

# Running hard to stand still:

The current state of Canadian Family Finances

Taking Stock: Inform, Inspire, Innovate  
National Alliance on Children and Youth

March 2011

# Today's Presentation

- VIF, who we are and how we define 'family'
- Identify and discuss recent economic trends and how they are affecting Canadian families
- Ask the question: What does evidence of economic polarization mean for agencies serving children and youth

# About Vanier Institute of the Family

- An independent, national, not-for-profit research and educational organization committed to the well-being of families in Canada
- Founded in 1965 under the patronage of their Excellencies Governor General George P. Vanier and Madame Pauline Vanier
- Addresses wide range of topics relevant to families – health, education, income security, family formation and change, quality of work/family life

# The Vanier Institute approach to family...

- Is inclusive – acknowledges diversity
- Places emphasis on family function – highlights the importance of what families do – for family members, for society and for community
- Acknowledges that families have strengths, are resilient and adaptive
- Illuminates what society can do to support the work of families

# Argument

- The impact of the recession will be felt for years to come – cementing the widening gap between low income families and the rest.
- At the same time, the community sector has been hobbled in its ability to respond meaningfully for several reasons.
- Just as we see a growing divide between families, we see a growing divide between organizations whose mission it is to assist those same families.

# The recession was hard on families

- The economy has only just recovered the close to 450,000 jobs that were lost. Today there are still 1.4 million unemployed Canadians, up 300,000 from 2008.
- The national unemployment rate in January 2011 stood at 7.8%, down from the recession peak of 8.6%. Unemployment is expected to rise as those who left the labour market start to look for work again.

# Young people were hard hit ...

- Job losses among young men aged 15 to 24 years, for example, were in the order of 11.1% between October 2008 and July 2009, and 5.7% among young women.
- While youth aged 15-24 represented only 15.5% of all job holders before the recession, they suffered over half of the job losses.
- During the recovery period to November 2010, youth continued to loose ground. Modest gains by young men (+3,000 jobs) were more than offset by continued job losses for young women (-7,700 jobs).

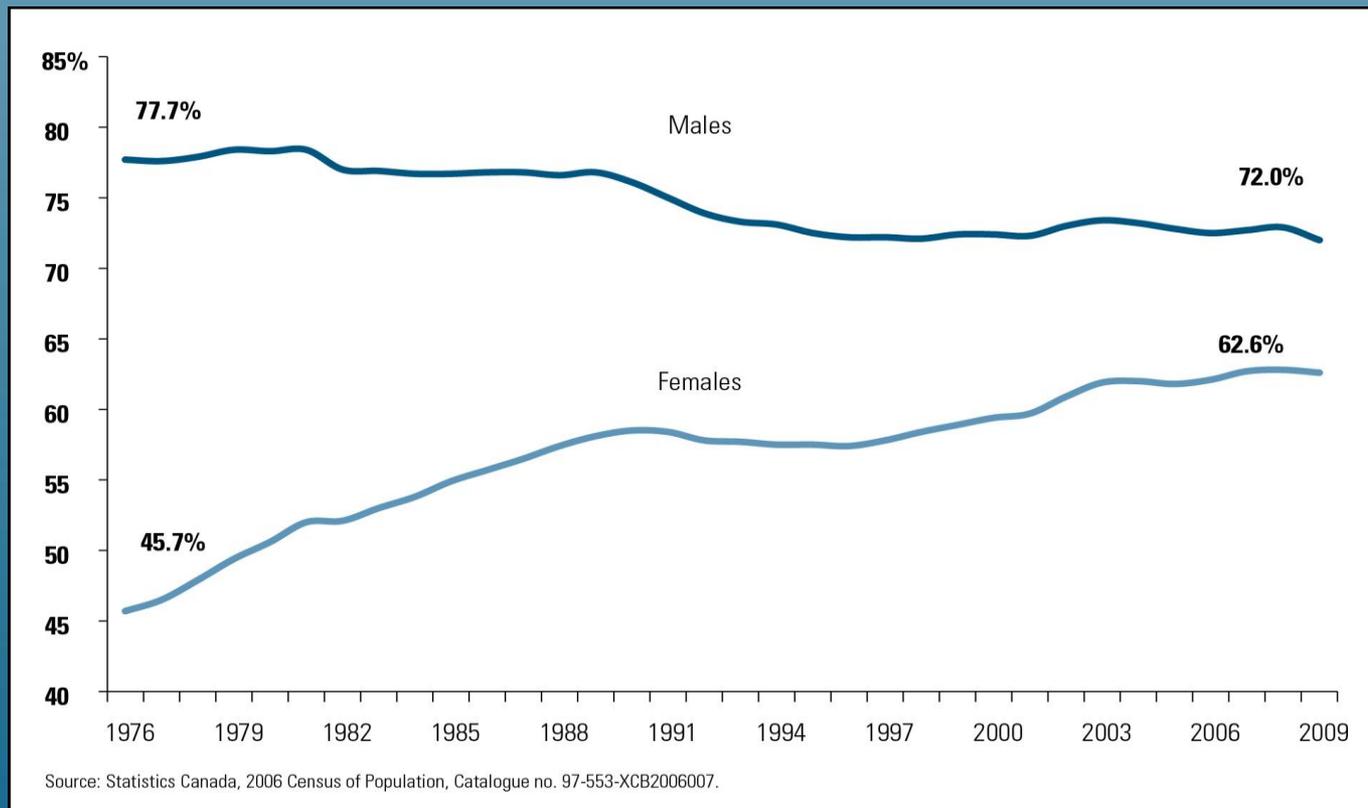
# Among working-age families ... many still coping with job loss, lower incomes

- Jobs held by men aged 25-54 plummeted by 192,000 during the recession, and by 97,700 among women aged 25-54. By December 2010, roughly half of those jobs had returned.
- Job losses were concentrated in high paying sectors of the economy. Employment in the manufacturing sector dropped 10.8% between October 2008 - 2010.
- At the same time, we have seen growth in own-account self-employment and other forms of precarious employment.

