



# The Working Poor

## IN THE TORONTO REGION

Mapping working poverty in Canada's richest city

APRIL 2015

by John Stapleton  
*with Jasmin Kay*

**METCALF**  
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## **The Working Poor in the Toronto Region: Mapping working poverty in Canada's richest city April 2015**

ISBN 978-1-927906-07-1

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We would like to thank the following people for helping to produce and validate the data and for their helpful comments in the process of preparing this paper: Brian Murphy, Yue Xing, David Hulchanski, Karen Myers, Kaylie Tiessen, and Mikayla Wicks. We thank Kruti Desai and Richard Maaranen for producing the final maps. We thank Anne Perdue for editing services and Matthew Blackett and Julie Fish for design of the report.

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### Mapping working poverty in Canada's richest city

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# The good news and the bad news

Toronto: we have good news and bad news. First, the good news. After the largest recession and financial crisis since the Great Depression, growth in the number of the city's working poor is moderating. Between 2006 and 2012, the working poor population grew by less than 11%.<sup>1</sup> That's a much slower rate of growth than during the first five years of the new millennium when the working poor population grew by 39%.

The bad news is that working poverty continued to grow despite two accompanying factors that ought to have created conditions for no growth, or even a reduction, in the incidence of working poverty. The first factor is the social policy interventions that occurred. Minimum wage increased 37.6% between 2006 and 2010, and three new income supplements were introduced in 2006 and 2007: the Working Income Tax Benefit, the Ontario Child Benefit, and the Universal Child Care Benefit. These income supports combined with increases in the minimum wage put a bit more money in the pockets of the working poor.

The second factor is that overall employment rates fell and the number of individuals receiving welfare increased. In 2006 the employment rate in the Toronto Region<sup>2</sup> was 63.8%. In 2012 it was 61.1%<sup>3</sup> — a decrease of 2.7 percentage points. That we experienced an increase in the proportion of working poor in tandem with declining employment rates, magnifies the significance of the 11% increase.

We have to consider the implications of working poverty in Canada's richest city. The working poor cannot buy homes on their wages and many use food banks and other services to meet their basic needs. At the same time, shifts in the labour market suggest declining opportunities for a growing segment of the working poor.

Good social policy and programs are clearly important tools in the fight against poverty, and moderation in the growth of the working poor in Toronto is welcome news. But that Toronto has a higher rate of working poverty in 2012 than in 2006, while employment rates fell, is perplexing and troubling. How this happened — shifts, trends, and factors at play — is the subject of this report.

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1. In our first report, we used 2006 census data to calculate working poverty in the region. This data indicated a 42% increase in working poverty between 2000 and 2005. This report is based on a different data set, the T1 Family File (T1FF). The T1FF shows the increase in working poverty between 2000 and 2005 to be 39%. An explanation of the data sets for this report is included in "Our data sources" and Appendix C.

2. Toronto Census Metropolitan Area and Toronto Region are used interchangeably in this report.

3. See Figure 6. Source: Statistics Canada, Labour Force Survey, Table 282-0055.



## Our data sources

*In our first report on working poverty, The Working Poor in the Toronto Region: Who they are, where they live, and how trends are changing, published in 2012, we used data from the long-form census. In June of 2010, the Government of Canada cancelled the long-form census and replaced it with the National Household Survey (NHS). Statistics Canada advises against comparing low-income estimates between the long-form census data and the new voluntary NHS. This has caused us, along with the broader social research community, to reassess the data sources we use in our work.*

*The T1 Family File (T1FF) is our primary data source for this report. We chose to map the T1FF data because it produces the most straightforwardly interpretable growth estimates for small geographies. Its collection methodology is the most stable of Statistics Canada's large microdata sources from 2006 to 2012. The file contains annual income tax data collected by the Canada Revenue Agency. It includes all those who filed a T1 tax return or who received the Canada Child Tax Benefit, their non-filing spouses and children, and filing children who report the same address as their parent(s). Reporting on 2012 income (tax filing year 2013), the T1FF covered 95% of the Canadian population.<sup>4</sup> It is not weighted or adjusted to account for the missing 5% of the population. A more detailed explanation of the T1FF is found in Appendix C.*

*The stability of the T1FF is offset slightly by the fact that it does not collect as wide a range of socio-demographic data as other population level surveys such as the Census of Canada or the National Household Survey. The seven characteristics of the working poor used in our first report drew extensively from 2006 census data. The replacement of the long-form census with the NHS means that we are not able to include replicated and updated analysis of many of these characteristics for 2006 to 2012.<sup>5</sup> However, in Appendix B, we have included analysis of two characteristics that T1FF data does provide: family status and age.*

*In our first report, we mapped working poverty in the region and the city using 2001 and 2006 census data. For this report we have mapped T1FF data from 2006 and 2012. We have also included 2000 T1FF data in order to demonstrate that an equally sharp increase in working poverty is seen during 2000 to 2005 using this data set.*

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4. <http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=4105&lang=en&db=imdb&adm=8&dis=2#a2>

5. We have custom working poor data from Statistics Canada based on the NHS, the Survey of Labour and Income Dynamics, and the Longitudinal Administrative Databank. If you are interested in seeing these data sets please contact the Metcalf Foundation.

## Toronto: rich city, poor city

Toronto is Canada's richest city. Its economy accounts for 11% of Canada's GDP and exports alone are equal to \$70 billion in goods and services.<sup>6</sup> The city's strength and competitiveness stem from its 11 key sectors that stimulate growth and help make the city relatively resilient to economic downturns. Toronto is a major information and communications technology and media hub. It's also the financial services capital of Canada and the fastest growing financial centre in North America.<sup>7</sup> Toronto is a city that boasts both opportunity and services.

But there is another side to Toronto. It houses Canada's highest concentration of working poverty.<sup>8</sup> It also has the fastest growing percentage of working poor in the nation. Right behind it stands Vancouver — Canada's second richest city. In both cities working poverty is growing faster than anywhere else in the country.

Canada's two richest cities are becoming giant modern-day Downton Abbeyes<sup>9</sup> where a well-to-do knowledge class relies on a large cadre of working poor who pour their coffee, serve their food, clean their offices, and relay their messages from one office to another. This professional knowledge class relies on the working poor to maintain their gardens, mind their children, and clean their houses.

Less wealthy cities like Montreal do not have a large enough sector of high paid professional workers to support an equally robust cadre of service entry workers. The same is true for smaller cities. All of the ten metropolitan areas shown in Figure 1 are below or within 1.5% points of the working poor national average except for our two outliers: Toronto and Vancouver.

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6. [http://www.toronto.ca/toronto\\_facts/business\\_econdev.htm](http://www.toronto.ca/toronto_facts/business_econdev.htm)

7. <http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=c40132dob6d1e310VgnVCM10000071d6of89RCRD>

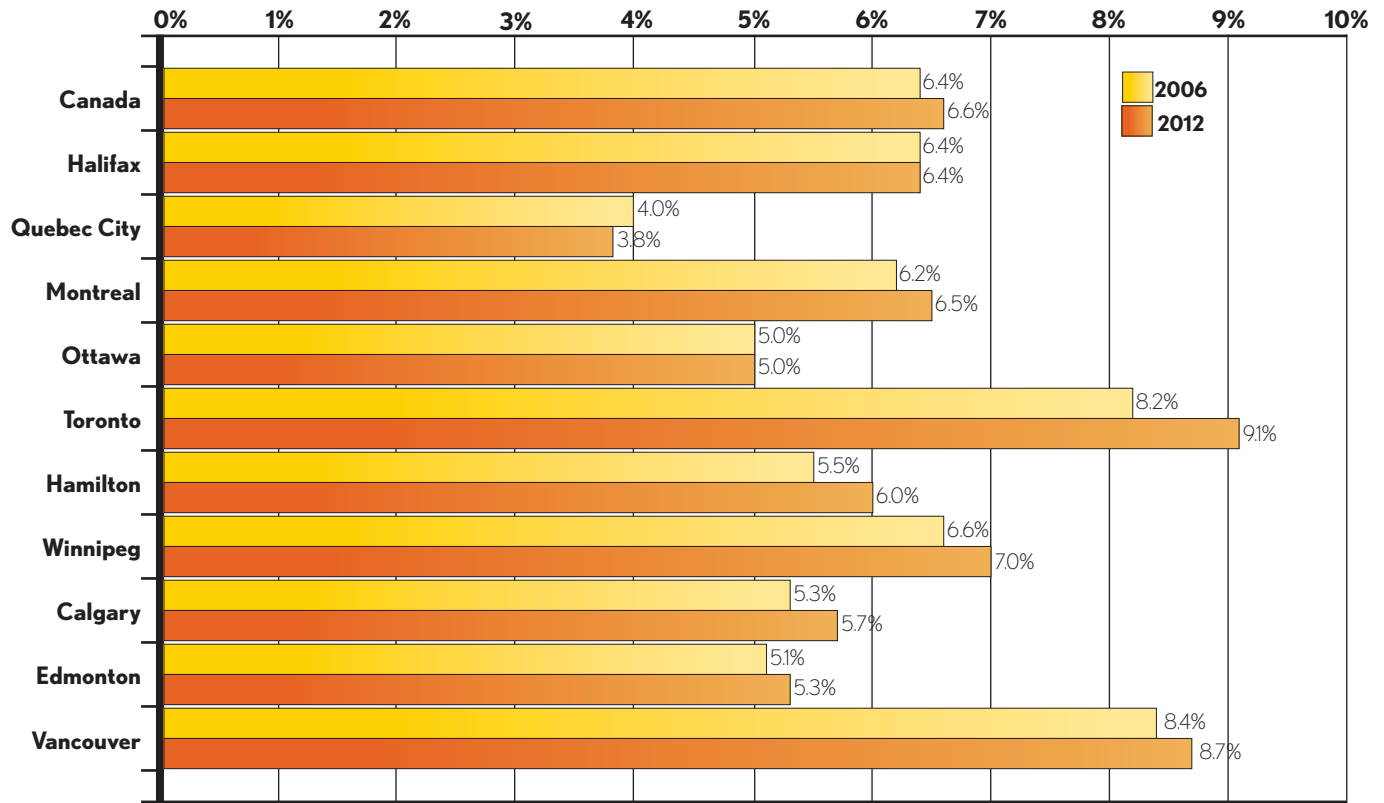
8. Toronto has the highest concentration of working poverty of the 17 CMAs we were able to include in our research.

9. Downton Abbey is a popular series that depicts the lives of the aristocratic Crawley family and their servants in the post-Edwardian era.

