



**Citizens for Public Justice**

#501-309 Cooper Street  
Ottawa, ON K2P 0G5

**T:** 1-800-667-8046

**F:** 613-232-1275

**E:** cpj@cpj.ca

**W:** www.cpj.ca

REPORT AUTHOR:

**Chandra Pasma**

*Policy analyst*

RESEARCH ASSISTANT:

**Rebekah Sears**

*Public Justice Intern*

# BEARING THE BRUNT: How the 2008-2009 Recession Created Poverty for Canadian Families

THE 2008-2009 RECESSION created poverty and economic insecurity for Canadian families. While we have to wait until 2011 for most published measures of poverty to show the recession's impact, there are a number of key economic indicators that already show the trends of increased poverty and economic insecurity throughout the recession. This report by Citizens for Public Justice (with funding from World Vision Canada) reveals the significant increase in poverty caused by the recession and the impact on Canadian families.

Evidence from the last two recessions demonstrates that recessions can have a long-term detrimental impact on the poverty rate and the well-being of low income Canadians. Unless we are aware of the 2008-2009 recession's impact, Canadians and our governments cannot take action now to prevent this scenario from repeating itself. Our poverty trend analysis therefore provides an important and timely consideration of the recession's impact.

Between 2007 and 2009, there was a significant increase in the poverty rate and the child poverty rate. This increase mirrored the considerable rise in unemployment, caused by the recession. The number of EI recipients increased, but so did the number of unemployed Canadians *not* receiving EI benefits. In fact, despite the steep plummet in em-

ployment, the rate of EI coverage only increased to 51%. This meant that social assistance had to fill in the gaps created by EI, leading to mounting welfare caseloads.

Those in low wage jobs who were most vulnerable before the recession began were the most likely to lose their job, but those lucky enough to keep their job or find a new job were not untouched by the recession as the proportion of precarious jobs increased.

While Canadians were feeling the pinch on household income, food and rent increased significantly more than inflation in 2009. The result was a large growth in the number of bankruptcies and the number of food bank users.



# Poverty and child poverty rate

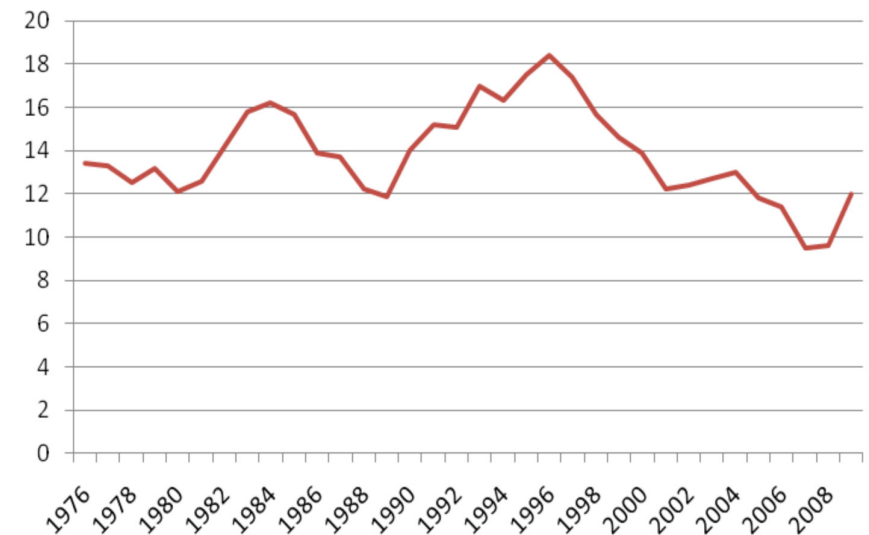
- ▶ Our trend analysis projects that the poverty rate increased from 9.2% in 2007 to 11.7% in 2009.
- ▶ This is an increase of over 900,000 poor Canadians, from 3 million in 2007 to 3.9 million in 2009.
- ▶ After the last recession, it took 14 years for the poverty rate to return to its pre-recession level.
- ▶ Without a poverty elimination strategy, the poverty rate in Canada will continue to rise and fall with the economic cycle. It will take a concerted effort to eradicate poverty in Canada.

