

**SOCIAL PLANNING COUNCIL OF OTTAWA**

# Incomes in Ottawa: Sources, Levels, and Adequacy

**1995 - 2000**

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# **INCOMES IN OTTAWA: SOURCES, LEVELS, AND ADEQUACY**

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**Copies of this report can be obtained in both English and French from**

**The Social Planning Council of Ottawa**

280 rue Metcalfe Street, suite 501

Ottawa (Ontario), K2P 1R7

Tel: (613) 236-9300

Fax (613) 236-7060

E-mail: [office@spcottawa.on.ca](mailto:office@spcottawa.on.ca)

Internet [www.spcottawa.on.ca](http://www.spcottawa.on.ca)

**SPC Project Team**

Hindia Mohamoud - Social Researcher

Dianne Urquhart - Executive Program Director

Pierrette Lemieux - Office Manager

Dawid Ciach - GIS Practitioner

Benjamin Stevens - Report Layout

**The SPC Project Team would like to thank the following for their help and collaboration on this project.**

Dr. Patricia Evans - Professor, School of Social Work, Carleton University

Dr. Glenn Drover - Professor, Dalhousie University

John Macdonald - Research Specialist, Canadian Union of Postal Workers

Wendy Watkins - Coordinator, Data Center, Carleton University

Report Completed in November, 2003

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# **INCOMES IN OTTAWA: SOURCES, LEVELS, AND ADEQUACY**

## **INTRODUCTION:**

In a market society, there is a lot riding on people's incomes. The level and security of our incomes have manifold consequences on our quality of life through impacts on our health, on our neighborhood and housing options, on our children's development, and on our overall capacity of self-actualization.

Many factors determine our incomes, but leading among these are economic business cycles, the structure and conditions of the labour market, and the scope and effectiveness of social policies, particularly labour market, income, and income distribution policies. During the period between 1995 and 2000, which is the period covered by this report, these factors had contradicting impacts on the incomes of the Ottawa residents. On the one hand, the Ottawa economy recovered gradually from the recession of the early nineties, which had seen the loss of numerous jobs in the city. With economic growth came a high rate of job growth and an increase in the number of residents with employment incomes. On the other hand, the period was characterized by a deep restructuring of labour market policies and institutions, which saw the reduction of the scope of income support programs for the non-elderly, most notably employment insurance and social assistance programs.

This report aims to briefly report on changes in the levels, sources and adequacy of Ottawa residents' incomes during the period between 1995 and 2000. Although ideally income trends are better understood through a longer-term analysis, the focus of this report is limited to residents' 1995 and 2000 incomes, as reported by the 1996 and 2001 censuses, respectively. Geographically, the scope of most of the data used in this report is limited to the City of Ottawa. Occasionally, however, publicly available data referring to the Ontario part of Ottawa-Gatineau are used to bring more detail to the analysis.

The report is composed of three sections, Section One looks at changes in the sources of residents' combined incomes, with some emphasis on employment earnings. Section Two provides a brief analysis on changes in the levels of residents' incomes during the 1995 - 2000 period. Finally Section Three reports on the incidence of low-income among the Ottawa residents and how such incidence has changed over the 1995 to 2000 period.

## Summary of Findings

1. Almost 80 percent of residents' 2000 incomes came from employment earnings. In 2000, government transfers accounted for 7 percent of residents' total income, down from 10 percent in 1995.
2. In the year 2000, almost half a million individuals received employment incomes, 46,005 more than in 1995. Expressed in terms of a growing population, the employment to population ratio increased from 63 percent in 1995 to 66 percent in 2000.
3. On average, Ottawa workers were among the highest paid in Canada, with an average annual earnings of \$39,713. However, employment incomes in the year 2000 were highly polarized in Ottawa and varied largely with occupation, sector of employment, and with education.
4. More than one-third of the Ottawa workers earned less than \$20,000; 45 percent earned between \$20,000 and 59,999; and 21 percent earned over \$60,000. The high proportion of low earners among the Ottawa workers is partly explained by the existence of a high number of part time and part year jobs. More than four in five of those earning less than \$20,000 worked part time or part of the year.
5. Low pay was not limited to part time, part year workers or to low skilled workers. Considering only those employed in full time full year jobs, more than one in ten earned less than \$20,000. And almost one in five full time, full year workers earning less than \$20,000 was a university graduate.
6. The median income of the Ottawa residents declined by 3.7 percent from \$31,116 in 1995 to \$29,978 in 2000; this is likely a reflection of the types of jobs created. In the year 2000, only 58 percent of the existing jobs were full time, full year jobs.
7. Part-time, part-year work is more prevalent among women than among men. Close to half (47.3) of the Ottawa women were employed in part-time, part-year jobs in the year 2000. In comparison 35.7 percent of men worked part-time, part of the year 2000.
8. On average, women received only 64 cents for every dollar of income received by men. In 2000, almost half (43 percent) of the women living in Ottawa had an income below \$20,000, compared to 29 percent of men. In the upper levels of income, only 12 percent of women gained incomes of \$60,000 or more, while 29 percent of men enjoyed these higher levels of income.
9. Overall, the low-income rate of the Ottawa families has improved from 14.3 percent in 1995 to 10.9 percent in 2000. However, one should note that the incidence of low-income varied greatly with family structure, composition, number of income earners, and gender of the parent.
10. One-third of lone-parent families lived with low income in the year 2000. This compares to 7.4 percent among couple families.