## FIGURE 1: NATIONAL

### Percentage of Working Poor Individuals Among the Working-Age Population

Canada and Ten CMAs, 2006 and 2012



Note: Working age population defined as individuals who are between 18 and 64, non-students and living on their own. Working status refers to persons having earnings no less than \$3,000. Poor status refers to individuals with census family income below the Low Income Measure (50% of adjusted after-tax median income of all Canadians). Working poor status 2006 and 2012 determined from taxfiler data (TIFF).

To many, the fact that Toronto is a powerhouse but has significantly higher poverty levels will be seen as a contradiction. But viewed in the context of employment trends, it begins to make sense that Toronto the rich can also be the working poverty capital of Canada.

In our section on declining labour market outcomes we will see that over the past 20 years there has been consistent job growth in only two categories: professional/knowledge and service entry. All other job categories have been stagnant or have shrunk. Toronto's large professional classes are what make it an economic powerhouse. Toronto's outsized service entry class, which provides services to its still rapidly growing professional class, is what makes it the working poverty capital of Ontario and Canada.



Toronto is not only defined by its large numbers of service workers — many of whom make minimum wage in precarious employment. Toronto is also a costly place to live and is home to large numbers of newcomers who often need additional time to establish themselves. Over 50% of Toronto's population is foreign-born.<sup>10</sup>

As well, Toronto has more irregular employment. Less than 50% of all jobs are full-time full-year compared to over 60% for Canada

as a whole.<sup>11,12</sup> Toronto, with 9% of its working population members of the working poor, significantly exceeds the average for all of Ontario (7%). Figure 2 shows how Toronto compares to a selection of Ontario cities. Other cities have working poverty populations in the 4% to 6% range.

10. As indicated in our first report, the Toronto Census Metropolitan Area (CMA) for 2005 reported 57% of the working-age population as immigrants.

11. Costa Kapsilis and Pierre Tourigny, "Duration of non-standard employment," Perspectives on Labour and Income, Vol. 5, No. 12, p. 5, Statistics Canada (2004)

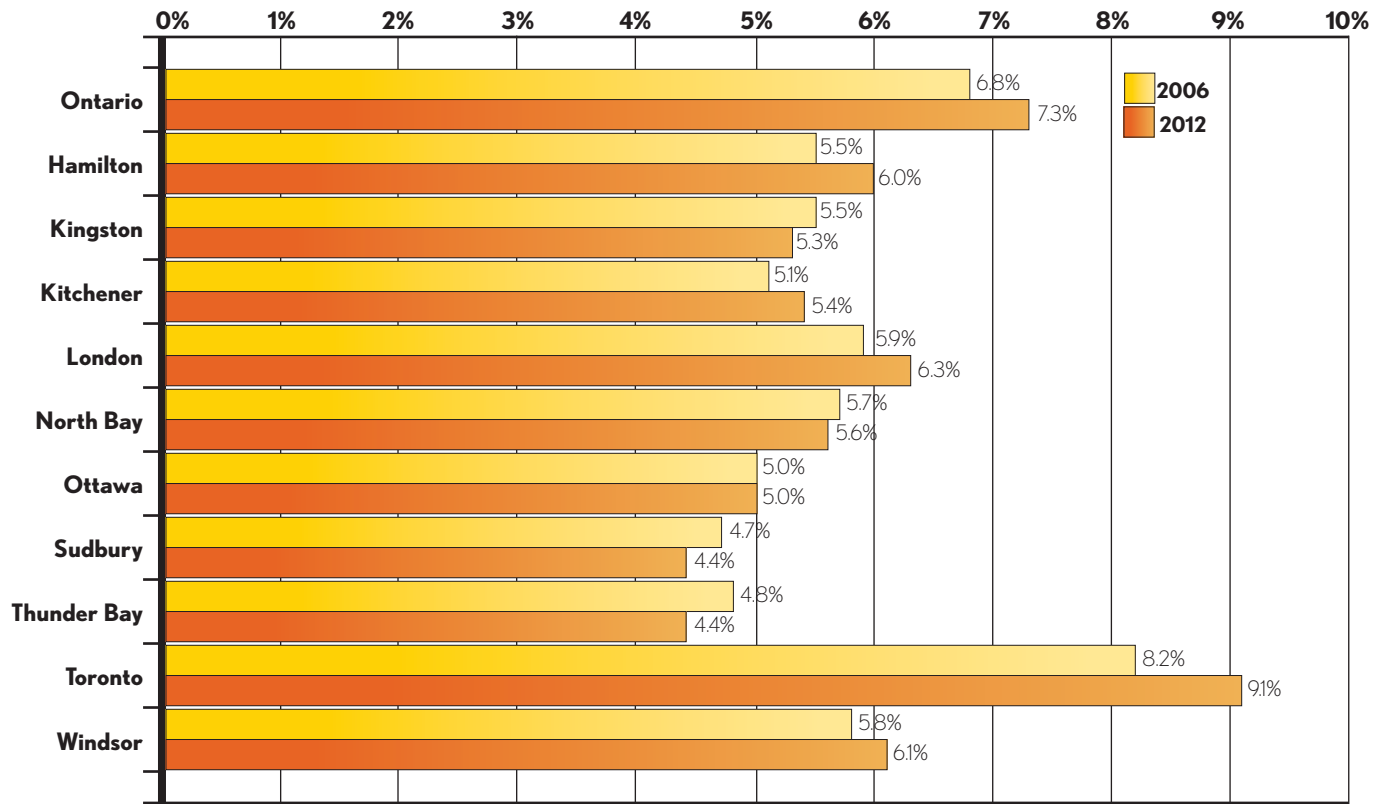
12. Toronto Training Board, Ten Ways of Seeing Precarious Employment (2005), p.5



## FIGURE 2: ONTARIO

### Percentage of Working Poor Individuals Among the Working-Age Population

Ontario and Ten Ontario CMAs, 2006 and 2012



Note: Working age population defined as individuals who are between 18 and 64, non-students and living on their own. Working status refers to persons having earnings no less than \$3,000. Poor status refers to individuals with census family income below the Low Income Measure (50% of adjusted after-tax median income of all Canadians). Working poor status 2006 and 2012 determined from taxfiler data (TIFF).

# Behind the numbers

## Working poverty: 2000 to 2005

In our first report we explored the sharp increase in working poverty in the Toronto Region between 2000 and 2005. Working poverty for the region was 5.9% in 2000. By 2005 it had risen to 8.2% — a 39% increase.

For the City of Toronto, the working poverty rate was 7.2% in 2000. By 2005 it had risen to 9.9% — an equally stark increase of 39%. In 2005, the City of Toronto was the municipality with the highest proportion of working poor individuals in the region.

During these years, increases in working poverty were seen to the east and north of the core with a significant amount of intensification in the northeast corner of the city.

The inner city saw relatively small increases in working poverty between 2000 and 2005.

## Working poverty: 2006 to 2012

By 2012, the rate of working poverty in the Toronto Region was higher than it was in 2000 to 2005, at 9.1%. (See Figure 3.) This is an increase of working poverty of 11% (from 8.2% to 9.1%). The cities with the largest percent change during 2006 to 2012 were Markham (27%) and Ajax (25%).

In 2012, the City of Toronto continued to have the highest rate of working poverty (10.7%) in the Toronto Census Metropolitan Area (CMA). (See Figure 3.) The increase was 8% (from 9.9% to 10.7%). This was much smaller than in 2000 to 2005. The former municipalities of North York and Scarborough show the highest level of working poverty within the city itself. (See Figure 4.)

The trends that we see, looking at the former municipalities, represent a general northern move in working poverty. This differs from the eastward movement that we described in our first report. It signals the “Manhattanization” of Toronto<sup>13</sup> whereby poorer individuals and families are being driven to the suburbs — inner and outer — by rising property values and housing costs.

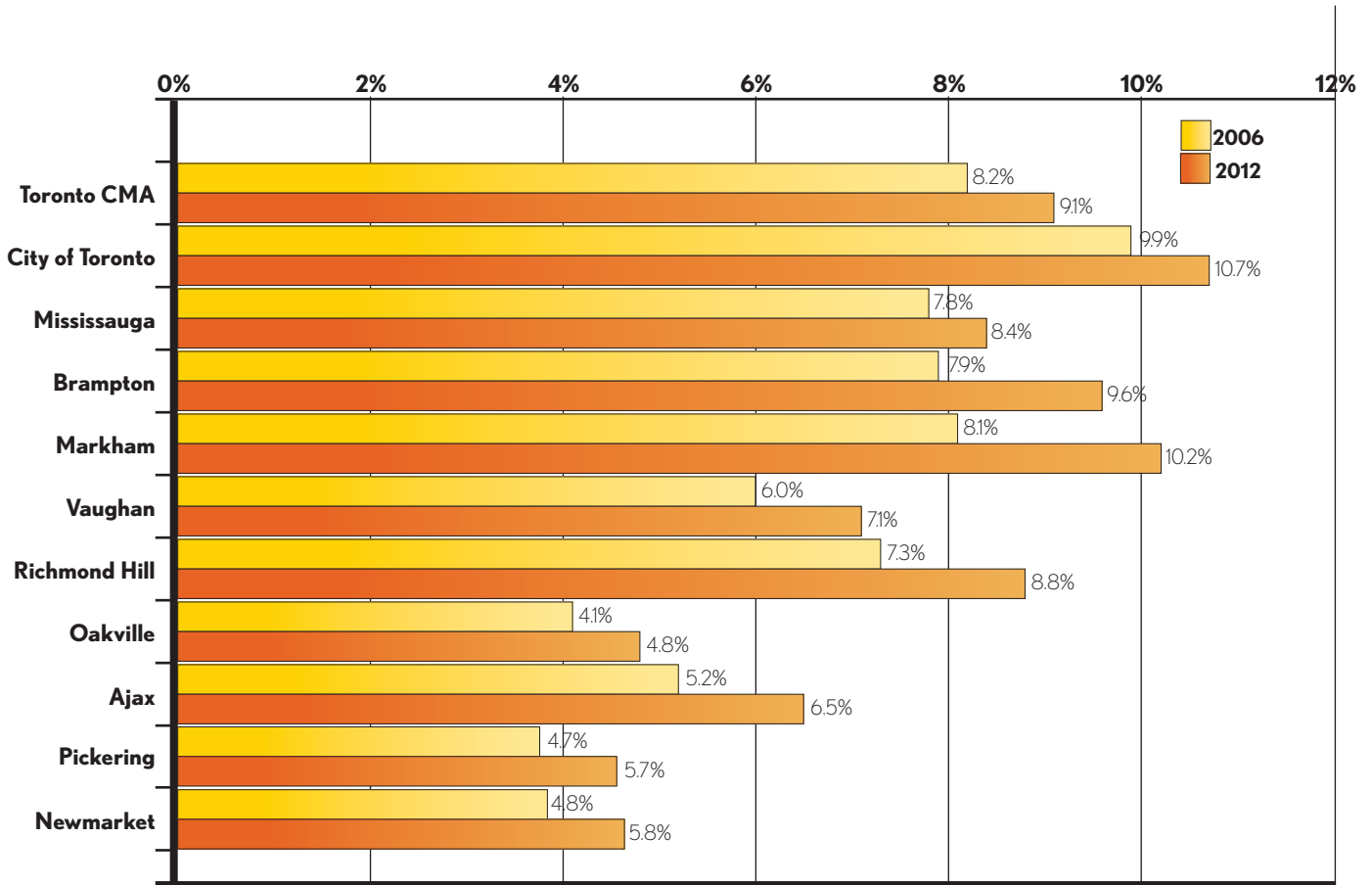
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13. <http://www.cbc.ca/news/canada/the-manhattanization-of-toronto-will-change-family-housing-dreams-1.1137590>