# Families are running hard to stand still

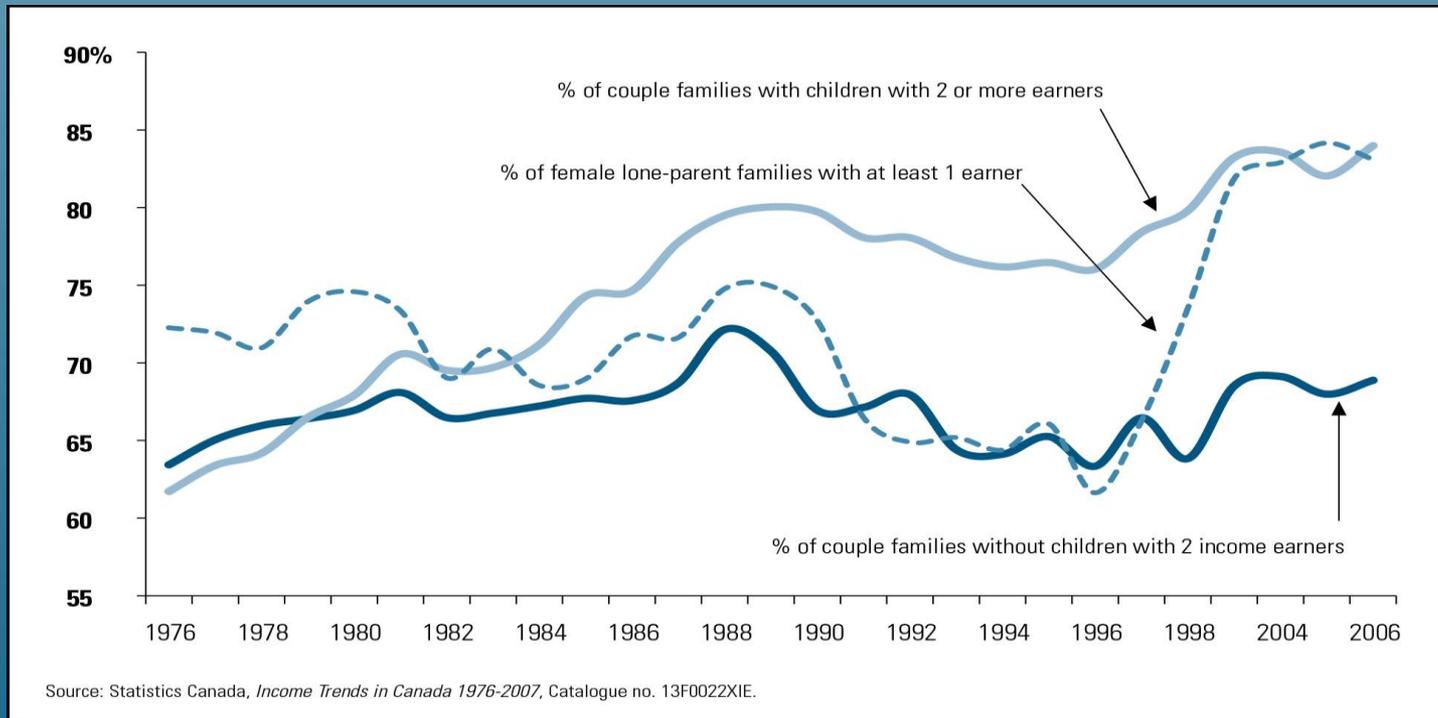
- The loss of well paid employment in the labour market serves to reinforce the global trend toward more polarized family incomes.
- Economic realities are such that the active participation of more than one income earner is necessary to achieve economic security today.
- The economic penalty attached to non-participation in the labour market is huge.

