# The "Working Poor" in the Toronto Region

## Who they are, where they live, and how trends are changing

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Brian Murphy
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Foreword
J. David Hulchanski

February 2012

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## Metcalf Foundation

The Metcalf Foundation helps Canadians imagine and build a just, healthy, and creative society by supporting dynamic leaders who are strengthening their communities, nurturing innovative approaches to persistent problems, and encouraging dialogue and learning to inform action.

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## Acknowledgements

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: David Hulchanski, Bob Murdie, Myriam Fortin, Stephanie Procyk, Karen Myers, Allison Bramwell, Jaime Bowes, and Jackson Chung. We thank Richard Maaranen for producing the final maps. We thank Philippa Campsie and Sally McBeth for editing services.

# Foreword

Working many hours and holding full-time, year-round employment is no longer a guarantee of escaping poverty. We now hear frequent reference to the 'working poor', a term that combines two concepts – work and poverty – that ought to be mutually exclusive. This intermingling has created a distinct social category: people who are both employed and living in poverty.

The primary reasons are well known. Low wages and precarious forms of employment are now common features of Canada's labour market. Many employed people remain in relative poverty due to low levels of pay and few opportunities for advancement.

Nevertheless, there remains a lack of clarity about how to define working poverty. Greater agreement on the definition will allow better measurement of trends. This knowledge in turn will take us much closer to an improved discussion of policy options and program design.

In this report, the Metcalf Foundation has successfully met the challenge of producing an alternate definition of the "working poor" that, compared with other research, includes more marginal labour force participants and focuses more on total wages than the number of hours worked. They have used this definition to measure the prevalence of the working poor in the Toronto area. They do so at a detailed level (census tracts) and for two years, 2000 and 2005, and contribute, in particular, to the improvement of placed-based policies and programs.

This report will help inform the decision-making about the next stages of the joint City of Toronto and United Way Toronto priority neighbourhoods initiative and the city's emerging tower renewal initiative. (Half of the city's renters live in the aging clusters of rental apartment towers.)

It also provides original evidence complementing and helping explain the findings of my own research team, based at the University of Toronto's Cities Centre. We produced the summary report *The Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods, 1970-2005*. This and many other analyses of socio-economic inequality trends in Toronto are available at www.NeighbourhoodChange.ca.

The working poor in the Toronto Region pour our coffee, serve us in stores, and work in our offices and factories. Their story is important. They are growing in numbers, as this report confirms, and there are significant spatial concentrations of working poor in the Toronto area. It is a problem that is simultaneously political, social, locational, and economic. The Metcalf Foundation has provided us with a report that should serve as a catalyst for further research, informed discussion, and better analysis of one significant dimension of the overall issue of income and wealth inequality.

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# Summary

Employment is commonly understood to be the best antidote to poverty. Social assistance recipients are encouraged to find a job to lift themselves out of poverty. Governments invest significant resources in training and skills-building programs to help people living in poverty move into the job market.

Although work can provide a ladder out of poverty, this is not always the case. In the Toronto Region[1], an increasing number of people are both employed *and* living in poverty. The highest concentration is found in the city of Toronto. We call them the working poor.

They live in a region with the highest cost of living in Canada, based on the cost of household items such as clothing, food, and transportation.[2] They live in a region with the second most expensive housing market in Canada.[3] In this high-cost environment, earnings from a job – even full-time – may not be sufficient to escape poverty.

The term 'working poor' is in common usage, but it does not have a widely accepted definition. We use the term throughout the paper to refer to persons with non-trivial paid earnings who live in a household with low income. Our report provides a new definition of 'working poverty,' one that allows researchers to measure the incidence of working poverty now and in the future. It identifies the areas in the Toronto Region where they live, and describes the changing trends for this group, based on custom tabulations drawn from Statistics Canada microdata using both the Survey of Labour and Income Dynamics (SLID) and the Canadian Census.

We define a member of the working poor as someone who:

- has an after-tax income below the Low Income Measure (LIM),
- has earnings of at least $3,000 a year,[4]
- is between the ages of 18 and 64,
- is not a student, and
- lives independently.

These criteria resolve many outstanding issues that plague the definition of the working poor. Our criteria screen out people earning less than $3,000 (the 'non-working poor'), people who may derive other resources from family members or from social assistance. Using our criteria and the most recent data,

[1] See Map 1 for geographical boundaries.
[2] Toronto Board of Trade, Toronto as a Global City: Scorecard on Prosperity - 2010, Toronto, 2010, p. 44.
[3] Ibid, p. 44.
[4] $3,000 is the income threshold for receiving a Working Income Tax Benefit.

we screen out those who are, in all probability, only marginally attached to the labour force. Our criteria can also be replicated for comparison purposes and comparable studies in the future.[5]

In this report, we take a broad look at census tract data for the Toronto Region and then concentrate our analysis on the city of Toronto itself. Using our criteria for defining the working poor, we found 113,000 working-poor individuals in the Toronto Region in 2005. In the Toronto Region, this population had increased by 42% between 2000 and 2005. Of these persons, 70,700 lived in the city of Toronto. The cities of Toronto, Brampton, Mississauga, Richmond Hill, and Markham all experienced increases in the number of working poor living within their borders within that five-year time span. In Toronto, the working poor are clustered in the inner suburbs and the southwest corner of the city. The city's core has a very low incidence of working poverty.

The geographical findings are consistent with those of *The Three Cities Within Toronto* report, which documented and mapped income polarization and the growth of low-income neighbourhoods in Toronto between 1970 and 2005.[6]

Here are some key features of the working poor in the Toronto Region:[7]

- They most commonly work in sales and service occupations.
- They work a comparable number of hours and weeks as the rest of the working-age population.
- They are more likely to be living without an adult partner than the rest of the working-age population.
- Working-age immigrants to Canada are over-represented among the working poor.
- They are only slightly less educated on average than the rest of the working-age population.
- Fewer own their own homes.
- They tend to be younger as a group than the working-age population as a whole.

**More sales and service occupations:** Toronto has a slightly lower proportion of people working in sales and service than in the rest of Ontario or Canada as a whole. Yet close to one-third of Toronto's working poor are

[5] These criteria can be exactly replicated using the census and closely approximated by using T1 Family File (T1FF) tax data or the Longitudinal Administrative Databank (LAD). These definitions can be used on the LAD to examine actual trajectories into and out of working poverty and could be used on T1FF to look at annual changes in small area geographies.

[6] Hulchanski, J. D. *The Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods, 1970-2005*. Toronto: Cities Centre, University of Toronto, 2010.

[7] In this paper, the terms 'Toronto Region' and the 'Toronto Census Metropolitan Area (CMA)' are used synonymously. Maps 1 and 2 are also based on Toronto CMA data and visually represent the Toronto Region.

employed in sales and service occupations. This compares to one-fifth for all working-age individuals in the city – almost a doubling proportionately.[8]

**Comparable level of employment:** The working poor tend to work a similar number of weeks per year and a similar number of hours per week as the average member of the working-age population.[9] They work about 20% less than workers who are not poor. The working poor have, on average, more sources of income than those who are better off.

**More single adults among the working poor:** Among the working poor population, only 63% are married or living with a common law partner. This compares to 78% in the entire working-age population.

**More immigrants among the working poor:** In Canada in 2005, 23% of the working-age population were immigrants. However, 31% of the working poor were immigrants. The Toronto Census Metropolitan Area (CMA) counts 57% of the working-age population as immigrants and the proportion of the working poor in the CMA who were immigrants was 73%. Low-income status is associated with immigration in both the working and the non-working poor Toronto populations.[10]

**Comparable levels of education:** In Toronto, 43% of those in the working-age population have a high school diploma or less. 57% have some higher education. Among the working poor, 48% have high school or less and 52% have some higher education.

**Less home ownership**: While 74% of the working-age population and 78% of the non-poor workers in the Toronto CMA own their homes, only 44% of the working poor and non-working poor have home ownership.

**A younger population:** The working poor are over-represented in the younger age groups and under-represented in the older age groups when compared to the working-age population as a whole. The percent of working-poor individuals in Toronto between the ages of 18 and 29 is 12%, compared to 8% of the working-age population. Further, 63% of working-poor people are between the ages of 18 and 44, compared to 50% of the working-age population.

By plotting the incidence of working poverty by census tract in the Toronto Region over time, we gain insight into where the working poor live, as well as how their situation has changed. This information is valuable for policy analysis and program design. Further research would help to shed more light on this population and shape the appropriate policies and resources to address problems associated with working poverty.

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[8] This is also 3% higher than the figure for marginally employed people earning $3,000 or less.
[9] They work three times more than the non-working poor.
[10] In the Toronto CMA, 71% of the non-working poor and the working poor combined were immigrants. 53% of working people who are not poor are immigrants.

Within Toronto, the incidence of working poverty is much more prevalent east of Yonge Street, with more than double the number of census tracts showing working poverty at 15% of the population or higher. Over time, working poverty is moving eastward within the city, for reasons we do not fully understand.

Census tract data does not tell the whole story. Some areas that show fewer working poor in 2005 may suggest that the community is becoming richer. However, it may mean that fewer people are working. Much more study and data mining will be required to tell us the true situation. Moreover, although the city of Toronto has the highest rates of working poverty right now, it is a fast-growing phenomenon in the region.

Working poverty in the Toronto Region has not yet been explored in depth. The patterns and incidence of working poverty have been examined on a national level, but never on the municipal level in Toronto or the Toronto Region. Research has been undertaken on the issues of inequality in the labour market and income inequality in Toronto, but never the two combined.

This report is intended as a catalyst for research, discussion, and analysis. In our Conclusion and Next Steps, we point to a number of policy areas critically affected by this important but often neglected topic.

# Introduction

Employment is commonly understood to be the best antidote to poverty. Social assistance recipients are encouraged to leave poverty by finding a job. Governments invest significant resources in training and skills-building programs to help people living in poverty get into the job market.

A 2003 report on employment and poverty by the International Labour Organization (ILO) states:

> We know only too well that it is precisely the world of work that holds the key for solid, progressive and long-lasting eradication of poverty. It is through work that people can expand their choices to a better quality of life. It is through work that wealth is created, distributed and accumulated.[11]

Although work can provide a ladder out of poverty, this is not always the case. In the Toronto Region, an increasing number of people are both employed *and* living in poverty.[12] The highest concentration is found in the city of Toronto. We call these people the working poor.

In this paper, we offer a new definition of 'working poverty.' We identify who the working poor are and where they live, and we describe trends in working poverty. We start with what it means to be a member of the working poor in the Toronto Region, and we conclude by encouraging further research, analysis, and discussion on this poorly understood subject.

[11] International Labour Office, *Working Out of Poverty*, Geneva: International Labour Office, 2003, p. 3.
[12] See Map 1 for geographical boundaries.

# Definitions, Data, and Methods

## Our criteria: Defining 'working poor'

Working poverty is not a transparent concept in Canada, because there is no common definition of this state. For example, Human Resources and Skills Development Canada (HRSDC) has published reports that designate people to be working poor if they:

- work 910 hours per year or more,
- earn below a certain low-income threshold,
- are between the ages of 18 and 64, and
- are not full-time students.[13]

The federal Working Income Tax Benefit (WITB) is a refundable tax credit intended to provide tax relief for working low-income individuals. It defines people to be eligible for the WITB if they:

- are over the age of 19,
- earn between $3,000 and $16,700 a year, and
- are not full-time students or are full-time students with dependants.[14]

These two definitions are based on income thresholds, but only one considers the number of hours worked per year.

We define the working poor in this way. A person is a member of the working poor if he or she:

- has an after-tax income below the Low Income Measure (LIM),
- has earnings of at least $3,000 a year,
- is between the ages of 18 and 64,
- is not a student, and
- lives independently.

### *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.[15] The Low Income Measure (LIM) is a relative measure of low-income calculated annually. The LIM threshold is set at 50% of the median income for the entire Canadian

[13] Fleury, D., and Fortin, M., *When Working is Not Enough to Escape Poverty: An Analysis of Canada's Working Poor*, Ottawa: Human Resources and Social Development Canada, 2006, p. 13.
[14] Milway, J., Chan, K., and Stapleton, J., *Time for a "Made in Ontario" Working Income Tax Benefit*, Toronto: Institute for Competitiveness and Prosperity, p. 6.
[15] 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.

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.

### *Earnings*

We defined the income floor at $3,000 in employment earnings.[16] This income floor is the threshold for recipients of the federal Working Income Tax Benefit (WITB), a program introduced in 2007 to help working Canadians earning low wages rise above the need for social assistance.

Table 1 provides context for our income definition:

Table 1. Categories of working-age people, as defined by income standards

| Low Income Status | Working with income of $3,000 or more | Not working with income under $3,000 |
|---|---|---|
| Below Low Income Measure | **Working poor** | Non-working poor |
| Above Low Income Measure | Working non-poor | Non-working non-poor |

### *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.

[16] 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.

### *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.

## Data and methods[17]

We applied our definition of the 'working poor' to the Toronto Census Metropolitan Area (CMA) to find out how many people would fit this definition.

We used custom tabulations drawn from Statistics Canada microdata, including data from the Survey of Labour and Income Dynamics (SLID) and the Census of Canada. The SLID surveys approximately 40,000 households across Canada each year. It provides a continuous time series from 1996 to 2009. However, the sample size is too small to allow us to examine small area geographies for Toronto. The Toronto estimates are subject to significant statistical variability. Consequently, we also used data from the Census of Canada for the detailed examination of the working poor in Toronto in 2000 and 2005.

This study uses Statistics Canada's Low Income Measure method to determine low income.[18] We calculated income thresholds for both before-tax and after-tax income.[19] We prefer the after-tax measure, as it takes into account the full impact of government programs, but the 2001 census did not gather information on taxes. Consequently when we come to compare the detailed census results for 2000–2005, we refer to before-tax LIM, which still includes most government transfers.

In this study, all the figures we report are for individuals, not households or families. A more detailed description of our methods can be found at the end of the report.

[17] Please also see Appendix: Data Sources and Methods.
[18] The LIM threshold is set at 50% of median income (adjusted for economies of scale within households).
[19] We calculate the LIM independently on the SLID and the Census rather than applying previously published thresholds derived from the Survey of Labour and Income Dynamics.

# Setting the Context

We begin with a brief overview of aggregate employment and poverty trends. Employment and income rates give us a better picture of the potential underlying causes of working poverty. However, they do not necessarily provide us with causal links among employment, income, and working poverty.

