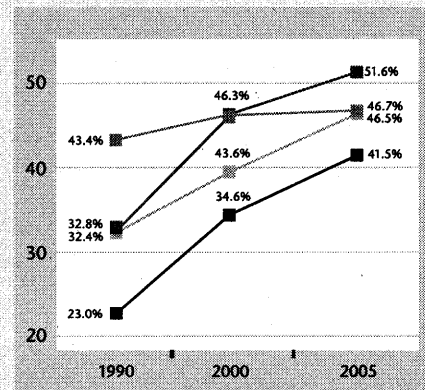
Family poverty continues to rise in the City of Toronto

- In 2005, more than 1 out of every 4 City of Toronto families were low-income, up from 1 in 6 fifteen years earlier, in 1990.
- By 2005, there was a significant gap between the 28.8% rate of low-income in the City of Toronto and the 19.7% rate in the country as a whole, 19.5% in the province, and 16.3% rate in the rest of the Toronto CMA.

Percentage of Low-Income, Two-Parent Families with Children 0-17
(of Total Two-Parent Family Population with Children 0-17), By Selected Geographic Areas, 1990, 2000, 2005



Percentage of Low-Income, Lone-Parent Families, with Children 0-17
(Of All Lone-Parent Families, with Children 0-17), By Selected Geographic Areas, 1990, 2000, 2005



Two-parent family poverty in the City of Toronto much higher than in other areas

- In 2005, nearly 1 in 5 of Toronto's two-parent families were low-income, compared to approximately 1 in 10 at the national, provincial and rest of Toronto CMA levels.

Lone-parent family poverty in the City of Toronto continues to grow

- In 2005, more than 50% of lone-parent families in the City of Toronto were low-income, up from 1 in 3 in 1990.





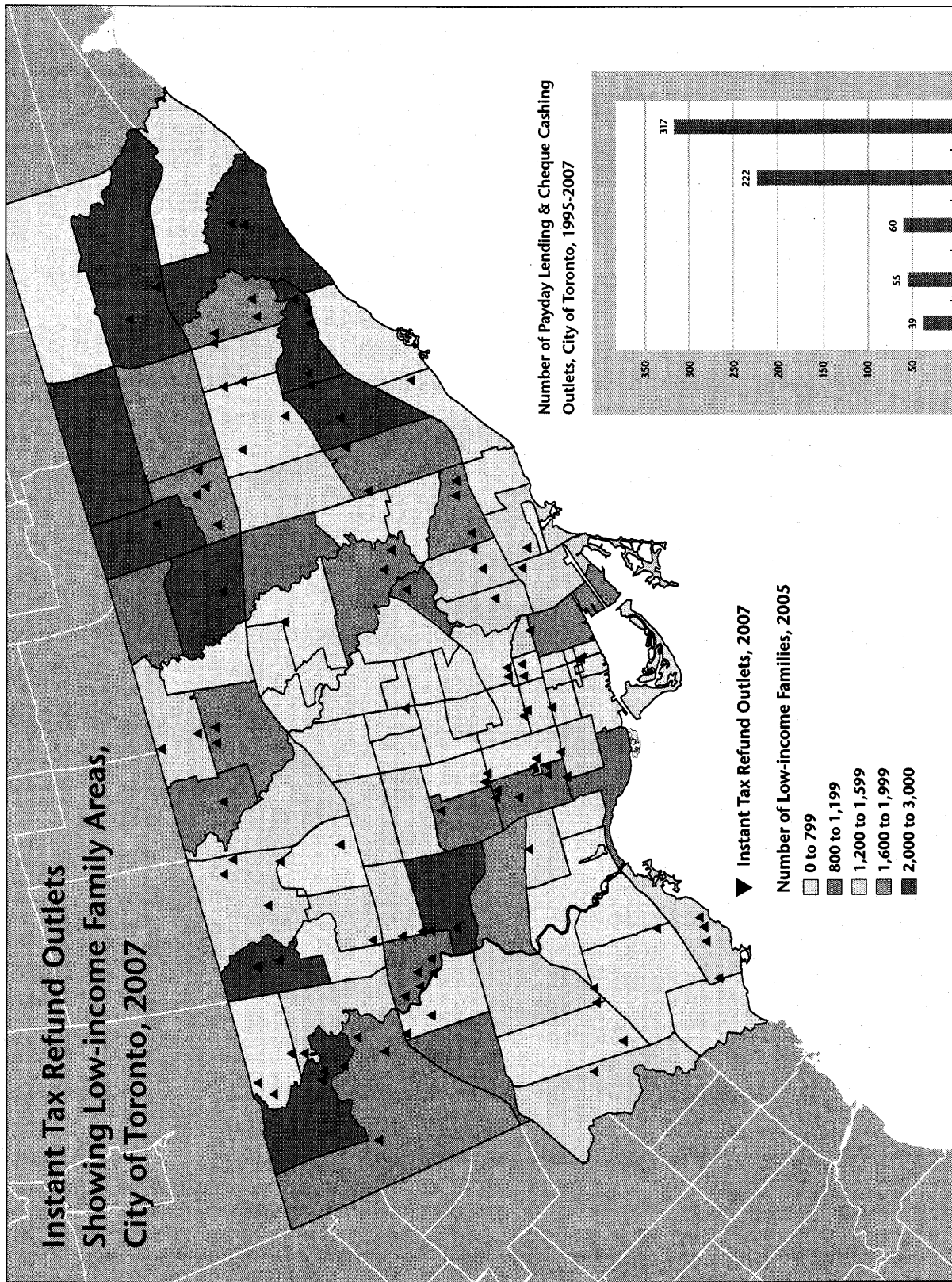
Warning signs in the rest of Toronto CMA