**FIGURE 3: TORONTO CMA**

## Percentage of Working Poor Individuals Among the Working-Age Population

Ten Largest Cities in Toronto CMA, 2006 and 2012



Note: Working age population defined as individuals who are between 18 and 64, non-students and living on their own. Working status refers to persons having earnings no less than \$3,000. Poor status refers to individuals with census family income below the Low Income Measure (50% of adjusted after-tax median income of all Canadians). Working poor status 2006 and 2012 determined from taxfiler data (TIFF).



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## Understanding “Difference” and “Percent Change”

*Throughout this report, we express percentage changes in two ways. Both are correct, but it is important to distinguish between them.*

*Difference is based on subtracting “working poor as a percentage of the working-age population” in an earlier year from the corresponding figure for a later year. This gives a difference expressed as percentage points. For instance, working poor as a percentage of the working-age population for all of Canada increased by 0.2 percentage points between 2006 and 2012 (6.4% minus 6.6%).*

*Percent change is a relative measure of how big the change was. Returning to our example, the incidence of working poor in Canada increased by 0.2 percentage points between 2006 and 2012. To look at how big that change was, we calculate the 0.2 as a percentage of the 2006 figure of 6.4%, (0.2 divided by 6.4). This gives us a 3.1% increase in the working poor over that period.*

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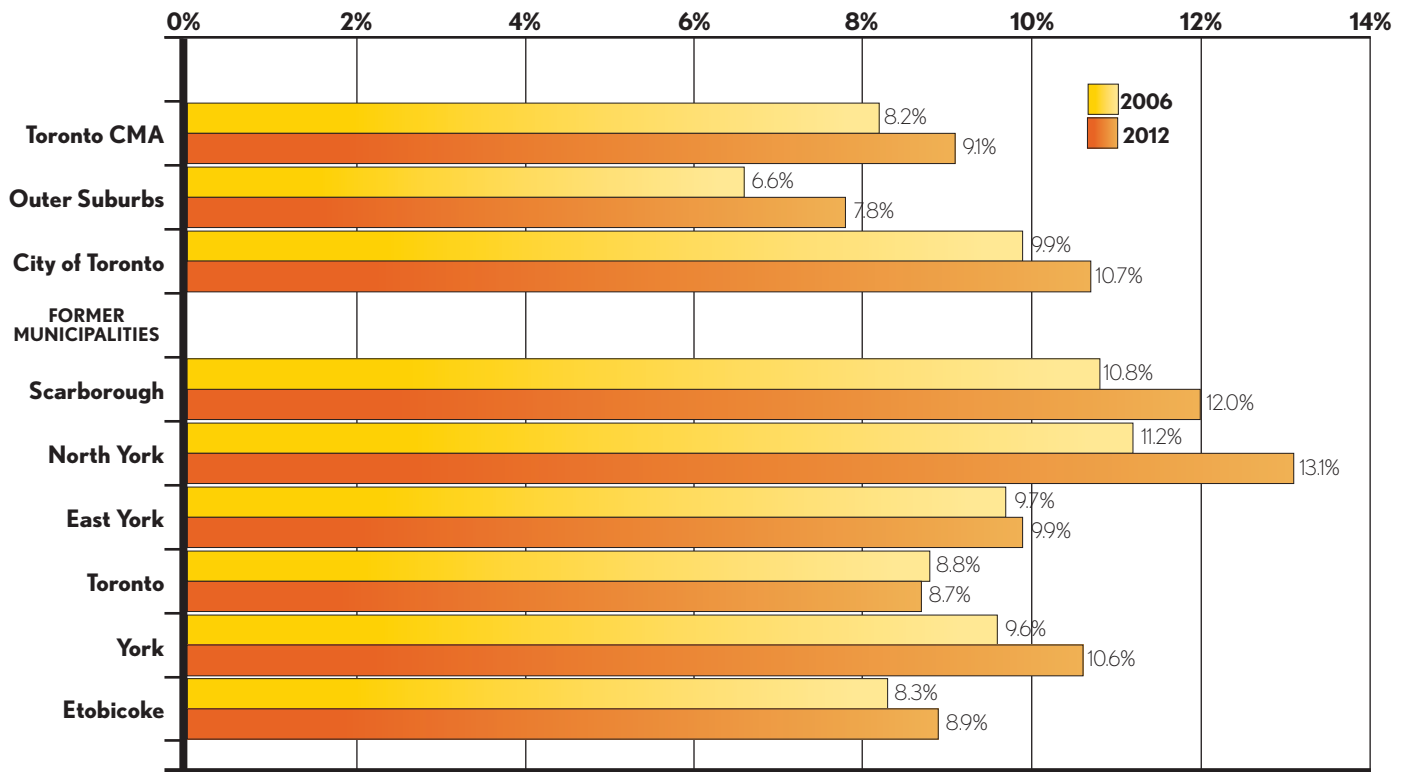
## The inner and outer suburbs

*In this report we refer to the inner suburbs and the outer suburbs. The inner suburbs are the neighbourhoods with the former municipalities of Scarborough, North York, and Etobicoke. The outer suburbs lie beyond the City of Toronto and extend to Oakville, East Gwillimbury and Pickering-Ajax.*

## FIGURE 4: CITY OF TORONTO

### Percentage of Working Poor Individuals Among the Working-Age Population

Toronto CMA and Former Municipalities, 2006 and 2012



Note: Working age population defined as individuals who are between 18 and 64, non-students and living on their own. Working status refers to persons having earnings no less than \$3,000. Poor status refers to individuals with census family income below the Low Income Measure (50% of adjusted after-tax median income of all Canadians). Working poor status 2006 and 2012 determined from taxfiler data (T1FF).

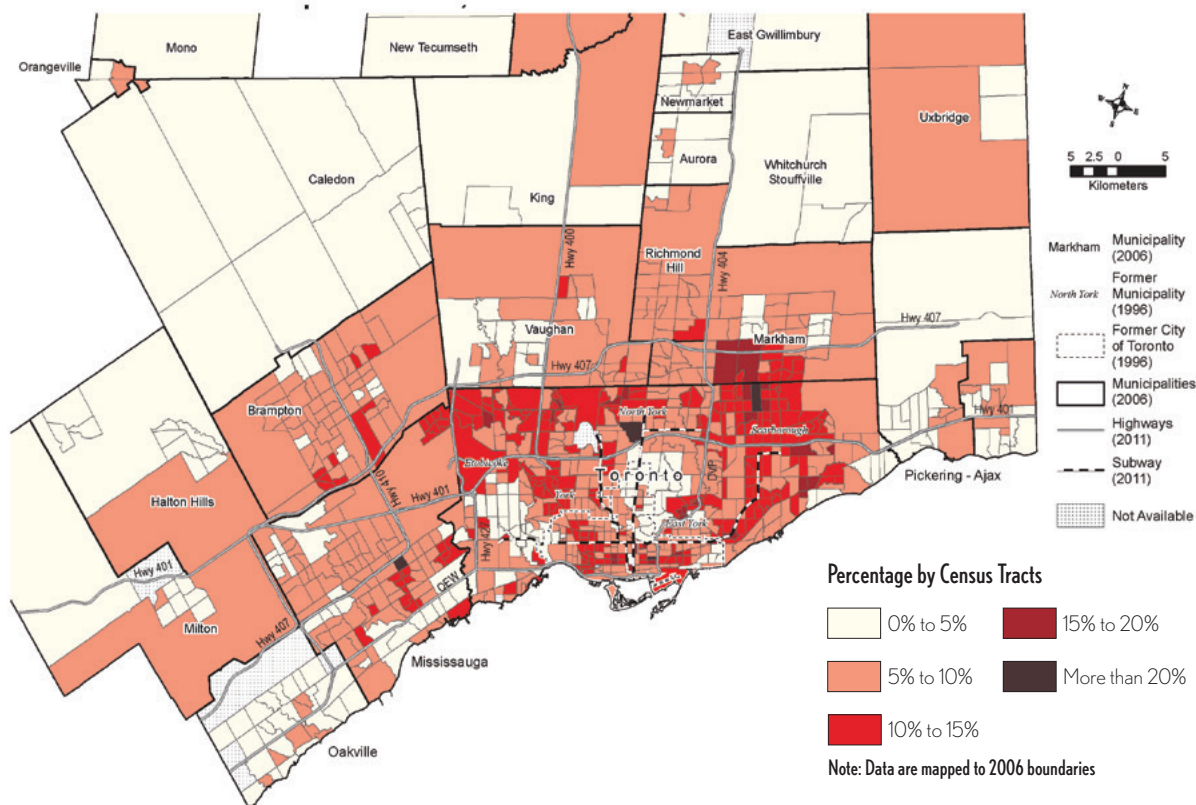
# Mapping working poverty

Maps 1 and 2 show distribution of working poverty in the Toronto CMA, 2006 and 2012, respectively. Map 3 shows geographic trends over the period. Maps 4 and 5 show distribution of working poverty in the City of Toronto, 2006 and 2012, respectively. Map 6 shows geographic trends over the time period.