11. Among lone-parent families, those with very young and teenage children suffered from highest rates of low income at 63 percent.
12. One in five of Ottawa's children under 6 years of age lived in low income families in the year 2000.
13. The income of children's families improves as they grow older, reflecting an increase of their parents' labour market activities. The incidence of low income declines to 19 percent for children aged 6-9, and further down to 17 percent for those aged 10-14.
14. The incidence of low-income among seniors (individuals aged 65 and over) declined from 16.4 in 1995 to 14.1 in 2000.
15. An exception to the declining poverty rate among all senior groups is found among senior men not living within their own census families, but with others. The low-income rate among this group increased from 15 percent in 1995 to 18 percent in 2000.
16. Among seniors, women living alone suffered the highest rate of low-income at 35 percent, compared to 26 percent of senior men living alone; and 11.5 of senior women living with individuals other than their census families.

## SECTION I: SOURCE OF INCOME

The composition of the sources of residents' incomes varies depending on their age, income level, and individual and family circumstances. In Ottawa, employment earnings accounted for almost 80 percent of residents' total income, up from 76 percent in 1995. Conversely, government transfers declined from 10 percent in 1995 to 7 percent in the year 2000. The combined incomes from all other sources remained stable.

**Table 1: Sources of Income**

	1995	2000
Employment Income	76	78
Government Transfer Payments	10	7
Other	14	14
Total Income	100	100
Source: 1996 and 2001 census. Figures may not add up to 100 because of rounding.		

### Employment Earnings

As a result of a substantial job growth during the latter part of the 1990s, many more people had employment incomes in the year 2000 than in 1995. In the year 2000, almost half a million Ottawa residents received employment incomes, 46,005 more than in 1995. Expressed in terms of a growing population, the employment to population ratio increased from 63 percent in 1995 to 66 percent in 2000.

On average, Ottawa workers were among the highest paid in Canada, with an average annual earnings of \$39,713. Statistics Canada reports that Toronto, Ottawa-Hull and Windsor had the highest employment earnings among Canada's 27 largest urban areas (Statistics Canada, 2003a). However, the single 'average earnings' statistic conceals the fact that in Ottawa employment incomes were highly polarized in the year 2000, and varied largely with age, occupation, sector of employment, education, and individuals' work activity. For example, data reported in Table 2 reflect that age was major determinant of an individual's earnings. Typically, individuals' incomes start low at the beginning of their working lives, gradually increase, and peak right before retirement.

**Table 2: Presence of Employment Income by Age**

	Population	15-24	25-44	45-64	65+
Proportion with employment income (%)	78	75	88	77	12
Average 2000 employment income	\$39,713	\$10,161	\$43,092	\$50,437	\$31,367

Source: Statistics Canada. 2001 Census.

Many Ottawa workers earned low employment incomes in the year 2000. Data reported in Table 3 and Chart 1 show that more than one-third of the Ottawa workers earned less than \$20,000; 45 percent earned between \$20,000 and 59,999; and 21 percent earned over \$60,000. The high proportion of low earners among the Ottawa workers is partly explained by the existence of a high number of part time and part year jobs. In the year 2000, almost half (42 percent) of the existing jobs were part time or part year employment and, as shown in Chart 2, 81 percent of those earning less than \$20,000 worked part time or part of the