- The number of low-income families is rising rapidly in the rest of the Toronto CMA, in large part due to the overall growth in the population. But as in the City of Toronto, lone-parent families are making up a larger percentage of the total family population, and a growing percentage of them are low-income.
- The rest of the Toronto CMA is now facing the looming challenge of meeting the social service and infrastructure needs of growing numbers of low-income families.

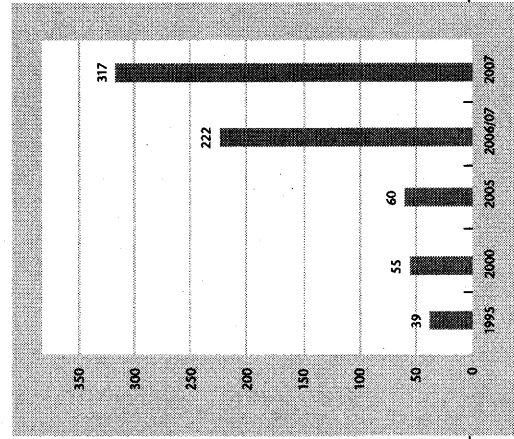
Warning signs in Toronto of growing financial vulnerability

- In the Toronto region, applications for evictions due to non-payment of rent rose 26% between 1999 and 2006.
- There was a much steeper rise in the number of consumer insolvencies in the City of Toronto between 2000 and 2005, compared to other areas: a 52.3% increase in the City of Toronto, compared to 16.8% in the country as a whole, and 39.5% in the Province of Ontario.
- Credit Canada's debt management caseloads grew 50% in its Toronto areas offices. As well, the debt loads that clients are carrying, as a percentage of their total annual incomes, grew from 65% in 1996 to 94% in 2005.
- There has been an eightfold increase in the number of payday loan and cheque cashing outlets in the City of Toronto, rising from 39 in 1995, to 317 in 2007. They are heavily concentrated in the city's low-income neighbourhoods, and charge borrowers much more than traditional sources of credit.

Instant Tax Refund Outlets Showing Low-income Family Areas, City of Toronto, 2007



Number of Payday Lending & Cheque Cashing Outlets, City of Toronto, 1995-2007



Recommendations

The persistent rise in poverty in the City of Toronto in the first half of this decade, after the huge increase in the 1990s is disturbing. These trends must be turned around if Toronto is to remain a strong and healthy place for families to live, work and raise their children. For this reason, United Way welcomes the Government of Ontario's commitment to build a poverty reduction strategy for Ontario. In releasing *Losing Ground*, United Way is making a number of recommendations that it believes are critically important for ensuring that the poverty reduction strategy is as effective as possible.