# High rates of labour force participation among both women and men



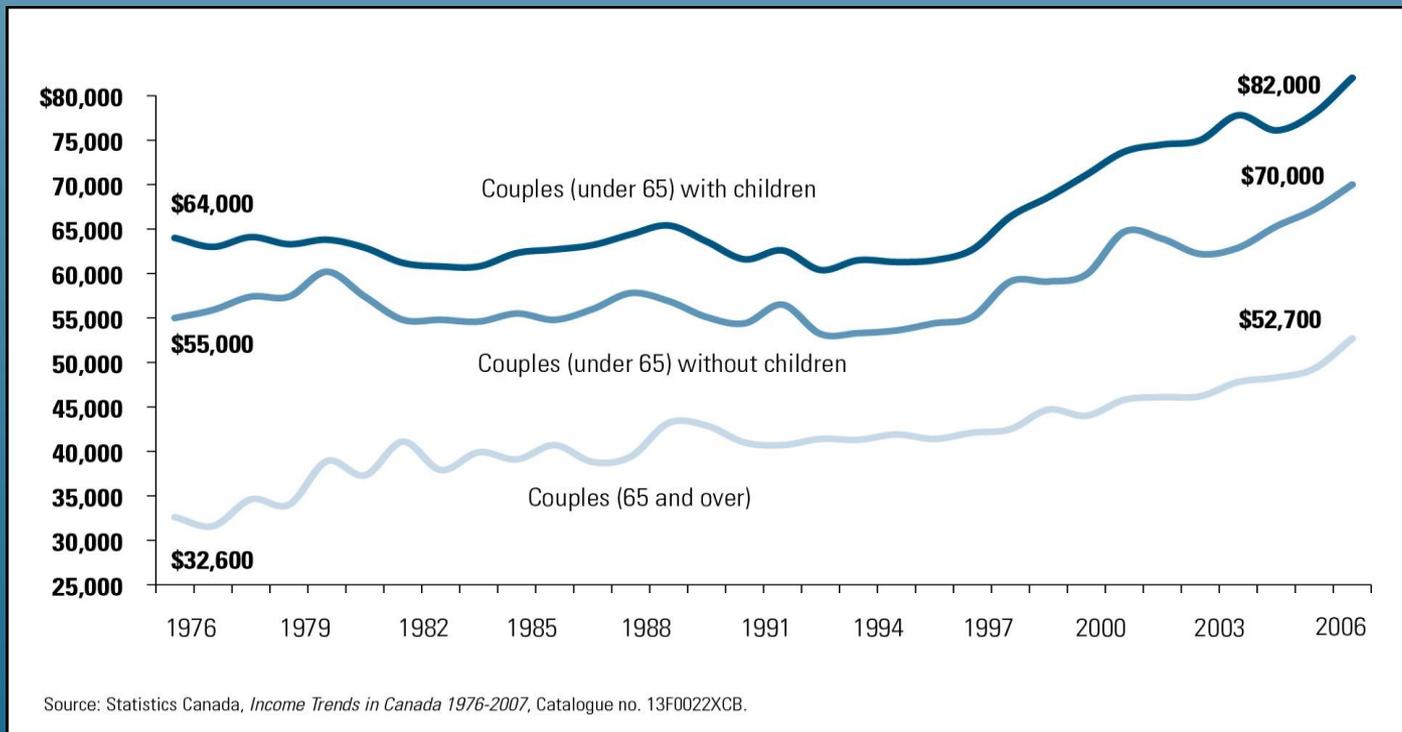
# Dual income families now make up the majority of Canadian families

Working-age families by number of earners



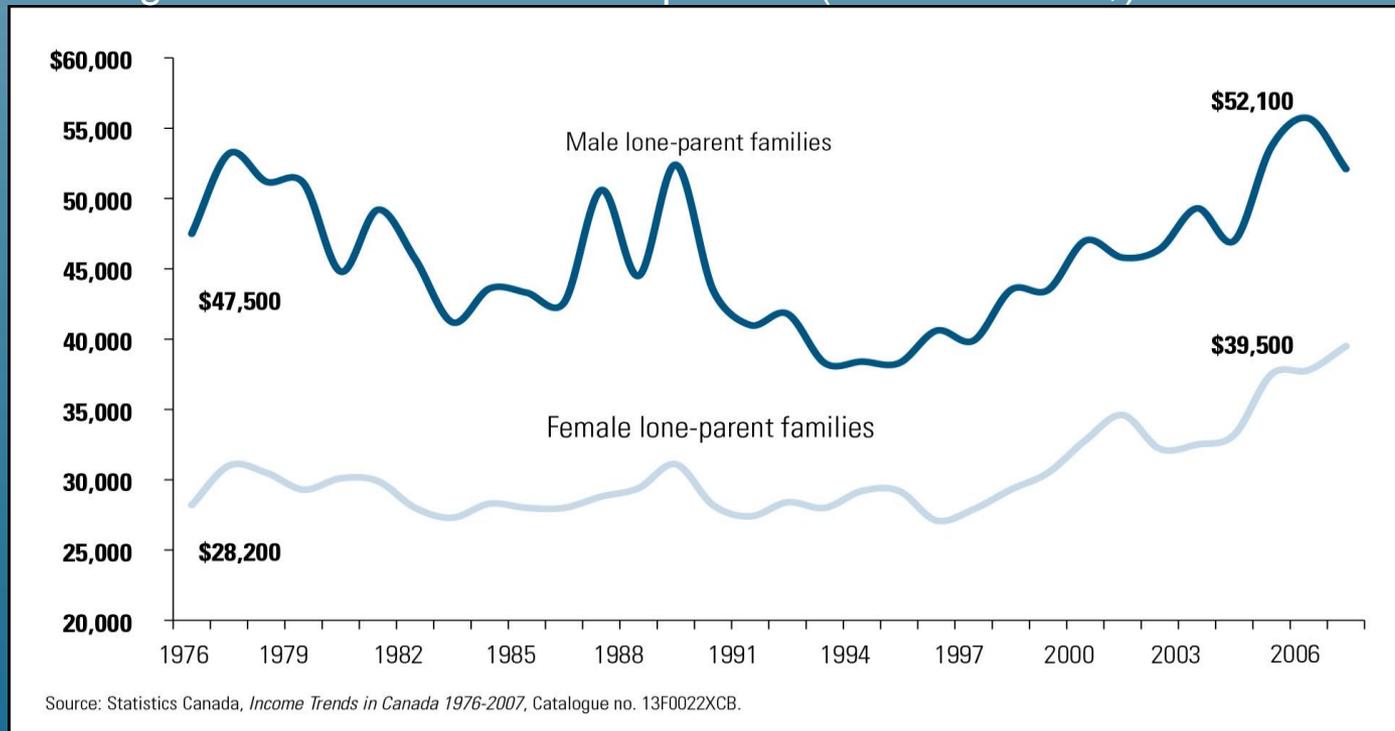
# Family incomes have risen ... after a long period of stagnation