## MAP 1:

### Percentage of working poor individuals among the working-age population after-tax

Toronto Census Metropolitan Area, 2006

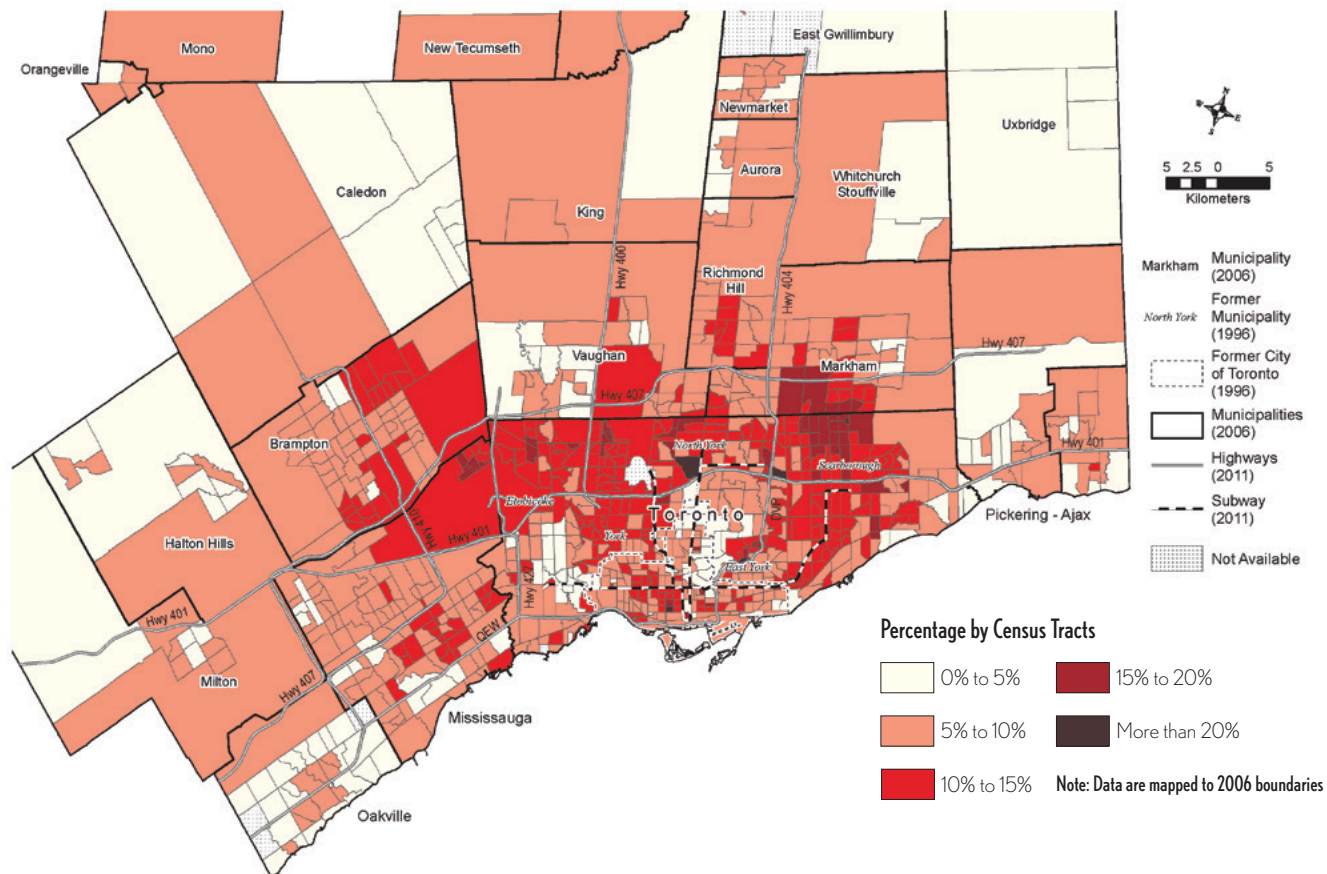


**Map 1:** In 2006, the highest concentrations of working poverty were mostly in the inner suburbs of Scarborough, North York, and Etobicoke, with a few exceptions in the inner city. In 2006, Toronto's inner suburbs were a more affordable place to live for the working poor.

## MAP 2:

### Percentage of working poor individuals among the working-age population after-tax

Toronto Census Metropolitan Area, 2012

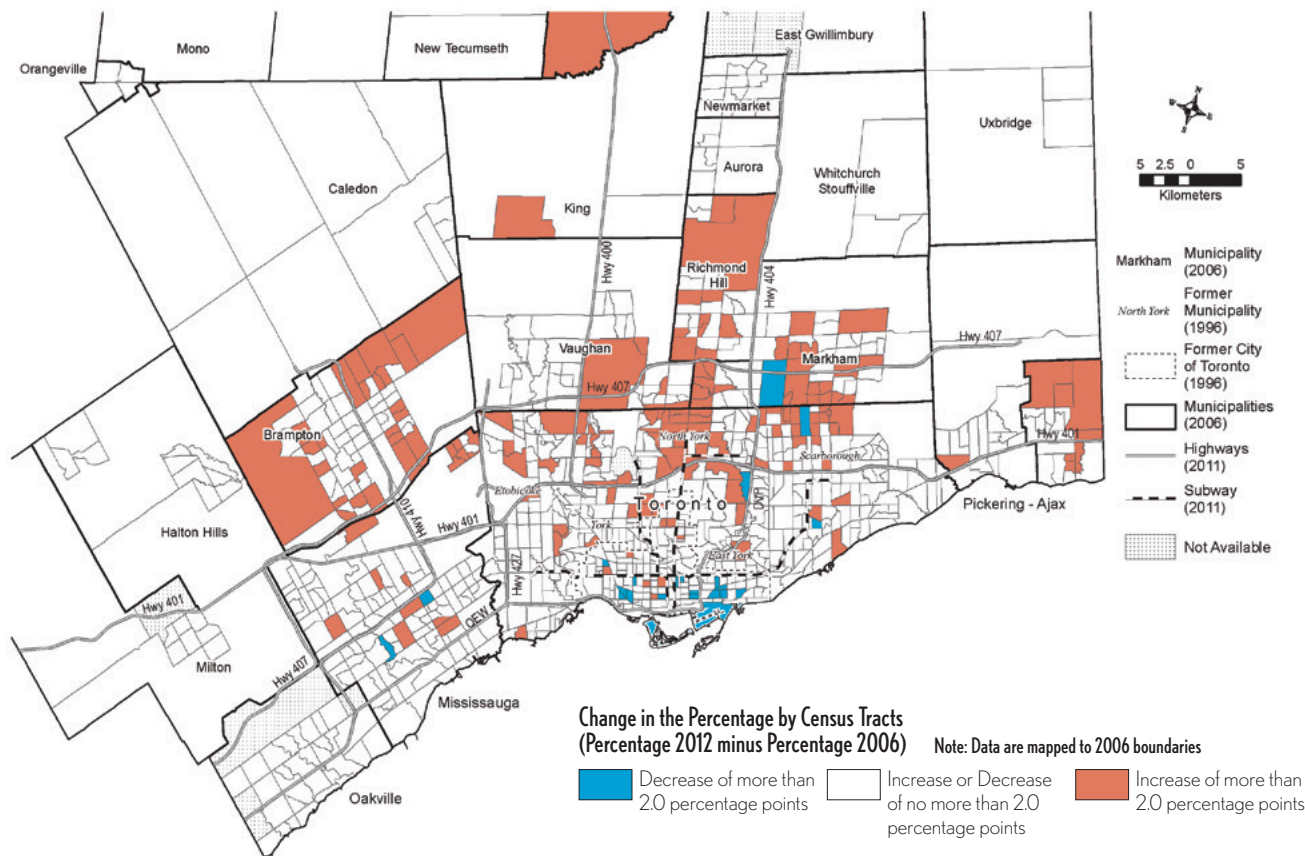


**Map 2:** By 2012, the situation had changed with higher concentrations of working poverty appearing in the region's outer suburbs — places such as Caledon, Whitchurch-Stouffville and Ajax. These suburbs are more distant from the central city. This results in greater time and cost for commuting — factors that impact quality of life for working poor. These communities had not experienced working poor populations of over 5% in the past.

MAP 3:

Change in percentage of working poor individuals among working-age population after-tax

Toronto Census Metropolitan Area, 2006-2012



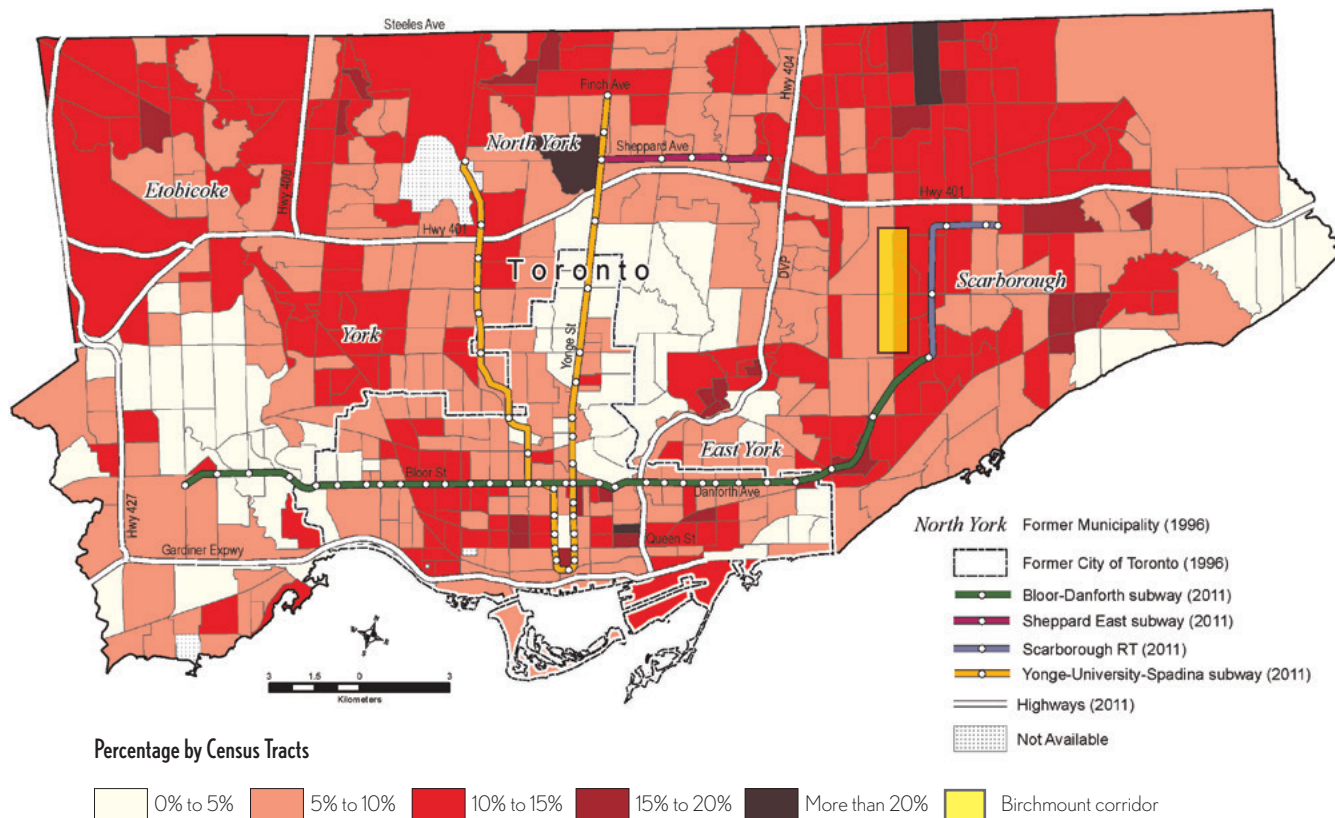
**Map 3:** From 2006 to 2012, working poverty within the city moved northward away from Lake Ontario and increased markedly in the outer suburbs. This is probably a reflection of rising property values, long waiting lists for subsidized housing, and higher private market rents. The “Manhattanization” of the City of Toronto is apparent in this map. As many have begun to say, poverty does not stop at Steeles Avenue, the east-west thoroughfare that is the city’s northern boundary.





