

# A DECADE OF **DECLINE**

## EXECUTIVE SUMMARY



**POVERTY AND INCOME INEQUALITY IN THE CITY OF TORONTO IN THE 1990s**

A Report Prepared Jointly by United Way of Greater Toronto  
and The Canadian Council on Social Development



CANADIAN  
COUNCIL  
ON SOCIAL  
DEVELOPMENT



**United Way  
of Greater Toronto**

# A DECADE OF DECLINE

This report provides important new data on the financial circumstances of Torontonians in the 1990s. While other research studies have examined income trends at the national and provincial levels in the 1990s, and in Toronto in the first half of the decade, this study is the first to focus on what happened to Torontonians during the entire decade. Tax filer data were used to track income over the 10-year period, confirming that at the decade's end, the financial situation of Torontonians had worsened significantly.

United Way of Greater Toronto undertook this study because of concern that poverty in the City was continuing to grow. There had been a dramatic increase in poverty in the first half of the decade, which was well known. But United Way member agencies were warning that the circumstances of their clients were continuing to deteriorate even in the last half of the decade, when the City was in the middle of an economic boom.

The 1990s was a turbulent decade in Toronto, with economic, social, and political changes that had direct impacts on the welfare of its citizens. The decade began with a recession that lasted longer and cut deeper into the economy than anyone predicted. And while it ended with a strong economic recovery, the signs that a great many Torontonians were not sharing in the economic boom, but were actually falling further behind, were disturbing.

In the middle of the decade, governments begin to chip away at the social safety net, reducing income security benefits, and withdrawing from critically necessary social programs such as the development of social housing. At the decade's end, the distress among Toronto's most vulnerable was evident everywhere – in growing numbers of people living on the streets, in rising evictions and use of emergency shelters, and in the increase of hopelessly long waiting lists for assisted housing.

The decade was also marked by significant structural changes at the provincial and municipal levels, with the enormous costs of housing, child care, and public transit downloaded from the province, to an already cash-strapped City. To pay for these huge infrastructure costs, the City has had to rely primarily on its traditional revenue sources, with little new investment from senior levels of

government. This has forced the City to increase user fees and reduce costs in many of its essential services such as public transit. Each year the budget pressures have threatened the City's grants to community agencies, many of which are the same agencies that United Way funds, and which provide help to vulnerable seniors, children, young parents, newcomers and youth throughout the City.

The consequence of these structural changes has been an undermining of the health and livability of the City. The impact of the changes in the economy and to the social safety net on Torontonians has also been damaging, and is the focus of this study.

*A Decade of Decline* analyzes the changes in the financial well-being of Torontonians from five perspectives – the level of household income, the rate of poverty, the depth of poverty, the income gap between wealthy and less well-off households, and the geographic segregation of poverty in the City.

## Median incomes drop sharply

- ❑ The median income of Toronto's husband-wife families fell 13% over the decade, from \$59,000 in 1990 to \$51,300 in 1999 – a \$7,700 loss in real income (based on 1999 constant dollars). By comparison, the median income of husband-wife families in all of Canada fell just 2%, from \$55,200 to \$54,100 – a \$1,100 loss in real income. What this means is that husband-wife families in the City of Toronto went from being better off in the early 1990s – when compared to all Canadians – to worse off at the end of the decade.
- ❑ Lone-parent families in Toronto were particularly hard hit in the 1990s. Their already low median incomes declined a further 18% – from \$29,900 in

Median Income by Household Type

	Husband-Wife Families	Lone-Parent Families	Single Persons
Median Total Income			
1990 (constant 1999 dollars)	\$59,000	\$29,900	\$23,200
1995 (constant 1999 dollars)	\$48,600	\$23,500	\$19,000
1999	\$51,300	\$24,600	\$20,300

Source: Statistics Canada, Small Area and Administrative Data, 1990, 1995, and 1999

# Key Findings

- Torontonians were worse off financially at the end of the 1990s, than they were at the beginning, with the median incomes of families and individuals significantly lower in 1999 in real dollars, than they were in 1990.
- Toronto families went from being better off at the start of the decade, when compared to all Canadians, to worse off at the decade's end.
- Despite strong economic recovery in the latter part of the decade, poverty increased and deepened, at both the individual and neighbourhood levels.