## Employment trends: Toronto, Ontario, and Canada

If employment rates are increasing, but working poverty rates are increasing as well, it may be that wage inequality is also rising. It may also mean that job growth is occurring in low-quality or precarious jobs. In that case, job creation may not be leading to greater upward mobility.[20] On the other hand, if unemployment is high, working poverty may be due to increased competition for good-quality jobs. We hope this data and our analysis will kick-start further research on these underlying issues.

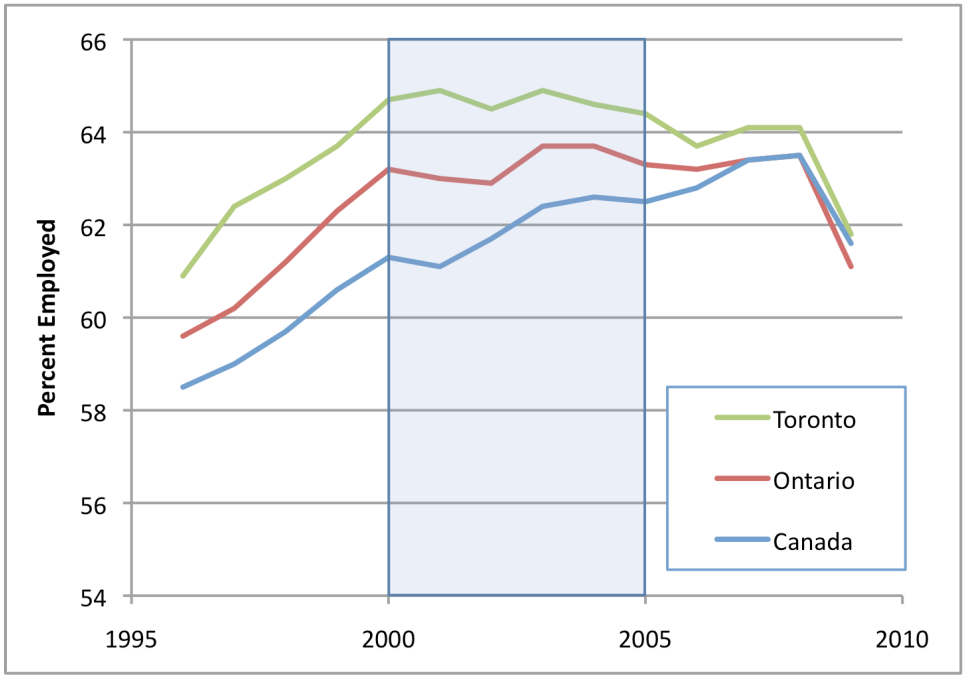
### *Employment rates*

The employment rate measures how many people had paid work or were employed but on leave.[21] It can also tell us about the health of the economy after major economic events. For example, in Figure 1, the effects of the 2008 recession can be seen in the decreased employment rate after 2008.

Overall, the employment rate has been increasing in Toronto over the past decade and a half (Figure 1). Between 1996 and 2008, the employment rate increased by 3.2% in Toronto. The growth in Toronto mainly occurred between 1996 and 2000. Employment grew minimally between 2000 and 2005 (0.3%), and declined steeply during the 2008 recession. While Toronto typically has higher employment rates than Ontario or Canada, the Toronto advantage has eroded, with more rapid growth in employment in Ontario (3.9%) and in Canada (5%).

[20] See Hull, K., "Understanding the Relationship between Economic Growth, Employment and Poverty Reduction," *Promoting Pro-Poor Growth: Employment*, Paris: OECD, 2009, pp. 69–94.
[21] Statistics Canada, *Labour Force Information*, Ottawa: Statistics Canada, October 7, 2011, p. 56. We count sick leave or vacationing persons as employed. The employment rate does not include those who were only looking for work.

Figure 1. Employment rate for Toronto, Ontario, and Canada, 1996-2009




Source: Statistics Canada, Labour Force Survey

### *Unemployment rates*

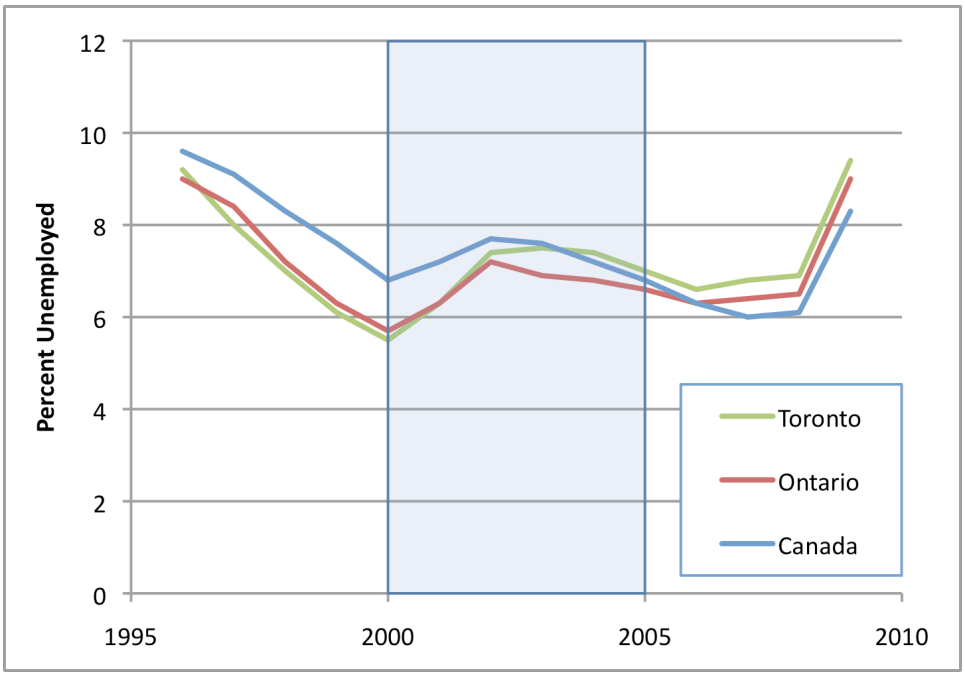
The unemployment rate measures how many people were unemployed, in the labour force, *and* actively searching for work.[22] Unemployed people not actively searching for work in the past four weeks are considered not to be in the labour force, and are therefore not counted in the unemployment rate.

The evolution of the unemployment rate tells a similar story to that told by the employment rate. From the mid-1990s to 2008, the unemployment rate generally declined in Toronto, Ontario, and Canada. Figure 2 shows that between 1996 and 2000, the unemployment rate decreased by 11% in both Toronto and Ontario and 10% in Canada. However, the relative position of Toronto has been deteriorating.

Unemployment rose slightly in 2001 and 2002 in Canada, but grew to a larger degree in Toronto and Ontario. This rise was followed by a return to declining rates from 2002 to 2007, but with a smaller decline in Toronto. In fact, from 2004 to 2009, Toronto had higher unemployment rates than Canada, a situation that had not occurred since 1987.[23]

[22] Statistics Canada, *Labour Force Information*, 2011, p. 56.
[23] With one exception—a three-year period from 1993 to 1995, when Canada was coming out of the early 1990s recession.

Figure 2. Unemployment rate for Toronto, Ontario, and Canada, 1996-2009




Source: Statistics Canada, Labour Force Survey

In the years between 2000 and 2005, which we will be examining with census data, similar trends emerge, though not as pronounced as in the longer time period just discussed. Employment rates for Canada, Ontario, and Toronto were converging. In Canada, employment rates rose. In Ontario, rates were roughly stable, but they increased slightly. While in Toronto, rates were roughly stable with a slight decrease. Toronto maintained the highest employment rate during this period. Unemployment rates in Canada were similar in 2000 and 2005. However, the unemployment rate in Toronto increased by 27% (1.5 percentage points) and the relative position of Toronto moved from the lowest unemployment rate to the highest.

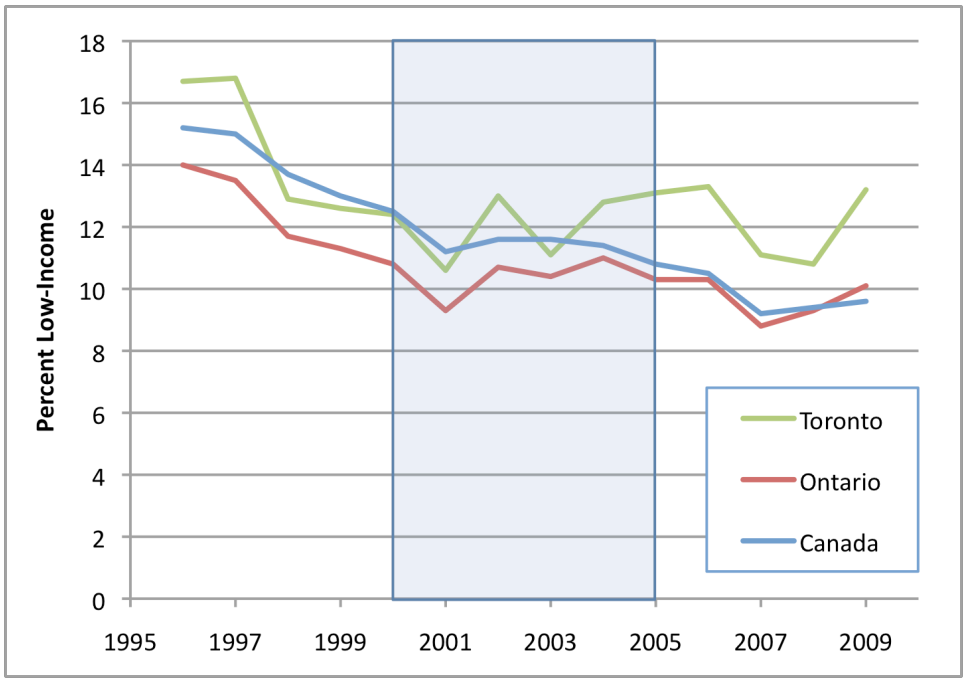
## Poverty rates have been rising in Toronto under both the LIM and Low-Income Cut-Off (LICO)

### *Low-Income Cut-Off (LICO)*

While employment and unemployment are strongly linked to poverty, the trends in low income in Canada do not necessarily follow in lockstep. Poverty, or Low Income, is commonly measured using Statistics Canada's after-tax low-income cut-off (LICO).

This measure relates to living standards in 1992, so the progress of the poor can be evaluated relative to historical standards. According to this measure, low-income rates declined in Canada between 2000 and 2005. Using the Survey of Labour and Income Dynamics (SLID), rates for the LICO after-tax declined from 12.5% in 2000 to 10.8% in 2005 (Figure 3).

### Figure 3. Low-income incidence, using after-tax LICO measure, 1996-2009



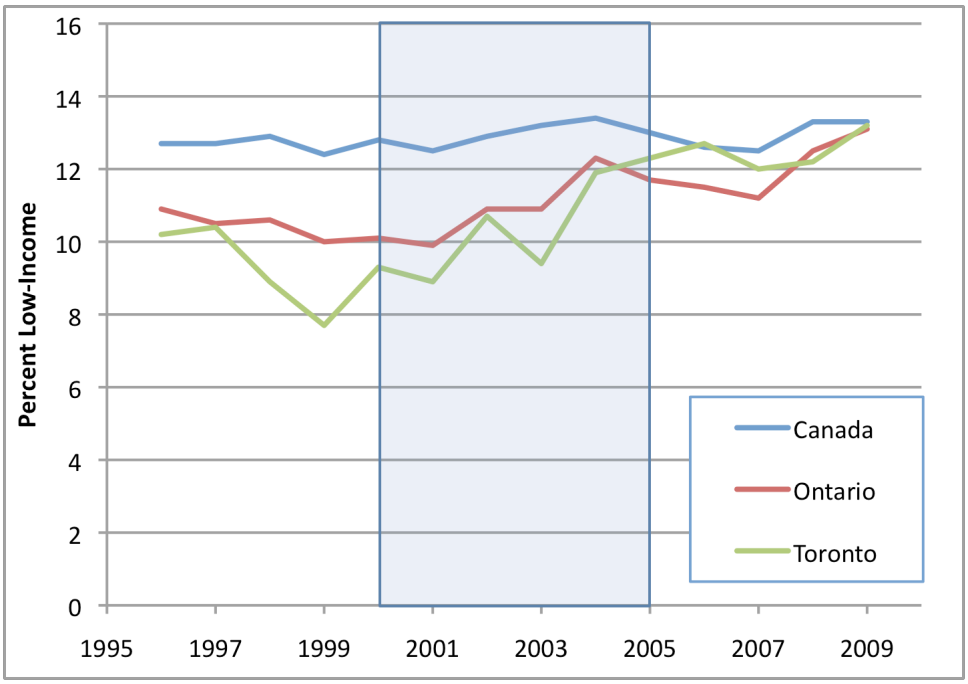

Source: Statistics Canada, Survey of Labour and Income Dynamics

### *Low Income Measure (LIM)*

The Low Income Measure (LIM) compares individual incomes to the median income of the general population in a given year – the median reflecting the current living standards of the middle class. Toronto's low-income rates under LIM fell from 1996 to 1999, and grew from just under 8% in 1999 to just over 12% in 2008.

Canadian low-income rates were quite stable between 2000 and 2005, increasing slightly from 12.8% to 13.0% (Figure 4). Thus, while the low-income population made gains relative to the standards of 1992 (LICO after-tax), the incidence of low-income individuals was stable relative to the current population and economy (LIM).