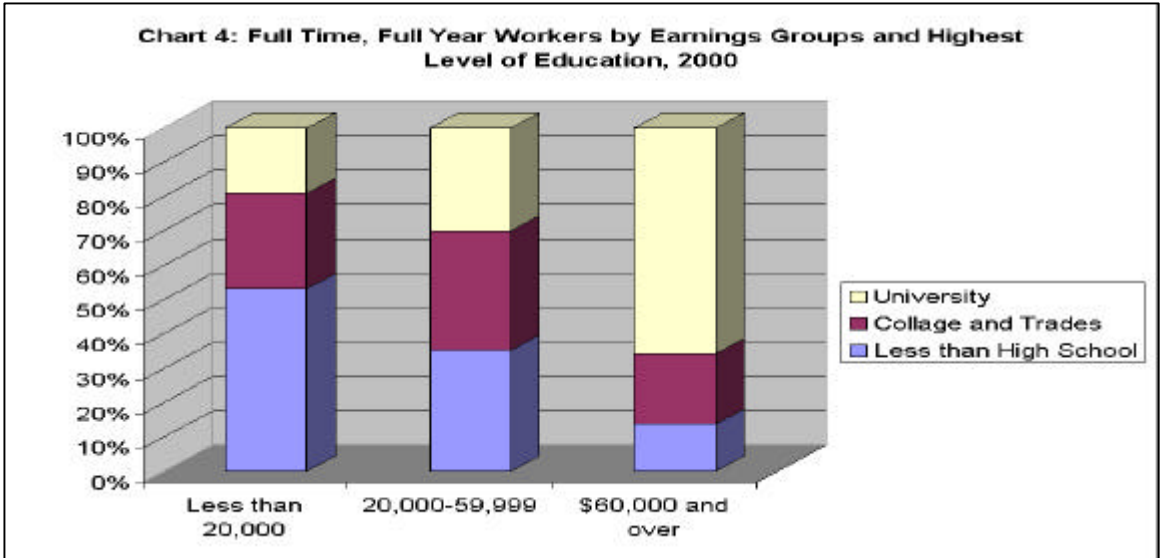
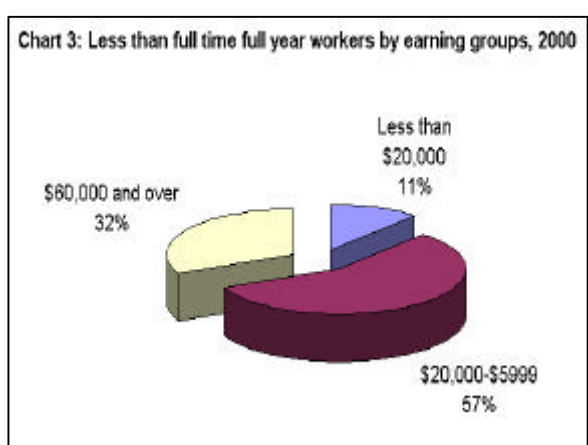
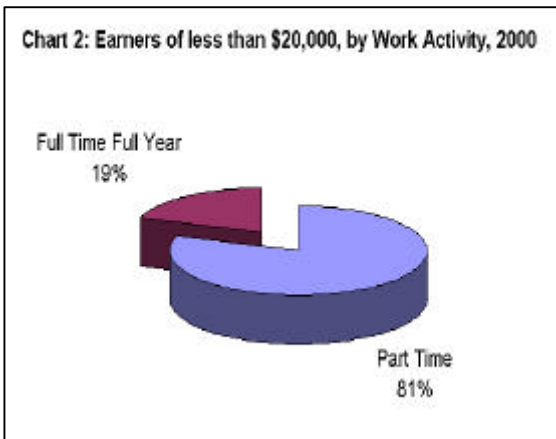
year. However it is noteworthy that low pay was not limited to part-time, part year workers or to low skilled workers. Considering only those employed in full time full year jobs, more than one in ten earned less than \$20,000 (Chart 3). In addition, education was not a sufficient insulator against low pay. As shown in Chart 4, almost one in five (19 percent) low earners, working full time, full year was a university graduate.



**Table 3: Employment Earnings by Work Activity**

	Total	Less than \$20,000	\$20,000 - \$59,999	\$60,000 and over	Average Earnings
Part Time	188,460	122,720	52,630	13,105	Not Available
Full Time Full Year	261,040	29,570	148,035	83,440	\$53,250
Total	449,500	152,290	200,665	96,545	\$39,713

Statistics Canada 2001 Highlight Tables on Canadian Earnings 97F0024XIE2001013



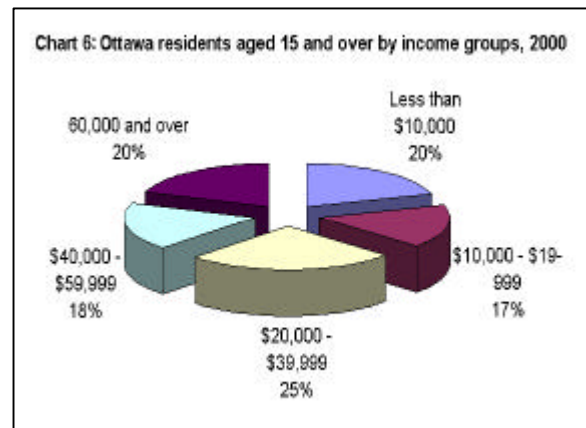
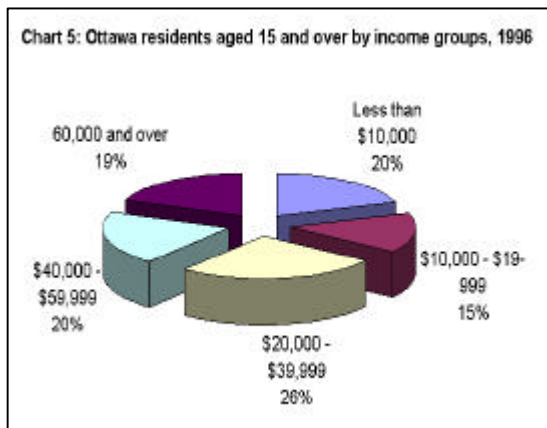
The high proportion of low earners among the Ottawa full time full year workers may be explained by declining minimum wages. In Ontario the value of the minimum wage has been declining in real terms since 1995: from \$7.89 (in 2003 dollars) in 1995 to \$6.85 in 2003 (Caledon Institute: 2003).