1990 to \$24,600 in 1999 – a loss of \$5,300 in real income. This decline was significantly greater than the 4% decline in median income of lone-parents in all of Canada, which fell from \$24,500 to \$23,400 over the ten-year period. Although the data show that the median income of lone-parents in Toronto was still slightly higher at the end of the decade than among lone-parents in the country as a whole, it must be kept in mind that Toronto's cost of living is one of the highest in the country.

- The dramatic worsening of the financial situation of single parents occurred even though more were working in 1999 than in 1995, and their income from employment was higher. The problem was that reduced government income supports over the same period not only negated these employment gains, but decreased single-parents income overall in the 1990s.
- The financial situation of Toronto's single people also worsened over the decade, with their median incomes falling 12.5% from \$23,200 in 1990 to \$20,300 in 1999 – a \$2,900 loss of real income over the ten-year period.

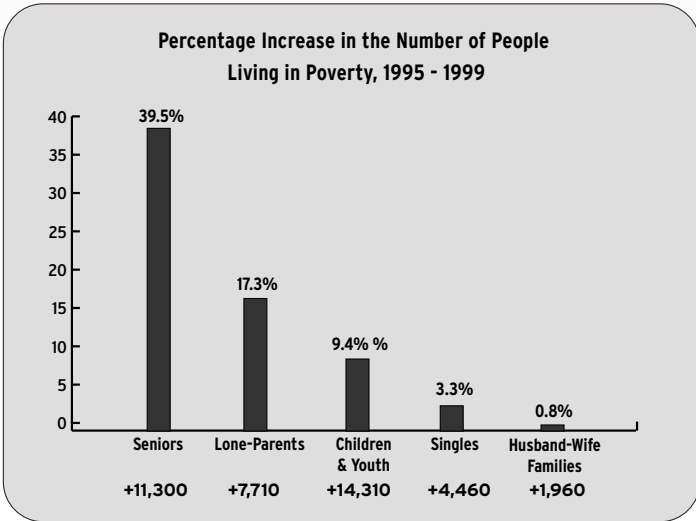
- While all family types were impacted, single-parents were hardest hit, experiencing both growing and deepening poverty, even though more were working and their employment earnings were higher at the end of the decade than in 1995. Poverty among children and seniors also rose substantially.
- The income gap between rich and poor Toronto families and neighbourhoods continued to widen over the decade.
- Rising poverty and growing income inequality is a serious threat to the social and economic health of the City and its residents. Systemic changes from senior levels of government are required to ensure adequate levels of income and affordable housing – both of which are key to addressing growing inequity.

## Poverty grows despite economic recovery

- While poverty rates should have fallen during the economic recovery period of the late 1990s, there was actually an increase in the rate of poverty among every household type in Toronto during that time.
- This trend did not occur in Canada, as a whole. The poverty rate for all persons in the City of Toronto rose from 22.6% to 23.3% from 1995 to 1999, while the national poverty rate for all persons remained stable at 19.1%.<sup>1</sup>
- The largest increase in the poverty rate occurred among seniors, where it rose from 9.2% of all Toronto seniors in 1995 to 12.2% in 1999. While this percentage increase may seem small, the actual numbers are not. There were 11,300 more Toronto seniors living in poverty at the end of the decade than five years earlier. This is nearly a 40% increase in the number of seniors in poverty – an alarming trend and one that is consistent with evidence from other United Way research which shows growing impoverishment among Toronto's seniors.