Figure 4. Low-income incidence, after-tax LIM, 1996-2009

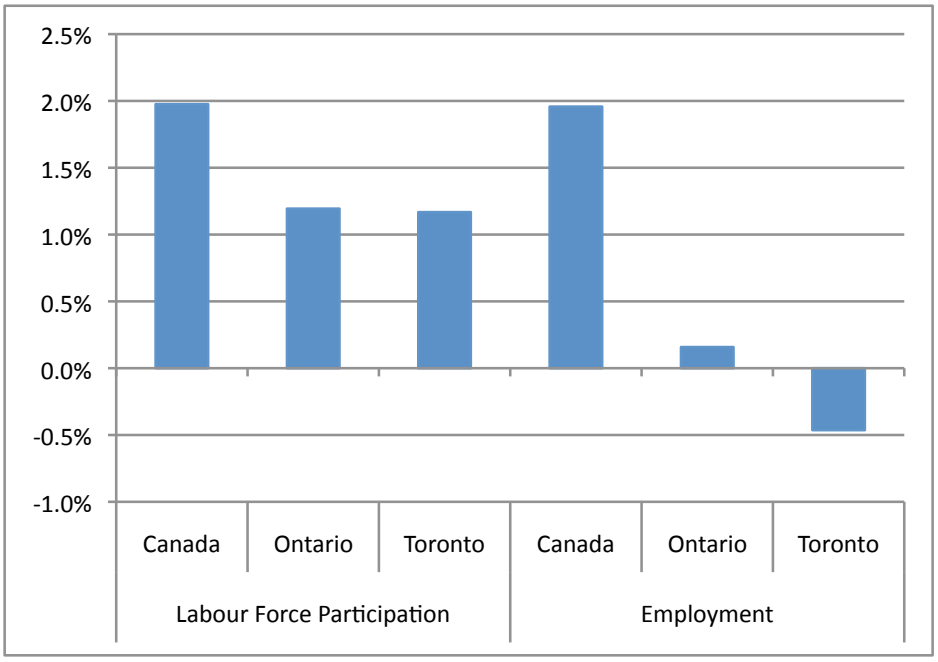



Source: Statistics Canada, SLID

Figures 5 and 6 summarize the shifts between 2000 and 2005. Figure 5 shows that Toronto and Ontario's increases in labour force participation were significantly smaller than Canada's between 2000 and 2005. While Canada's labour market increased by almost 2% during that time, Toronto and Ontario's increased by about 1.2%. The increased labour force participation translated into increases in the employment rate for Canada and Ontario, but not for Toronto. Toronto's rate decreased by almost half a percentage point. This translates into a 27% increase in the unemployment rate in Toronto while Canada's overall unemployment remained stable (Figure 6).

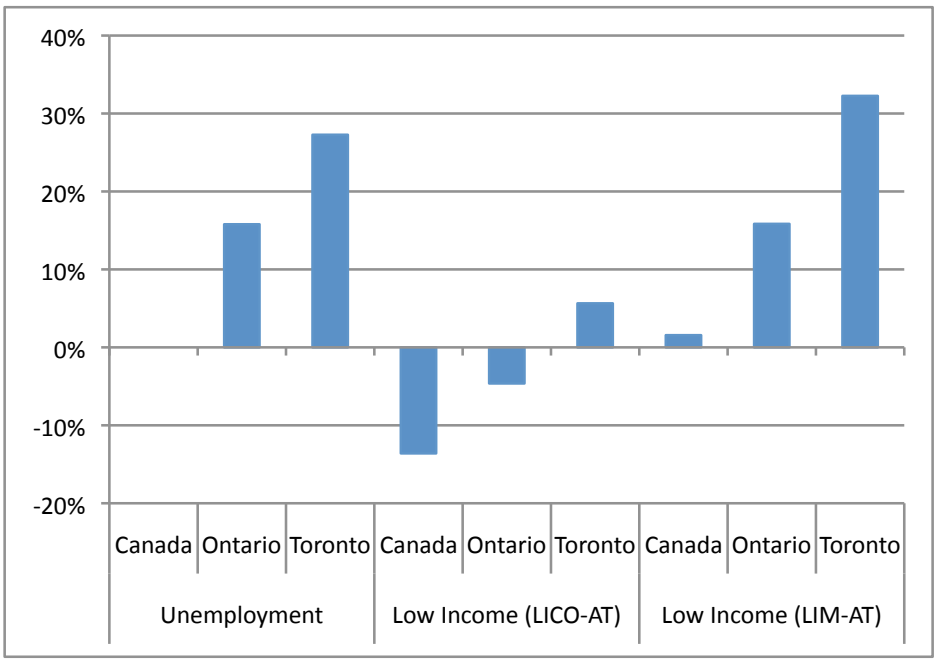
These employment trends underlie disproportionate increases in low income in Toronto, as compared with both Ontario and Canada (Figure 6). The LIM low-income summary shows that, between 2000 and 2005, there were more low-income individuals in Canada, Ontario, and Toronto. Relative to historical standards of economic well-being (LICO), both Canada and Ontario continued to make progress, while Toronto lost ground.

## Figure 5. Percentage change in measures of employment, 2000-2005




Source: Statistics Canada, Labour Force Survey, Cansim Table 282-0055

## Figure 6. Percentage change in measures of employment and low income for individuals, 2000-2005

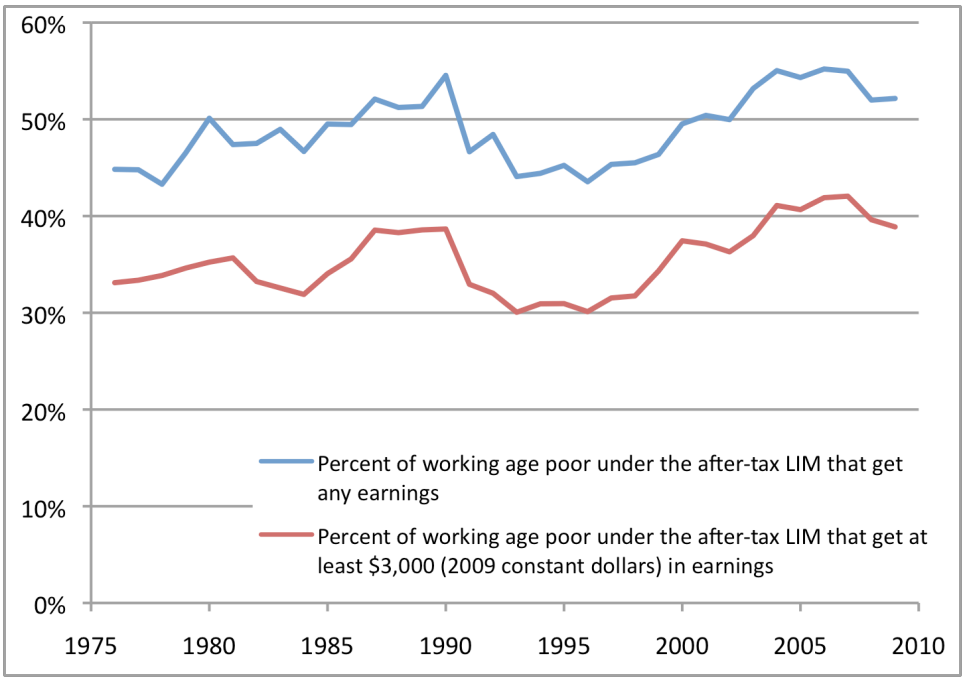



Source: Statistics Canada, Labour Force Survey, Cansim Table 282-0055 and Survey of Labour and Income Dynamics, CANSIM table 202-0802

## Trends in working poverty

Census data alone does not allow us to look at the longer-term trends in working poverty for the Toronto Region. For this reason, we first examine these longer-term trends for all of Canada. To do so from 1975 to 1999, we use results from the Survey of Consumer Finances (SCF). From 2000 onwards, we use results from the Survey of Labour and Income Dynamics (SLID). Although the SCF does not have all of the variables needed to arrive at our precise definition of working poverty, we combined these very similar data inputs to give an idea of the longer-term trend.[24]

### Figure 7. Percentage of low-income persons in Canada who work, 1976-2009




Source: Statistics Canada, SLID/SCF, custom tabulation

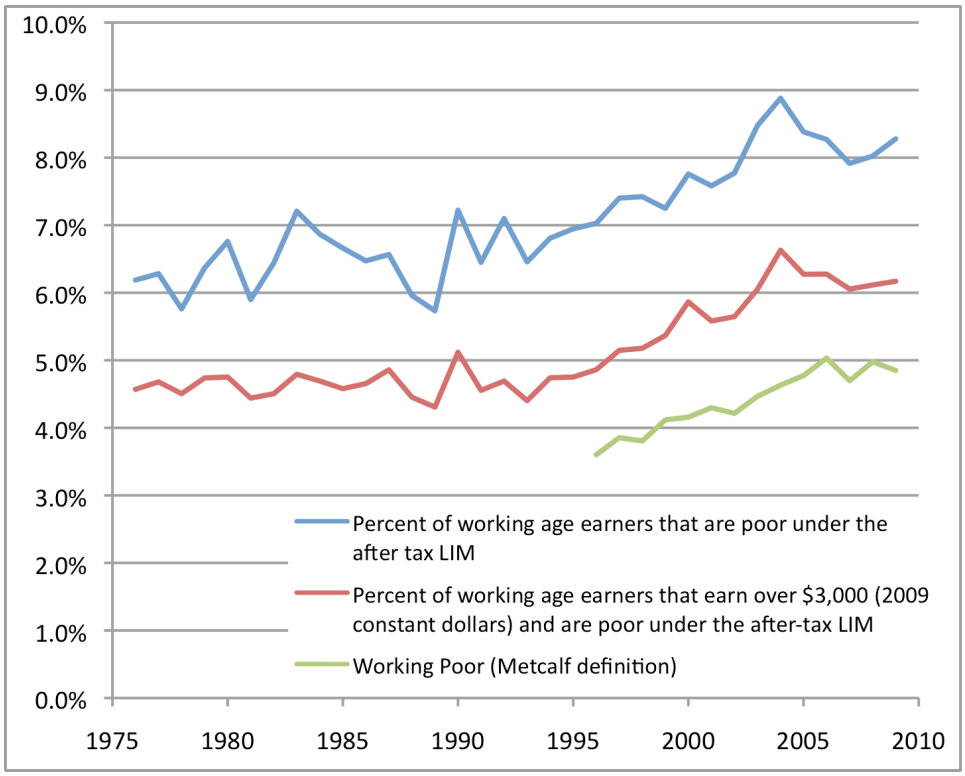
Figure 7 illustrates that the poor have participated in the labour force in fairly large numbers since the 1970s. The number of poor people with earnings tends to rise and fall with the economy, and the incidence of low income in general. Nevertheless, the proportion of earners who are poor has been gradually increasing over time.

In the late 1970s, about 45% of the working-age low-income population had some earnings. By 1990, this had reached almost 55%. It dropped back to about 45% through the 1990's, returning to 55% from 2004 through 2007. It has never

[24] Survey of Consumer Finance (SCF) data has been merged with Survey of Labour and Income Dynamics (SLID) to illustrate a 35-year trend of low-income Canadians who work.

dropped below 44% since 1976. The proportion of low-income persons earning at least $3,000 (in 2009 constant dollars) is a fairly consistent 13-14% lower than those with any earnings. This suggests that both marginal and non-marginal labour force participation by low-income Canadians follows the broad trends in the availability of employment.

Figure 8. Percentage of earners with low income, 1976-2009




Source: Statistics Canada, SLID/SCF, custom tabulation

Figure 8 shows that the proportion of all working-age earners who have low incomes rose over time from just over 6% in 1976 to nearly 9% in 2004. A similar but smoother increase occurred for those earners with more than $3,000 in earnings. This group is very similar to our definition of working poor and we can see a fairly stable 4.6% of working-age earners were poor from 1976 through 1994. Between 1994 and 2004, this rate increased by 45% to 6.6%, then fell back to just over 6%.

The final series shows the working poor under the definition we are using in this report. It follows closely the increase from 1996 to 2006. The rates are slightly lower. This is because our definition excludes students and adults living with family who support them. The SLID-based series (labelled Working Poor - Metcalf definition) shows that working poverty rates in Canada have increased by 38% between 1996 and 2008 – from 3.6% of the working-age population to

5%. Although it is not shown separately, Ontario also had a rapid rate of increase, growing by 73%, from 2.7% of the working-age population to 4.7%.

Now we turn to the census results for a closer look at the working poor in the Toronto Region.

## Working poverty in the Toronto Region

The above discussion showed that after-tax working poverty has been increasing in Canada and Ontario. To give the reader a better idea of the levels of working poverty, and to make the transition into presenting the census results for Toronto, Table 2 presents estimates of working poverty. Note that the SLID rates closely approximate the census results. On an after-tax basis in the 2005 Toronto Census Metropolitan Area (CMA), 4.9% of the working-age population were in working poverty. This amounted to about 113,000 persons. Of those, 71,000 lived in the city of Toronto proper, producing a rate of 6.4%.

### Table 2. Percentage of working-age population who are working poor, 2005

| | SLID | Census | |
|---|---|---|---|
| | After Tax | After Tax | Before Tax |
| Canada | 4.8 | 4.8 | 6.3 |
| Ontario | 4.3 | 4.4 | 5.7 |
| Toronto CMA | 4.9 | 4.9 | 6.4 |
| Toronto City | | 6.4 | 8.2 |

Source: Survey of Labour and Income Dynamics and census special tabulation

The rates of before-tax working poverty are about one-third higher than the after-tax rates in all geographic areas and produce the same rankings of geographic areas. The discussion and figures that follow are based on the before-tax estimates derived from the census.

Statistics Canada before-tax data for the Toronto Census Metropolitan Area (CMA) substantiates the same increasing trend that was shown earlier with SLID data. Between 2000 and 2005, poor people with low earnings in the Toronto Region increased by 42% (Table 3).

Table 3 also breaks down the change in the presence of working-poor people within the populations of working-age people in the cities and suburbs of the Toronto CMA.

### Table 3. Working poor as a percentage of the working-age population, 2000-2005

| | 2000 | 2005 | Difference (See box) | Percent change (See box) |
|---|---|---|---|---|
| Canada | 5.5% | 6.3% | 0.8% | 15% |
| Ontario | 4.6% | 5.7% | 1.1% | 24% |
| Toronto (City) | 5.9% | 8.2% | 2.3% | 39% |
| Toronto CMA | 4.5% | 6.4% | 1.9% | 42% |
| Markham | 3.9% | 6.3% | 2.4% | 62% |
| Mississauga | 3.5% | 5.7% | 2.2% | 63% |
| Brampton | 4.0% | 5.7% | 1.7% | 43% |
| Richmond Hill | 3.0% | 5.2% | 2.2% | 73% |
| Georgina | 3.7% | 5.2% | 1.5% | 41% |
| Orangeville | 3.2% | 4.8% | 1.6% | 50% |
| Vaughan | 3.4% | 4.5% | 1.1% | 32% |
| New Tecumseth | 3.0% | 4.1% | 1.1% | 37% |
| Uxbridge | 2.1% | 4.1% | 2.0% | 95% |
| Bradford West Gwillimbury | 2.4% | 3.7% | 1.3% | 54% |
| Ajax | 3.2% | 3.6% | 0.4% | 13% |
| King | 1.9% | 3.3% | 1.4% | 74% |
| Mono | 2.7% | 3.2% | 0.5% | 19% |
| Newmarket | 2.5% | 3.2% | 0.7% | 28% |
| Oakville | 2.9% | 2.9% | 0.0% | 0% |
| Pickering | 2.4% | 2.9% | 0.5% | 21% |
| Milton | 1.8% | 2.9% | 1.1% | 61% |
| Caledon | 2.2% | 2.8% | 0.6% | 27% |
| Whitchurch-Stouffville | 2.0% | 2.8% | 0.8% | 40% |
| Aurora | 2.1% | 2.7% | 0.6% | 29% |
| Halton Hills | 2.0% | 2.6% | 0.6% | 30% |
| East Gwillimbury | 2.7% | 2.4% | -0.3% | -11% |

Source: Statistics Canada, Special Tabulations from the census

**Understanding 'Difference' and 'Percent Change'**

In Table 3, there are two ways of expressing change. 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 2000 from the corresponding figure for 2005. 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 0.8 percentage points between 2000 and 2005 (6.3% minus 5.5%).