## SECTION II - INCOME LEVELS

### Declining Median Income of Individuals

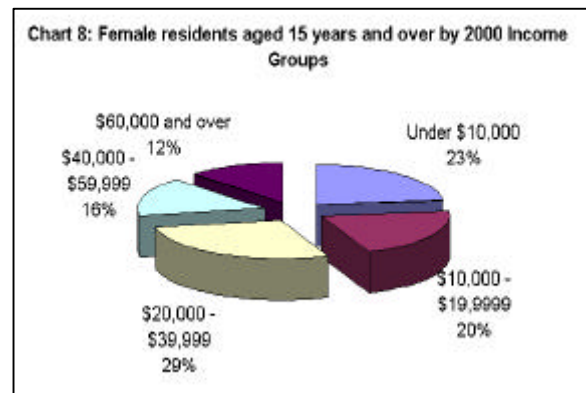
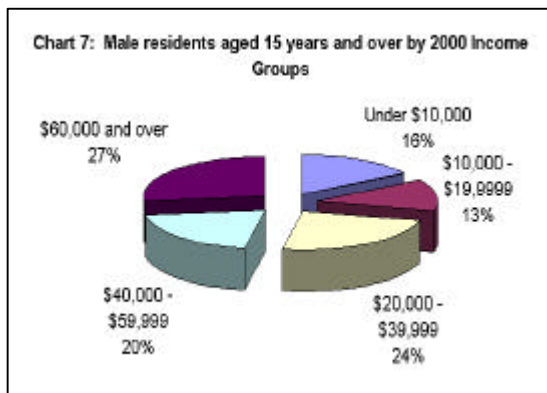
The median income of the Ottawa residents declined by 3.7 percent from \$31,116 in 1995 to \$29,978 in 2000. This means that in 2000 proportionally more individuals had lower levels of income than in 1995. Compared to 1995, the proportion of Ottawa residents who reported receiving both low and high levels of income increased, while the proportion in the middle income groups shrank.

Specifically, Charts 5 and 6 show that the proportion of Ottawa residents who received incomes below \$20,000 increased from 35 percent in 1995 to 37 percent in 2000. Conversely, the proportion of residents with incomes ranging between \$20,000 to \$59,999 declined from 46 percent in 1996 to 43 percent in 2000. The share of the Ottawa residents receiving incomes of \$60,000 or more increased from 19 percent in 1995 to 20 percent in 2000

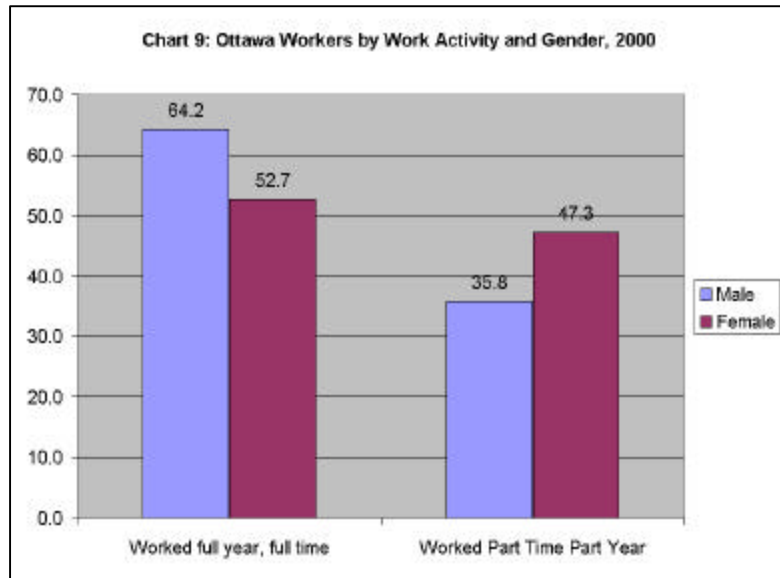


### Gender Disparity

On average, women in Ottawa receive only 64 cents for every dollar of income received by men. In 2000, almost half (43 percent) of the women living in Ottawa had an income below \$20,000, compared to 29 percent of men. In the upper levels of income, only 12 percent of women gained incomes of \$60,000 or more, while 29 percent of men enjoyed these higher levels of income.



This income disparity between the sexes is likely explained by women's disproportionate assumption of the burden of care-giving responsibilities in their families, which leads to a prevalence of part time, part year work among women. Chart 8 shows that close to half (47.3) of Ottawa's female workers were employed in part-time, part-year jobs in the year 2000. In comparison 35.7 percent of men worked part-time, part of the year 2000. Moreover, as Chart 9 reveals, even when they work full-time, full year, women earn less than men with comparable education, a clear signal that gender discrimination still persists.



## Family Incomes

Using the family as a unit of analysis of residents' incomes, the data reveal that both the proportion of Ottawa families living with less than \$20,000 and the proportion living with over \$100,000 increased, while the proportion receiving incomes in between declined. This suggested a polarization of incomes among the Ottawa families.