Average after-tax income of couple families (constant 2007\$)



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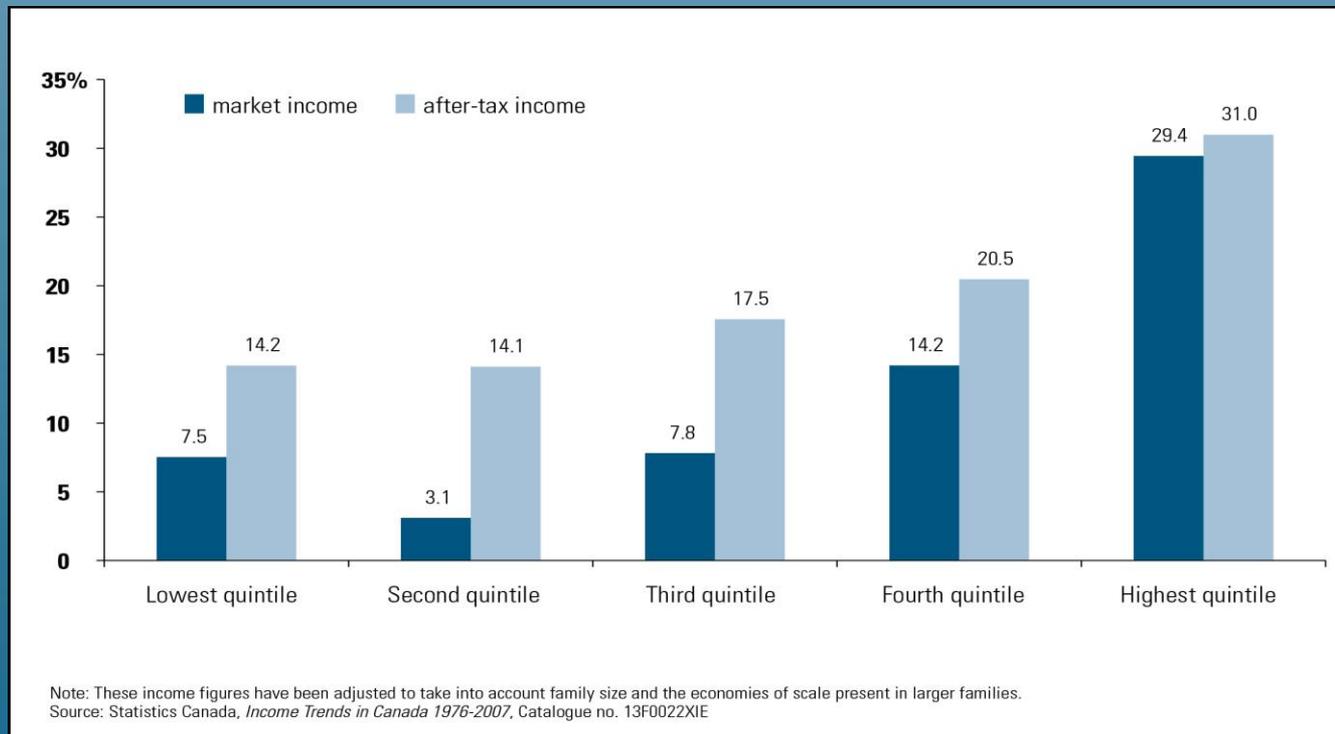
Average after-tax income of lone-parents (constant 2007\$)



# But average income gains since the mid 1990s have not been shared equally

- The real adjusted after-tax income of the top 20% of families increased much more rapidly than that of the other four quintiles – 31% compared to 14% for the lowest quintile.
- As well, income growth in the middle of the income distribution has been much slower – as a result high-income families are pulling away from middle-income families.
- 80% of families with children earn a smaller share of income today than they did a generation ago.