<sup>1</sup> Throughout the report, the Low-Income Measure (LIM) is used to define poverty. The LIM is defined as having an income of less than half the median income of a household of the same size and age composition for all of Canada. In 1999, the before-tax LIM was \$25,400 for husband/wife families with two children, \$17,780 for lone-parent families with one child, and \$12,700 for single people. While Statistics Canada does not have a measure of poverty, and does not describe the LIM as a poverty measure, United Way believes that families and single people with annual incomes at these levels would unquestionably be living in poverty.

- Among lone-parent families in Toronto, the rate of poverty rose from 39.4% in 1995 to 42.0% in 1999 – a 2.6% change. This was a reversal of what happened nationally, where the poverty rate among lone-parent families declined by 1.3%. The actual number of lone-parents living in poverty in Toronto increased by



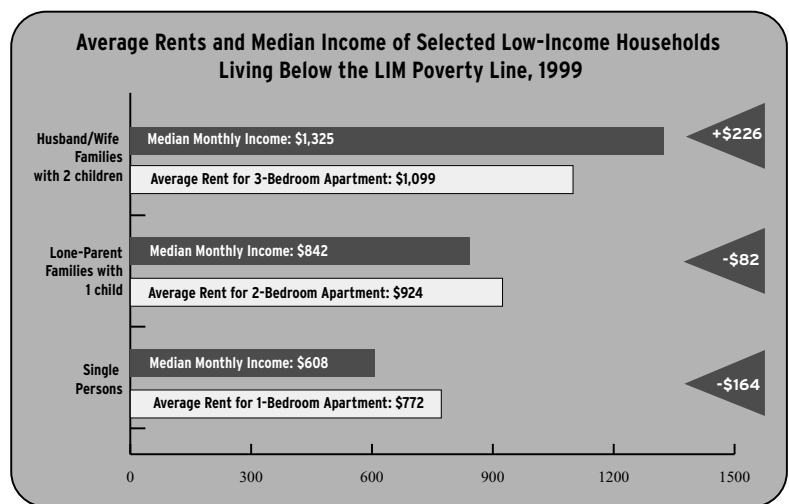
Source: Statistics Canada, Small Area and Administrative Data, 1990, 1995, and 1999

7,710 over the five-year period which represented a 17.3% increase in the numbers living in poverty. Lone-parent families were – and continue to be – the hardest hit group in the City of Toronto and in all of Canada. In Ontario, the 21.6% reduction in social assistance benefits is a major reason for this worsening financial situation of many lone-parents.

- Poverty among Toronto's children and youth also rose in the last half of the decade, from 30.8% in 1995 to 32.3% in 1999 – a 1.5% change. By comparison, in Canada as a whole the rate was lower than in Toronto, and remained basically the same over the five-year period, at 25.3% in 1995 and 25.4% in 1999. Again, while the percentage increase in Toronto may seem small, the actual numbers are large, with 14,310 additional Toronto children and youth living in poverty in 1999 than five years earlier in 1995.

## Deepening Poverty

- Many households living in poverty were poorer at the end of the decade compared to five years earlier in 1995, despite the overall improvement in the Toronto economy.
- For lone-parent families with one child, the deepening of poverty<sup>2</sup> was severe. The median income of these families who were living below the poverty line in 1995 was \$11,983, but by 1999, it had fallen to just \$10,100. This means that half of all the lone-parent families with one child who were living in poverty in 1999, had incomes of \$10,100 or less. It also means that their entire monthly income was \$82 less than the average rental cost of a two-bedroom apartment in Toronto in 1999.
- The median income of single people who were living in poverty did not change substantially between 1995 and 1999, but it was extremely low at just \$7,300 in 1999, or \$608 a month. To put this income in perspective, the average cost of a one-bedroom apartment in Toronto in 1999 was \$772 – more than the monthly median income of a single person living in poverty.
- The median income of husband-wife families with two children who were living in poverty also remained fairly constant over the 1995 and 1999 period, but it too was extremely low, at just \$15,900 in 1999, or \$1,325 monthly. A three-bedroom apartment would