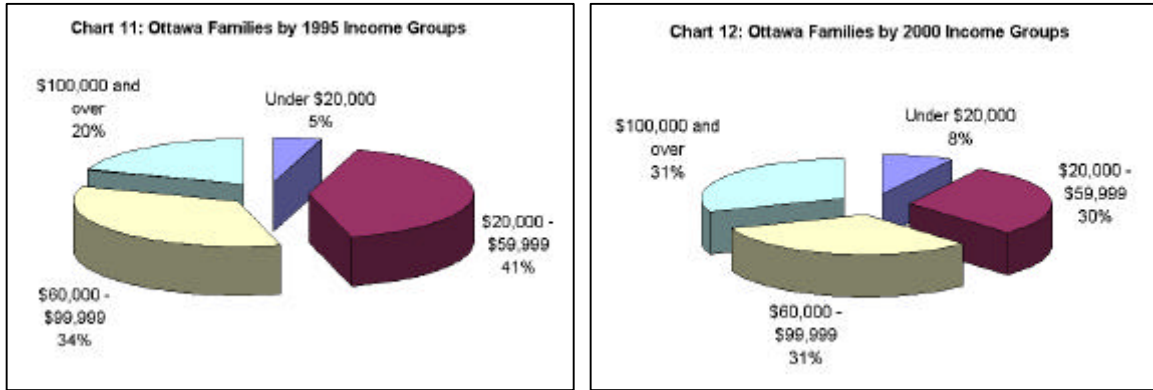


Table 4: Ottawa Families by 1995 and 2000 Income Groups

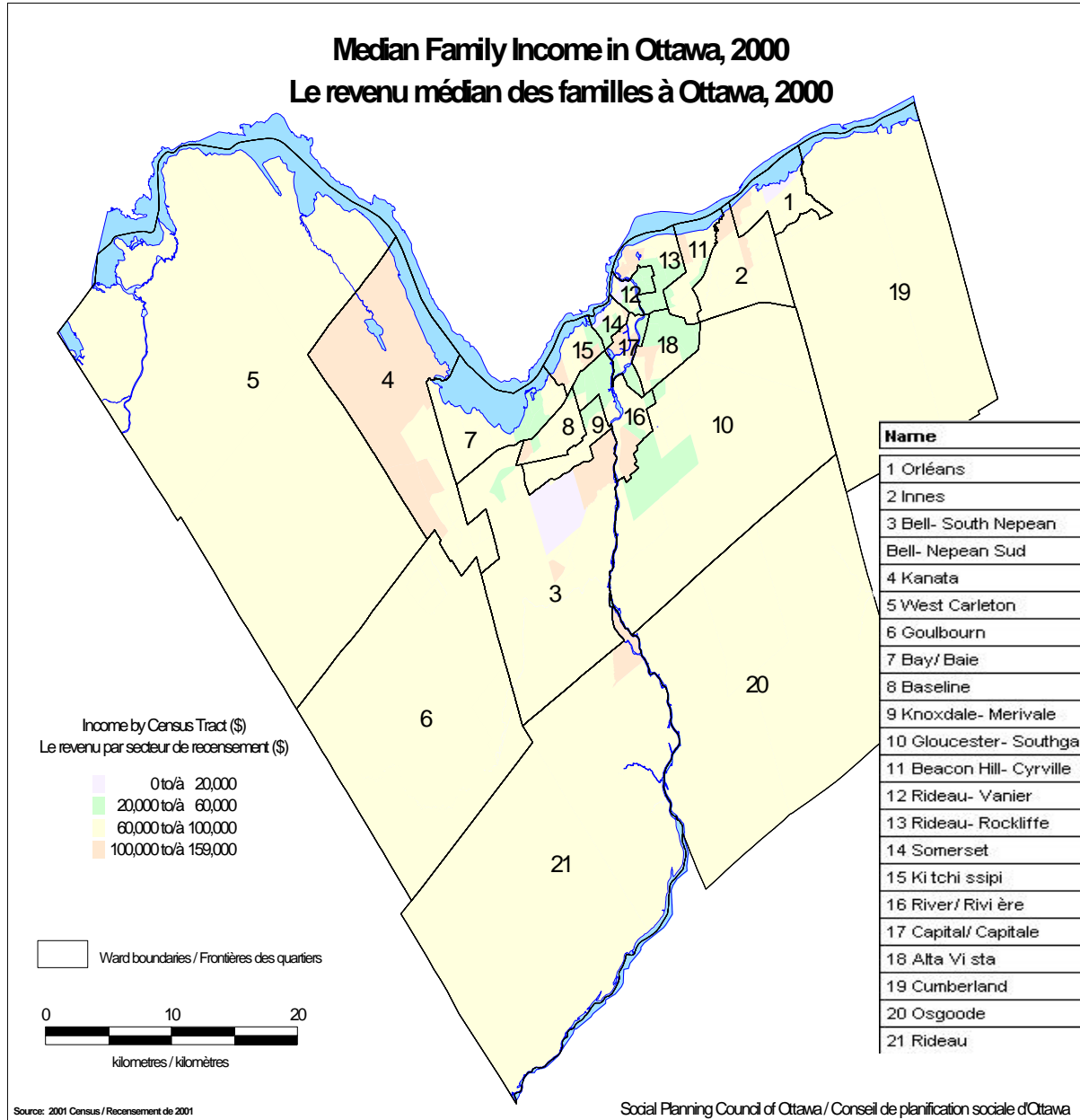
2000 Income Groups	Number of Families		Percent Distribution	
	1995	2000	1995	2000
Under \$20,000	8550	16765	5	8
\$20,000 - \$59,999	72400	63495	41	30
\$60,000 - \$99,999	60835	66290	34	31
\$100,000 and over	34610	64340	20	31

Source: Statistics Canada: 1996 and 2001 Census

Map 1 shows the geographic distribution of the Ottawa families by median family income. The highest median family incomes in Ottawa are found in some neighborhoods of Kanata, Bell-south Nepean, Rideau, Kitchissippi, Rideau-Rockcliffe, River, Capital, Alta Vista, Orleans, and Innes. Conversely, lowest median family incomes were reported for some neighbourhoods of Bell-South Nepean, Somerset, Rideau-Vanier, and Orléans.

