

**POVERTY DYNAMICS AMONG VULNERABLE
GROUPS IN CANADA: LONGITUDINAL ANALYSIS
BASED ON SLID 1993-2010**

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IRPP - CLSRN Conference - Inequality in Canada:

Driving Forces, Outcomes and Policy

February 24, 25 2014 - Ottawa



Background

- Widening Income inequality across the Globe: China, Canada, United States
- Not only an economic problem hindering long-term economic growth, but also a social one: occupying movement in the US, labor disputes and social unrest in China
- Need mechanisms to mitigate the problem
- Public policies: income redistribution, progressive taxation, minimum wages etc.
- Enterprise policies and programs: Profit-sharing, Gain-sharing, Employee Stock Ownership Plan (ESOP), Stock Options etc. open to ordinary employees, not just the senior executives

Humongous income inequality

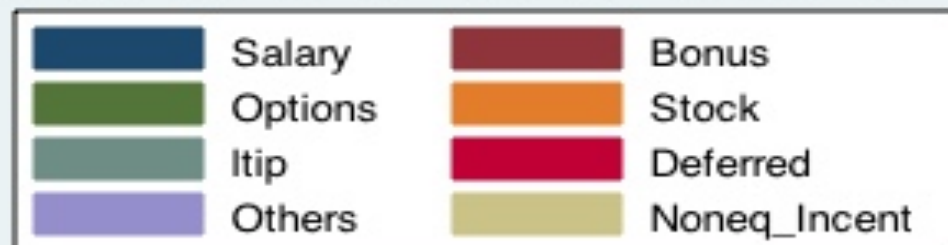
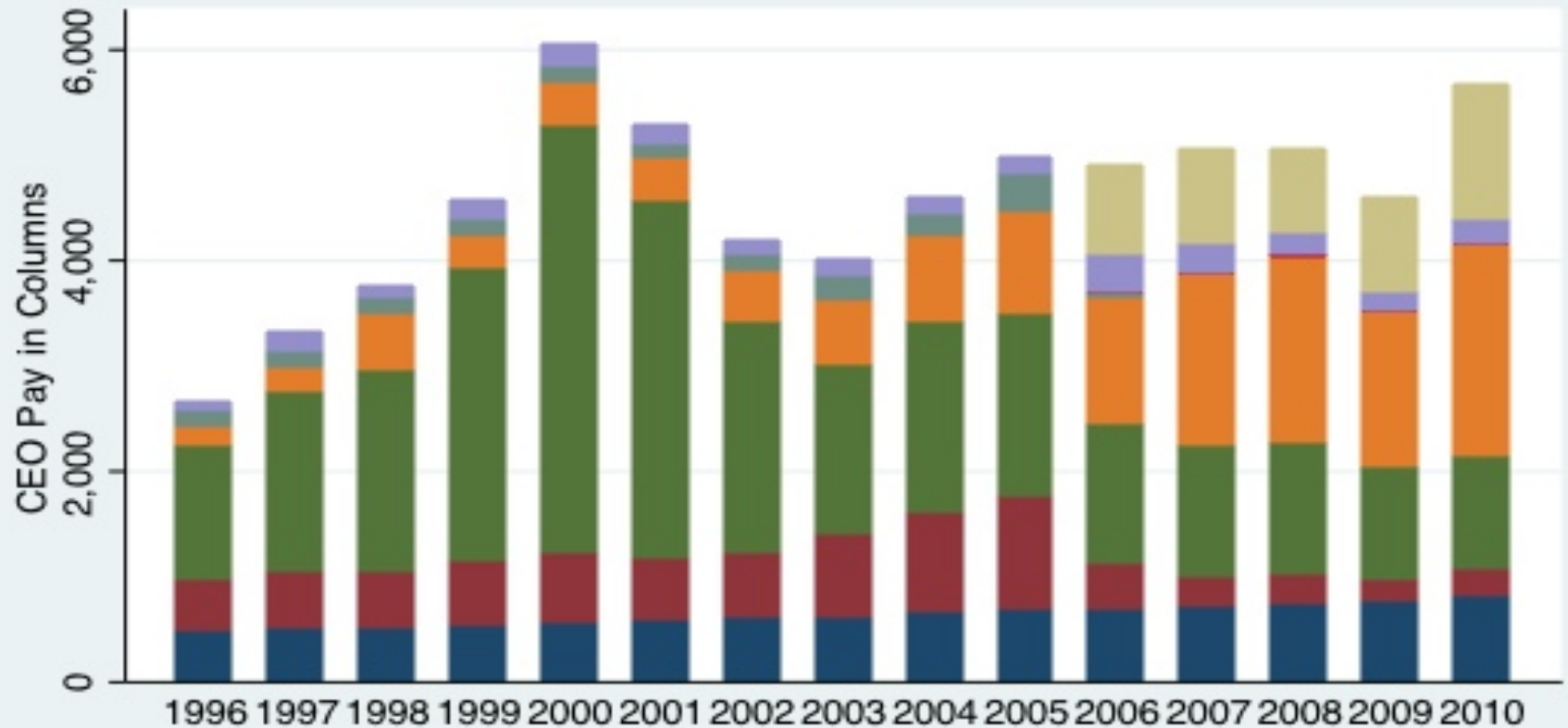