**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 0.8 percentage points between 2000 and 2005. To look at how big that change was, we calculate the .08 as a percentage of the 2000 figure of 5.5%, (.08 divided by 5.5). This gives us close to a 15% increase in the working poor over that period.

Please note that in Maps 5 and 8, change is expressed as **difference (percentage points)**.

In 2005, the highest numbers of working poor were in the city of Toronto and the immediate municipalities, or outer suburbs, to the north and west. However, the largest percentage change between 2000 and 2005 was not in Toronto, but rather in the fast growing and relatively affluent outer suburbs to the north and west, such as Markham, Mississauga, Richmond Hill, Uxbridge, and King.

The increases in Markham, Mississauga, and Richmond Hill were much greater than in Brampton and the city of Toronto. This signals that the concentration of working poverty in the city of Toronto is replicating itself in other parts of the Toronto Region as the overall population of the region grows.

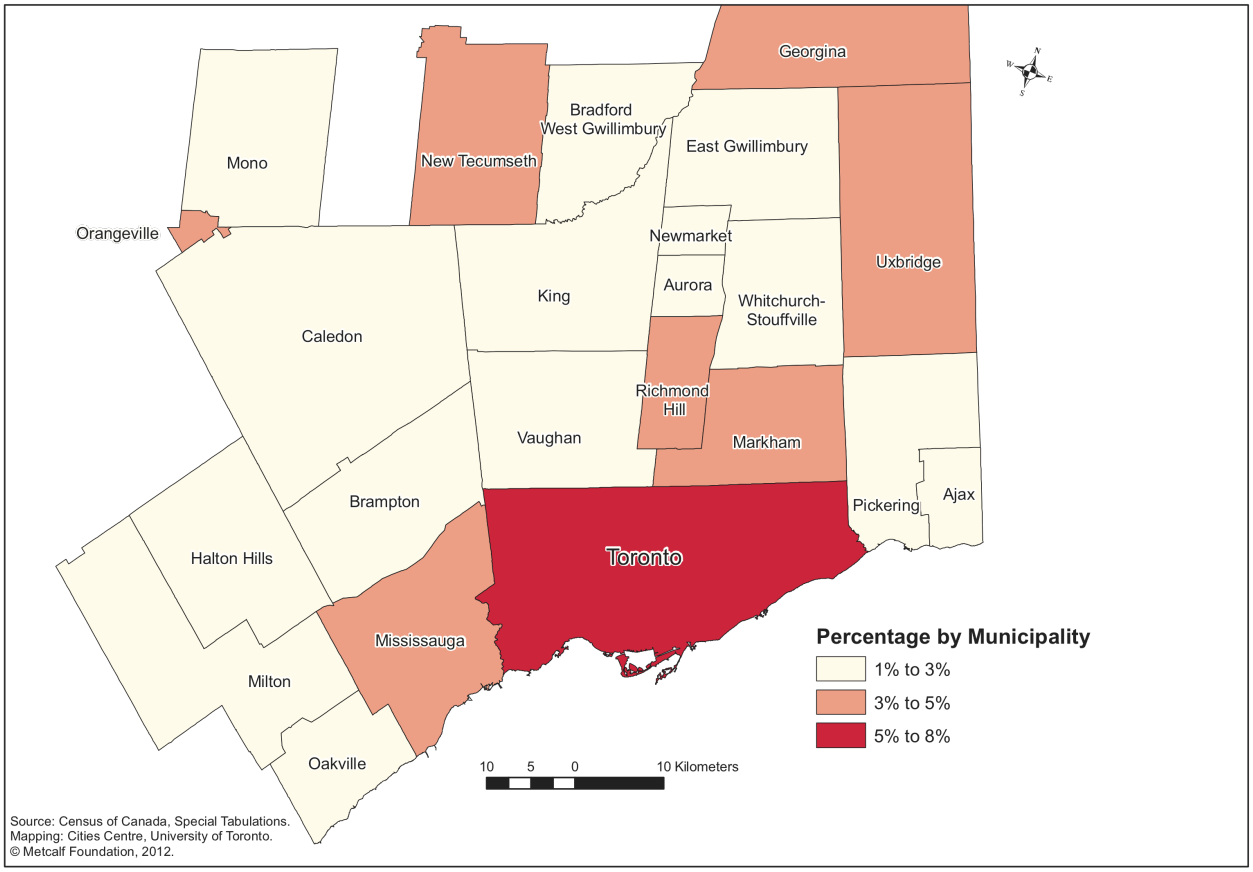
### *Toronto Census Metropolitan Area (CMA)*

Maps 1 and 2 show the growth of working poverty in the Toronto Region between 2000 (Map 1) and 2005 (Map 2).

The cities of Toronto, Brampton, Mississauga, and Richmond Hill, and the town of Markham all experienced increases in the percentage of working-poor people living within their borders within the five-year time span.

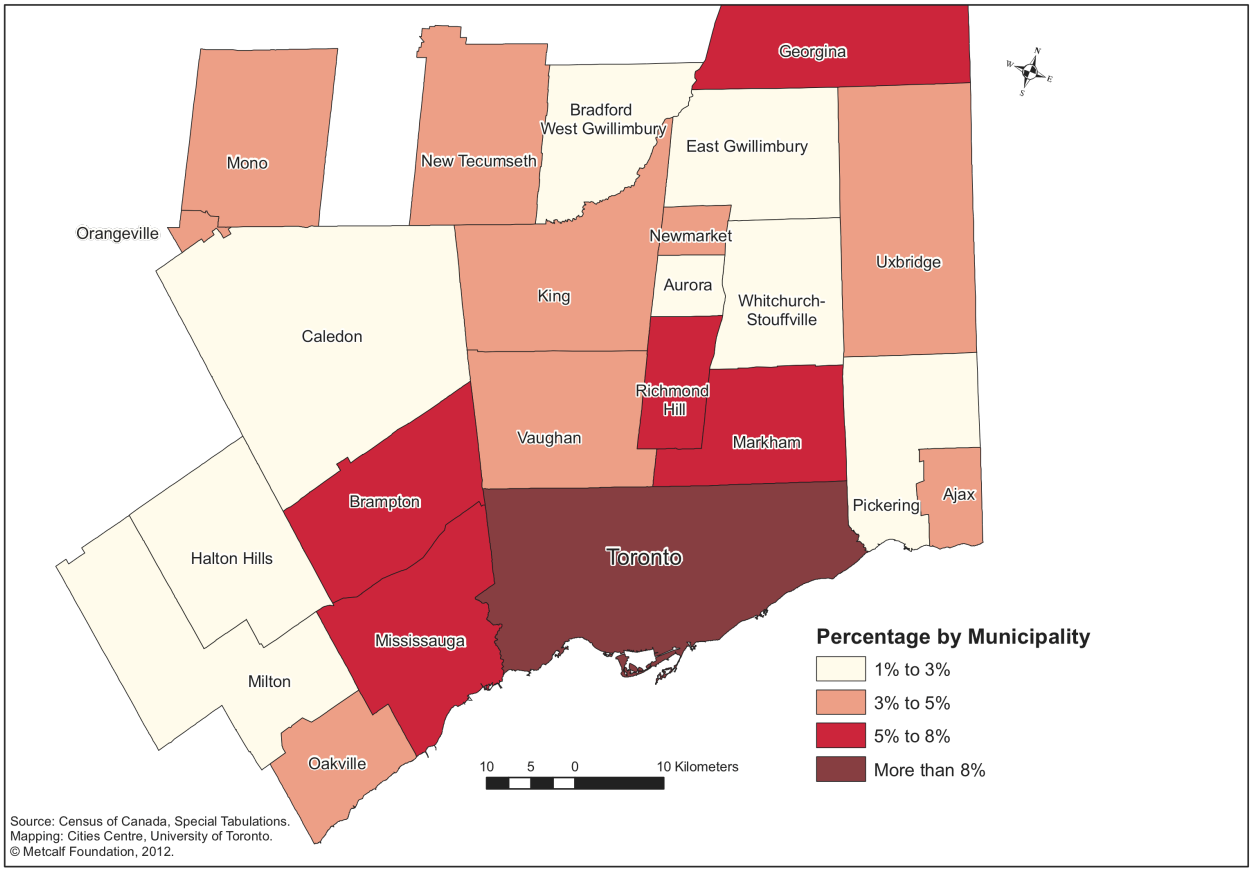
The issue of increasing working poverty in the outer suburbs will be an important component of the new research we are hopeful will begin with this paper.

## Map 1. Percentage of working-poor individuals among the working-age population, Toronto Census Metropolitan Area, 2000




Source: Census of Canada, Special Tabulation. Mapping Cities Centre, University of Toronto

## Map 2. Percentage of working-poor individuals among the working-age population, Toronto Census Metropolitan area, 2005



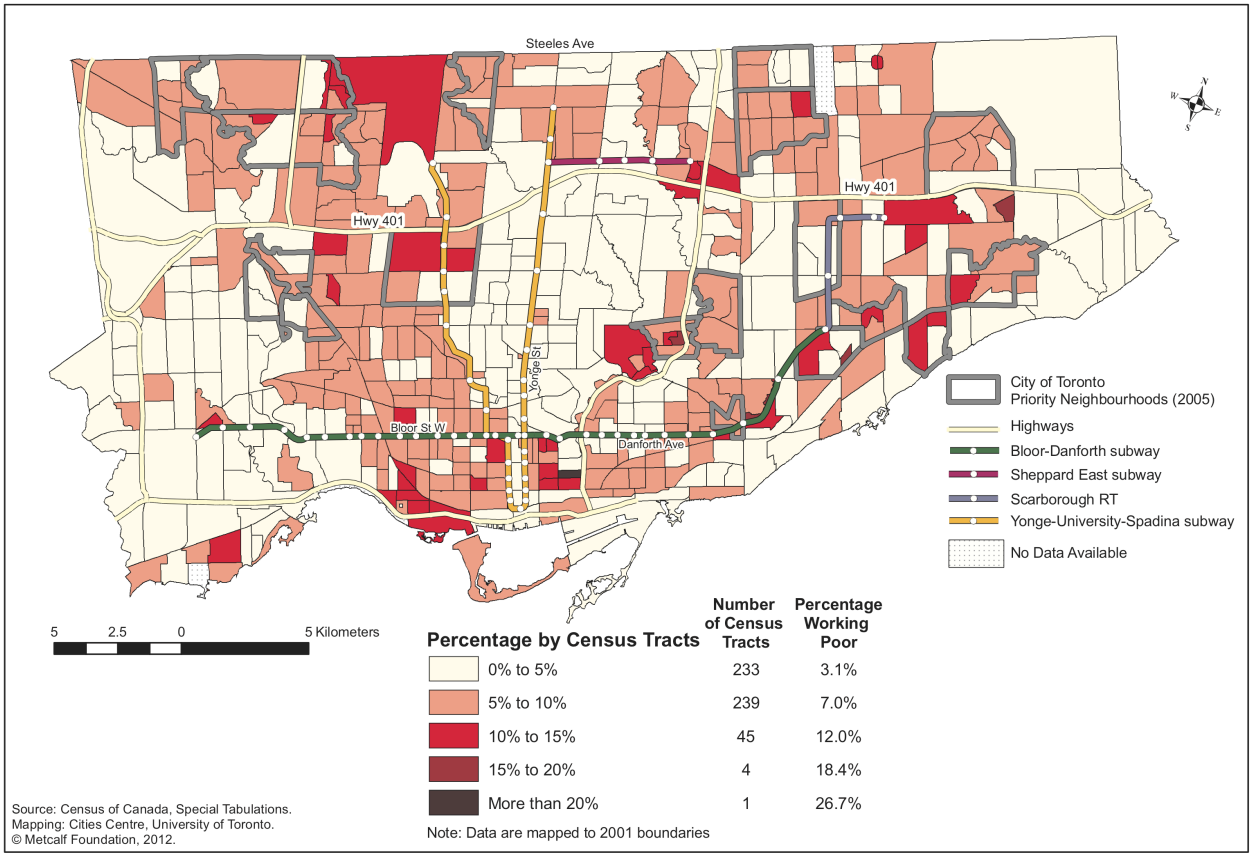

Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

### *City of Toronto*

Now we look more closely at the city of Toronto (Maps 3 through 8). In Maps 3 and 4, we can see the changes in the percentage of working-poor individuals. The inside core of Toronto and North York retain very few working poor people, with only slight increases in 2005. From 2000 to 2005, the incidence of working poverty declined in neighbourhoods in the southwest of the city, but increased in the inner suburbs and especially Scarborough.