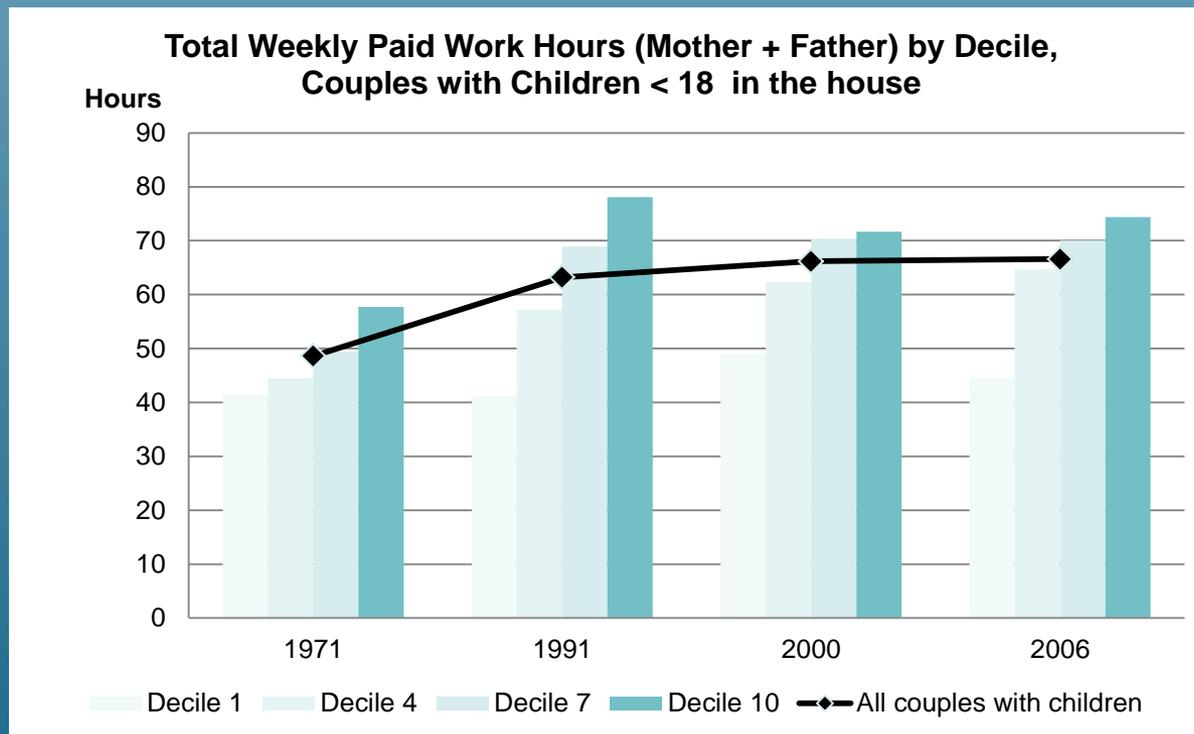
# Percentage change of adjusted market and after-tax income of families (1989-2007)



# Income gains achieved through increased hours of employment – not wage gains

- Average combined hours of employment rose from 48.6 in 1971 to 66.6 in 2006
- While higher-income families used to be more likely to have two earners, the growth of two-earner families has rippled down the income ladder.
- For example, half of all families (51%) working more than 80 hours per week were located in the bottom six deciles.

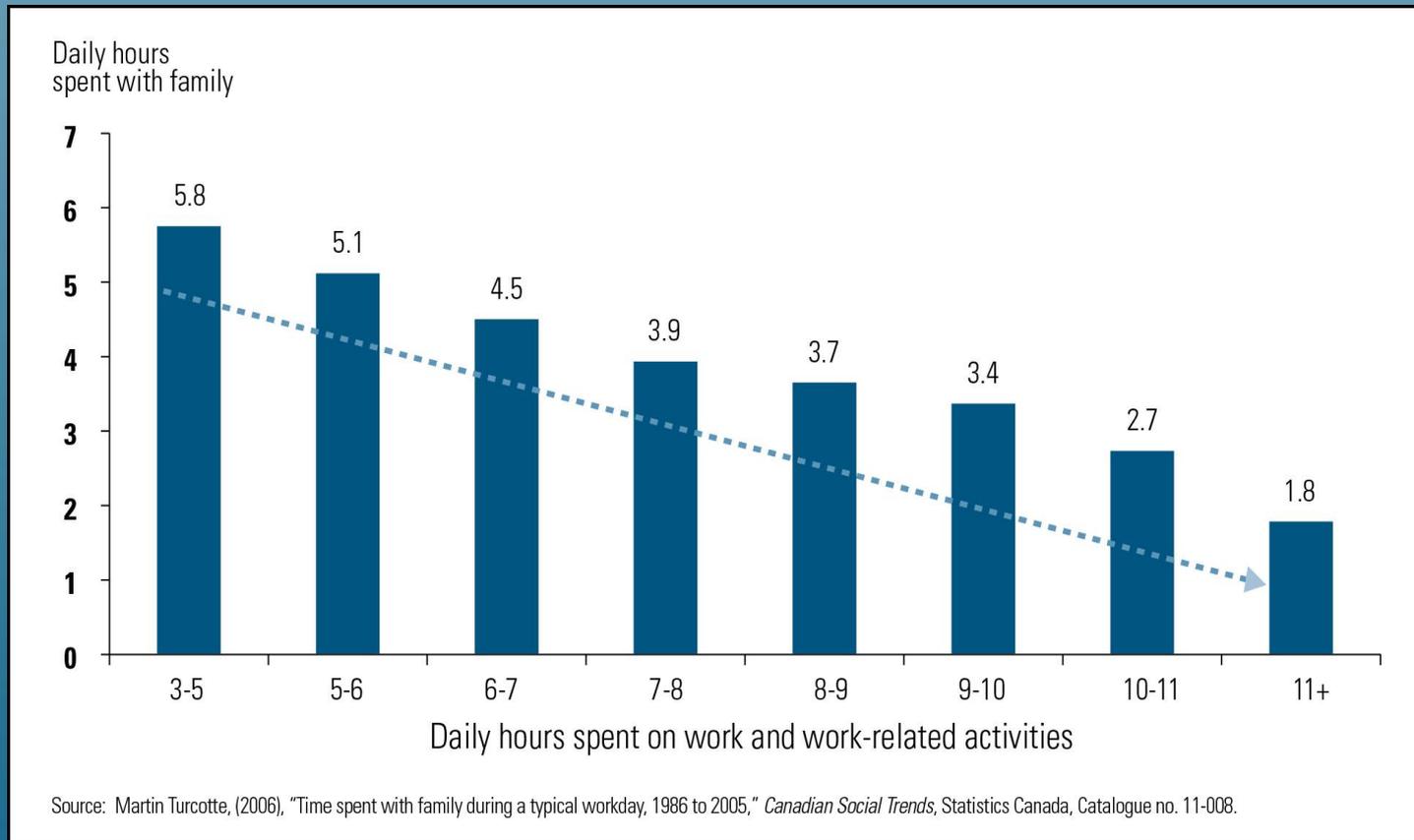
# Total weekly paid work hours (mother + father) by decile, couples with children <18 (1971-2006)