Wall Street Occupiers emphasize upper 1%, whose share of income rose from 9.03% in 1977 to 23.5% in 2007.

But upper 0.1% gained the most. Their share of pretax income increased from 2.7% (1977) to 12.3% (2007), which is 2/3rds of increase to upper 1%. (Both increases smaller -- > 2010 because stock market fell, but risen since.)

Who are the 0.1%? Two-thirds are executives, managers, supervisors, financial professions + real estate

Pay at top related to incentive pay via capital income



Increased dependence of pay on employer

Variance of log earnings rose within almost every decile of the earnings distribution/for every identifiable group

Measured by variance of log earnings ~ 85% of the increase in inequality occurred in US among the bottom 95% .

The main cause was not inequality within a workplace but **increased inequality among establishments.**

For reasons we do not understand the wage system has fragmented in the absence of labor institutions.

Vulnerable Groups and Negative States

- Focus is on various aspects of poverty for 6 vulnerable target groups.
 1. Aboriginal persons
 2. new immigrants
 3. lone parents
 4. youths 20-24 not in school
 5. persons with disabilities
 6. unattached persons age 45-64 living on their own.
- All (except youths) were identified as most vulnerable in Canada in that they have the highest concentration of persistent low income.

Relative to the non-vulnerable benchmark group, the vulnerable target groups are more likely to:

- Have negative outcomes such as being in poverty, more likely to transit into poverty and less likely to transit out
- Be female (except for youths)
- Have lower education, poorer health and to find their life to be stressful and to have recently experienced a negative life event

The poverty rate trends downwards over time for both the non-vulnerable benchmark group and the various vulnerable groups, although there is considerable variation:

- The drop in the poverty rate was greatest for lone parents and slowest for youths while it exhibited considerable variability for Aboriginal persons.**

Table 2–Trends in Poverty for Various Vulnerable Target Groups: SLID 1993-2010

Year	Not Vulnerable	Aboriginal Person	Immigrant < 10yr	Lone Parents	Youth 20-24	Disabled Person	Unattached 45-64
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1993	0.060	0.191	0.278	0.372	0.152	0.217	0.421
1994	0.074	0.207	0.331	0.392	0.217	0.225	0.409
1995	0.072	0.208	0.275	0.377	0.183	0.214	0.418
1996	0.075	0.282	0.310	0.398	0.202	0.210	0.401
1997	0.072	0.245	0.262	0.396	0.213	0.219	0.411
1998	0.063	0.218	0.228	0.332	0.181	0.211	0.411
1999	0.062	0.154	0.246	0.315	0.161	0.165	0.405
2000	0.061	0.158	0.236	0.275	0.142	0.167	0.392
2001	0.052	0.146	0.203	0.252	0.125	0.157	0.362
2002	0.049	0.122	0.226	0.279	0.135	0.148	0.322
2003	0.055	0.156	0.199	0.255	0.160	0.146	0.315
2004	0.048	0.143	0.213	0.273	0.141	0.142	0.322
2005	0.050	0.147	0.165	0.202	0.136	0.139	0.322
2006	0.047	0.144	0.115	0.198	0.130	0.132	0.322
2007	0.037	0.113	0.150	0.150	0.120	0.123	0.286
2008	0.036	0.102	0.187	0.155	0.110	0.136	0.326
2009	0.037	0.137	0.202	0.151	0.102	0.120	0.314
2010	0.039	0.122	0.150	0.151	0.098	0.127	0.306

The vulnerable target groups tended to have:

- not only poorer outcomes in terms of being in poverty status
- but also to more persistently be in poverty over longer periods of time.
- This highlights that their being in poverty is generally not simply a temporary phenomenon.