- ▶ Families with young children were significantly impacted by the recession.
- ▶ Our trend analysis projects that the child poverty rate increased from 9.5% in 2007 to at least 12% in 2009.
- ▶ This is an increase of 160,000 children living in poverty, from 637,000 children in 2007 to at least 797,000 children in 2009.

*Poverty Rate in Canada 1976–2009 (after-tax LICO)*



*Child Poverty Rate in Canada 1976–2009 (after-tax LICO)*



# Unemployment and Employment Insurance

## Unemployment

- ▶ Job losses during the recession disproportionately affected those most economically vulnerable, as 1 in 4 workers making \$10 an hour or less lost their job.
- ▶ After the last recession, the improvement in employment was interrupted after 6 months. We should not assume that the growth in employment of the last few months will continue uninterrupted this time.
- ▶ It took almost 8 years after the last recession for unemployment to decline to its pre-recession rate. Without a concerted government effort, it could take years for unemployment and poverty in Canada to decline to their 2008 rate.

## Employment Insurance

- ▶ The recession revealed the inadequacy of EI as a social safety net.
- ▶ Despite a rise in EI coverage, almost half of the unemployed did not receive benefits.
- ▶ Canadians who did receive EI benefits were living in poverty unless they had another household source of income.
- ▶ As many as 500,000 Canadians have exhausted their EI benefits without finding new work.

## Employment and income

- ▶ The recession increased the rate of precarious work, as part-time jobs replaced full-time jobs, and temporary jobs replaced permanent jobs.
- ▶ Growth in average earnings for part-time workers did not keep pace with inflation.
- ▶ Recessions increase the income gap between high income and low income Canadians. The poorest Canadians lose more of their income during a recession, and do not recover at the same rate between recessions.

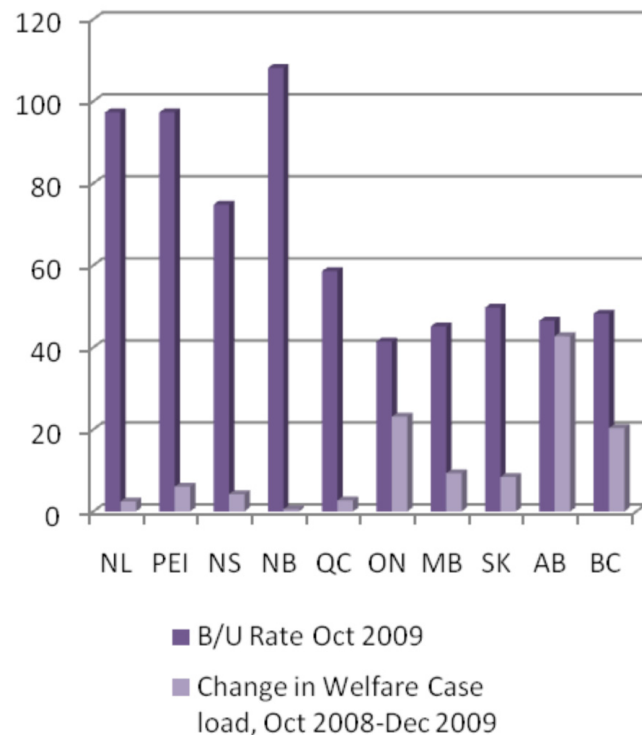


# Social assistance

- ▶ Social assistance had to fill in the gaps created by an inadequate EI system.
- ▶ Welfare caseloads increased the most in provinces with low rates of EI coverage.