**MAP 4:**  
**Percentage of working poor individuals among working-age population after-tax**

City of Toronto, 2006

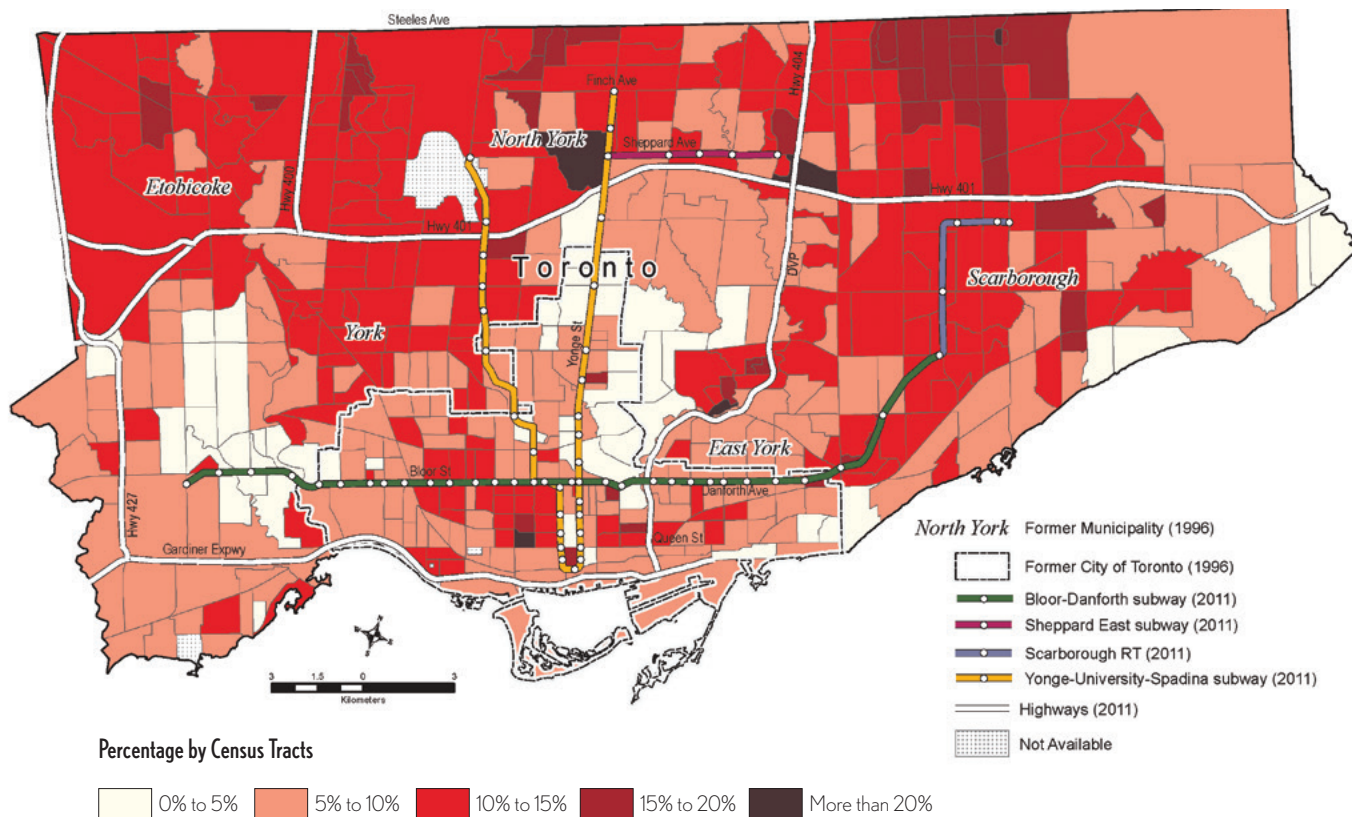


**Map 4:** In 2006, the working poor were located in the core as well as the inner and outer suburbs. This map helps to show the correlation between poor public transit and neighbourhoods with greater levels of working poverty. As an example, the Birchmount corridor reveals a consistent Steeles-to-the-lake over-representation of the working poor population. Scarborough is the only district within the Toronto Region that has no north-south 400 series highway and Birchmount Road is only serviced by buses. Subways, VIA rail, GO transit, the 401, and the LRT crisscross Birchmount but none stop at any point on this major thoroughfare that runs from south of Kingston Road to north of the 407 to Highway 7.

## MAP 5:

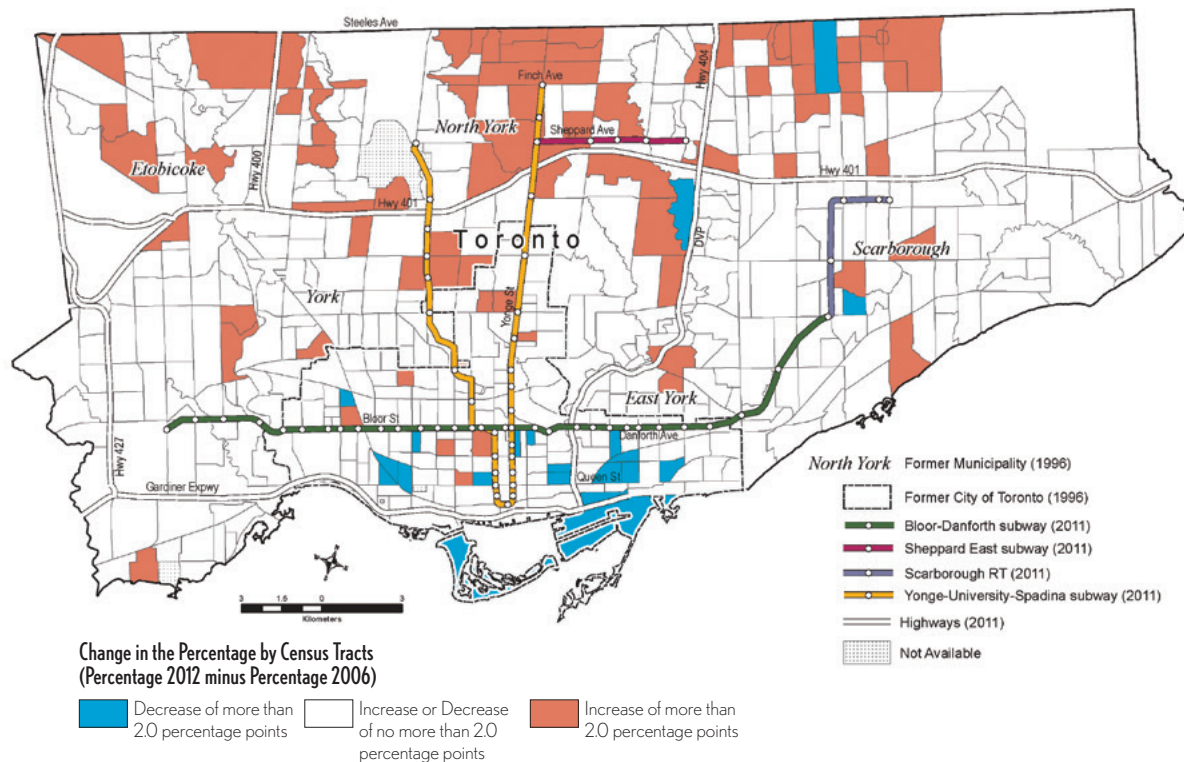
### Percentage of working poor individuals among the working-age population after-tax

City of Toronto, 2012



**Map 5:** By 2012, a noticeably greater number of census tracts north of Highway 401 exhibited working poverty at levels higher than 10% with intensification of the working poor in the north-east and the northwest areas of the city.

**MAP 6:**  
**Change in percentage of working poor individuals among working-age population after-tax**  
 City of Toronto 2006-2012



**Map 6:** The largest increases in working poverty between 2006 and 2012 were seen in the north of the city with significant decreases in working poverty below Bloor and Danforth. Below the Danforth decreases were recorded in 17 census tracts, while only 4 recorded increases. Contrast this with increases in 39 census tracts north of the 401 and only 1 tract with a decrease, and we see that working poverty is moving north.



## SUMMARY: Mapping working poverty

The working poverty map is changing in Toronto. During 2000 to 2005, working poverty moved eastward and somewhat northward within the city. We are now seeing a general northward trend to all the inner suburbs, not just Scarborough.

Sixty-three of Toronto's census tracts show an increase in working poverty rates between 2006 and 2012 while only fourteen show a decrease.<sup>14</sup> In 2012, we note a major deepening in the incidence of working poverty in census tracts in the northern parts of Toronto. The core of the city continues to see a decline in the proportion of residents who are working poor. Slight shifts in the spatial distribution of working poverty may reflect neighbourhood level changes that affect the affordability of housing and dictate who moves in and out of neighbourhoods over time. We do know the overall incidence of working poverty grew slightly; further data analysis is required to fully understand the spatial trends of working poverty in the city.

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14. From 2006 – 2012, T1FF data show a marked increase in working poverty north of Highway 401.

# Factors at play

## Rising incomes

### Minimum wage and government transfers

For some employed individuals, by 2012, the combination of income supplements and increased wages likely had the effect of tipping their incomes above the Low-income measure after tax (LIM-AT). For others, this increased income may have decreased the depth of their poverty without affecting their inclusion in the low-income category. Median incomes also increased slightly and thus the LIM-AT threshold is slightly higher in 2011 (\$19,930) than it was in 2005 (\$16,163).<sup>15</sup> Further investigation is needed to uncover if there has been a clustering in the number of people whose income hovers just above or just below the LIM-AT poverty measure.

