

Poverty vs. vulnerability: Insights into Canada's middle class

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Financial Vulnerabilities Panel

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Background

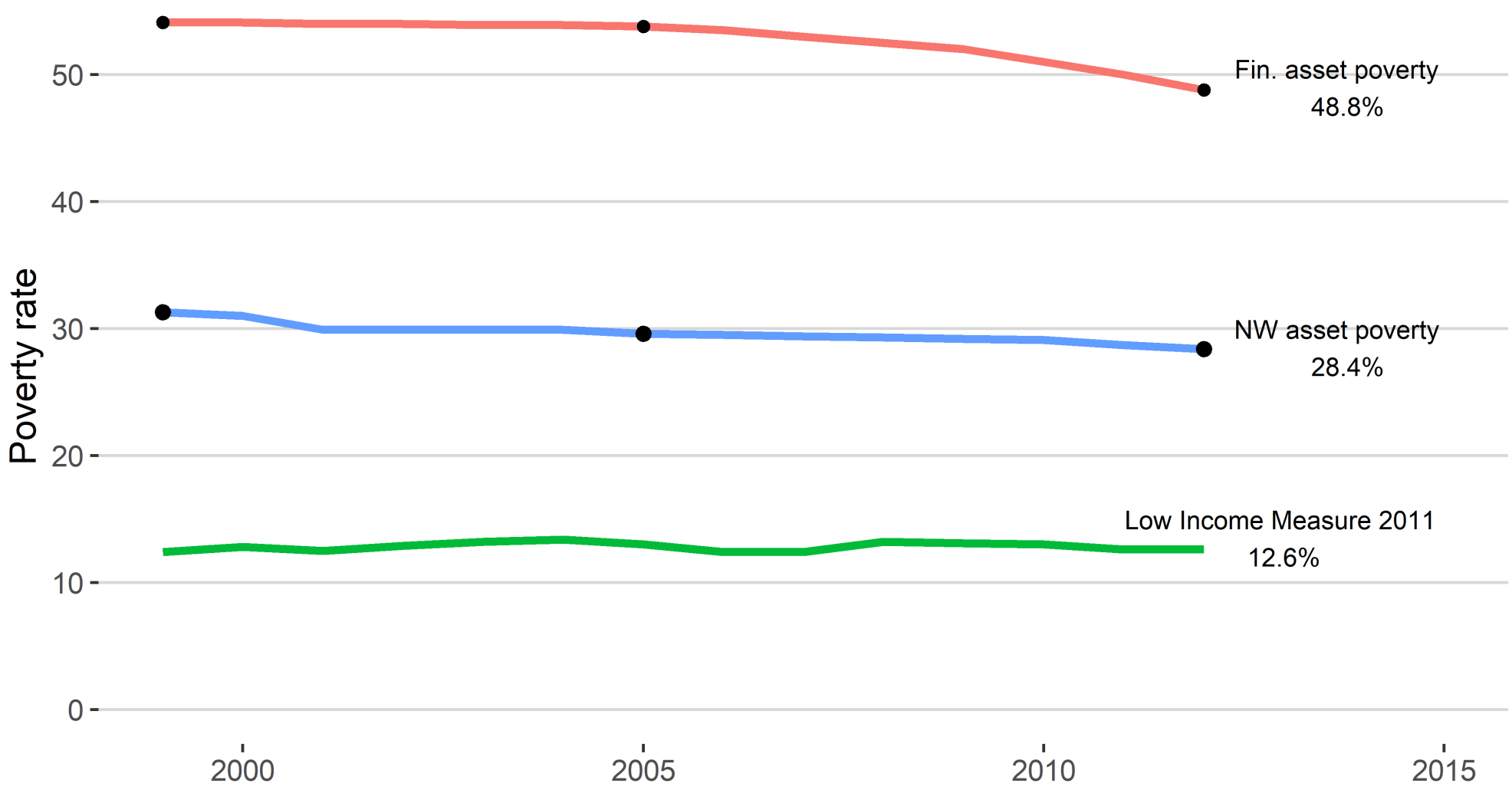
- Concept of poverty is longstanding and so are the debates to measure it
- Basic idea: insufficient resources to make ends meet for a certain period of time
- OECD measures various poverty indicators such as income and assets
- Canada now has official measure and reduction strategy

Middle class

“Across the country, a strong and growing middle class is driving economic growth, creating new jobs and more opportunities for everyone to succeed. While there is more work to be done to ensure that every Canadian has a real and fair chance at success, real progress has been made.” Bill Morneau, Minister of Finance

Link – Is the middle class vulnerable? How so?