- ▶ The recession caused an increase in welfare caseloads in all 10 provinces.
- ▶ Unfortunately, the social assistance caseload hasn't even peaked yet: 8 provinces saw their highest 2009 caseload in December; 7 already showed an increase in caseload for January 2010.
- ▶ Canadians living on social assistance are living in poverty.

*Beneficiaries/Unemployed Rate, October 2009, and Change in Welfare Caseload, October 2008 to December 2009 by Province*



*Change in Social Assistance Caseloads During the Recession*

	Caseload Oct. 2008	Caseload Dec. 2009	% Change	Peak Month in 2009
<b>Newfoundland and Labrador</b>	24,208	24,781	2.4	December 24,781
<b>Prince Edward Island</b>	3,401	3,606	6.0	December 3,606
<b>Nova Scotia</b>	26,763	27,894	4.2	December 27,894
<b>New Brunswick</b>	22,879	22,997	0.5	May 23,358
<b>Quebec</b>	326,075	335,070	2.7	March 335,284
<b>Ontario</b>	195,421	240,579	23.1	December 240,579
<b>Manitoba</b>	30,766	33,632	9.3	December 33,632
<b>Saskatchewan</b>	23,941	25,962	8.4	December 25,962
<b>Alberta*</b>	n/a	38,230	42.7	December 38,230
<b>British Columbia</b>	108,333	130,341	20.3	December 130,341

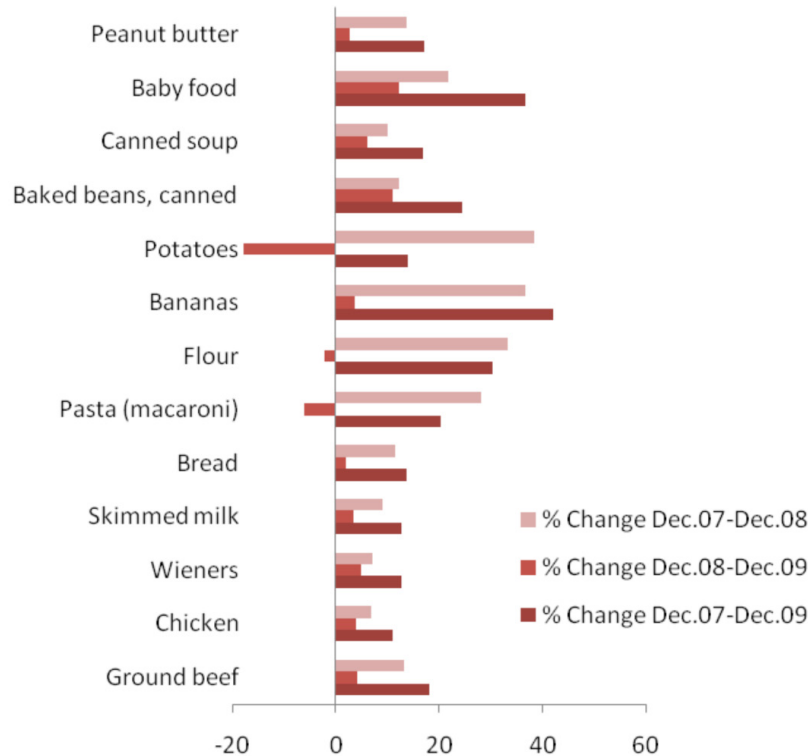
\* Alberta does not publish monthly data, but does provide data on the increase over October 2008, as well as the peak month during the recession.

# Cost of living

## Rising food costs

- ▶ Food prices increased at a far greater rate than inflation in 2009, jumping 4.9% compared to the core inflation rate of 0.3%.
- ▶ The price of 13 basic dietary staples increased more than 10% between December 2007 and December 2009. Flour, bananas, baked beans and baby food increased more than 20%.