The provincial government has jurisdiction over the minimum wage for most sectors of the economy, and in Ontario, the general minimum wage<sup>16</sup> was frozen at \$6.85 in 1995. Between 2000 and 2005, the adult minimum wage moved from \$6.85 to \$7.45 — a \$0.60 increase over five years. Between 2006 and 2010, the minimum wage increased from \$7.45 to \$10.25<sup>17</sup> — an increase of \$2.80 or 37.6% over five years.<sup>18</sup>

Between 2006 and 2012, the hourly wage rate of some of our lowest paid workers saw an increase that was more than four times greater than the increases during 2000 to 2005. The Consumer Price Index increased 11.6% during 2000 to 2005, and 10.8% during 2006 to 2012.<sup>19</sup> Thus, the largest increase in minimum wages also came during a period when the cost of living grew more slowly.

Between 2006 and 2012 there were also new government transfers and increases to existing transfer payments that contributed to the after-tax incomes of the working poor. Figure 5 shows the increase in government transfers as a share of overall total income.

15. Statistics Canada, 2013a

16. There are separate minimum wages for students 18 or younger, liquor servers, homeworkers, and hunting and fishing guides.

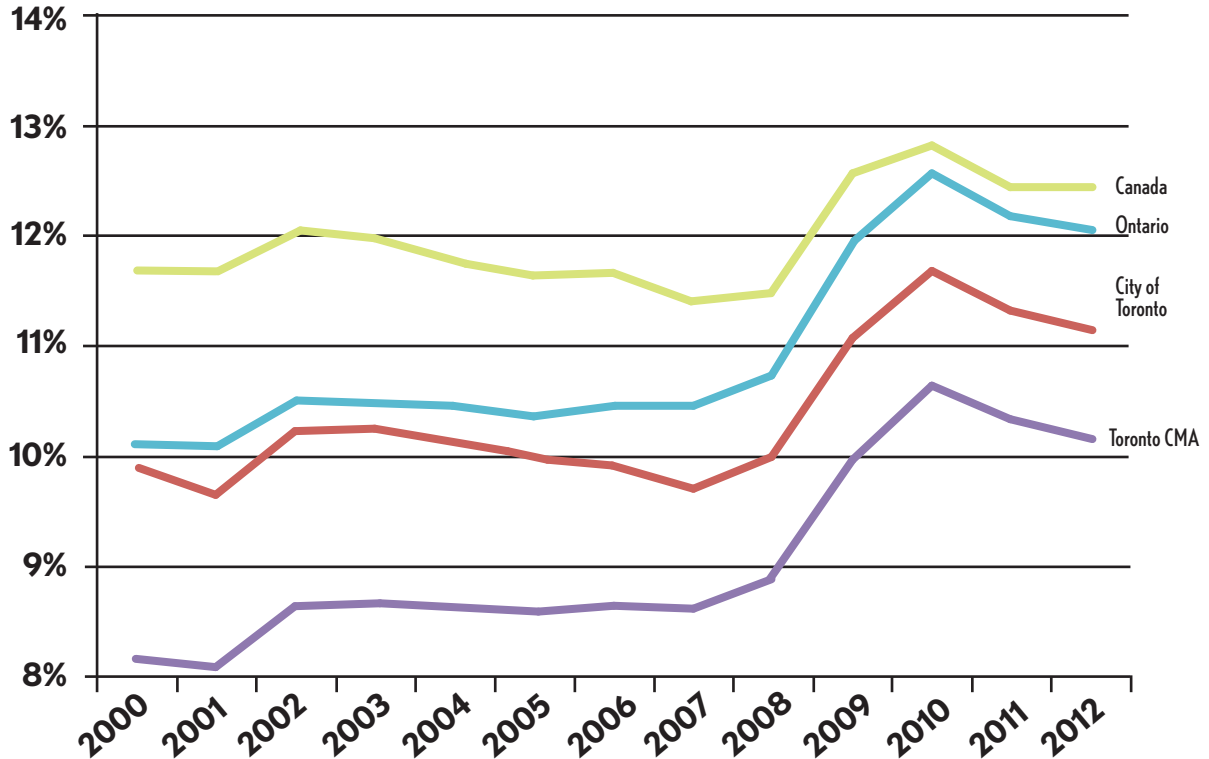
17. Ministry of Labour, 2007 <http://www.newswire.ca/en/story/185879/ontario-s-minimum-wage-rises-tomorrow>

18. There were no minimum wage increases in Ontario in 2011 or 2012.

19. <http://www.statcan.gc.ca/tables-tableaux/sum-som/lo1/cst01/econ46a-eng.htm>

**FIGURE 5**

**Government transfers as a share of total income**



In the Toronto Region, 8.2% of total income came from government transfers in 2000. This increased slightly to 8.6% in 2005, then jumped to 10.2% by 2012. This means that the proportion of income coming from government transfers grew by 5% during 2000 to 2005 and a much larger 19% during 2006 to 2012. This pattern of higher growth in government transfers during 2006 to 2012 was also the case in Ontario and Canada as a whole. However, the rate of increase was much larger in Ontario and Toronto than in the rest of Canada whose corresponding growth rate was 7%.

## New Government Transfers

### **Working Income Tax Benefit (WITB):**

Introduced in 2007, this federal refundable tax credit supplements low earnings of working and non-working individuals aged 19 and over. When it was first introduced, it paid up to \$500 a year for a single worker, but in 2009 the government increased it to a maximum of \$925. It is geared to income, and when first introduced in 2007, payments cut out at a net income of \$12,833.<sup>20</sup> In 2009, the net income threshold for cutoff was \$16,667.<sup>21</sup>

### **Universal Child Care Benefit (UCCB):**

Introduced in 2006, the UCCB is a federal taxable benefit of \$100/month per child under the age of six, delivered to all families with children.<sup>22</sup>

### **Ontario Child Benefit (OCB):**

Introduced in the 2007 provincial budget, the OCB targets low-income families. The amount of the benefit depends on the adjusted family income and number of children in the family. In 2012, families received a monthly payment up to \$75 for each child under the age of 18. The income cut-off for OCB was \$31,250 for a family with one child (add \$11,250 for each additional child).<sup>23</sup>

## Existing Government Transfers

### **Canada Child Tax Benefit (CCTB) and National Child Benefit Supplement (NCBS):**

Introduced in 1998, the CCTB is an income tested, non-taxable, monthly income supplement for low- and middle-income families with children under 18 years of age. The NCBS is a companion non-taxable, monthly top-up for low-income families. At the time of introduction, the NCBS was framed as an integrated child benefit

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20. Department of Finance, 2007

21. Department of Finance, 2009

22. Human Resources and Skills Development Canada, n.d.

23. Income Security Advocacy Centre, 2007



that would target low-income families, irrespective of parental participation in the labour market. One of its intended goals was to encourage labour market participation of low-income families by mitigating the loss of family-related income and benefits that low-income parents face when they transition from social assistance to the labour market. By July 2007, the NCBS had reached a maximum annual payout of \$3,271 for the first child, up from \$1,974 at the time of its introduction in 1997.<sup>24</sup>

### **GST tax credit:**

Payable to individuals aged 19 or older to offset tax paid over the course of the year. The credit payout depends on individual income levels. For the tax year 2012, the credit paid a maximum of \$253 for single adults.<sup>25</sup> There is also a \$131 supplement for low-income single persons and single parents whose income is between \$8,096 and \$33,884 a year.<sup>26</sup>

### **Ontario Sales Tax Credit:**

Payable to individuals aged 19 or older to offset tax paid over the course of the year. Up to \$260 a year for each adult and child in a household, for families with adjusted net income under \$25,000 and single individuals under \$20,000.<sup>27</sup>

### **Ontario Property Tax Credit:**

Payable to individuals aged 19 or older to offset property taxes. Refundable tax credit of up to \$250, plus 10% of occupancy cost (property tax or 20% of rent) to a maximum of \$900 for non-senior individuals for those with adjusted incomes below \$20,000 or \$25,000 for families.<sup>28</sup>

In 2009, a single non-working poor individual could receive up to \$7,500 a year through these transfers, a lone parent with one child could receive up to \$17,200 a year.<sup>29</sup> In 2015, a single non-working poor individual could receive up to \$8,793 a year through these transfers, a lone parent with one child could receive up to \$17,252 a year.

Government transfers have been instrumental in raising the incomes of working and non-working poor people, and many point to their role in reducing income inequality.<sup>30</sup> It is important to highlight that reducing income inequality is not the same as reducing poverty.

24. Battle, 2008. Dollars are 2007 inflation adjusted figures.

25. [http://www.cra-arc.gc.ca/bnfts/gsthst/gstc\\_pymntio-eng.html](http://www.cra-arc.gc.ca/bnfts/gsthst/gstc_pymntio-eng.html)

26. Jacks, 2011

27. <http://www.taxtips.ca/ontax/personaltaxcredits.htm>

28. <http://www.taxtips.ca/ontax/personaltaxcredits.htm>

29. Milway, Chan & Stapleton, 2009

30. In 2010, income inequality, measured after taxes and transfers, was 23.7% lower than income inequality measured with market income only. Almost 71% of this reduction is due to government transfers, and 29% is due to taxes. (Sharpe & Cape-luk, 2012) The Conference Board of Canada (2011) notes, however, that the effect of tax and transfers on reducing income inequality is weakening – in 1989 the richest group of Canadians had incomes that were 7.2 times greater than the incomes of the poorest group of Canadians, while in 2009 this had increased to 9.1.

## Declining rates of employment and change in percent receiving Employment Insurance

In 2012, the employment rate for Toronto was 61.1%, down from to 63.8% in 2006, and 64.7% in 2000. (See Figure 6.) The decrease during 2000 to 2005 signalled the beginning of a period of decline after a period of growth in the late 1990s. Between 2006 and 2012, the employment rate fell another 2.7 percentage points. The employment rate, by 2013, still had not recovered to its pre-recession level of 64.1% as seen in 2007 and 2008. This means that there were proportionally fewer employed individuals in 2012 than in 2000 to 2005.