Table 3— Persistence in Poverty for Vulnerable Groups: SLID 2005-2010

	Not Vulnerable	Aboriginal Person	Immigrant < 10yr	Lone Parents	Youth 20-24	Disabled Person	Unattached 45-64
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
In Poverty for ...							
1 of 6 years	0.060	0.073	0.097	0.087	0.218	0.070	0.115
2 of 6 years	0.024	0.043	0.021	0.056	0.109	0.035	0.057
3 or more of 6 years	0.028	0.089	0.124	0.138	0.088	0.099	0.249
N	9,472	595	271	521	62	4,559	887

Transitions into and out of poverty reveal

- For the **non-vulnerable** benchmark group, transitions into poverty are low and transitions out of poverty are high, highlighting the unlikely and temporary nature of poverty for the **non-vulnerable** groups.
- In contrast, for the various **vulnerable** groups the transitions into poverty tend to be high and the transitions out of poverty low, highlighting the more **permanent** nature of their being in poverty.
- An exception is youths not in school where transitioning out of poverty is higher than that of the non-vulnerable benchmark, highlighting the more temporary nature of youth poverty.

Table 4–Trends in Transition Rates *Into* Poverty For Vulnerable Groups and Not-Vulnerable Benchmark Group, Annual % Making Transition, Full 1993-2010 Period

Transition	Not Vulnerable	Aboriginal Persons	Immigrant < 10yr	Lone Parents	Youth 20-24	Disabled Persons	Unattached 45-64
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Into poverty							
1993-94	0.033	0.082	0.128	0.109	0.061	0.077	0.124
1994-95	0.031	0.070	0.037	0.071	0.064	0.058	0.092
1995-96	0.023	0.039	0.066	0.087	0.054	0.046	0.077
1996-97	0.029	0.066	0.074	0.082	0.086	0.045	0.074
1997-98	0.021	0.068	0.064	0.061	0.068	0.049	0.064
1998-99	0.026	0.061	0.099	0.069	0.056	0.056	0.078
1999-2000	0.024	0.055	0.081	0.072	0.064	0.042	0.068
2000-01	0.018	0.038	0.070	0.051	0.043	0.035	0.069
2001-02	0.021	0.036	0.042	0.057	0.064	0.045	0.079
2002-03	0.020	0.072	0.073	0.070	0.055	0.041	0.047
2003-04	0.017	0.039	0.084	0.058	0.050	0.031	0.067
2004-05	0.016	0.035	0.044	0.035	0.046	0.028	0.050
2005-06	0.019	0.045	0.025	0.047	0.053	0.034	0.063
2006-07	0.014	0.023	0.029	0.048	0.055	0.033	0.037
2007-08	0.021	0.025	0.032	0.031	0.037	0.026	0.061
2008-09	0.016	0.047	0.041	0.056	0.040	0.031	0.063
2009-10	0.017	0.036	0.045	0.064	0.056	0.028	0.056

Trends in transitions out of and into poverty over the period 1993-2010

- an upward trend in the probability of leaving *poverty* for all groups, with the smallest improvement for Aboriginal persons.
- the probability of leaving poverty being extremely low for immigrants during recession years
- similar patterns, but in the opposite direction, for *entering into* poverty, highlighting that the forces that increase the probability of exiting poverty state also tend to decrease the probability of entering poverty, and vice versa.

**Regression analysis of the *gross* transitions
(not controlling for the effect of other factors)
out of poverty for the full period 1993-2010**

- The vulnerable groups (especially disabled persons, unattached older persons and lone parents) were generally and understandably less likely to escape poverty than were those not in each group.
- For the most recent time period 2005-2010 the patterns were similar although generally showing improvements for the target groups

Table 5-Determinants of Probability of Transitioning *Into Poverty*

(P-Values in parenthesis)

Vulnerable Groups	No Controls		With Controls	
	Full Period 1993-2010	Recent Period 2005-2010	Full Period 1993-2010	Recent Period 2005-2010
	(1)	(2)	(3)	(4)
Determinants of Probability of Transitioning <u>Into</u> Poverty				
Mean of Dependent Variable	0.023	0.018	0.023	0.018
[Not Aboriginal person]				
Aboriginal person	0.009*** (0.004)	0.0004 (0.928)	0.005 (0.137)	-0.001 (0.782)
[Not immigrant <10 years]				
Immigrant arrived < 10 years	0.025*** (0.000)	0.010** (0.024)	0.023*** (0.000)	0.005 (0.267)
[Not lone parent]				
Lone parent	0.027*** (0.000)	0.022*** (0.000)	0.016*** (0.000)	0.011** (0.018)
[Not youth 20-24]				
Youth 20-24	0.019*** (0.000)	0.017*** (0.000)	0.013*** (0.000)	0.008** (0.023)
[Not disabled person]				
Disabled person	0.009*** (0.000)	0.008*** (0.000)	0.005*** (0.000)	0.003** (0.042)
[Not unattached 45-64]				
Unattached 45-64	0.032*** (0.000)	0.029*** (0.000)	0.025*** (0.000)	0.020*** (0.000)
Sample size	645,482	194,509	645,482	194,509

Shifting the analysis from analysing *exit* transitions from poverty to *entry* transitions into poverty

- results are generally the mirror image and in the opposite direction
- that is, when the exit rates out of poverty are low, the entry rates are generally high and vice versa.