# More family members feeling the stress

- As a result, the average amount of time spent by paid workers with their families during a typical workday decreased by 45 minutes between 1986 and 2005. Equivalent to 196 hrs/year or 5 forty-hour work weeks.
- 44% of Canadians feel that their work has a negative impact on their family and 60% have difficulties juggling work and family
- “Too many hours, too many demands” is the most common source of workplace stress

# Hours spent at work and with family (2005)



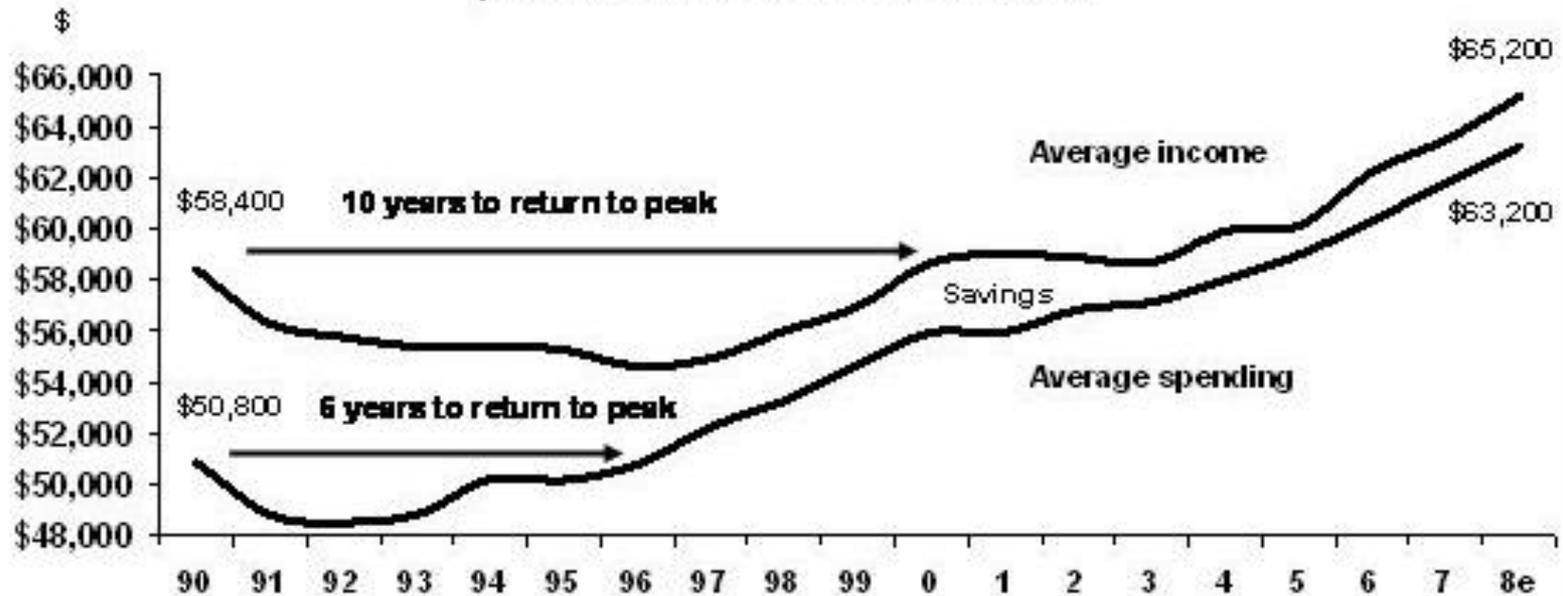
There are other signs of economic fragility among Canadian families

# Spending and debt have been rising much faster than incomes

- The average household income grew by 12% between 1990 and 2008, notably after 2004.
- Spending increased twice as fast (+24%) over the same period while total debt increased more than six times faster than incomes (+71%).
- Annual household savings shrank, from an average of \$7,000 in 1990 to \$2,000 in 2008.