**FIGURE 6**

**Employment rates for Canada, Ontario, and Toronto CMA, 2000-2014**

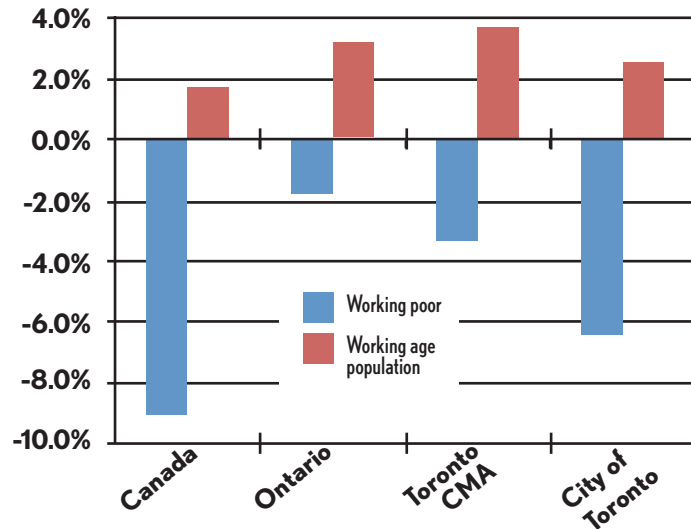


As was shown earlier, there were slightly more working poor people in 2012 than in 2006. In 2006, the working poor in the Toronto region made up 8.2% of the working-age population; in 2012 they made up 9.1%.

Increases to the number of insurable hours needed to qualify for Employment Insurance (EI) have made it harder for some workers to qualify for benefits. Figure 7 illustrates the change in the proportion of working poor and working-age individuals receiving EI benefits between 2006 and 2012. Note that the working poor had a lower proportion receiving EI in 2012 compared to 2006, while the working age population as a whole experienced an increase in EI claims.

## FIGURE 7

### Percentage change in % receiving EI between 2006 and 2012



The fact that the slight increase we see in working poverty is taking place at the same time as overall employment figures are declining, magnifies the significance of the increase. It points to changes within the labour market itself that are making it harder for members of the working poor to get ahead.

## Declining labour market outcomes

The story of the working poor is embedded in larger labour market trends. For example, a decline in working poverty may indicate that incomes are rising, or it may indicate that fewer poor people are working. Similarly, an increase in working poverty may indicate that more poor unemployed people are working, or that the incomes of some employed individuals are declining, causing them to join the ranks of the working poor. During times of economic growth, as in 2000 to 2005, it is not unusual to see working poverty expand as poor unemployed individuals move into employment. From 2006 to 2012, however, working poverty continued to grow and employment rates were lower than they were in 2000 or 2005.

It is worth remembering that the Metcalf Foundation's definition of the working poor includes, as income, government transfers and accounts for income supplements — many of which were created or increased during 2006 to 2012. These social policy interventions had a moderating effect on the growth of working poverty between 2006 and 2012. But as evidenced by the continued creep of working poverty rates, income support delivered through public accounts are not sufficient in isolation. Employment earnings matter.

There has been a great deal of recent research and analysis documenting shifts in the labour market, and much of the analysis points to worsening labour market conditions for some categories of workers and some groups of people. We posit that many of these worsening conditions have contributed to the growth of working poverty from 2000 to 2012.

## Shifts in the availability of jobs in some sectors

### Decline of manufacturing sector:

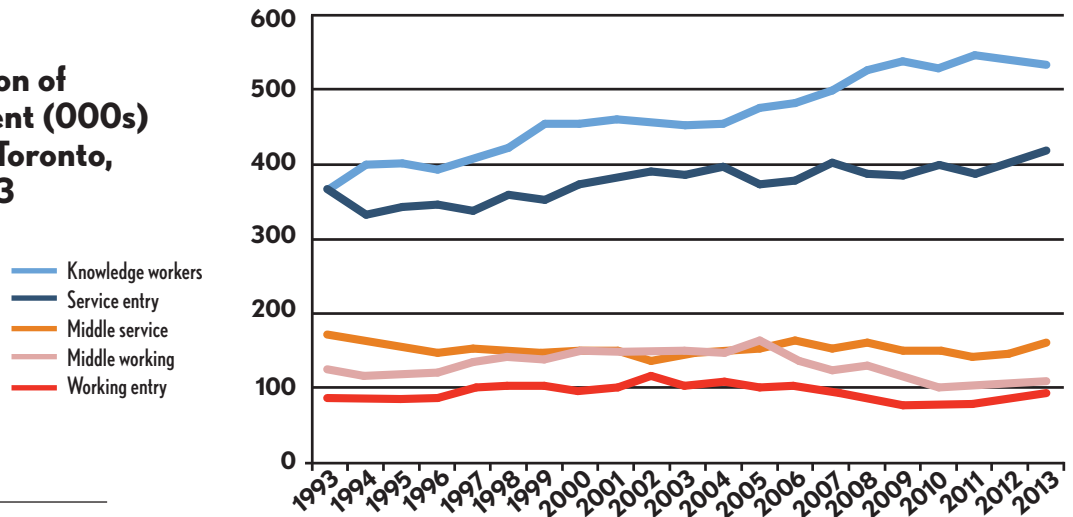
Job loss has been the predominant narrative for Ontario's manufacturing sector. Employment dropped from 1.1 million in 2004 to 800,000 in 2012.<sup>31</sup> Historically, many jobs in this sector have not required post-secondary education, and have offered secure, family-sustaining employment to a workforce that was predominantly male and white.

### Hourglass labour market:

A Toronto Workforce Innovation Group report<sup>32</sup> highlighted uneven job distribution in Ontario and the City of Toronto. Knowledge work (requiring higher levels of education and skill, often offering better pay) and entry level service jobs (requiring lower educational attainment and considered lower skill, often paying lower wages) have been experiencing a disproportionate amount of growth relative to middle skill, middle income jobs. In Toronto, job growth in service entry work has been on the upswing in 2012 with over 400,000 jobs compared to about 380,000 in 2006. It is striking that in over 20 years of employment change, we actually have fewer middle working and middle service jobs in Toronto despite our growth in population. (See Figure 8.)

**FIGURE 8**

### Distribution of employment (000s) in City of Toronto, 1993-2013



31. Hennessy & Stanford, 2013

32. Zizys, 2010

## Shifts in how work is organized

### **Rise of part-time, term or temporary jobs:**

Jobs that offer full-time hours are on the decline. New jobs are increasingly temporary or limited term contracts. These new jobs rarely offer non-wage benefits and can be accompanied by irregular work schedules and earnings. Research conducted by McMaster University and United Way Toronto found that individuals in these kinds of jobs are more likely to report fewer hours of work, experience more frequent periods of unemployment, and earn less money than those who have secure, full-time work. This kind of work had grown by almost 50% over the last 20 years in the Greater Toronto-Hamilton area.<sup>33</sup>

### **Changed enterprise structures:**

Corporate restructuring has affected not only the shape of the labour market, but the work trajectories of individual workers as well. Previously, companies more often than not hired for the long-term. Workers coming into the labour market through entry-level positions could expect to rise to more senior positions over time. With the decline in permanent employment and the rise of just-in-time employment, career advancement has become a less frequent option, and more entry-level jobs become dead-end positions. Many advancement opportunities that existed through internal career ladders have been replaced by outsourcing and contracting to specialized firms, who competed to provide cleaning services, food services, security services and the like by holding down wage costs.<sup>34</sup>

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33. Lewchuk et al., 2013

34. Zizys, 2010



## Concluding thoughts

From 2006 to 2012, growth in working poverty rates in the Toronto Region slowed in comparison to the period of 2000 to 2005. This is due in part to increases to the minimum wage and new income supplements that helped raise incomes among the poor, both working and non-working. These interventions, which helped to moderate the incidence of working poverty, illustrate that government has a role to play in assuring adequate incomes for citizens.

At the same time, the continued upward creep of working poverty is strong evidence that good social policy is not sufficient. Employment income matters, and changes in the labour market are making it difficult for many people to earn enough money to stay afloat. We need to ask whether a labour market that sees rising levels of working poverty, within a context of falling employment, is functioning well.

We suggest that the increase in working poverty, though slight, is a signal that we are not managing the labour market effectively. It is not difficult to imagine the

stress and frustration that comes from working and yet not being able to afford the basic necessities. More difficult to grasp, perhaps, are the social and economic implications for our city — as well as the region — when the ranks of the working poor continue to grow within a shrinking contingent of employed.

One significant implication of the “Manhattanization” of Toronto is that fewer and fewer service class/low-wage workers will be able to afford to live within close proximity to their work, or even within the same city. This is a trend even though the numbers of working poor within the City of Toronto itself continue to slowly increase.

As working poverty migrates out of the city to all of the outer suburbs, these communities will need to develop new services and resources to support greater numbers of working poor in both the immediate and the long term.

There are many implications for our public transit systems. Transportation infrastructure will need to focus on where the working poor will live in the future and the routes they will require in order to commute to work.

These social and economic implications will need to be addressed. At the same time we have to think about the acceptability of working poverty in Canada’s richest city. Some of the social policy choices we made between 2006 and 2012 appear to have slowed the growth of working poverty, confirming that good social policy works. However, the social impact of labour market policy is also significant. The challenge for the future is to reduce the ranks of the working poor in an effort to begin to eliminate working poverty altogether.

Responding to the needs and trends regarding the working poor require us to set the course not only for the labour market we want, but for the society we want. We believe that through higher wages, better job stability, and more effective support programs, Toronto could reduce and even eradicate working poverty.



## Appendix A: Metcalf definition of working poverty

In our 2012 report, *The Working Poor in the Toronto Region: Who they are, where they live, and how trends are changing*, we developed a definition of working poverty.

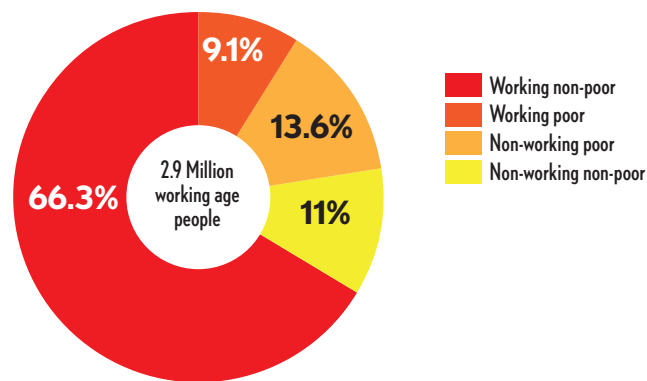
The Metcalf Foundation defines a member of the working poor as someone who:

- has an after-tax income below the Low-income measure (LIM),<sup>35</sup>
- has earnings of at least \$3,000 a year,
- is between the ages of 18 and 64,
- is not a student, and
- lives independently.