**Table 5-Determinants of Probability of Transitioning
Out of Poverty
(P-Values in parenthesis)**

Determinants of Probability of Transitioning <u>Out of</u> Poverty				
Mean of Dependent Variable	0.239	0.241	0.239	0.241
[Not Aboriginal person]				
Aboriginal person	0.008	0.024	-0.004	0.013
	(0.667)	(0.424)	(0.841)	(0.681)
[Not immigrant <10 years]				
Immigrant arrived < 10 years	-0.052***	-0.045	-0.023	-0.039
	(0.000)	(0.191)	(0.169)	(0.299)
[Not lone parent]				
Lone parent	-0.041***	-0.005	-0.009	-0.008
	(0.000)	(0.826)	(0.400)	(0.757)
[Not youth 20-24]				
Youth 20-24	-0.001	0.0006	0.012	0.011
	(0.904)	(0.981)	(0.357)	(0.718)
[Not disabled person]				
Disabled person	-0.084***	-0.058***	-0.023***	-0.003
	(0.000)	(0.000)	(0.001)	(0.814)
[Not unattached 45-64]				
Unattached 45-64	-0.117***	-0.130***	-0.075***	-0.105***
	(0.000)	(0.000)	(0.000)	(0.000)
Sample Size	51,795	11,665	51,795	11,665

For both the exit and entry transition regressions

- the patterns were very similar if the regression analysis was restricted to the more *recent period of 2005-2010* compared to the full period of 1993-2010
- any changes tended to involve improvements in the recent time period in that the exit rates from poverty increased for the target groups and the entry rates decreased
- An exception was for immigrants where the probability of leaving poverty decreased relative to non-immigrants.

For both exit and entry transition regressions

- Patterns were similar if the regressions did not include variables to control for the effect of other factors that can influence the probability of exiting or entering poverty
- The *magnitude* of the net effects with controls were smaller, however, suggesting that vulnerable groups have more characteristics that reduce the rates of leaving poverty or that increase the rate of entering poverty (e.g., being single, less educated, in poor health, and not having a family member who is employed) highlighting that improvements in these factors would help in alleviating their being in poverty

The vulnerable target groups are also disproportionately helped by:

- strong economic conditions and job prospects that foster their labour market activity
- this further highlights the importance of the labour market as a first line of defence in combating poverty.

While there are these general patterns and they seem robust across

- the full time period 1993-2010 and the more recent 2005-2010 period
- whether variables are included to control for the effect of other factors that can affect transitions out of and into poverty
- whether the transitions involve exiting or entering poverty
- there invariable were exceptions to any of the patterns.

While the patterns also tended to prevail for each of the vulnerable target groups it is clear that from a policy perspective

- a “one-size-fits-all” solution would not be appropriate given the different needs of vulnerable groups as diverse as Aboriginal persons, recent immigrants, youths not in school, disabled persons and unattached older individuals.
- an exception is that a growing full-employment economy, while it helps all groups, seems to disproportionately help the disadvantaged target groups
- in essence, a rising tide seems to raise all boats, including those that otherwise seem anchored to the bottom

Decomposition of Outcome Differences

- The vulnerable groups are more often in poverty because of unexplained factors (regression coefficients) that increase their propensity to be in poverty even when they have the same observable characteristics (explanatory variables) as do persons not in their group.
- This highlights the importance of drilling deeper into the “black box” of these unexplained factors that influence resilience to being in poverty and remaining in poverty, with the literature review shedding some light on those factors.