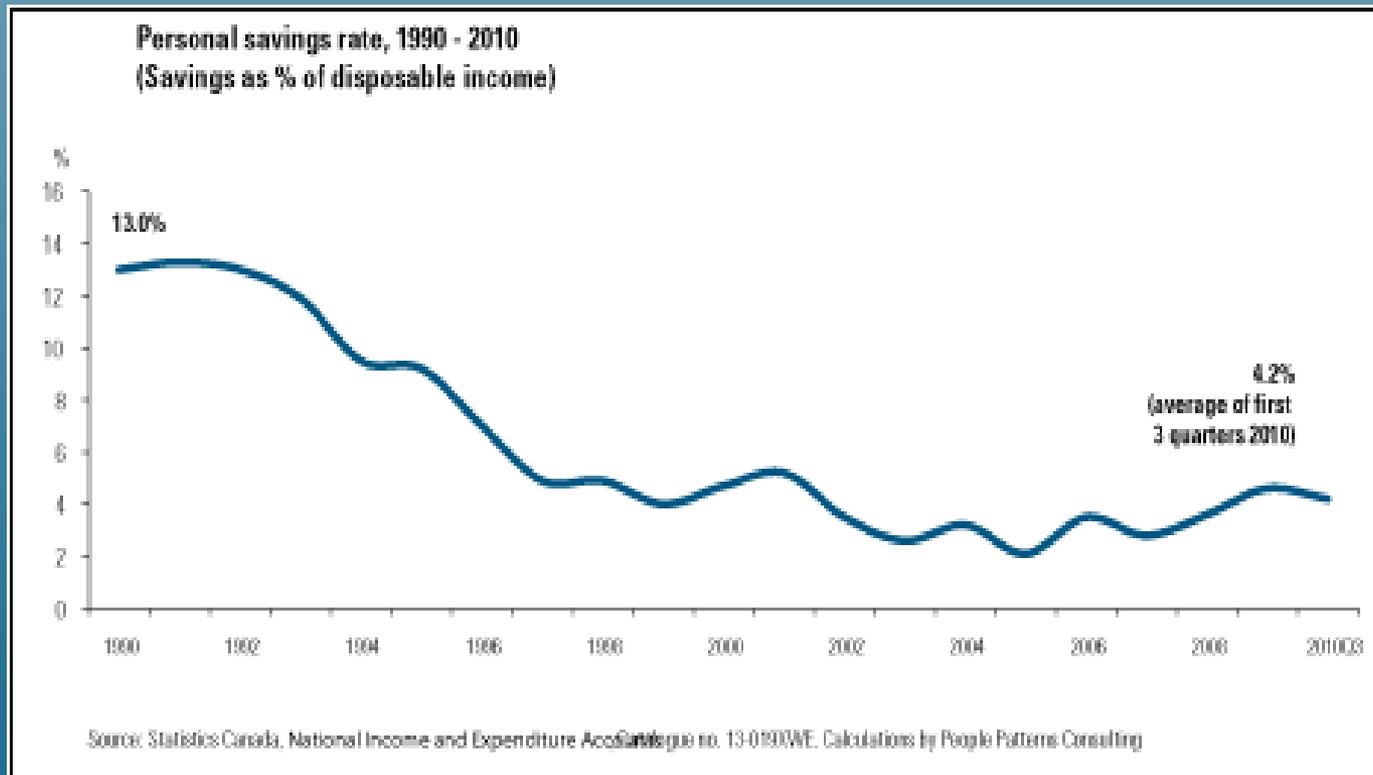
# Saving next to nothing: spending is far outpacing income