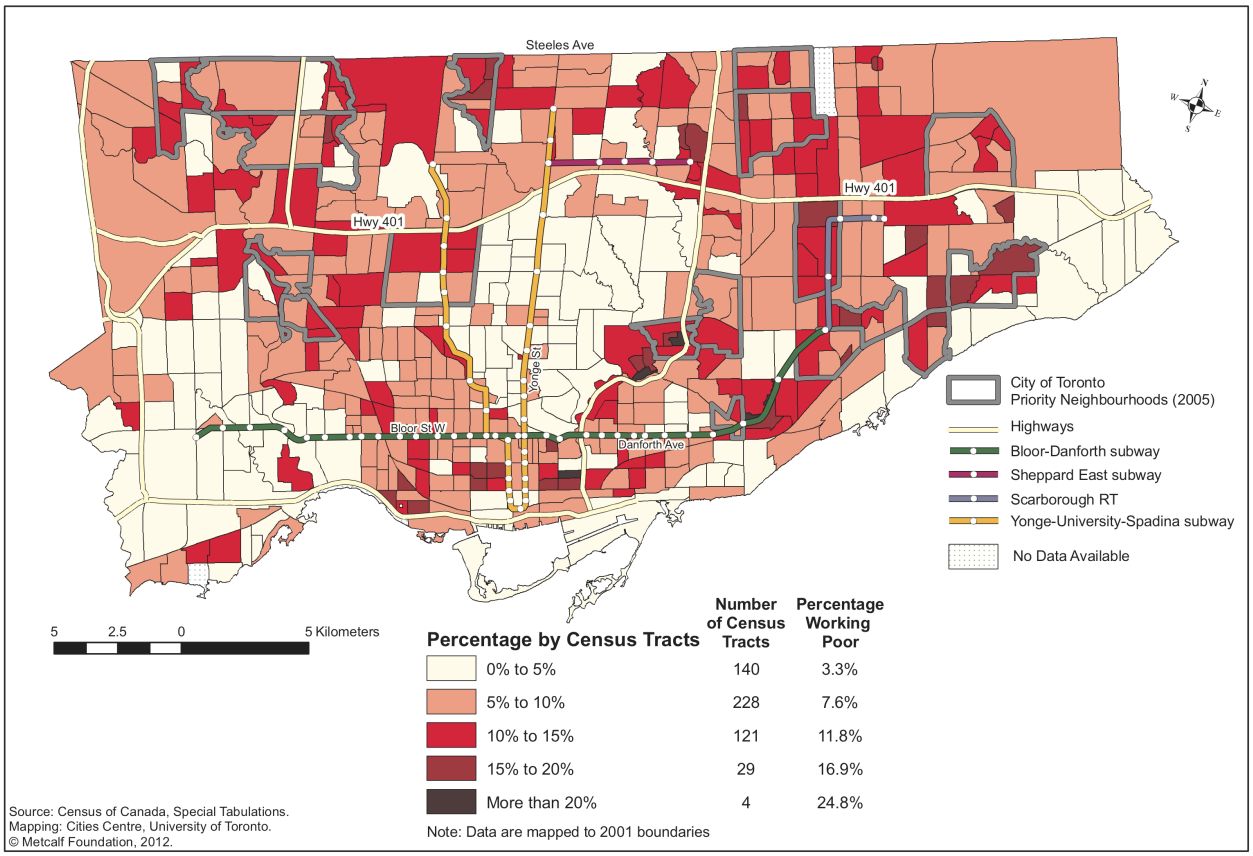
It is important to note that year-over-year differences can be read in two ways. Decreases in working poverty may be viewed as good, while increases may be seen as bad. Yet decreases could also mean that fewer people are working and increases may mean that more people are working. We need further research to better understand these changes.

## Map 3. Percentage of working-poor individuals among the working-age population, city of Toronto, 2000




Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

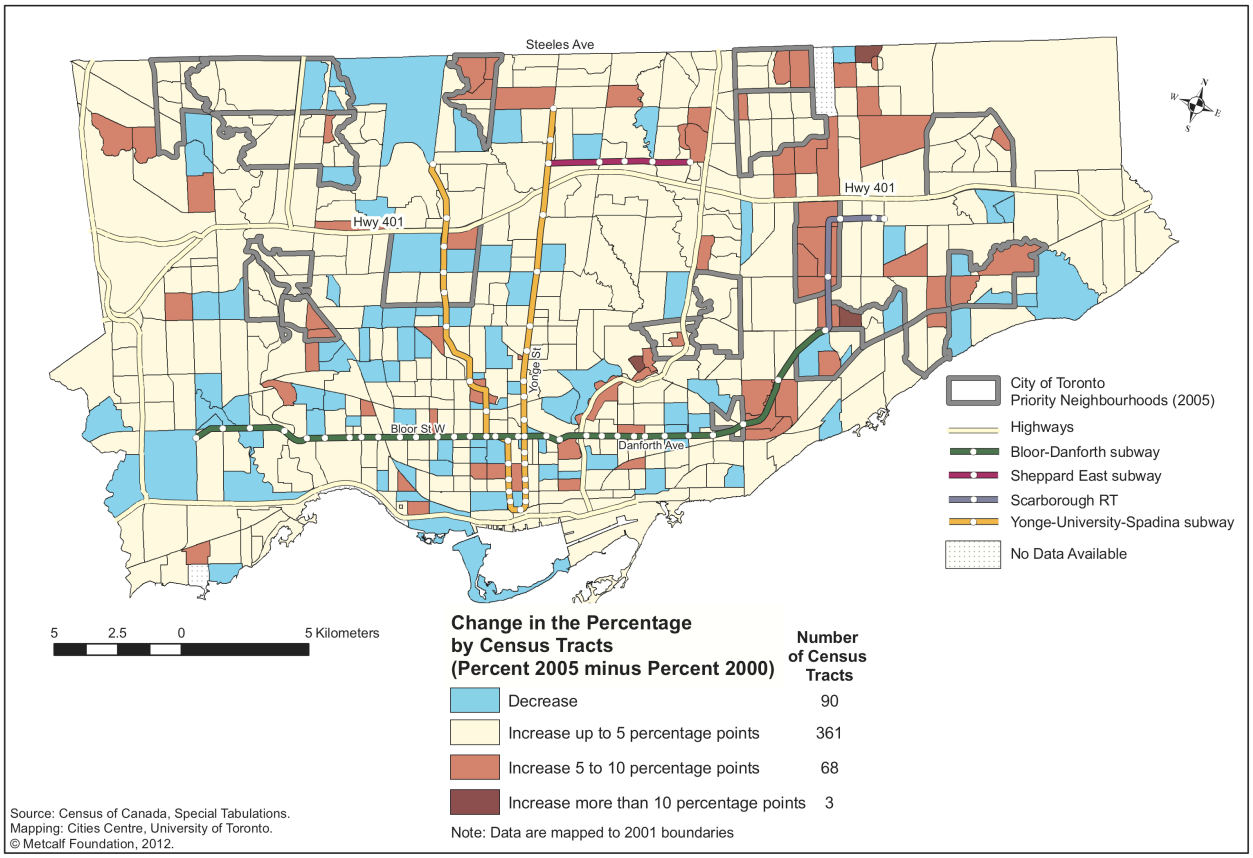
## Map 4. Percentage of working-poor individuals among the working-age population, city of Toronto, 2005




Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

Map 5 shows changes in working poverty concentration over a five-year period. Although increases and decreases are largely in balance overall, far more increases in working poverty occur east of Yonge Street (43 census tracts grew by more than 5 percentage points in the east vs. 28 tracts in the west). More decreases occur west of Yonge Street (63 census tracts west vs. 27 tracts east).

## Map 5. Change in the percentage of the working poor among the working-age population in the city of Toronto, 2000-2005




Sources: (1) Statistics Canada, Survey of Labour and Income Dynamics (SLID); (2) Census of Canada, Special Tabulations

## The working poor, immigration, and high-rises

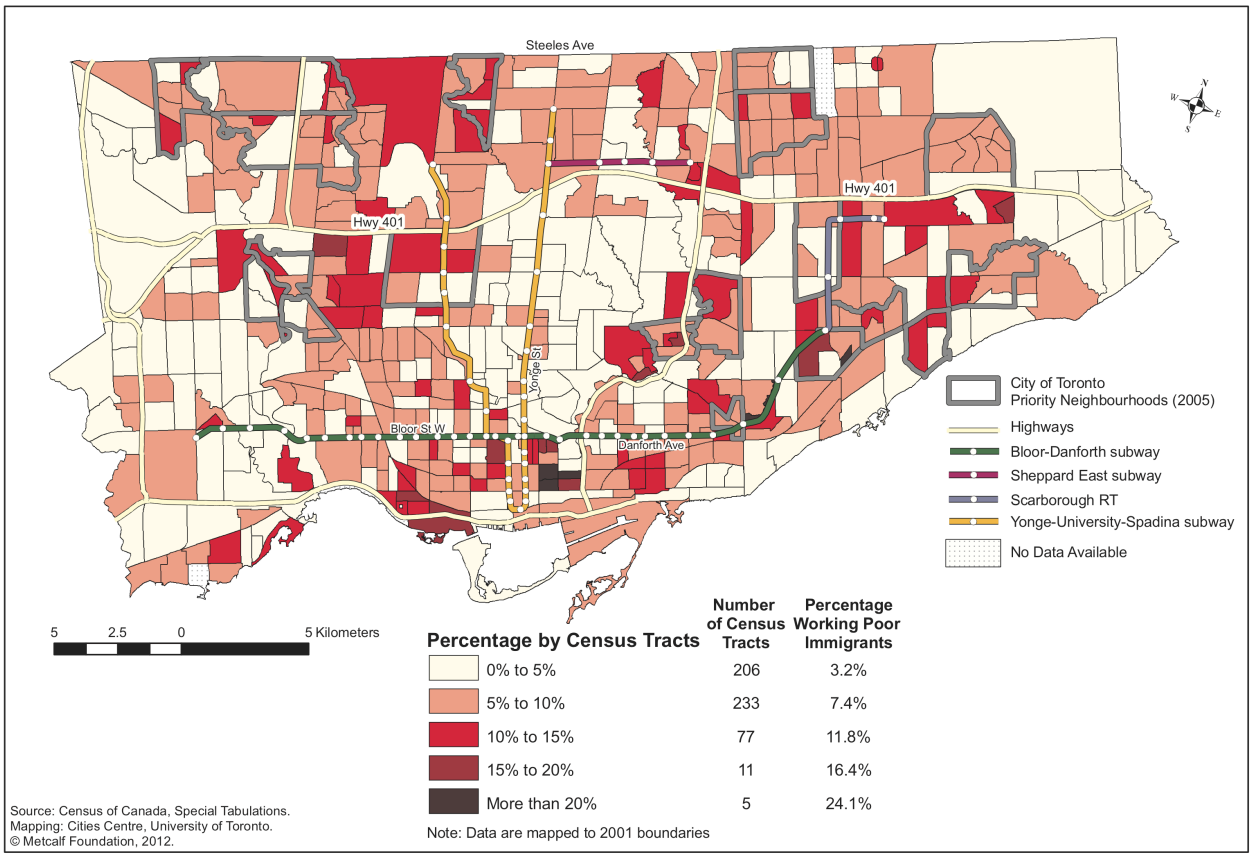
Immigrants are clearly over-represented in the population of working-poor individuals in Toronto. In 2000, the proportion of working-age immigrants who were among the working poor was already quite high (Maps 6 and 7).

The inner suburbs had large portions of working-poor immigrants, along with the traditionally low-income southwest corner of the city, while the city core of the wealthiest Torontonians had a very low incidence of working poverty. In 2005, evidence of an eastern shift is prominent: the proportion of working-poor immigrants begins shifting east to Scarborough.

One reason behind this trend may be the barriers to employment faced by immigrants in the Toronto Region. For example, while many immigrants have high levels of education, they find it difficult to get their foreign credentials recognized by Canadian employers and professional associations.

The inner suburbs are also the location of concentrated poverty in high-rise buildings. The United Way's *Vertical Poverty* report found that just over 70% of people living in private-sector housing in Scarborough, East York, North York, Etobicoke, and York were also working.[25] Despite high rates of employment, more than half of private-sector tenants experienced difficulty paying the rent.[26] This report substantiates our findings of high levels of working-poor people living in the inner suburbs.

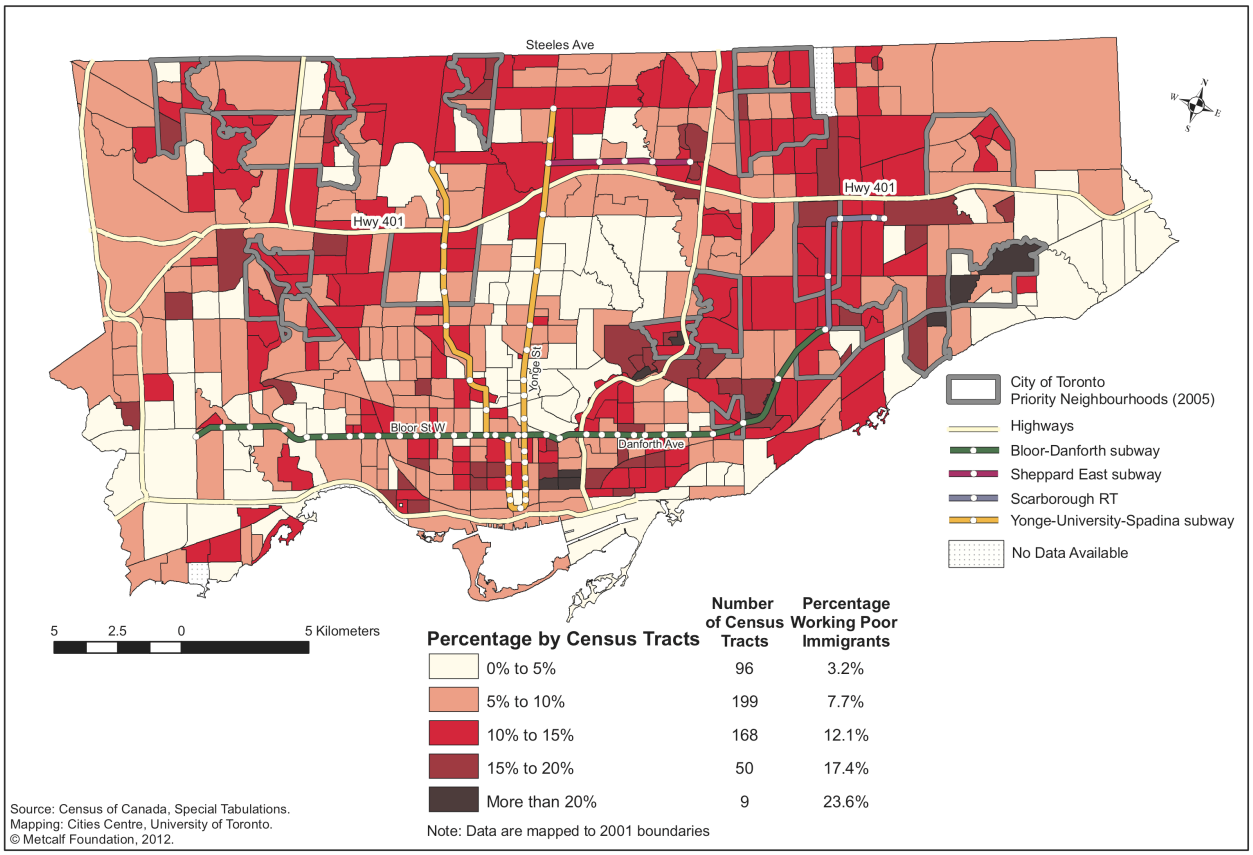
## Map 6. Percentage of working-poor immigrants among working-age immigrants, city of Toronto, 2000




Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

[25] United Way Toronto, Poverty by Postal Code 2: Vertical Poverty: Declining Income, Housing Quality and Community Life in Toronto's Inner Suburban High-Rise Apartments, Toronto: United Way Toronto, 2011, p. 47.
[26] Ibid, p. 48.