Source: Statistics Canada, Small Area and Administrative Data, 1990, 1995, and 1999 and CMHC Rental Housing Survey

<sup>2</sup> The depth of poverty is a measure of the extent to which the incomes of people living in poverty were below the LIM poverty line. To determine the depth of poverty, the median income of a all households living in poverty (in a particular household category) is determined. The difference between this median income and the LIM "poverty line" income is then expressed as the percentage below the LIM line or the "depth of poverty".

be appropriate for a family of this size, however, the average rent of a unit of this size in 1999 was \$1,099, which would have left the family with just \$226 per month to pay for food and all other living expenses.

- ❑ In each household group, the depth of poverty in 1999 was greater in the City of Toronto than for all of Canada. Among husband-wife households the median income was 37.4% below the LIM line, compared to 35.0% in all of Canada. For lone-parent families it was 43.2% in Toronto, compared to 37.6% in Canada, and among single people it was 42.5%, compared to 37.6% in all of Canada.

### Large populations vulnerable to poverty

- ❑ One of the reasons that poverty is higher and deeper in Toronto, is its higher than average, and in some cases, still rising proportion of people who are vulnerable to poverty, including children and youth, lone-parents, seniors, singles, newcomers and racialized minorities.
- ❑ One third of the total increase in the number of children in all of Canada between 1990 and 1999 was in the City of Toronto – 69,600 children out of 217,100.
- ❑ The number of lone-parent families in Toronto rose 41% in the decade, from 89,110 in 1990 to 125,520 in 1999. This is in stark contrast to the much lower 9.4% growth in the number of husband-wife families, and was almost double the 23.8% rate of growth in the number of lone-parent families in the country as whole.
- ❑ Toronto's seniors' population increased almost 25% in the 1990s, from 262,900 in 1990 to 327,800 in 1999. At the end of decade its seniors' population represented 13.7% of the total Toronto population, compared to 12.6% nationally.
- ❑ Similarly, a larger proportion of Toronto's population are single people, than in the country as a whole (41.3% and 36.5% respectively).
- ❑ Almost one-half of the population of Toronto was born outside of Canada, and one-third of all recent newcomers to Canada make Toronto their home. In 1996, over half of recent newcomers were living in poverty, as were 41% of racialized minorities.

Although recent immigrants have high levels of education and skills training, many are working in low-paying jobs with insufficient income to support their families. This is largely as a result of employment barriers caused by the difficulty that recent newcomers experience in having their academic and professional credentials recognized in Canada. The high poverty rate among racial minorities has been linked in part, to systemic inequities experienced by this group.

### Income gap between the wealthy and less well-off widened

- ❑ In the 1990s income polarization among families in Toronto continued to grow, with the number of families at both the poor and wealthy ends of the income spectrum increasing, while the numbers of middle-income families declined.
- ❑ The proportion of low-income families (with incomes of less than \$30,000) rose from 16.8% to 20%. The proportion of higher-income families (with incomes of more than \$100,000) also rose, from 18% to 23.2%. Middle-income earners (with incomes between \$30,000 and \$100,000), however, decreased as a percentage of all families, from 65.2% to 56.9%.

### Growing income gap between neighbourhoods

- ❑ Income gaps also grew in the 1990s between the more and less affluent neighbourhoods in the City. The median income in Toronto's 12 poorest neighbourhoods fell from \$43,600 in 1990 to \$36,800 in 1999 (based on 1999 constant dollars) – a loss of \$6,800 in real income in the decade.
- ❑ Conversely, the median income in Toronto's 12 wealthiest neighbourhoods increased from \$114,200 in 1990 to \$125,600 in 1999 – an \$11,400 growth in real income over the ten-year period.
- ❑ Viewed in another way, husband-wife families in the poorest 12 neighbourhoods had only 29 cents of pre-tax income in 1999 for every dollar held by families in the 12 most affluent neighbourhoods. This is a drop from 38 cents for every dollar in 1990.
- ❑ At the same time as the income gap widened between Toronto's poorest and most affluent neighbourhoods, the percentage of low-income people living in its poorest neighbourhoods also grew.