1. Ensuring an integral role for community leaders in the development of a poverty reduction strategy for Ontario

It will be critically important that the development of a poverty reduction strategy be informed by the deep knowledge and expertise that exists within communities, about the special nature and challenges that local poverty is presenting. For this reason, United Way is recommending that:

The provincial government bring together community leaders to participate in the development of a poverty reduction strategy for Ontario.

2. Addressing the unique challenges in the City of Toronto

The data in this report captures the growing income gap between the City of Toronto and other jurisdictions, such as lower family median incomes and higher poverty rates. Other research reports have provided a large body of evidence of the serious social and health consequences that have been accompanying these trends. We have seen how closely gun crime in the city, poor school grades and drop out rates, teen pregnancies and teen births, and low birth weight births corresponds to the neighbourhoods where poverty is highly concentrated. Most recently, we have evidence of soaring diabetes rates in the city's lowest-income neighbourhoods and growing food bank use. United Way is therefore recommending that:

A poverty reduction strategy for Ontario, to be developed by the provincial government, take account of the unique low-income challenges facing the City of Toronto, and the poor social and health outcomes that are associated with them.

3. Setting clear and achievable targets

Other jurisdictions like the Province of Quebec and Ireland have tackled poverty head on, with impressive results that show poverty reduction can be achieved against planned goals. United Way is therefore recommending that:

The provincial government set clear poverty reduction targets and aggressive timelines for achieving those targets, with specific targets and timelines for the City of Toronto.

4. Ensuring that the strategy is comprehensive and involves all orders of government

The social safety net in our province is flawed and has not been as effective as it needs to be in helping families move out of poverty. The solutions are complex and multifaceted. Because all orders of government share responsibility, United Way is recommending that:

The federal and municipal governments join the Province of Ontario in the development of the strategy, so that all components of the social safety net are examined and financed, including policies and programs that impact housing security, employment security, and child care.

5. Addressing the particular challenges of access to employment insurance and the protection of precarious workers

The growth in precarious employment is one of the significant contributors to income insecurity among Toronto's low-income workforce. Toronto's rock bottom rate of access to Employment Insurance is another. The Task Force on Modernizing Income Security for Working-Age Adults (MISWAA) set out clear directions for both reforming Employment Insurance and creating greater protections for workers employed in precarious work. United Way supports the MISWAA conclusions, and is therefore recommending that:

The development of a poverty reduction strategy in Ontario seek to address the significant decline in coverage of the unemployed and the related decline

in access to employment supports and training; and that it also seek to strengthen the protection of, and support for, employees in precarious employment.

6. Building a solid foundation of research knowledge about precarious employment and indebtedness

An existing base of Toronto data informs our understanding of how the city and its residents are changing, along many dimensions. This comes from a broad range of sources including the census, Canada Mortgage and Housing Corporation's annual rent surveys, food bank surveys, and labour force surveys. But in some areas, such as precarious work and indebtedness trends, data at the city level is minimal. The structure of work in the Toronto economy has changed dramatically in the past 10 to 15 years, and we need to be able to quantify and track changes in the forms that it is taking among Toronto workers. Similarly, the trend of indebtedness, which Statistics Canada reports at a national level, needs to be understood at a city level, especially in light of insolvency rates in Toronto that are outpacing those at other geographic levels. For this reason, United Way is recommending that:

The federal government, through Statistics Canada, work with representatives from the municipal and provincial governments, research and labour organizations to develop strategies for the routine collection of precarious employment and indebtedness data at the city level.

7. Regulating the payday lending sector

In the fall of 2006, the federal government introduced a provision to allow provinces to regulate the payday lending industry. Manitoba, Saskatchewan, Nova Scotia, and British Columbia have all proceeded. Quebec already has strict regulations. In Ontario, two private member bills were before the house to regulate the industry in Ontario, but were terminated when the provincial parliament was dissolved in the summer of 2007. Provincial changes to the *Consumer Protection Act* were made in 2007 to improve consumer knowledge of the fees and charges that the sector is applying. But these do not provide the kind of consumer protection that other provinces are putting in place. Therefore, United Way is recommending that:

The Province of Ontario develop rigorous new regulatory measures to protect consumers from usurious rates of interest, set interest rate caps and limits on fees and charges, and prohibit roll-overs and other practices that trap consumers in a debt cycle.