**CHART 4**  
Average income after transfers and income taxes vs spending per household in constant 2006\$



Source: People Patterns Consulting based on Statistics Canada

# Personal savings rate has been trending down for two decades



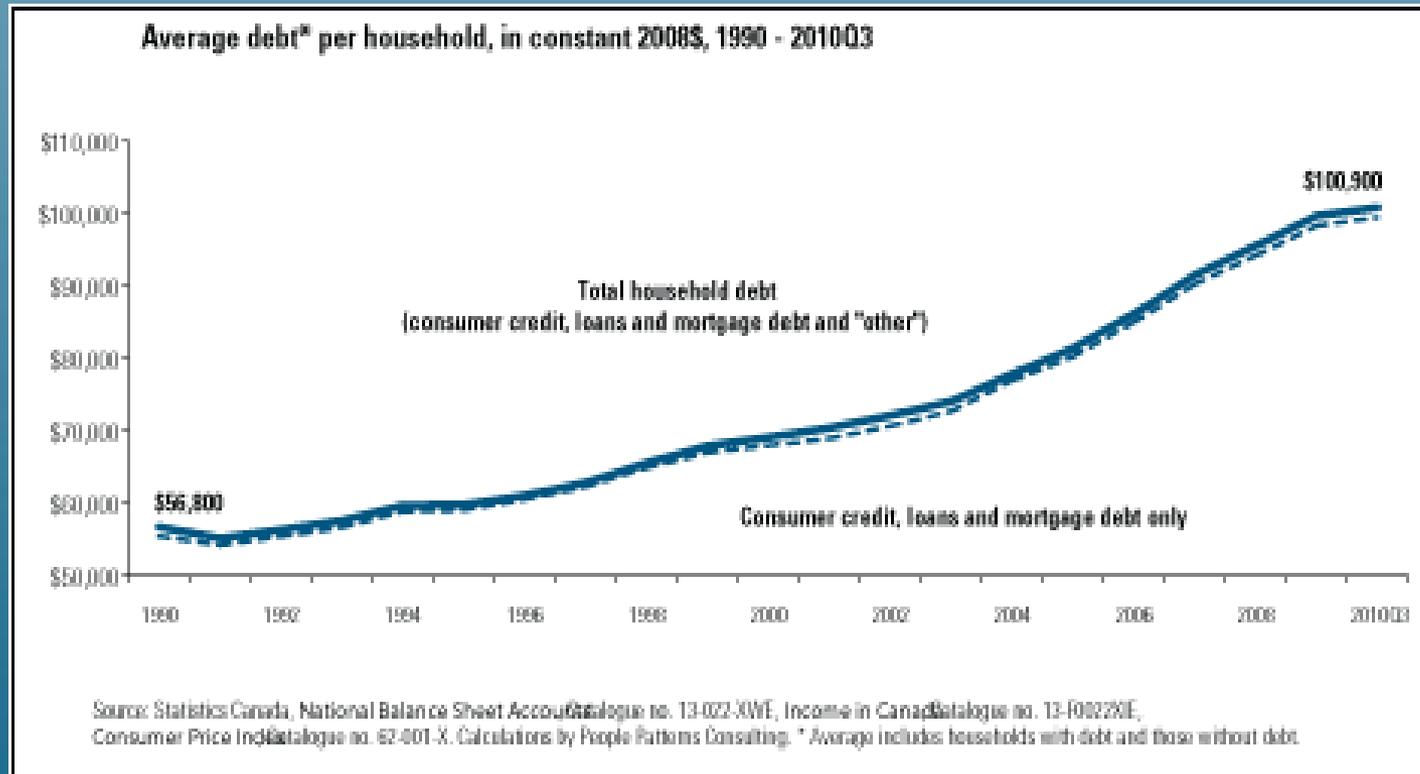
# Debt loads continue to grow – even through the recession

- While growth rates of mortgages (secured credit) somewhat slowed over 2008-2009, consumer credit accelerated.
- The share represented by revolving credit (personal lines of credit and credit cards) within total consumer credit issued by chartered banks grew from 21.1% in 1989 to 77.7% in 2009.
- Borrowing through personal lines of credit increased 25 fold within this period of time.

# Debt loads now in the danger zone

- Average household debt soared to \$100,000 in 2010
- The total debt to disposable income ratio climbed to 150% – equal to the rate in the United States
- This represents a 78% advance in real terms since 1990 and a 46% hike since 2000.

# Average household debt hits six figures



# Many families report living pay cheque to pay cheque

- One in four Canadians would not be able to handle an unforeseen expenditure of \$5,000. More disturbing, though, is that 1 in 10 Canadians would not be able to manage a \$500 unforeseen expense.
- Almost half of respondents (43 per cent) are concerned about their financial condition at retirement. Families with children are very worried about financing their children's education.

# Many households struggling to make ends meet

## Dollars left over after all expenditures including incomes taxes and pension contributions by income and age (2005)

Age of main income recipient	Each income group contains one-fifth of all households				
	Poorest fifth	Lower-middle fifth	Middle fifth	Upper-middle fifth	Richest fifth
	<b>Dollars</b>				
Under 35	(\$7,100)	(\$4,100)	(\$3,100)	\$1,200	\$15,000
35-44	-4,800	-3,000	-200	2,900	27,200
45-54	-5,800	-1,500	1,400	6,500	30,400
55-64	-3,600	-4,200	600	3,700	31,300
65 and up	-500	-2,300	700	2,900	5,700
Total income group	-3,700	-2,500	-800	2,500	23,000

Source: People Patterns Consulting based on Statistics Canada *Survey of Household Spending* custom tabulation.

What does this mean for  
agencies serving children  
and youth?

# Concluding Thoughts

- Income polarization is the issue shaping the futures of hundreds of thousands of Canadian children – most especially those growing up in communities that have been historically marginalized:
  - Aboriginal communities,
  - New immigrant communities and racialized minority groups, and
  - People with disabilities and chronic illnesses.

- Income polarization touches all facets of children's well-being and future life prospects.
- Decades of research have demonstrated the fundamental connection between economic security and developmental outcomes.
- While not all poor children experience deprivation, a family's lack of economic resources is a significant risk factor
- New research is now probing the biological impact of early trauma and stress on children throughout their lives (From Neurons to Neighbourhoods)

- We know that intervening early can change life outcomes – and that some damaging effects can be reversed.
- We know that community-based programs are uniquely placed to provide high quality supports to children within the context of their families and communities .
- We know that the best programs work to improve the capacity of families and family members to care and provide for each other

- For over a decade, we have flirted with building a comprehensive approach to children and youth – taking a few steps forward but always stopping well short.
- The scale of the challenge is such that isolated community initiatives cannot be successful on their own.
- We need a strategy that invests in public infrastructure for all children and families – in conjunction with targeted supports.

- Ensuring that all children have the opportunity to grow up healthy and happy can't be left to large service systems though.
- It is the community-based actors that are pioneering the collaborative approaches and social innovation necessary to achieve our vision for children.

Thank you

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