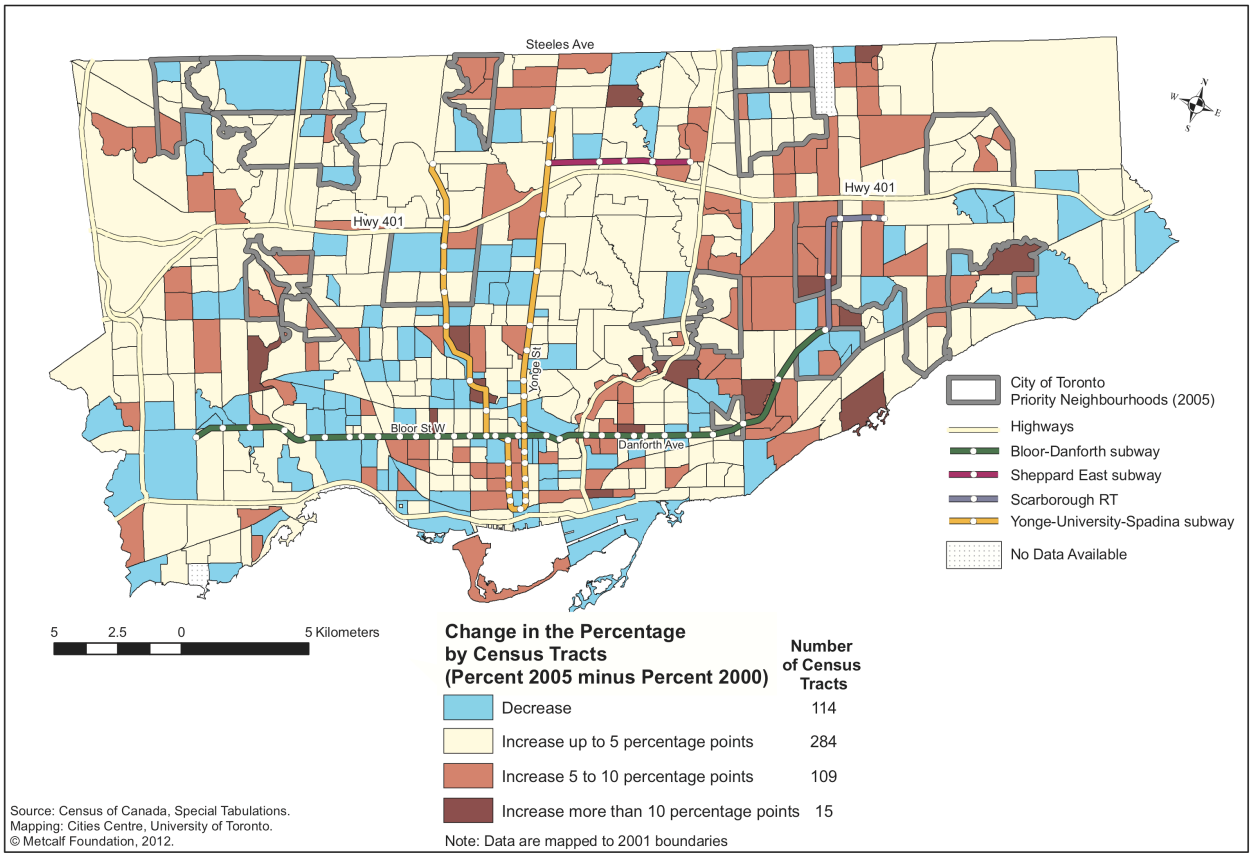
## Map 7. Percentage of working-poor immigrants among working-age immigrants, city of Toronto, 2005




Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

Map 8 shows changes in working poverty concentration among immigrants over a five-year period. Although increases and decreases are largely in balance west of Scarborough, far more increases in working poverty (by more than 10 percentage points) occur east of Yonge Street (11 census tracts east vs. 4 tracts west). More decreases occur west of Yonge Street (68 census tracts west vs. 46 tracts east).

## Map 8. Change in the percentage of working-poor immigrants among working-age immigrants, city of Toronto, 2000-2005




Source: Census of Canada, Special Tabulations. Mapping Cities Centre, University of Toronto

## The *Three Cities* report

*The Three Cities Within Toronto* is a 2010 report prepared by researchers at the University of Toronto's Cities Centre. It documents income changes in the city between 1970 and 2005.[27]

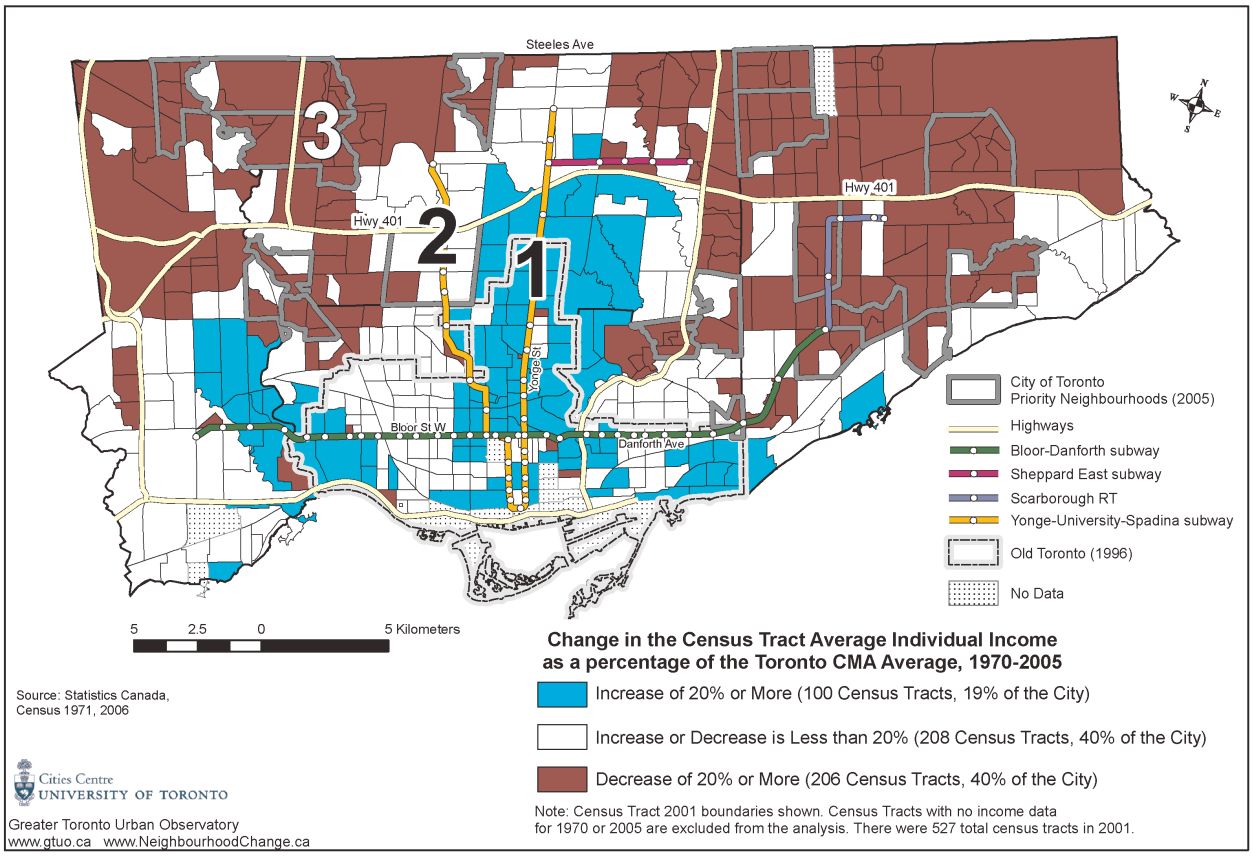
Map 9 is what gave the report its title. It shows the 35-year trend in the average individual income within each census tract. Map 9 presents a picture of

[27] Hulchanski, J. D., *The Three Cities Within Toronto: Income Polarization Among Toronto's Neighbourhoods, 1970-2005*, Toronto: Cities Centre, University of Toronto, 2010.

the growing income gap by comparing average incomes at two points in time: 1970 and 2005. More precisely, it compares the extent to which each census tract average was above or below the Toronto metropolitan area's average individual income, showing the percentage change in each census tract between 1970 and 2005.

In 2005, 40% of the city's census tracts remained more or less the same as they were 35 years earlier. However, 40% were trending downward in average individual income, and 20% were trending upward.

## Map 9. Change in average individual income, city of Toronto, relative to the Toronto CMA, 1970-2005




Source: Statistics Canada, Census of Canada, 1971, 2006. Cities Centre, University of Toronto

The clusters of census tracts on Map 9 comprise the "three cities" within the city of Toronto – an overview of the trends. Instead of a random pattern, we see that Toronto's neighbourhoods (as represented by clusters of census tracts) have begun to consolidate into three geographic groupings. Clusters within which the average income of the population increased by more than 20% on average are designated City #1 on the map.

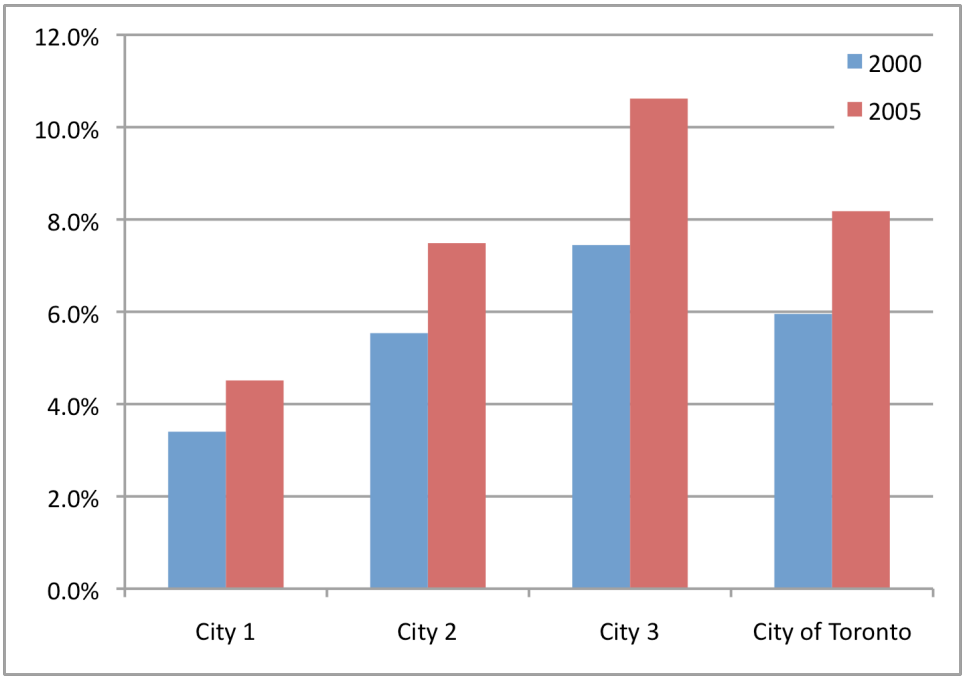
Clusters where there has been little change (that is, in which the average income went up or down by less than 20%) are identified as City #2.

Clusters within which the average income decreased significantly (by 20% or more) are identified as City #3.

Our statistical analysis for this report is consistent with the findings of *The Three Cities*. The pattern of working poverty overlaps with the census tract clusters of concentrated low and very low income (City #3). The percentage of Toronto's working-poor individuals who live in City #3 is more than double that of City#1.

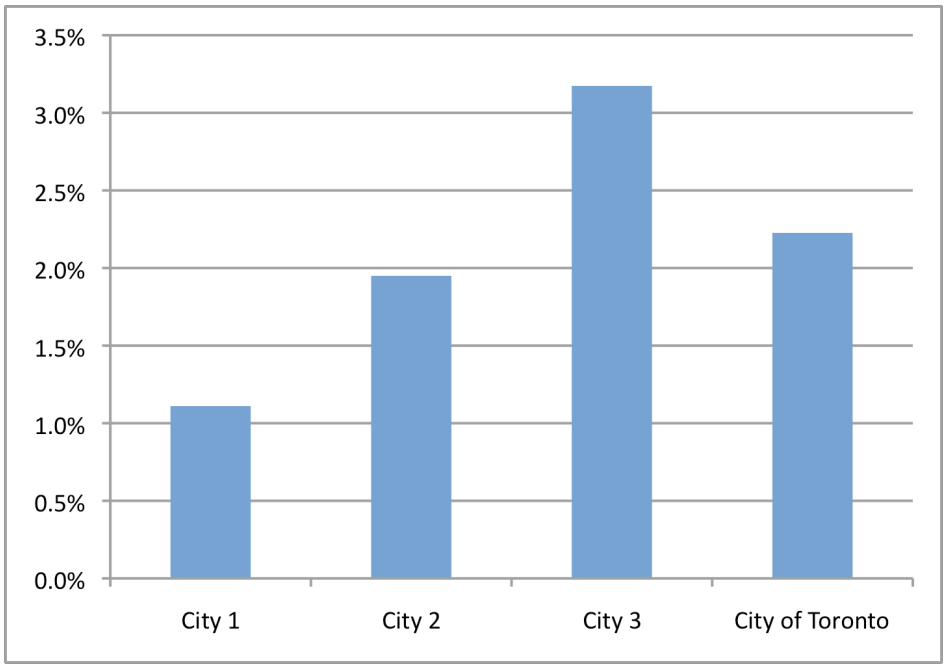
Moreover, Figures 9, 10, and 11 show that the rate of increase in working poverty between 2000 and 2005 is greater in City #3.