Family income inequality was lower in the Ottawa-Gatineau region than in other major census metropolitan areas such as Toronto, Montreal, Vancouver, and Calgary. In Ottawa-Gatineau, for every \$1 in income among the 10 percent of families with the lowest income, families on the top received \$16.7. In comparison, this ratio was 1:17 in Montreal; 1:19 in Calgary; 1:23.5 in Vancouver; and 1:27 in Toronto.

# Map I



## SECTION III - LOW INCOME

In Canada, there are a number of benchmarks to gauge whether or not and the degree to which individuals, households, and families receive sufficient income to lead a decent life. Statistics Canada's 2000 low Income Cut Off (LICO) measure will be used in this report.

Using household expenditure survey data, Statistics Canada constructs the income thresholds (the LICO) below which families and households are likely to spend 20 per cent more of their gross income on food, shelter and clothing, than would the average Canadian household. Different LICO thresholds are provided for communities of different sizes, reflecting changes in the costs of living, and in each community, the LICO is scaled for family or household sizes. Table 4 provides the incomes below which different-sized families in Ottawa can be considered to be living with low income.

<b>Family Size</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>2000 Low Income Cut Offs</b>	\$18,371	\$22,964	\$28,560	\$34,572	\$38,646	\$42,719	\$46,793

Source: Statistics Canada, 2001 Census Dictionary Catalogue No. 92-378-XPE

### **Low Income among Families and Children**

Overall, the low income rate of the Ottawa families has improved from 14.3 percent in 1995 to 10.9 percent in 2000. However, one should note that the incidence of low-income varied greatly with family structure, composition, number of income earners, and for lone-parent families, gender of the parent.

Families with very young children, particularly female lone-parent families fared the worst. One-third of lone-parent families lived with low income in the year 2000. This compares to 7.4 percent among couple families. Among lone-parent families, those with both very young and teenage children suffered from highest rates of low income at 63 percent. In comparison, 16 percent of couple families raising children in similar age-groups, lived with low-income. The low-income rate among families without children was lower than those with children. Couples without children had a low-income rate of 6 percent.

Looking from the perspective of children, almost one in five of Ottawa's children under 6 years of age lived in low income families in the year 2000. The income of children's families improves slightly as they grow older, reflecting an increase of their parents' labour market activities. The incidence of low income declines to 19 percent for children aged 6-9, and even further down to 17 percent for those aged 10-14. Affordable, accessible, and quality childcare would thus reduce the low income rates among children.

### **Low Income Among Seniors**

The low-income rate among seniors (individuals aged 65 and over) declined from 16.4 in 1995 to 14.1 in 2000. In other words, compared to 1995, there were 615 fewer seniors living

with low income. This reflects a national trend of declining poverty rate among seniors (Statistics Canada, 2003b).

An exception to the declining poverty rate among all senior groups is found among senior men not living within their own census families, but with others. The low-income rate among this group increased from 15 percent in 1995 to 18 percent in 2000.

Among seniors, women living alone suffered the highest rate of low-income at 35 percent, compared to 26 percent of senior men living alone; and 11.5 of senior women living with individuals other than their census families.

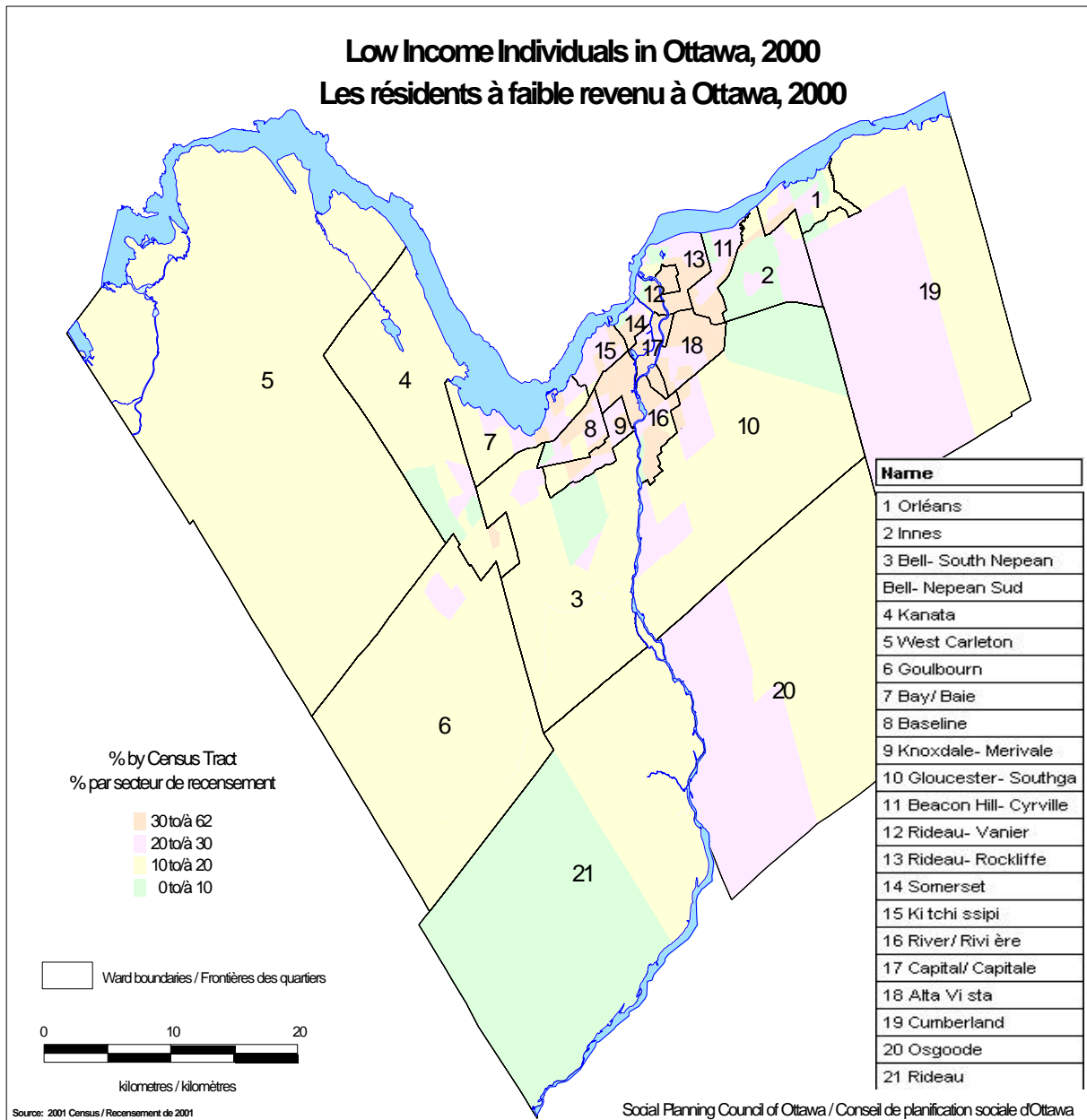
Table 6: Families, Children and Seniors Living in Low Income, 2000