Isolated indicators of vulnerability





Income
poverty



Asset
poverty

Questions

- What can the intersection of income and assets tell us about financial vulnerability?
 - Joint income and asset poor
- How has the joint distribution of income / asset poverty changed over time?
- What are the trends among the Middle?
 - Middle income
 - Working class

Methods

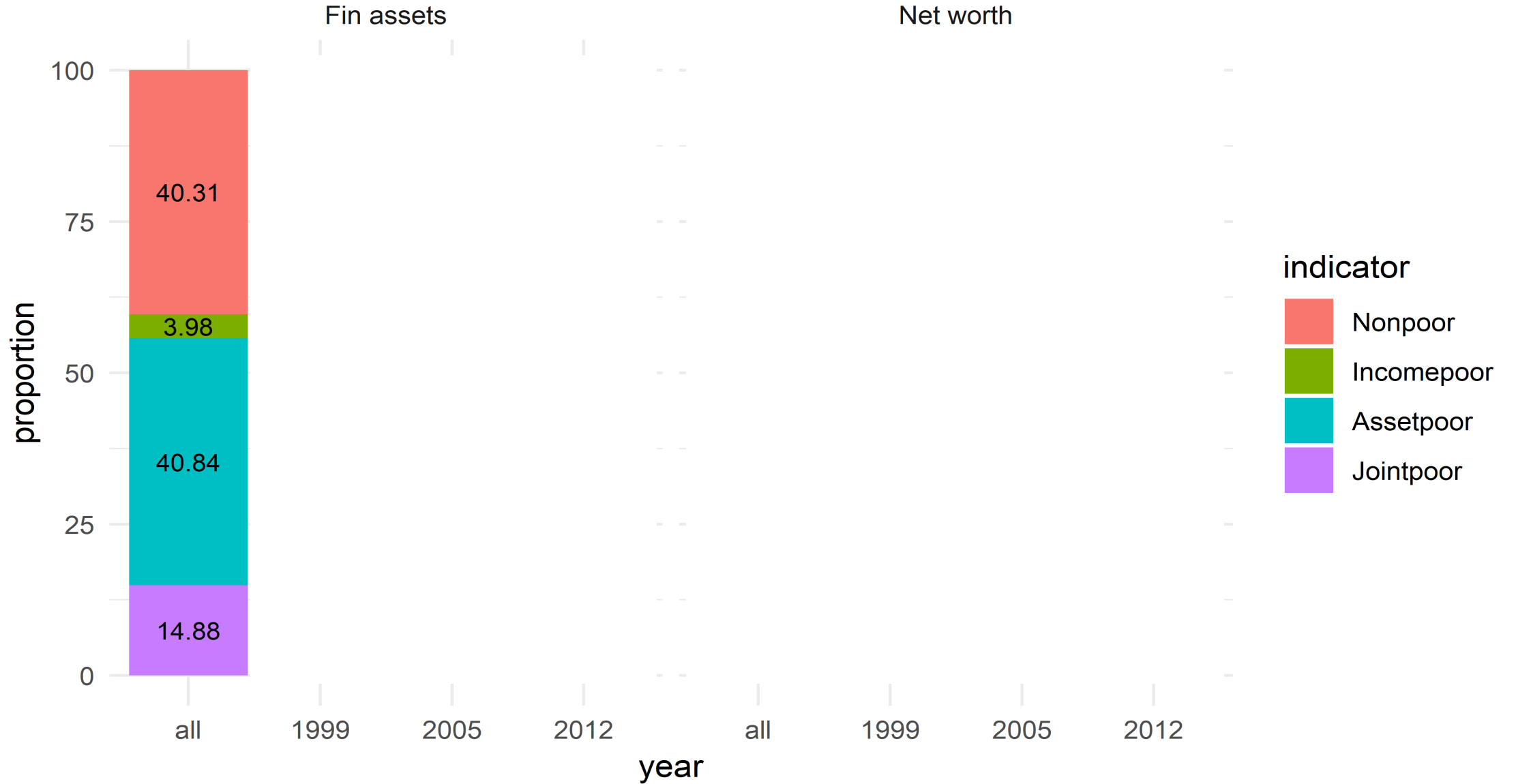
- Survey of Financial Security (SFS) 1999, 2005, 2012 from the Luxembourg Wealth Study (LWS)
- Income poverty = relative Low Income Measure (LIM), 50% median equivalized hh income (Market Basket Measure (MBM) / official poverty not possible)
- Asset poverty = 3 months LIM threshold. Equivalized financial assets and net worth. E.g., \$24,000
- Joint income and asset poverty
- Households unit of analysis
- Survey weights