Figure 9. Percentage of the working-age population who are working poor, Cities 1, 2, 3, and city of Toronto, 2000-2005



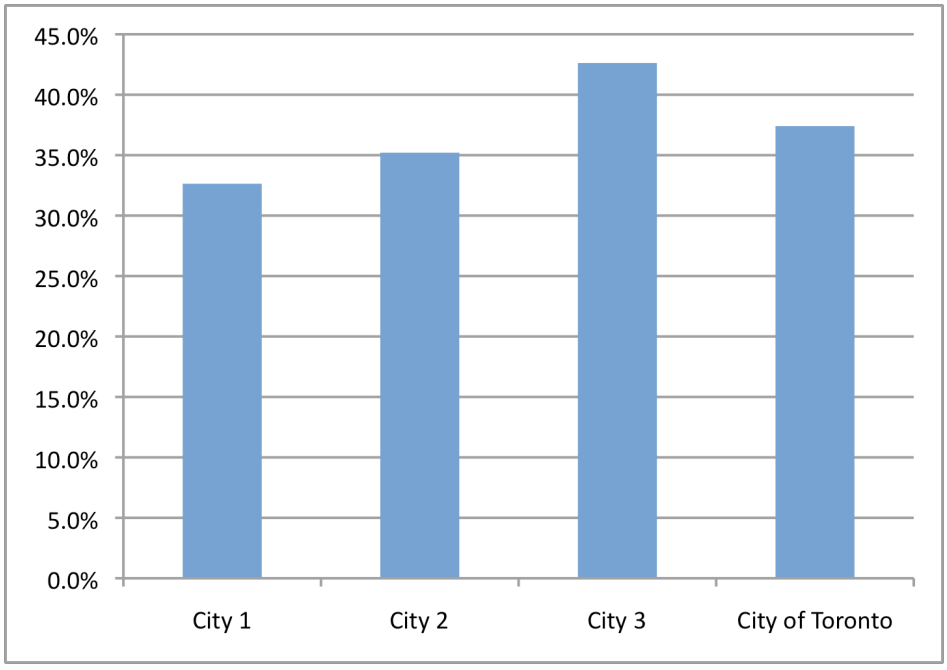

Source: Statistics Canada, Custom Tabulations, census data

Figure 10. Percentage point increase in the working-poor rate, Cities 1, 2, 3, and city of Toronto, 2000-2005




Source: Statistics Canada, Custom Tabulations, census data

Figure 11. Percentage change in the working-poor rate, Cities 1, 2, 3, and city of Toronto, 2000-2005




Source: Statistics Canada, Custom tabulations, Census

## A snapshot of working poverty in the Toronto Region

Our statistical analysis identified the following characteristics of the working poor in the Toronto Region.

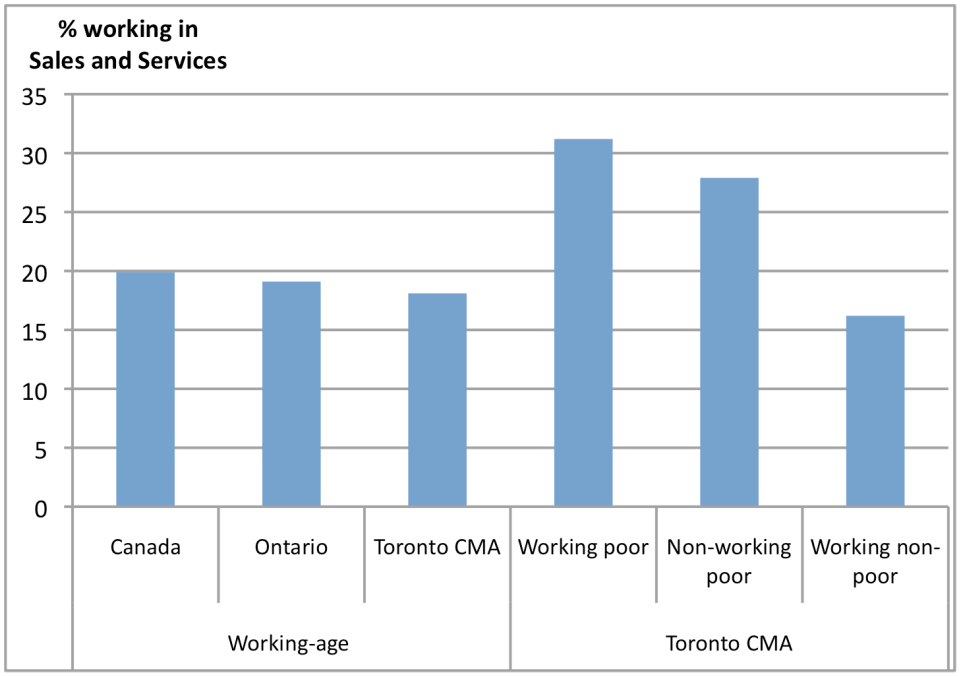
**Sales and service occupations are the most common jobs held by the working poor.**

The Toronto Region has a slightly lower proportion of people working in sales and service than in the rest of Ontario or Canada as a whole. Yet close to one-third of the Toronto Region's working poor are employed in sales and service occupations. This compares to one-fifth for all working-age individuals in the city – almost a doubling proportionately.[28]

Figure 12 compares the percentage of people who work in sales and services:

- in Canada as a whole,
- in Ontario,
- in the Toronto Region (the Toronto Census Metropolitan Area),
- among the working poor,
- among the very marginally employed (the non-working poor), and
- among people who are better off (the working non-poor).

### Figure 12. Percentage of people working in sales and services, 2005




Source: Statistics Canada, Census, 2005, Special Tabulations

[28] This is also 3% higher than the figure for marginally employed people earning $3,000 or less.

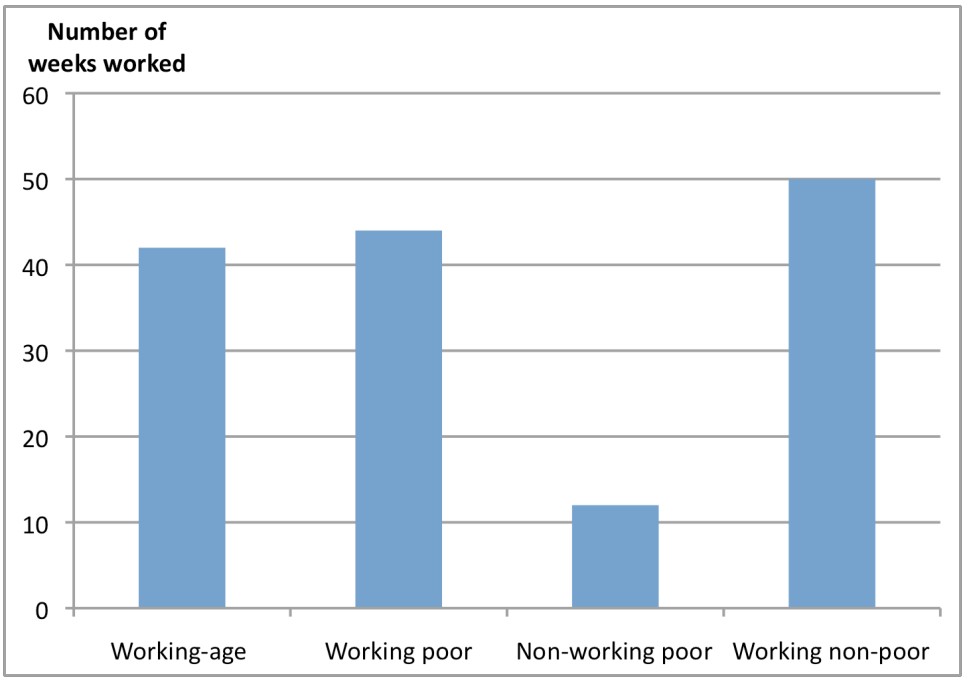
**The working poor work about the same number of hours as other workers and often have more than one job.**

The working poor tend to work a similar number of weeks per year and a similar number of hours per week as the average member of the working-age population.[29] They work about 20% less than workers who are not poor. The working poor have, on average, more sources of income than those who are better off.

Figure 13 compares the number of weeks worked in 2005 for four groups in the Toronto Census Metropolitan Area:

- the working-age population as a whole,
- the working poor,
- among the very marginally employed (the non-working poor), and
- among people who are getter off (the working non-poor).

Figure 13. Number of weeks worked, Toronto Region, 2005




Source: Statistics Canada, Survey of Labour and Income Dynamics, Special Tabulations

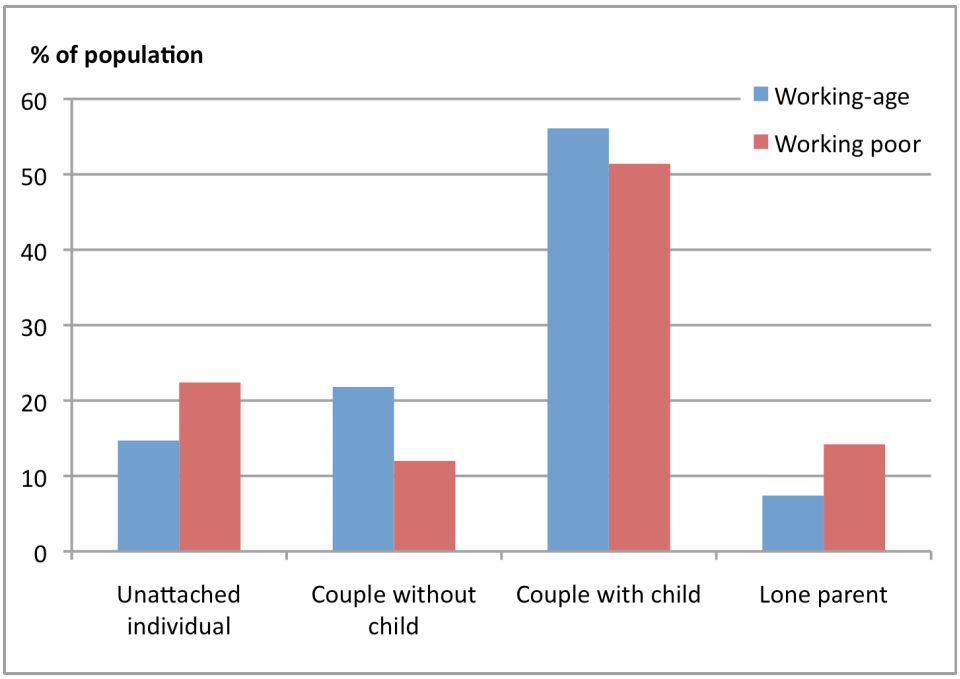
[29] They work three times more than the non-working poor.

**The working poor are more likely to be living without an adult partner than the average for the working-age population.**

Among the working-poor population, only 63% are married or living with a common law partner. This compares to 78% in the entire working-age population. There are proportionally more unattached individuals, lone parents and fewer couples, either with or without children.

Figure 14 compares the family status of working poor people to that of the working-age population in the Toronto Metropolitan Census Area (Toronto Region).

Figure 14. Percentage of working-age and working-poor people by family status, Toronto Region, 2005




Source: Statistics Canada, Census of Canada, Special Tabulations

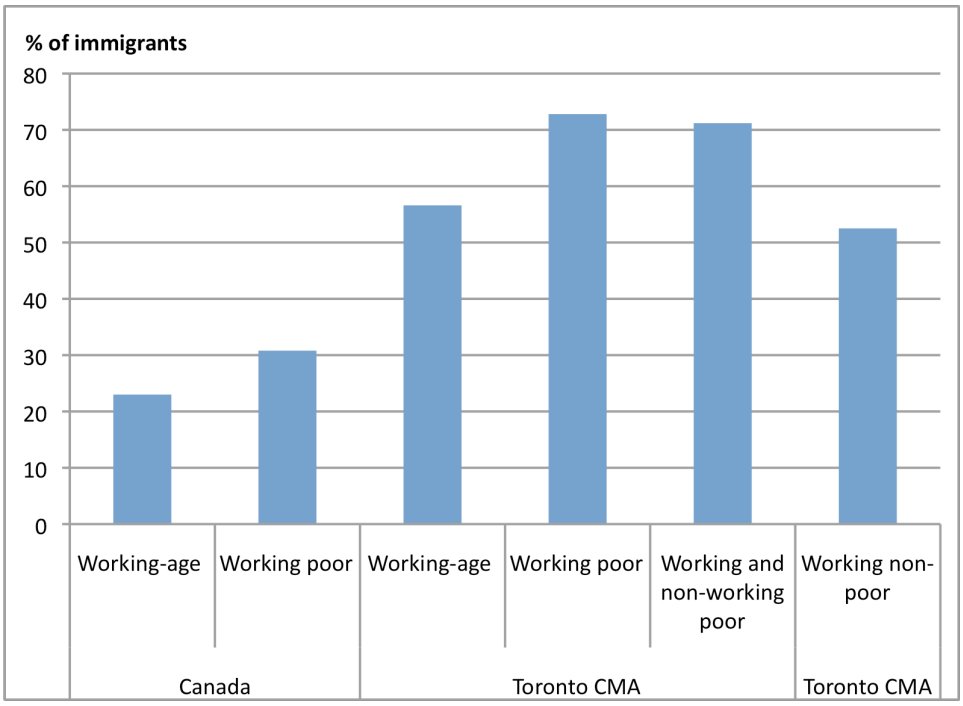
**The working poor include a high proportion of immigrants.**

In Canada in 2005, 23% of the working-age population were immigrants. However, 31% of the working poor were immigrants. The Toronto Census Metropolitan Area (CMA) counts 57% of the working-age population as immigrants. A full 73% of that population are working poor. Low-income status is associated with immigration in both the working and the non-working poor Toronto populations.[30]

Figure 15 compares the proportion of immigrants in the overall working-age population and the working-poor population for Canada and the Toronto Census Metropolitan Area. It also shows the proportion of immigrants in:

- the overall working-age population,
- the combined working and non-working (very marginally employed) poor populations, and
- the better-off working population (the working non-poor).

## Figure 15. Percentage of immigrants among working-age and working-poor individuals, 2005




Source: Statistics Canada, Census of Canada, Special Tabulations

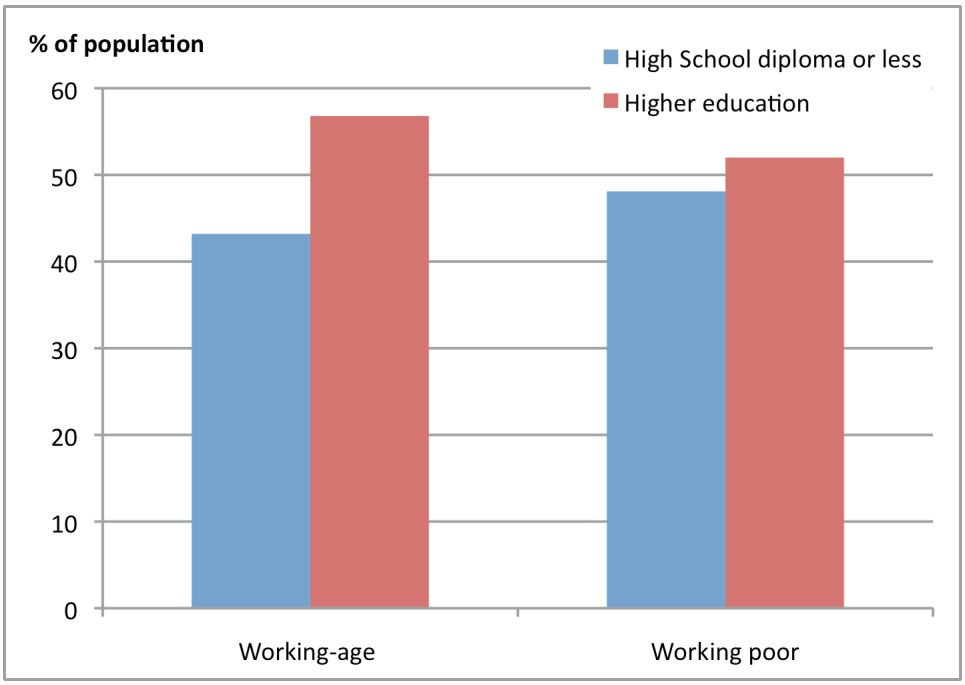
[30] In the Toronto CMA, 71% of the non-working poor and the working poor combined were immigrants. 53% of working people who are not poor are immigrants.