- ❑ The rate of poverty for all persons in the City of Toronto rose from 22.6% in 1995 to 23.3% in 1999 – a 0.7% increase. By comparison, poverty grew by 1.9% within the 12 neighbourhoods with the highest rates of poverty.
- ❑ Certain neighbourhoods were particularly hard hit, with one in particular – Thorncliffe – experiencing a significant 8.3% increase in poverty in just five years, and over the economic “recovery” period. From

Neighbourhood Income Trends for Husband-Wife Families (constant 1999 dollars)			
	1990	1995	1999
Bottom 12 neighbourhoods	\$43,600	\$35,000	\$36,800
Top 12 neighbourhoods	\$114,200	\$109,300	\$125,600
Ratio of Bottom to Top 12 neighbourhoods	38.18%	32.02%	29.30%

Source: Statistics Canada, Small Area and Administrative Data, 1990, 1995, and 1999

discussions with residents and agency representatives from this community it appears that this dramatic increase is related to the large number of newcomers coming into the area in the 1990s who struggled to find stable and adequate paying jobs.

- ❑ While there are some very distressed neighbourhoods in Toronto and pockets of deep poverty where more than one-third of the population are poor, poverty is still quite widely dispersed across the City. In both 1995 and 1999, the 12 lowest-income neighbourhoods contained about 13% of the City’s population, but over 18% of all residents living in poverty. These bottom 12 neighbourhoods had poverty rates of 29% or higher in 1999, but another 72 neighbourhoods had poverty rates between 12% and 29%.

## The implications of the study findings

The data in this study confirm the warnings of United Way agencies in the late 1990s, that large numbers of Torontonians were not sharing in the economic recovery but were falling further behind. Clearly, the benefits of the economic boom at the end of the decade did not “trickle down” to these Torontonians.

The deteriorating financial circumstances of so many Toronto households have broad, and far-reaching implications for the health of the City and the people

who live here, especially children and youth, lone-parents and seniors.

More than a decade ago, the House of Commons adopted a unanimous resolution to eradicate child poverty by the year 2000. Despite this resolve, the data in this study show that child poverty continued to grow in Toronto, by an additional 14,310 children and youth during the economic “recovery” years of the late 1990s. This is a tragedy for our City’s young people. And given the strong link between poverty, and health and well-being, it is also a troubling sign of how the demand on the City’s health and social service infrastructure will almost certainly grow in the future.

The study findings raise serious concerns about the ability of Toronto families, especially lone-parent families, to rise out of poverty, because of extremely low minimum wages and a preponderance of only part-time jobs. The median income of lone-parent families living in poverty in 1999 was just \$10,100 – less than the average annual rent of appropriately-sized apartments.

Real incomes of families are declining because the costs of housing, public transportation, post-secondary education, day care, personal expenditures on health, and recreation have steadily climbed. This is putting middle- and low-income Toronto families with school-aged children in a tremendous financial squeeze, as they try to adequately provide for their families.

In the case of seniors, thirty years ago they were among the country’s poorest citizens. To improve their financial circumstances, the Government of Canada embarked on a series of program initiatives to ensure that seniors would have enough income to meet their daily needs and prevent them from becoming destitute. These programs, which include the Old Age Security, the Guaranteed Income Supplement, and Canada Pension Plan, have been effective in keeping seniors out of poverty, with seniors’ average incomes in Canada rising 18% between 1981 and 1997. Despite these gains, there is growing evidence that this trend is starting to reverse. In this study 11,300 more seniors were living in poverty in 1999 than five years earlier, which is nearly a 40% increase in the numbers. This growing impoverishment is coming at a time when government is significantly reducing the amount of publicly-funded home care available to the elderly. A crisis for low-income seniors is clearly emerging.