8. Building Consumer Financial Knowledge

There is no doubt that Toronto's low-income families find themselves in such tight financial circumstances that they are forced to take out loans. But the aggressive marketing tactics of lenders and the seemingly easy access and terms are a major concern. Credit Canada, the largest consumer credit counselling organization in Toronto, reports that a great proportion of households that get themselves deeply in debt do not understand, or do not take time to understand the terms they are agreeing to and what it will cost. For this reason, United Way is recommending that:

The United Way of Greater Toronto Board of Directors commit new resources for the development of consumer information and problem solving programs to be delivered by United Way member agencies, targeting low-income borrowers in high need communities across the city.

Definitions

Median Income

Median income is that of a family in the middle of the income distribution, meaning half of all families are above the median and half of all families are below the median. Compared to average income, the median income is a better indicator of how typical families are faring because average incomes can be skewed from extreme outliers at the upper end of the income spectrum.

Low-Income Measure (LIM)

Low-income measure (LIM) is defined as having an income of less than half the median income of a family adjusted for size and age composition for all of Canada. In 2005, the after-tax low-income measure (LIM) threshold was \$27,500 for a two-parent family with two children under 16 and \$23,375 for a lone-parent family with two children under 16.

Depth of Poverty

Depth of poverty is used in *Losing Ground* to locate and describe low-income families relative to the LIM. In *Losing Ground* families are in "deep poverty" when they are 50% or more below the LIM.

Adjusted Incomes (Constant 2005 Dollars)

All income figures for 1990 and 2000 were adjusted for inflation and reflect 2005 dollar values.

Two-Parent Family

Two-parent family refers to married and common-law couples with one or more children 17 years and under, living in the same dwelling. Children may be by birth, marriage or adoption by either or both spouses.

Lone-Parent Family

Lone-parent family refers to a lone parent of any marital status, living with one or more children 17 years and under, in the same dwelling.

Toronto Census Metropolitan Area (CMA)

Toronto Census Metropolitan Area includes the City of Toronto, plus 23 surrounding municipalities: Ajax, Aurora, Bradford, Brampton, Caledon, East Gwillimbury, Georgina, Halton Hills, King Township, Markham, Milton, Mississauga, Mono Township, Newmarket, Oakville, Orangeville, Pickering, Richmond Hill, Tecumseth, Uxbridge, West Gwillimbury, Whitchurch-Stouffville, and Vaughan.

Rest of Toronto CMA

The Toronto Census Metropolitan Area (CMA) excluding the City of Toronto.

Census Family

Census family is defined as a married couple and the children of either or both spouses; a couple living common law and the children, if any, of either or both parents; or a lone-parent of any marital status with at least one child living in the same dwelling as that child or children. All members of a particular census family live in the same dwelling. A couple may be same or opposite sex. Children may be children by birth, marriage or adoption.

Precarious Employment

Precarious employment refers to insecure short-term, temporary employment that is characterized by poor job quality, low wages, no health or pension benefits, no access to collective representation, and little opportunity for job advancement.

Insolvency

If a person is unable to meet his/her debt obligations, he/she is said to be insolvent. Consumer insolvency refers to both bankruptcy and proposal. Bankruptcy is where assets of an individual or company are liquidated and the proceeds are given to people who are owed money. Proposal is where an offer is made to the people who are owed money in an effort to settle the debt.

Payday Loan

Payday loan is an advancement of money in exchange for a post-dated cheque, a pre-authorized debit, or a future payment of a similar nature but not for any guarantee, suretyship, overdraft protection or security on property and not through a margin loan, pawn broking, a line of credit, or a credit card. The typical payday loan is for 1-14 days.

Cheque Cashing Services

Cheque cashing services cash third-party cheques immediately with adequate personal identification and for a fee, usually a fee per cheque and a percentage of the face value of the cheque.



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