**The working poor have fairly comparable levels of education to those of the general working-age population.**

In Toronto, 43% of those in the working-age population have a high school diploma or less. 57% have some higher education. Among the working poor, 48% have high school or less and 52% have some higher education.

Figure 16 compares the levels of education among the working-age population to those of the working-poor population.

Figure 16. Percentage of working-age and working-poor individuals, by education, Toronto Region, 2005




Source: Statistics Canada, Census of Canada, Special Tabulations

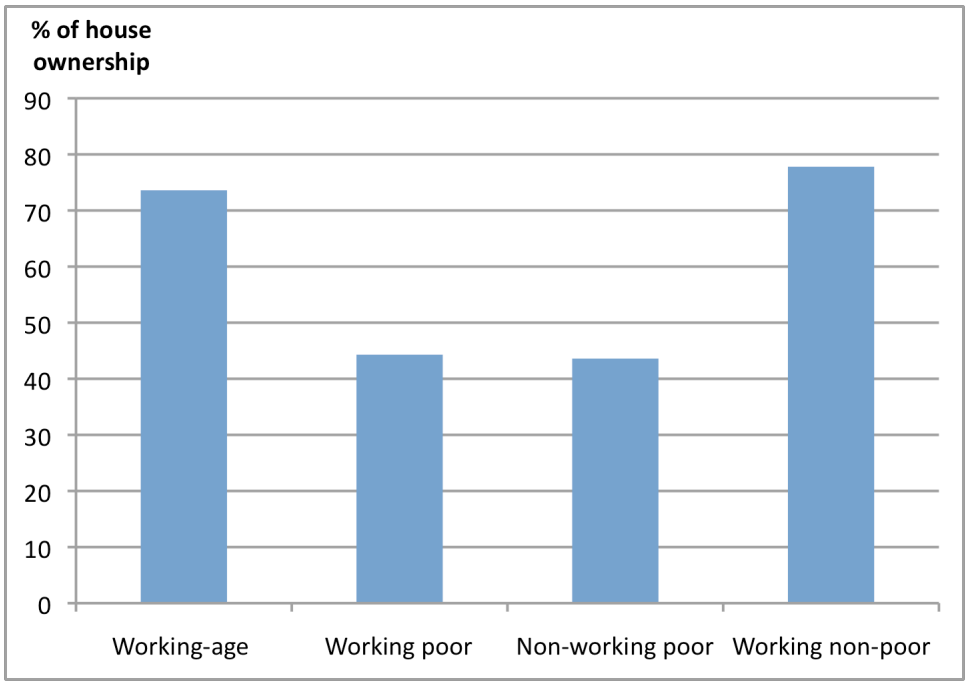
**The working poor are less likely to own their own homes.**

While 74% of the working-age population and 78% of the non-poor workers in the Toronto CMA own their homes, only 44% of the working poor and non-working poor have home ownership.

Figure 17 compares home ownership among four groups:

- the working-age population,
- the working poor,
- the very marginally employed or non-working (the non-working poor), and
- working people who are better off (the working non-poor).

Figure 17. Percentage of home ownership among working-age and working-poor individuals, Toronto Region, 2005



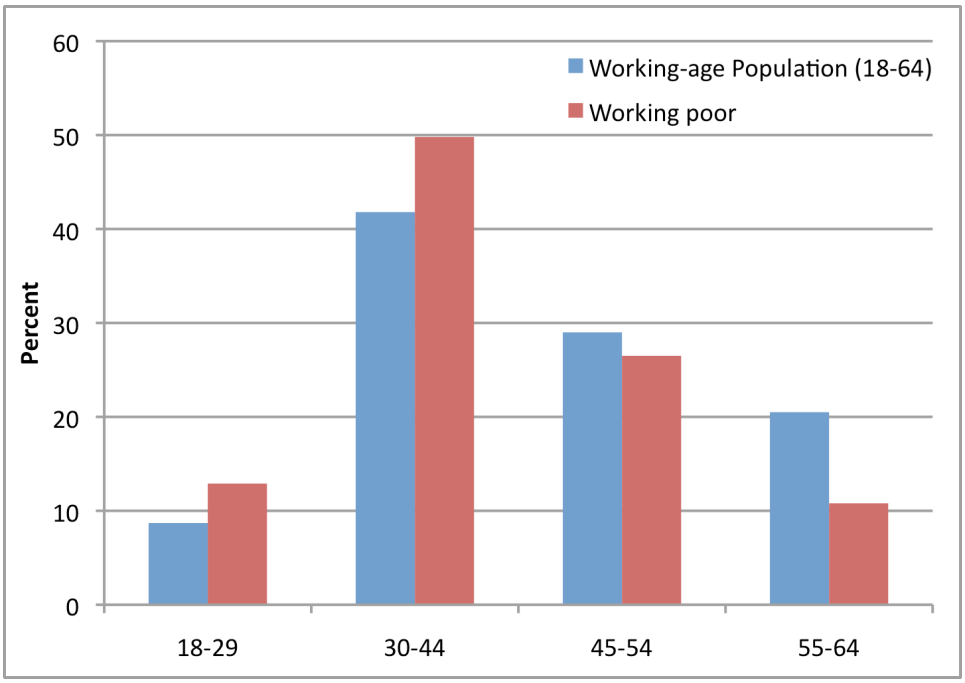

Source: Statistics Canada, Census of Canada, Special Tabulations

**The working poor tend to be younger than the working-age population.**

The working poor are over-represented in the younger age groups and under-represented in the older age groups when compared to the working-age population as a whole. The percent of working-poor individuals in Toronto between the ages of 18 and 29 is 12%, compared to 8% of the working-age population. Further, 63% of working-poor people are between the ages of 18 and 44, compared to 50% of the working-age population.

Figure 18 compares the working-age and working poor populations, broken down by age group.

Figure 18. Percentage of working-age and working-poor individuals, by age, Toronto Region, 2005




Source: Statistics Canada, Census of Canada , Special Tabulations

# Conclusion & Next Steps

The incidence of working poverty in the Toronto Region has not yet been explored in depth. Research has been undertaken on the issues of inequality in the labour market and income inequality in Toronto, but never the two combined.

Research on working poverty in Toronto would help to shed more light on the lives of members of this hidden group and help shape appropriate policies and resources. The following areas of study would help in understanding the situation and needs of this group.

## The income security system and working poverty

In Canada, many programs have been introduced to ensure that the elderly and children do not face poverty. However, these programs do not protect working-poor individuals from poverty. This is a major concern, because the number and proportion of retired people is increasing. All working-age adults, including the working poor, will be expected to bear more and more of the responsibility to work productively and support those who are no longer part of the labour market.

## The structure of the job market and working poverty

Employment and economic growth are commonly understood to be correlated: employment rates often reflect the health of our economy. Yet the issue of what *kind* of growth is occurring is often overlooked. Is wage inequality growing? Is the job growth occurring primarily in precarious or part-time jobs? We can take this opportunity to research whether the way that we structure work is contributing to the rise in working poverty.

## Education and working poverty

A commonly accepted axiom is that attaining higher levels of education is a person's best path to a decent job. When people with college and university degrees are part of the working poor, what does this say about the economic returns people are getting from education? Is higher education contributing to or detracting from a person's ability to use work as a ladder to opportunity?

## Identity and working poverty

Finally, further research into how individual identities interact with the incidence of working poverty would greatly contribute to our understanding of why working poverty is growing in the Toronto Region. Are gender, immigration status, and racialization acting as barriers to people's ability to use work as a way out of poverty? Are particular subgroups such as newcomers or lone mothers over-represented in the working-poor population?

We invite researchers to use this paper as a starting point to uncover more on this increasingly important issue for the Toronto Region.

# Appendix: Data Sources & Methods

## Data sources

### *Survey of Labour and Income Dynamics (SLID)*

Introduced in 1993, the SLID is a comprehensive household survey that contains nationally representative longitudinal data on labour market activity and income for a representative sample of Canadian households and individuals.[31] The sample individuals for the SLID are selected from the monthly Labour Force Survey (LFS), which is based on a stratified, multi-stage design that uses probability sampling.

The information that we collected from the SLID and the Census of Canada for our analysis included:

- workers' demographic characteristics such as age, immigration status, marital status, urban/rural status, family composition, level of education, disability, and homeownership; and
- labour market properties such as full- or part-time status, years of work experience, occupation classification, total number of weeks employed, total hours worked for pay, derived number of sources of income, employment insurance benefits reported, and personal/household income earnings.

### *Census*

We also selected data from the Census of Population for cross-evaluation and geographic mapping purposes. The Census of Canada included a long-form questionnaire for 20% of Canadians. Detailed demographic and labour market characteristics were collected on individuals and households. We examined four geographic levels, which included Canada, Ontario, Toronto CMA and the city of Toronto for both the 2001 and 2006 census years.

The census is conducted in early May of each census year. However, the income data collected actually represents that of the previous calendar year. We have referred to the income reference years (2000, 2005) in this report. However the geographic location of persons was determined in the spring of 2001 and 2006.

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[31] A detailed overview can be found at Statistics Canada. *Survey of Labour and Income Dynamics (SLID) – 2009 Survey Overview*. Ottawa, 2011. Accessed online at http://www.statcan.gc.ca/pub/75f0011x/75f0011x2011001-eng.htm.

We applied two census boundary files, census subdivisions (CSDs) and census tracts (CTs), for our spatial analysis, targeting the Toronto CMA and the city of Toronto. The CTs are the smallest geographic unit defined in the census. From one census year to another, there are some changes in the number of CTs and the boundaries between CTs. For conformity reasons, we employed the 2001 CT definition as a standardized geographic boundary file for both census years.

## Methodology

In this study, we examined data on individuals in the person file. We report all figures for individuals, not households or families. We examined the SLID from 1996 to 2005, and the census data for 2000 and 2005.

The Canadian sample we selected does not include Yukon, Nunavut, and Northwest Territories. Institutional residents, individuals living in collective households, Canadians living outside Canada, and Aboriginal people living on reserves are also dropped. We keep only individuals living in private households in our sample, in an attempt to exclude those who are not in the labour force or those who have very differentiated socio-demographic and economic features from other Canadians.

In Canada, it is challenging to identify and measure working poverty because there is no officially standardized indicator of working individuals and families who live in poverty. Some government organizations and agencies adopt stringent criteria on work levels in order to distinguish workers from non-workers. For example, the Canadian Council on Social Development and the Canadian Policy Research Networks define individuals who work on a full-time, full-year basis or no less than 49 weeks of work, as workers. One consequence of this definition is that a significant number of labour force participants who fall into the bottom of the income distribution are not even considered as part of the working group.

In this report, in order to include these vulnerable segments of the population in the policy and analysis framework, we utilize an alternate and more feasible definition. We classify the working-age population as persons between 18 and 64 years of age, non-students, and living on their own. The age and out-of-school restrictions are meant to keep those young and close to retirement, as well as students who have low labour force participation rates, out of our sample. We also drop individual adults who live with parents and other family members, because they may have access to more family economic resources than the poor do.

We then adopt both the $3,000 Working Income Tax Benefit (WITB) income floor and the Low Income Measure (LIM) as thresholds to define whether a worker is earning a low income. First, we set $3,000 of annual income earnings as an income floor, or equivalently, approximately 300 hours of work based on a

$10 minimum hourly wage. This criterion is employed to separate the working poor population from the poor population that has only very marginal earnings.. Those who have annual earnings of at least $3,000 are defined as being in the working population, and those who earn below $3,000 are grouped with the non-working population.

The Low Income Measure (LIM)[32] is applied as a threshold to determine low-income status for a household and subsequently a person within the household. The LIM methodology was introduced by Statistics Canada in the early 1990s and further revised in 2010. It is widely applied, so our approach is comparable with international conventions. The LIM threshold is calculated according to the following steps.

1. Divide the household income by the household size to get the adjusted income.
2. Assign the adjusted income to each household member.
3. Rank all individuals by their adjusted income.
4. Obtain the median adjusted income from the distribution.

The standard LIM threshold for a household of 'size one' is defined as one-half of the median adjusted income. For households of other sizes, the standard LIM threshold is multiplied by the square root of the household sizes. As such, we define the 'poor' as those individuals whose household incomes fall below the LIM.

We used two LIM measures in this analysis: before-tax and after-tax. The after-tax measure is the preferred measure, as it takes into account the full impact of government programs. However, the 2001 census did not measure taxes and so provides no information on after-tax income. Consequently, when we compared the detailed census results, we used before-tax LIM, which includes most government transfers.

Based on census boundary files, there are 23 CSDs in total for the Toronto CMA,[33] and 527 CTs for the city of Toronto (2001 CT definition). The low-income incidence for each CSD and CT is calculated by dividing the number of the working poor by the total number of the working-age population within the CSD or CT.

To reconcile changes in the CTs, we applied the 2001 CT boundary file to standardize the geographic definition, so that our estimates of low-income incidences at the CT level are comparable across census years. The city of Toronto had three CTs that were subdivided after 2001, each split into two CTs. We would assign the single old CT code to the new split CTs, and calculate the

[32] A description of the calculation of the LIM can be found in Murphy et al, 2010.
[33] The CSD "Chippewas of Georgina Island First Nation" was excluded according to our sample restrictions.

low-income incidence based on the combined working-age population and the working poor of those two split CTs.

We then adopted mapping techniques to visualize the spatial distribution and the moving trends of the working poor in the Toronto CMA at the CSD level, and in the city of Toronto at the CT level.

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**Who they are, where they live, and how trends are changing**
Toronto: February 2012

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**ISBN # 978-0-9808981-4-9**

**Published by:**
George Cedric Metcalf Charitable Foundation
174 Avenue Road
Toronto, Ontario M5R 2J1

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