	Asset poor (1)	Asset nonpoor (0)
Income poor (1)	1,1	1,0
Income nonpoor (0)	0,1	0,0

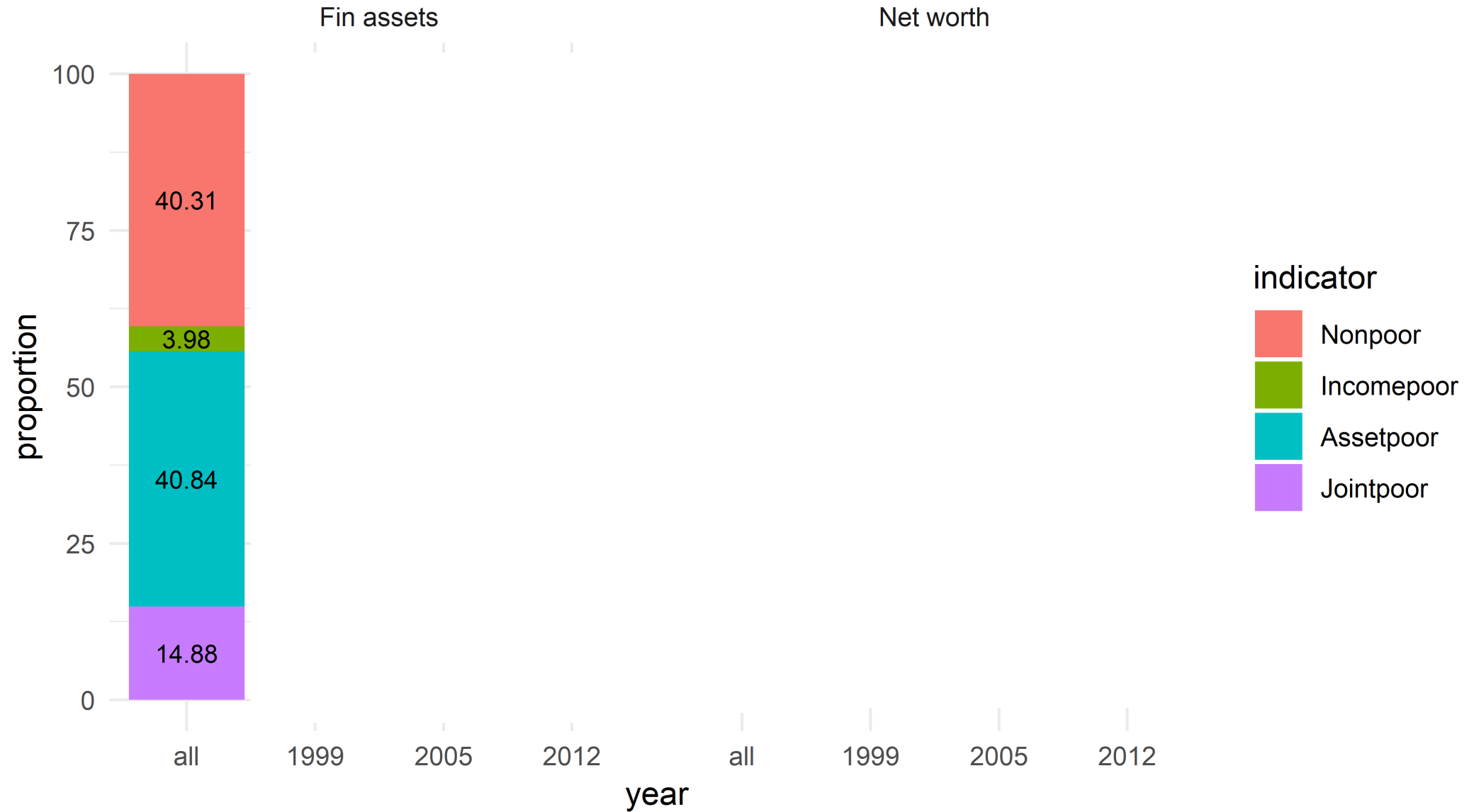
Methods: Definitions

- Assets
 - Financial assets: combined market value of financial investments, deposit accounts, cash and other financial assets
 - Net worth: adjusted net worth excluding pensions and social security entitlements
- Middle class?
 - Middle income: income quintiles 2-4 (Reeves & Guyot, 2018)
 - Working class: less than 4 year degree and less than median hhincome (Tan Chen, 2018)