## United Way's role in addressing community problems.

United Way has been directly impacted by the growing impoverishment within Toronto's population. Over the past five years, it has received unprecedented high requests for funding from its member agencies, as they attempted to respond to the growing needs in their communities.

In 1998, United Way adopted new funding priorities that were aimed at four of Toronto's most vulnerable populations – children 0 to 6, abused women, the homeless, and newcomers. Since that time, United Way has nearly doubled its funding to the four priority areas, from \$9.6 million in 1996 to \$18.9 million in 2001. United Way funding increased 121% over the five-year period for services for children 0 - 6, 142% for homelessness projects, 106% for services for abused women and their children, and 155% for services for newcomers.

In 2002, United Way of Greater Toronto adopted a multi-faceted funding strategy to respond to the growing needs in the former suburban municipalities of Etobicoke, North York, York, East York, and Scarborough. The existing social service infrastructure in the former suburbs has not kept pace with population growth, settlement patterns, and social needs. And as this study has confirmed, the former suburbs contain some of the largest numbers of people living in poverty, with 10 of the top 12 neighbourhoods with the largest number of people living in poverty in 1999 located in the former suburbs. The goal of the United Way initiative is to provide additional funding and resources to build capacity and respond to growing needs in these parts of the City.

## The need for a broad community response

Periods of economic recovery are supposed to “raise all boats”, enabling all to eventually share in the benefits of economic recovery. This did not happen in Toronto in the 1990s. And while the median income declined for families and individuals, the erosion of the social security net in the mid-1990s made things much worse, particularly for lone-parents.

Reduced access to, and lower benefit levels for social assistance and Employment Insurance, contributed to the deterioration in the financial situation of Toronto households. And programs that assist seniors, such as Old Age Security, the Guaranteed Income Supplement, and the

Canada Pension Plan, while making significant contributions to the financial well-being of seniors, are no longer sufficient to keep many seniors from falling into poverty.

Government's withdrawal from the development of social housing, coupled with rising rents, growing evictions and historically low vacancy rates, have also contributed to the financial hardship of families and single people in Toronto. The high cost of housing is taking up more and more of people's income, leaving them without sufficient income to pay for other basic needs. The growing use of food banks in the 1990s in Toronto is just one indicator of the seriousness of the situation.

Very low minimum wage rates are also a factor in the financial hardship experienced by Torontonians at the bottom-end of the income spectrum. There has been very little increase in the minimum wage in Ontario in the 1990s, and none since 1995 (\$6.00 per hour in 1990 compared to \$6.85 per hour in 1999). As well, most of the new jobs that were created up to 1997 were in the areas of self-employment and part-time employment – areas associated with lower income and fewer employment benefits.

The impact of all these factors – declining real incomes, the lack of affordable housing, and stagnated minimum wages – have all contributed to the worsening financial situation of families and individuals in Toronto.

Rising income inequality and poverty are serious threats to the social and economic health of Toronto. Cities in the 21st century must be able to compete in the global economy and the ability to do so is highly dependent upon the maintenance of a high quality of life and affordable urban environment. What we see, however, is a City that is becoming increasingly unaffordable for a great many Torontonians and a City that cannot maintain its core infrastructure because of the inadequacy of its revenue base.

This decline must be reversed if Toronto is to restore and maintain its competitiveness in a global economy. It will take systemic change and a renewed commitment to meeting the City's social needs by government, the private sector, and the voluntary sector, and a concerted effort by all levels of government to meet its infrastructure needs.



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**United Way  
of Greater Toronto**

26 Wellington St. E., 11th Floor, Toronto, ON M5E 1W9  
416-777-2001 or [www.unitedwaytoronto.com](http://www.unitedwaytoronto.com)