	Number in Low Income		Incidence of Low Income (%)	
	1995	2000	1995	2000
All families	28405	23985	14.3	10.9
<b>Couple Families</b>	16,490	13,700	9.8	7.4
Without Children	5,310	4,840	7.8	6.1
With Children Under 6	3,285	2,235	15.1	10.6
With Children between 6-17	2,955	2,365	9.8	7
All other couple families	2,175	2,055	6.3	5.5
With children under 6 and children 6-17 years only	2,760	2,205	19.5	16.1
<b>Female Lone parent families</b>	10,855	9,315	42.4	32.5
With Children under 6	2,515	1,865	65.4	52.8
With Children between 6-17	4,230	3,690	46.4	37.3
all other female lone-parent families	24.1	18.8	24.1	18.8
With children under 6 and children 6-17 years only	1,580	1,270	73.8	63.2
<b>Male lone-parent families</b>	1,065	970	22.1	16.4
With Children under 6	680	700	27.7	22.7
all other male lone-parent families	385	265	16.2	9.5
<b>All Seniors</b>	12,350	11,735	16.4	14.1
<b>Non-family Seniors Living Alone</b>				
Male	1,325	1,410	29.9	25.9
Female	6,860	6,325	39.1	35.3
<b>Non-family Seniors Living with Others</b>				
Male	225	260	14.9	18
Female	725	530	13	11.5
<b>Children</b>				
Under 6	15,085	11,200	25.2	19.9
6-9 years	9,705	8,045	23.4	18.8
10-14 years	10,185	9,015	20.9	16.7
Under 15	34,980	28,265	23.3	18.5

Source: Statistics Canada, Cat. No. 97F0020XCB01006 - Data refer to the ON part of Ottawa-Hull

Map 2 reports the geographic concentration of individuals living with low incomes. The map shows that Baseline, Knoxdale-Merivale, Capital, River, Alta Vista, Somerset and Rideau-Vanier have the highest concentration of individuals living with low-income.

## Map 2



## CONCLUSION

This report sought to provide an understanding of the changes that occurred in Ottawa residents' incomes during the period between 1995 and 2000. Specifically, the report looked into the sources, levels, and adequacy of residents' incomes.

Favorable economic conditions in Ottawa during the latter part of the 1990s and the consequent high rate of job growth increased the number of residents receiving employment incomes. In the year 2000, almost half a million Ottawa residents received employment earnings, 46,005 more than in 1995, which, expressed in terms of a growing population, meant that 66 percent of residents were employed, up from 63 percent in 1995. In addition, Ottawa workers were among the highest paid in Canada, and received on average an annual earning of 39,713.

However, we found that employment earnings were highly polarized in Ottawa and varied largely by work activity, age, occupation, education, and gender. Although many more Ottawa residents had employment incomes in the year 2000 than in 1995, more than one-third of those employed with pay earned less than \$20,000; 45 percent earned between \$20,000 and 59,999; and 21 percent earned over \$60,000. The high proportion of low earners among the Ottawa workers is partly explained by an increasing number of part time and part-year workers. In the year 2000, only 58 percent of the existing jobs were full time, full year employment. It is noteworthy that low pay was not limited to part-time, part year workers or to low skilled workers. Among those earning less than \$20,000, one in five worked in full time full year jobs. In addition, the data show that education was not a sufficient insulator against low pay. Almost one in five (19 percent) low earners, working full time, full year was a university graduate. Recent research shows that low pay is only one of the many disadvantages faced by workers employed in part-time, part-year jobs. Often these jobs do not offer income security, career mobility, retirement savings, and other perks and benefits enjoyed by the average full time worker; and thus perpetuate current disadvantages over the longer term. Local research is needed to document the labour and life conditions of low-earners in order to identify appropriate areas of policy intervention at all levels of government.