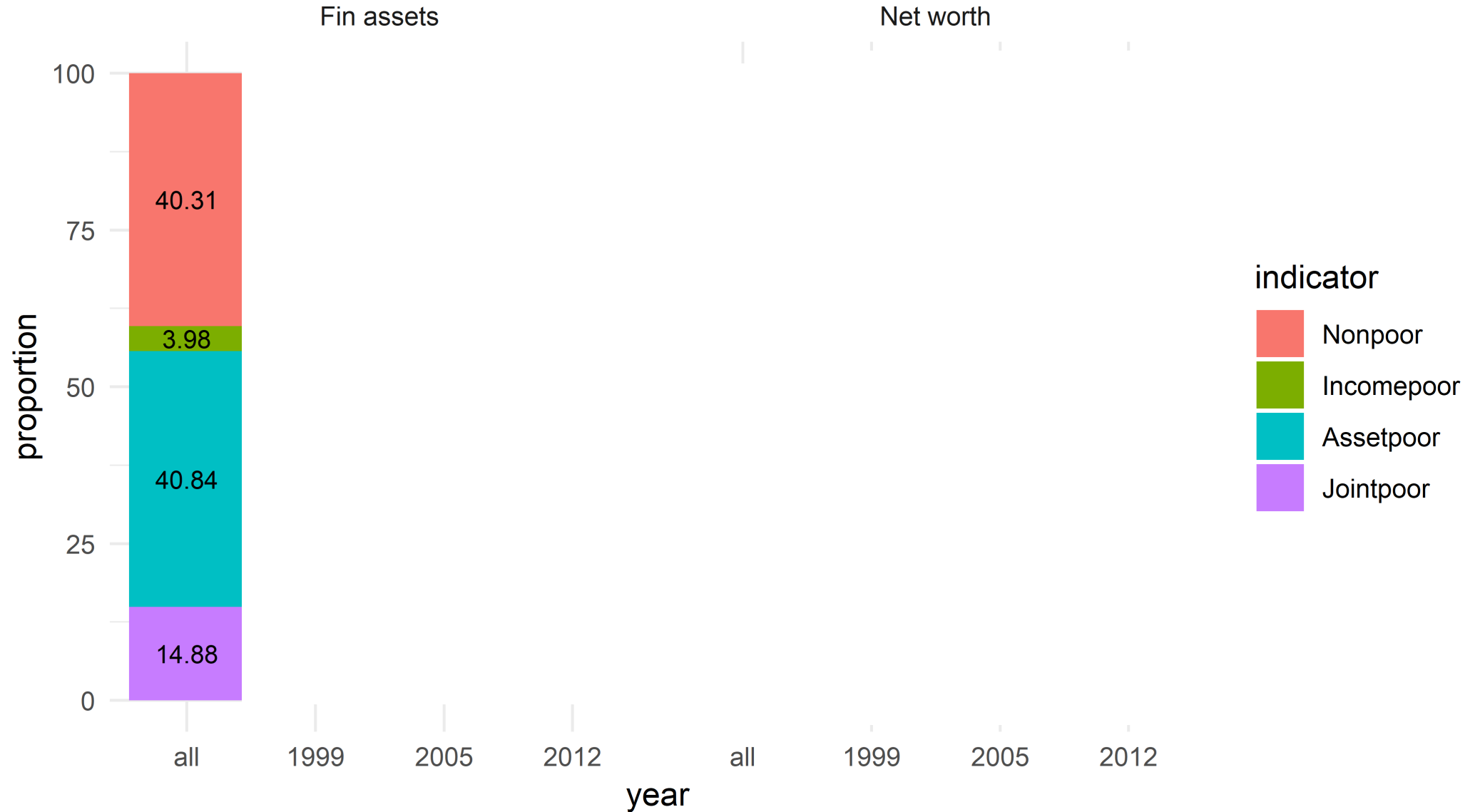
Joint poverty: income and assets



Vulnerability: middle income



Vulnerability: working class



Limitations

- Need 2016 for longer term trends
- 2005 smaller sample
- Resources, thresholds, time choices are anchored in literature and OECD methods but remain somewhat arbitrary
- Limited demographic complexity
- Not an emphasis on the most vulnerable; missing from hh surveys