*Change in Price for Basic Food Items,  
December 2007 – December 2009*



## Rising shelter costs

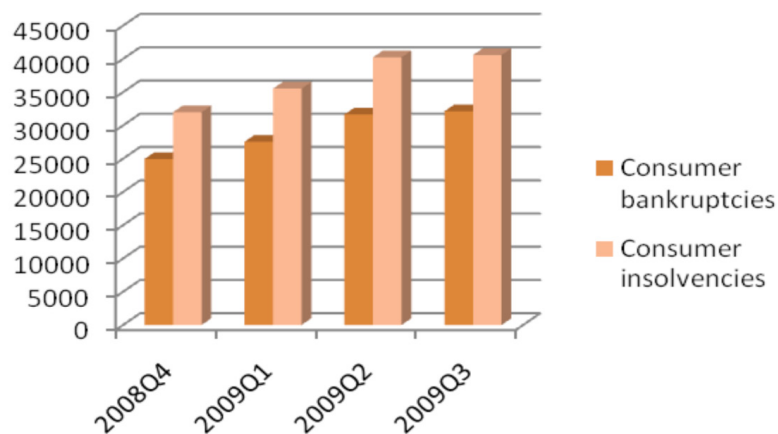
- ▶ The average rent for a two-bedroom apartment rose 2.3% between October 2008 and October 2009, compared to inflation of 0.1% over the same period.
- ▶ Rental affordability declined in 11 major urban centres in Canada.



# Effects of the recession

- ▶ The effects of the recession can be seen in rising debtloads, a growing number of bankruptcies, and skyrocketing food bank use.
- ▶ Average debt per household grew 5.7% between the third quarter of 2008 and the third quarter of 2009.
- ▶ Between the end of September 2008 and the end of September 2009, the number of bankruptcies in Canada rose 36.4%.
- ▶ In 2009, there were nearly 36,000 more consumer insolvencies than in 2008.

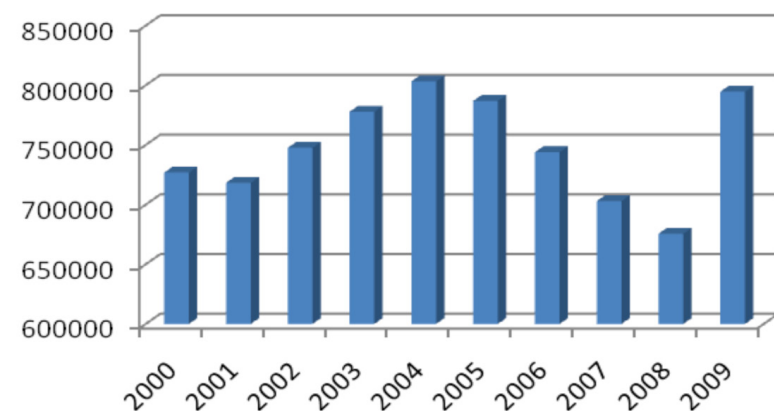
*Consumer Bankruptcies and Insolvencies, 2008 Q3–2009 Q3*



## Food bank use

- ▶ The number of Canadians using a food bank jumped 18% in 2009, the largest year-over-year increase on record.
- ▶ The number of food bank users is close to the record set in 2004, meaning the gains of the past 5 years have been totally undone.
- ▶ Given the economic outlook, it is likely that the number of food bank users will decline very slowly in coming years.

*Food Bank Users, 2000–2009*



IT IS CLEAR FROM THESE TRENDS that the recession's impact is still being felt by far too many Canadian families. To make recovery a reality for these families, we need action to reduce and eventually eliminate poverty in Canada.

- ▶ To join the call for a federal plan for poverty elimination, sign on to **Dignity for All: The Campaign for a Poverty-Free Canada** at [www.dignityforall.ca](http://www.dignityforall.ca)
- ▶ For more information, read *Bearing the Brunt: How the 2008-2009 Recession Created Poverty for Canadian Families* at [www.cpj.ca/bearingthebrunt](http://www.cpj.ca/bearingthebrunt)