

Fact Sheet #1

Rising costs of living are a perpetual struggle for low-income families

Four years after the recession, the economic recovery remains modest. In the face of stagnant incomes, Canadians continue to work hard to keep up with rising costs of basic goods and services. Rapid globalization and increased trade have driven down the cost of some goods and services like electronics and clothing. At the same time, these economic forces fuel the destruction of middle-income jobs, swelling the ranks of low-wage workers and the unemployed, and thereby creating higher levels of income inequality in Canada. Too often, poor and modest-income families face untenable choices – buy food or heat the home, feed the children or pay the rent.

Shelter and transportation are the most expensive budget items

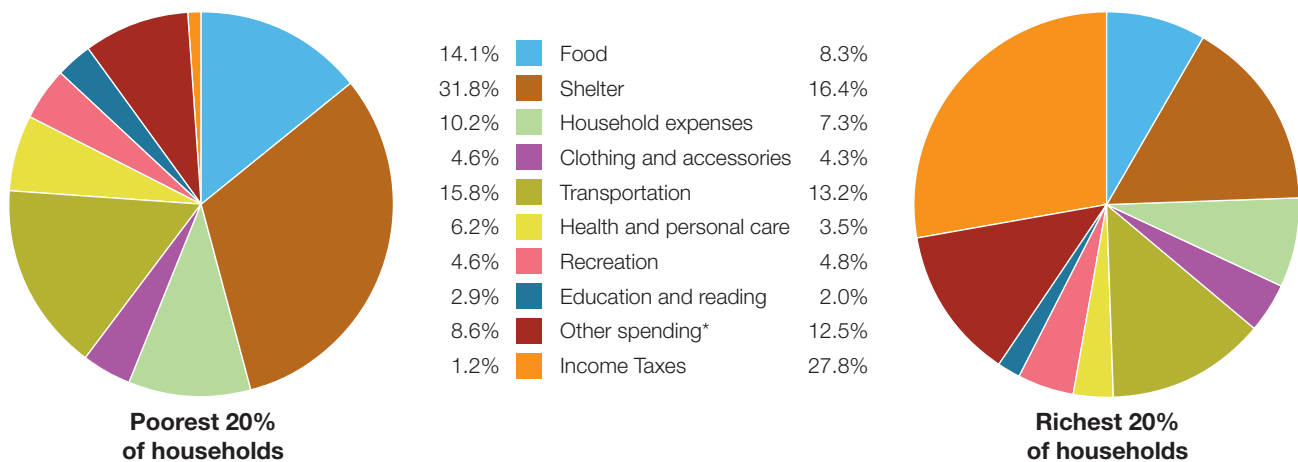
- Statistics Canada’s new Survey of Household Spending (SHS) provides an important snapshot of spending patterns. Altogether, average spending among all households (including individuals and families) totalled \$73,457 in 2011, up 3.1% over 2010. Three-quarters of this amount (75.1%) was spent on goods and services, while an average of 16.7% was dedicated to income taxes.⁴ (Please see the Appendix for more information on the SHS.)
- On average, food, shelter, and clothing accounted for just over one-third (35.9%) of household spending at 10.6%, 20.7%, and 4.6%, respectively. Transportation represented 15.3% of the average household budget.

Rising food and energy costs are driving changes in the cost of living

- Higher food and energy prices have driven up the cost of living in the past few years. Food prices have exceeded average inflation in last four out of five years. And with the exception of 2009, rising gas prices and maintenance costs have increased the price of transportation.⁵
- Similarly, higher tuition and schooling fees (from kindergarten through to post-secondary) are behind higher household expenditures on education. Over the last 12 years, the cost of education has grown by an average of 4.0% annually.⁶

Poor households spend more of their income on basic needs

Distribution of spending among households at the top and bottom of the income ladder, 2012



Source: Statistics Canada, 2011 Survey of Household Spending, CANSIM Table 203-0022

* Including insurance and pension contributions, alcohol and tobacco, gifts of money, miscellaneous spending, and games of chance. Note: For a list of expenditure categories and definitions, please see the Appendix.

Among poor households, the high cost of shelter crowds out other essential spending

- The spending disparity between Canada's richest and poorest households is commonly referred to as the affordability gap and speaks to the tendency among poor households to forego certain purchases that might otherwise be considered essential.⁷
- In particular, the high cost of food and shelter seriously limits poor households' ability to afford other basic goods and services. In 2011, the poorest 20% of households spent one-third (31.8%) of their total incomes on shelter, while shelter represented only one-sixth of the incomes of the richest 20%.⁸
- According to the 2011 Survey of Household Spending, poor households are much less likely than wealthy households to purchase goods and services such as dental care, child care, and post-secondary education, or to own computers or cell phones. And, they are much more likely to cut back spending on the purchase of food and health care.⁹ (See Table: Average Expenditures by Quintiles, p. 17.)

Wage gains are failing to keep pace with rising prices

- Between 2008 and 2011, consumer prices rose by 5.1%.(footnote 10). But the average earnings of Canadian workers actually fell over this period by 1.2%, while the earnings of full-time, full-year workers were down by 0.5%.¹¹
- Low-wage workers are in a particularly difficult position as their incomes fall well short of what is needed to purchase nutritious food, shelter, and other basic necessities of life.¹²
- Minimum wages, for example, are currently set at roughly 35% to 50% of the provincial average hourly wage – typically above the after-tax low income cut-off threshold for a single person in most provinces, but considerably below the threshold for a family.¹³
- For many middle- and lower-income households, yearly expenditures exceed annual income. When this happens, families must either borrow and/ or dispose of assets to make up the shortfall. The massive run-up in Canadians' debt-to-income ratio in recent years forecasts serious problems ahead.¹⁴

Minimum Wage and Average Hourly Earnings, by Province, 2008 and 2012

	2008		2012	
	Minimum Wage (\$)	Average Hourly Wages (\$)	Minimum Wage (\$)	Average Hourly Wages (\$)
Newfoundland and Labrador	8.00	18.84	10.00	23.09
Prince Edward Island	7.75	16.98	10.00	19.79
Nova Scotia	8.10	18.14	10.00	20.90
New Brunswick	7.75	17.81	10.00	20.02
Quebec	8.50	20.01	9.90	22.18
Ontario	8.75	22.13	10.25	24.22
Manitoba	8.50	19.27	10.25	21.36
Saskatchewan	8.25	20.35	10.00	24.11
Alberta	8.40	23.68	9.75	26.70
British Columbia	8.00	21.41	10.25	23.58

Source: Labour Canada (2013), Minimum Wage Database; Statistics Canada. Table 282-0070 - Labour force survey estimates (LFS), wages of employees by type of work, National Occupational Classification for Statistics (NOC-S), sex and age group, annual