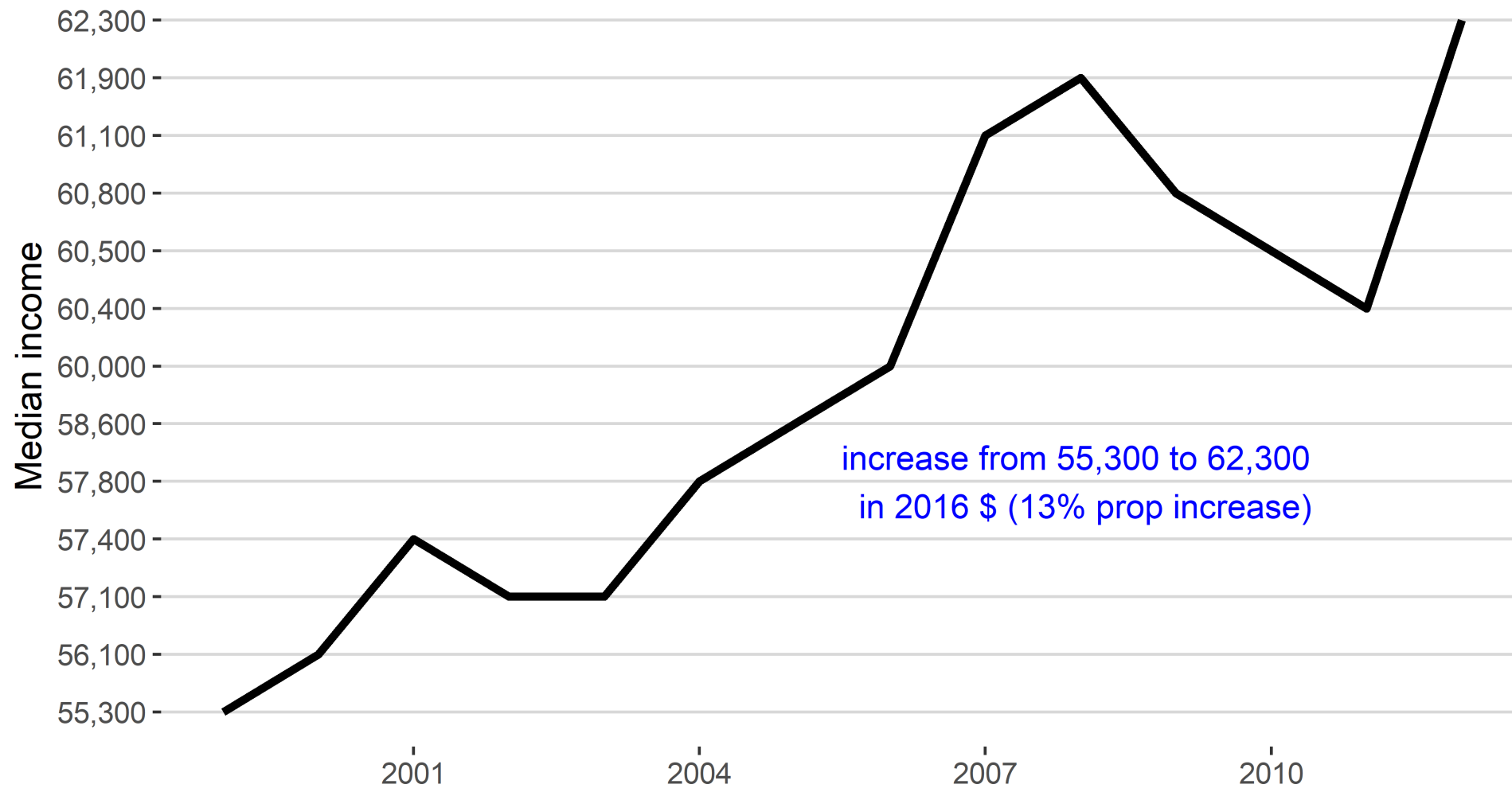
Strengths

- Best national rep data available on detailed assets and debts
- Mutually exclusive categories
- Juxtapose nw and financial assets
- Compare across countries in the LWS