Figure 9 shows the composition of the working-age population. In 2012, 9.1% of Toronto's working age population were in the working poor category. Another 13.6% were poor but not working. This would include social assistance recipients and those with other forms of modest income. Another 11% were also not working, but not poor. Non-working spouses would be in this category along with those living on investments of various sorts and those who may be working but are not drawing a wage or a salary. The vast majority (66.3%) of Toronto's working age population were working for salaries and were not poor.

### FIGURE 9

**Composition of Working Age Population by Work and Poverty Status**  
Toronto CMA, 2012



### Poverty status

We define poverty as living in a household that has an after-tax income below the Low-income measure (LIM) threshold set by Statistics Canada. The LIM is a relative measure of low-income calculated annually. The LIM threshold is set at 50% of the median family income for the entire Canadian population in that year. For example, using census data for 2005, we calculated the LIM threshold at \$16,536 of after-tax income for a single-person living alone. This measure is widely accepted internationally and is used by the Government of Ontario as an indicator of progress in poverty reduction.

35. A description of the calculation of the LIM can be found in Murphy, B., Zhang, X., and Dionne, C., *Revising Statistics Canada's Low Income Measure (LIM)*, Ottawa: Statistics Canada, 2010.

### **Earnings**

We defined “working” as those individuals with at least \$3,000 in employment earnings.<sup>36</sup> This \$3,000 income floor is the threshold for recipients of the federal Working Income Tax Benefit (WITB).

### **Age**

The working-age population is defined as individuals between 18 and 64 years of age. We restrict our sample to respondents between the age of majority in Ontario (18) and the age of eligibility for Old Age Security and normal Canada Pension Plan retirement benefits (65). Our definition is designed to target the working-age population and exclude those in age groups that have relatively low labour force participation rates.

### **Student status**

Students attending any school, college, CEGEP, or university in the reference year are not in our sample, because they are not in the labour force and may be seen as deferring their income requirements to a point in the future. Using the T1FF we are only able to identify as students those individuals claiming tuition and education deductions on their tax form.

### **Independence**

We also exclude working-age individuals who live with their parents, grandparents, or other family members in order to avoid misrepresenting those who receive financial support or significant gifts from families as “poor.” We do not consider adult children living at home to be poor in the conventional sense, even if they have low employment earnings.

When we developed the Metcalf Foundation definition of working poverty we hoped that others would build on this work to further our collective understanding of working poverty in the region. Some work has been done:

- The Wellesley Institute released a report that demonstrated that those who have sufficient income to support themselves have better self-reported health than those who do not. In Ontario, the self-reported health of the working poor seems to have deteriorated, with 8% reporting poor or fair health in 1996 and 19% reporting the same in 2009.<sup>37</sup>
- The Martin Prosperity Institute mapped transit accessibility and working poverty in neighbourhoods in Toronto. They found that many neighbourhoods outside of the city’s core have little or low transit accessibility, and these same neighbourhoods often have a higher incidence of residents who are working poor.<sup>38</sup>

It is hoped that conversation and inquiry into the incidence and trends of working poverty will continue. This work is relevant and valuable for policy analysis and program design.

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36. This is equivalent to approximately 300 hours of work based on a minimum wage of \$10/hour, or about 135 hours based on a 40-hour work week at the average industrial wage.

37. Block, 2013

38. Martin Prosperity Institute, 2012

## Appendix B: A 2010 snapshot of the working poor

In our first report on working poverty, we were able to determine some key characteristics of individuals who make up the working poor, such as occupation, hours of work, immigration status, educational attainment, and home ownership. As noted, in this report we only include the demographic characteristics of the working poor that we can show using T1FF data: family status and age.<sup>39</sup>

Analysis of these two characteristics, as of 2010, reveals some interesting facts about the family composition of the working poor.

### Family Status

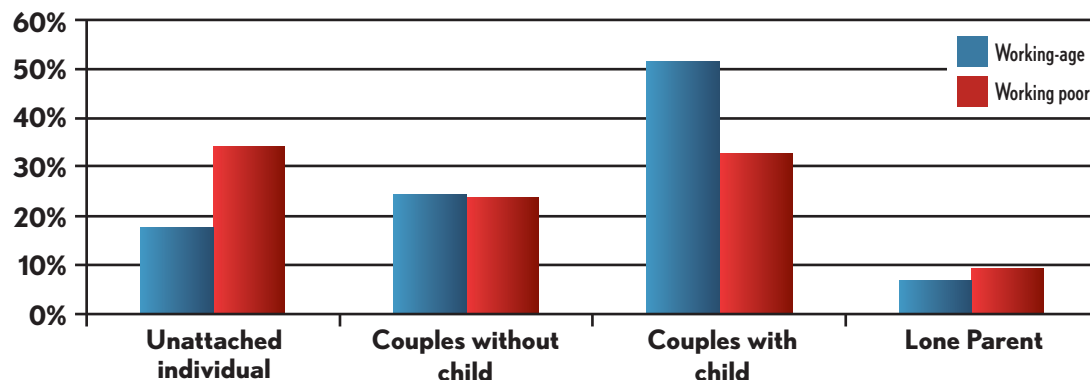
Working poor individuals are almost twice as likely to be unattached or single as the average working-age individual. Lone parents are more likely to be working poor, than not. Among the working poor population, 56.6% are married or living common law, compared to 75.5% of the entire working-age population.

Figure 10 compares the family status of working poor people to that of the working-age population in the Toronto CMA.

**FIGURE 10**

### Distribution of family status for working-age and working poor people

Toronto Region, 2010



39. Statistics Canada also produced custom tabulations for the National Household Survey, the Survey of Labour Income and Dynamics, and the Longitudinal Administrative Database, which have been used for this report. Please contact the Metcalf Foundation if you would like to see this data.

**Age**

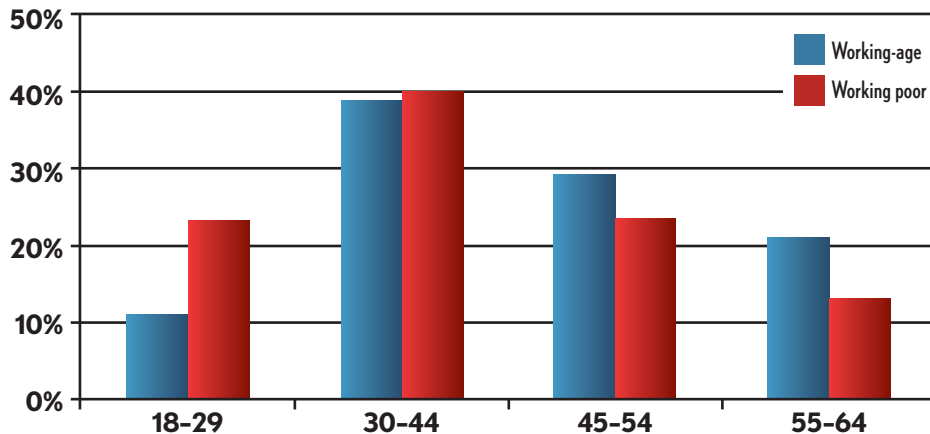
Individuals between the ages of 18-29 are 11% of the working-age population, but the proportion of 18-29 year olds who are working poor is more than double this. This is particularly startling considering the Metcalf Foundation definition of poverty excludes full-time students. A little over 63% of working poor individuals fall between the ages of 18-44, compared to 50% of the working age population.

Figure 11 breaks down the working-age and working poor populations by age groups.

**FIGURE 11**

**Distribution of working-age and working poor individuals, by age**

Toronto Region, 2010



## Appendix C: Data and methods

### Data Source

The T1FF data are derived primarily from income tax returns. For the most part, tax returns were filed in the spring of the year following the reference year. The mailing address at the time of filing is the basis for the geographic information.

### Data Currency

Because the data are taken from tax records, they are current data from tax returns filed for the years used. For example, 2012 income records are taken from 2013 tax returns filed in the spring of 2013.

### Data Quality

The data are taken directly from the T1 Family File (T1FF), built from the income tax and the Canada Child Tax Benefit records. Information on income is obtained from the tax filers. Demographic information is derived from tax filers and non-filing spouses and/or children, such as the estimates of the “number of persons.” In 2012, about 74.7% of Canadians (of all ages) filed tax returns.

Most children do not file because they have low or no income. Similarly, some elderly Canadians receiving only Old Age Security (OAS) and Guaranteed Income Supplement (GIS) do not file because they have low or no taxable income. However, with the introduction of the federal sales tax credit in 1986 and the goods and services tax credit in 1989, the percentage of the elderly population filing tax returns has increased. In 2012, 94.6% filed tax returns, up from 75% in 1989 (when comparing the number of tax filers aged 65 years or more with the corresponding population estimate counts to July 1, 2013).

The initial population used to develop the estimated population counts comprise all tax filers for the reference year and represents almost three-quarters of the Canadian population. Tax filers from the same family including children are matched using common links (e.g., same name, same address). When there are indications that one or several members of a family are missing (for instance children), those members are imputed. The remaining tax filers who have not been matched in the family formation process become non-family persons. The resulting population counts approximate the total Canadian population.

The Income Statistics Division’s population estimates compare well with estimates obtained through other sources.

Beginning in 1992, “Total income” was changed to include income of non-filing spouses reported on the tax filer’s income tax return. This increased the population of lower income individuals, subsequently lowering the median total income of the population. Starting with 2001 data, wage and salary income of non-filing spouses can be identified, in some cases, from T4 earnings statements.

Unlike the census, T1FF uses postal code information to establish the geographic variables for Census metropolitan areas, census sub-divisions, and census tracts. Because postal code areas do not always fall exclusively within a census tract a set of rules is used to allocate entire postal code areas to that census geography which contains more than 50% of the population. Despite a few discrepancies in the CT population counts between NHS and T1FF we observe only small variations of the population counts across the two data sources for 2012. However a very few census tracts are subject to artificial changes to population size over time.

These issues of over and under coverage are most pronounced in rural and low population density areas and do not have as large an effect in Toronto. In addition we have made adjustments to the 2006 and 2012 geography so that the census tracts are defined based on 2001 census geography. They do not affect provincial totals.

### Labour force participation

The T1FF has no information on the number of jobs a tax filer had nor the wage rate for those jobs and whether or not they were full-time or part-time, full-year or part-year. Rather the T1FF reports the aggregate wages paid to a tax filer within a given year. As such the term working refers to those filers with more than \$3,000 of employment income.

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The Working Poor in the Toronto Region:  
Mapping working poverty in Canada's richest city  
April 2015  
ISBN 978-1-927906-07-1

photo by Shelia Steele

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