Risk factors associated with persistent low-income include:

- Not having attachment to paid work
- Inter-related risks e.g., lone mothers are likely to be recent immigrants, Aboriginal or disabled, hence involving multiple risk that substantially increase the risk of poverty.
- Discrimination especially for Aboriginal persons, disabled persons and recent immigrants
- Aboriginal persons are also especially likely to be at-risk because of the historical loss of their culture.
- Dropping out of school especially for youth, lone mothers and particularly for Aboriginal youth

Importance of Life-Course Perspective

- The vast majority of the literature on resilience deals with **early childhood**, an appropriate emphasis given the legacy of patterns that are established in childhood. Increasingly, however, a life-course perspective is emphasized with particular attention to **tipping points** that may occur at milestone such as graduation, entry into the world of work, and marriage.
- Some of most potent **second chances** for at-risk youth have been associated with adult education programs, voluntary military service, active participation in a church community, and a supportive friend or relative

Need for Cross Fertilization & Multi-Disciplinary Perspective

- While there is an extensive literature on resiliency, and an extensive literature on factors associated with vulnerability and negative outcomes such as poverty, those literatures have not generally come together.
- We know, for example, that the vulnerable target groups that are the focus of our analysis are often subject to persistent negative outcomes. But we do not have systematic evidence on the “black box” of why some individuals within these groups are more resilient than others to such persistent negative outcomes.
- Cross fertilization across the different disciplines in this area is likely necessary for future progress.

Policy Implications

- Our empirical analysis suggests that a “one-size-fits-all” policy response is not appropriate given the diversity of factors that influence the poverty positive of the different vulnerable groups.
- An exception: a growing full-employment economy helps all groups but seems to disproportionately help the vulnerable target groups.
- As well, fostering competitive market forces can help dissipate discrimination that can affect many of the vulnerable groups.

Policy Implications

- the majority of the higher probability of being in poverty for the vulnerable groups is due to unexplained factors or a pure propensity to be in poverty (except for persons with a disability).
- This highlights the need to drill deeper into the “black box” of factors such as discrimination, culture, quality of education and credentials, or unobserved characteristics including any state-dependent legacy effects of initial bouts of poverty.
- What is universally needed however is further evidence from solid evaluations of the causal impact of the various initiatives to assist in evidence-based policy making in this important area

Policy initiatives for Persons with a disability

- Observable characteristics were extremely important in explaining their poverty position
- health status: enforcing requirements for employers to accommodate the needs at the workplace
- providing information to employers on how technology can facilitate the integration at reasonable cost
- Vocational rehabilitation can also facilitate the integration
- Allowing persons with disabilities to volunteer without any threat of clawing back their disability payments
- Fostering education to enable high returns to education
- Providing “single-wicket” information systems and “one-stop shopping” for the complex services and support

Policy initiatives for Aboriginal persons

- curbing their high dropout rate and improving their education and its quality appears particularly important
- Providing education and other services in a culturally sensitive fashion and dealing with particular barriers they face
- Fostering improvements in Aboriginal housing: poor housing tends to be associated with other negative attributes
- Early intervention and prevention: as they often suffer from multiple conditions that are cumulative
- Reducing the jurisdictional complexities and uncertainties can foster access to Aboriginal services

Policy initiatives for the Youth out of school

- Curbing dropping out of school given the high returns to education and other positive effects: compulsory school laws, funding assistance, etc.
- Early child development policies can establish a longer run legacy effect
- Exemptions for youths from minimum wage legislation can help alleviate the adverse employment effect
- Timely and current labour market information
- Providing a “single wicket” or “one-stop-shop” for youth programs
- Encouraging academic institutions to meet the demand for growing fields of study by expanding supply, rather than rationing on the basis of grades

Policy initiatives for Recent immigrants

- a wide range of policy initiatives are important: foreign credential recognition; bridging programs; greater emphasis on language facility; reduce the emphasis on general education in the admission criteria and fine-tune it to reflect differences in the quality of education and cognitive skills, as well as skill shortages and occupations that are more in demand
- follow a “taps-on, taps off” policy depending upon the ability of the labour market to absorb new immigrants
- increase the emphasis on pre-arranged employment and occupational demands and skill shortages as part of admission criteria; and pre-screening applicant qualification and experience before they arrive.

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Policy initiatives for Lone parents

- forming a union (e.g., marriage) helps but is largely beyond policy control as are the conditions that can foster being a lone parent
- Reducing dropping out may help since being a high-school dropout is one of the common characteristics of lone mothers
- Since lone mothers are disproportionately likely to be recent immigrants, Aboriginal or disabled (Kapsalis and Tourigny 2002; Morissette and Ostrovsky 2007) then the policy initiatives for these vulnerable groups should help lone parents.

Policy initiatives for Older unattached individuals

- Again, forming a union can help but, again, this is not subject to policy control.
- Older workers who have lost their job are particularly vulnerable because they often have industry specific skills in declining industries like steel, automobile production and pulp and paper.
- Training may help if it is structured for their needs and capabilities through such means as: slower and self-paced instruction; hands-on exercises; modular training components; familiarizing them with new equipment; minimize required reading and the amount of material covered and emphasize experiential learning; and, training them separately from younger workers