Takeaways

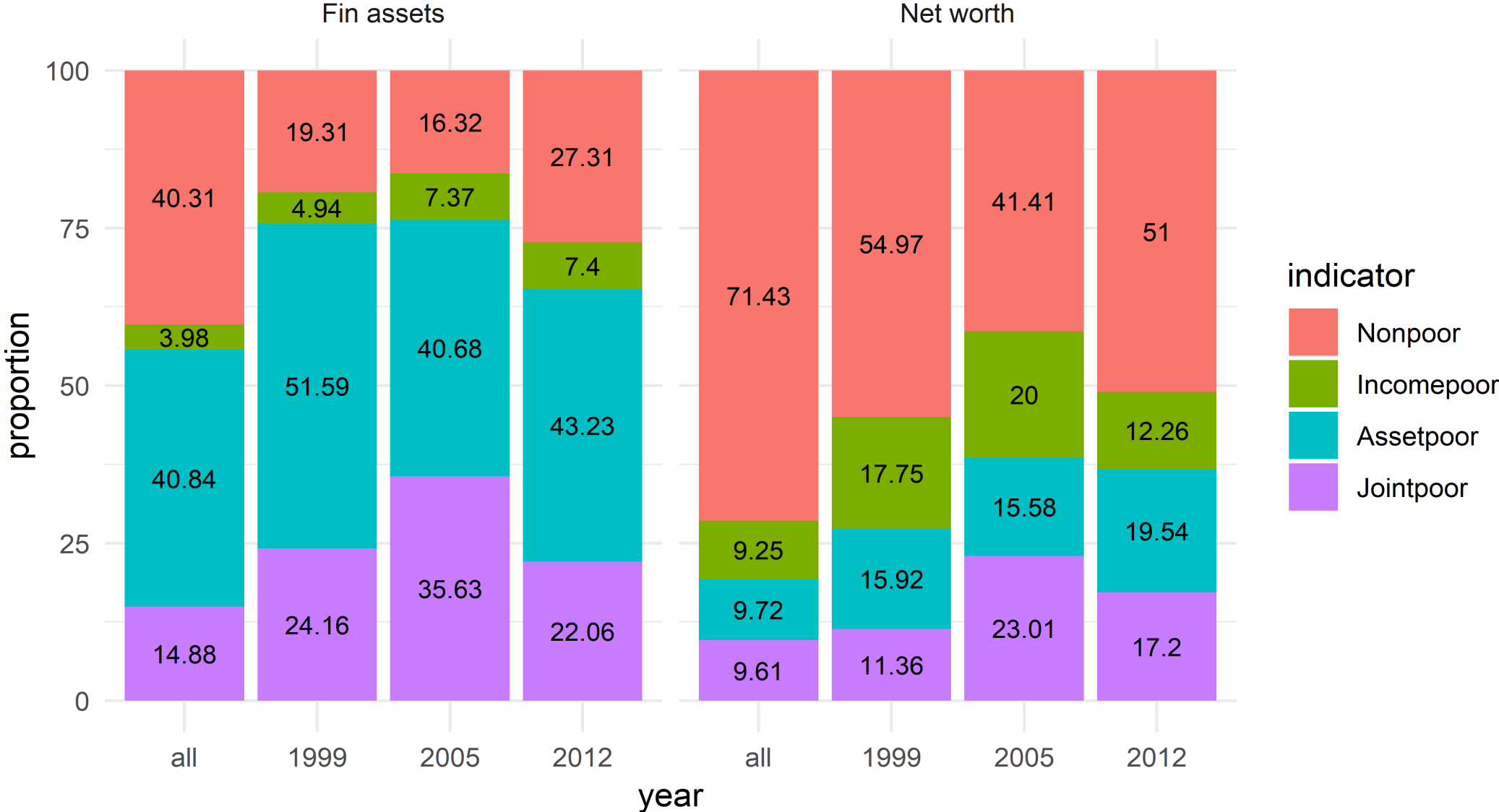
- Poverty is one form of vulnerability. And it is widespread: between 30% – 60% of all Canadians.
- The joint poor / most vulnerable stable over time – limited progress.
- Middle income more nonpoor over time. Declining financial asset poverty (consistent with Morneau perspective). Rising nw asset poverty (debt?)
- Poverty trending down for working class. Large gaps remain and these are a challenge for social policy.

Appendices



Sample Charac

Vulnerability: single parents employed



References

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