Polarization of earnings is reflected in residents' overall incomes. In this period of extraordinary economic growth, the median income of the Ottawa residents declined by 3.7 percent: from \$31,116 in 1995 to \$29,978 in 2000. This means that in 2000 proportionally more individuals had lower levels of income than in 1995. Compared to 1995, the proportion of Ottawa residents who reported receiving both low and high levels of income increased, while the proportion in the middle income groups shrank.

The data revealed a significant gender disparity in incomes. On average, Women receive only 64 cents of every dollar received by men. In 2000, almost half (43 percent) of the women living in Ottawa had an income below \$20,000, compared to 29 percent of men. In the upper levels of income, only 12 percent of women gained incomes of \$60,000 or more, while 29 percent of men enjoyed these higher levels of income. This income disparity between the sexes is likely explained by women's disproportionate assumption of the burden of care-giving responsibilities in their families, which leads to a prevalence of part time, part year work among women. Close to half (47.3) of Ottawa's female workers were employed in

part-time, part-year jobs in the year 2000. In comparison 35.7 percent of men worked less than full time in 2000.

Polarization of incomes is also found among the Ottawa families. Statistics Canada reported that the Ottawa-Gatineau region boasted the highest median family income in Canada (Statistics Canada, 2003b). However, the Ottawa data reveal that both the proportion of Ottawa families living with less than \$20,000 and the proportion living with over \$100,000 increased, while the share of families in the middle income groups declined - suggesting a polarization of the incomes of the Ottawa families.

There have been some improvements in the incidence of low-income among Ottawa families. One should note, however, that the incidence of low-income varied greatly with family structure, composition, number of income earners, and for lone-parent families, gender of the parent. Families with very young children, particularly female lone-parent families fared the worst. One-third of lone-parent families lived with low income in the year 2000. This compares to 7.4 percent among couple families. Among lone-parent families, those with both very young and teenage children suffered from the highest rates of low income at 63 percent. In comparison, 16 percent of couple families raising children in similar age groups, lived with low-income. The low-income rate among families without children was lower than those with children.

Looking from the perspective of children, almost one in five of Ottawa's children under 6 years of age lived in low-income families in the year 2000. The income of children's families improves slightly, as they grow older, reflecting an increase of their parents' labour market activities.

In conclusion, what emerges from the analysis of Ottawa's recent income data is that economic boom alone is not sufficient to lead to widespread benefits for all residents. We found that in the year 2000, there were proportionally more families and individuals in the upper income groups than in 1995, but also more families and individuals in the lowest income group. This means that certain members of our community may be facing challenges that block their ability to participate in the economy. Typically these would include families raising young children, particularly lone parent families, recent immigrants trying to profitably access the labour market, young people seeking to make a successful transition to adulthood; seniors, particularly senior women living alone. Conscious and compassionate policies are necessary to support these groups to overcome their respective challenges. For example accessible, affordable, and quality childcare would go a long way in assisting parents with young children to seize the benefits of the economy. Concerted efforts from a variety of stakeholders are necessary to facilitate the access of skilled immigrants to the labor market and into their chosen professions. Minimum wages that adequately reflect the cost of living and accessible training would enable young workers and workers employed in low-skill jobs to improve their economic situations. Finally income support programs (social assistance, employment insurance, etc) that sufficiently shield families and individuals from the uncertainties of the labour market would protect the livelihood of residents in periods of hardships.

## GLOSSARY OF TERMS

**Business cycle:** Cyclical variation in economic activity, consisting of recession, recovery, growth and decline.

**Census Tracts:** Defined by Statistics Canada as small and relatively stable geographic units, drawn within large urban centres with a population of 50,000 or more, and containing a population count of 2,500 to 8,000 individuals.

**Employment Ratio:** The proportion of a given population who is employed in paid jobs.

**Family income:** A derived statistic resulting from the sum of the incomes of all individuals composing a family.

**Full year of employment:** 49 weeks or more of employment

**Full Time employment:** Employment that occupies a worker 30 hours or more per week.

**Incidence of Low income:** The proportion of a given population with incomes below Statistics Canada's Low Income Cut Offs.

**Income:** All monetary flow to individuals from a variety of sources that can be regrouped into the following three categories. Of note, all income data in this report refer to before-tax incomes.

**Employment Income:** gross wages and salaries and net self employment (farm and non-farm) income.

**Government Transfers:** Monies received by individuals from all levels of government. Government transfers include:

- Old Age Security Pension and Guaranteed Income Supplements
- Canada Pension Plan and Quebec Pension Plan benefits;
- Employment Insurance Benefits;
- Canada Child Tax Benefits;
- Social Welfare Assistance; and
- Other income received from federal, provincial or municipal government sources.

**Other:** Private pensions, investment incomes, alimonies, sporadic monetary support from friends and family, and other incomes.

**Low Income:** Income that is deemed to be barely sufficient to cover the necessities of life.

**Low Income Cut Offs:** Defined by Statistics Canada as "LICOs are income thresholds, determined by analyzing family expenditure data, below which families will likely devote a larger share of income to the necessities of food, shelter and clothing than the average family would."

**Minimum Wages:** The lowest wages employers are legally allowed to pay workers.

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