ECONOMIC BRIEFING

TD Economics

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HIGHLIGHTS FROM THE 2011 NATIONAL HOUSEHOLD SURVEY AND THE 2012 GENERAL SOCIAL SURVEY

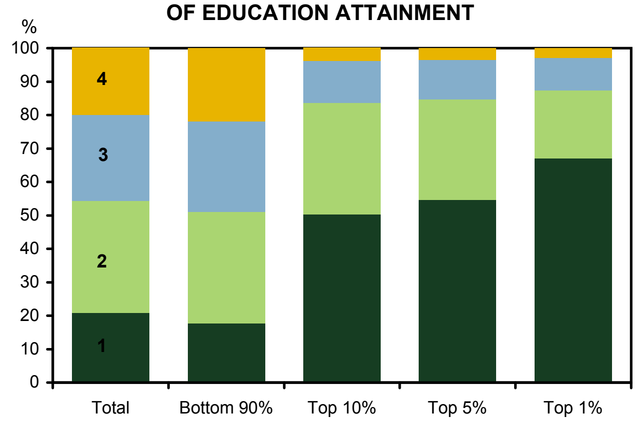
A deep-dive on education, income, housing and caregivers

In this economic briefing, we have compiled a series of highlights and key takeaways from two simultaneous releases from Statistics Canada on September 11, 2013 – The 2011 National Household Survey (NHS) and the 2012 General Social Survey. From these publications, we gain new insight on a variety of economic and demographic indicators, including: income and education trends, the incidence of low-income in Canada's cities, overall housing affordability, the characteristics of condominium dwellers and the prevalence and economic consequences of caregiving. Although the NHS survey is not as robust as the former Census reports, the collection of new data provide us with an updated glimpse of Canadian society and the economy.

Income and education trends

- Three out of every four dollars of total income in Canada is derived from employment. Investment income, private retirement income and other private income accounted for 12.9% of all total income reported by Canadians in 2010.
- The NHS looked into the economic and demographic characteristics of the top 1%, 5% and 10% of earners. In 2011, the top 10% of earners had total incomes of more than \$80,400 – three times the national median income. The top 1% have a total income of at least \$191,000, or seven times the national median income.
- In Canada, the top 10% of earners receive 28% of the nation's income and pay 42% of the nation's income taxes.
- Most of these top earners were in management or health-related occupations. There was also some representation of the self-employed, which likely includes entrepreneurs or business owners who have been particularly successful.
- Middle-aged men (those in the 45-64 age cohort) who were married or in a common-law relationship were disproportionately represented in the top 1%. The 2011 NHS is the first time that the demographic characteristics of the top 1% have been reviewed, so we are unable to comment on trends – particularly across gender – seen since 2006.
- On a geographical basis, 64% of top 1% earners were in Ontario and Alberta. The former is helped by a sizeable financial services sector, whereas the latter is buoyed

DISTRIBUTION OF INCOME BY HIGHEST LEVEL OF EDUCATION ATTAINMENT



(1) University degree; (2) Postsecondary certificate or diploma below bachelor level; (3) High school diploma; (4) No certificate, diploma or degree
Source: 2011 National Household Survey.

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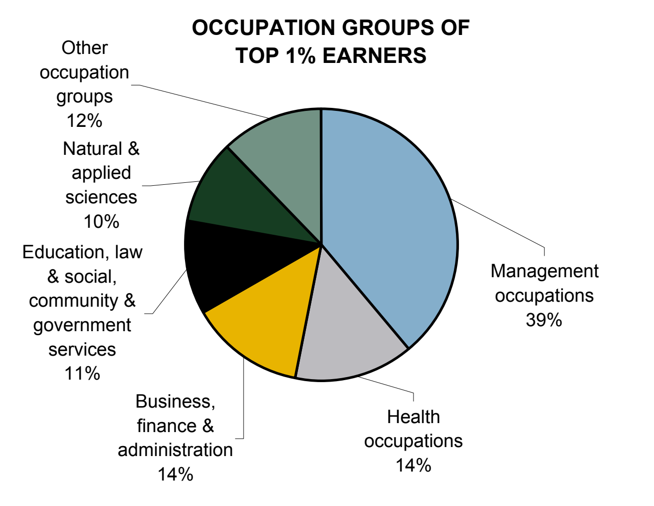


Source: 2011 National Household Survey.

by the natural resource sector. There was a commodity boom and a ramp up in resource extraction leading up to the 2008-09 recession, which likely translated into better-than-average wealth gains for Albertans. This trend is apparent from other data sources, including the Labour Force Survey.

- The top 1% are disproportionately located in urban centres, with more than half settling in Toronto, Montréal, Calgary and Vancouver. No reasons were given, but could include access to commerce, proximity to customers, local amenities including housing, and ease of international and domestic travel. In light of greater cost of living needs and all else equal, urban jobs also typically pay more than rural ones.

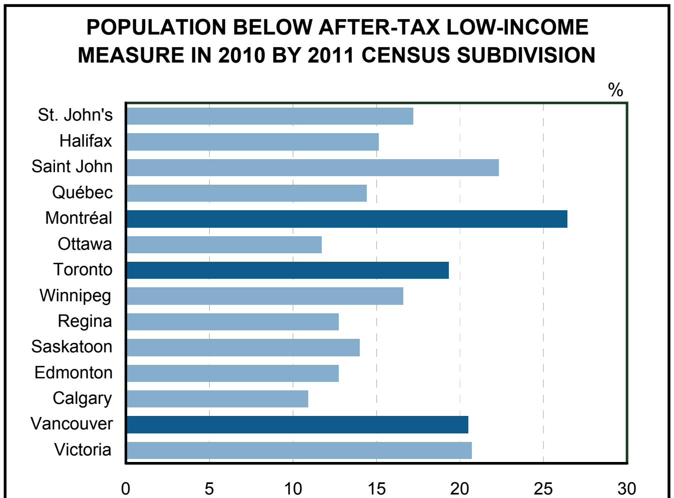
- With the positive correlation between education attainment and income well-defined, it is not surprising that Canada's top earners also possessed high levels of schooling. Of those in the top 10% of earners, four-in-ten held a university degree. This is well above the 25% university attainment rate reported for the entire Canadian population. Just 4% of the top earner group did not have a certificate, diploma or degree. However, over the past decade, the wage increases noted for university degree holders has not kept up with other levels of schooling, notably skilled trades.

- Business, health and engineering represented the top three fields studied by top earners. Of all fields, graduates who studied dental, medical and veterinary residency programs were most likely to be in the top 1%. It is important to note that these same individuals spent more time in school studying versus other fields.

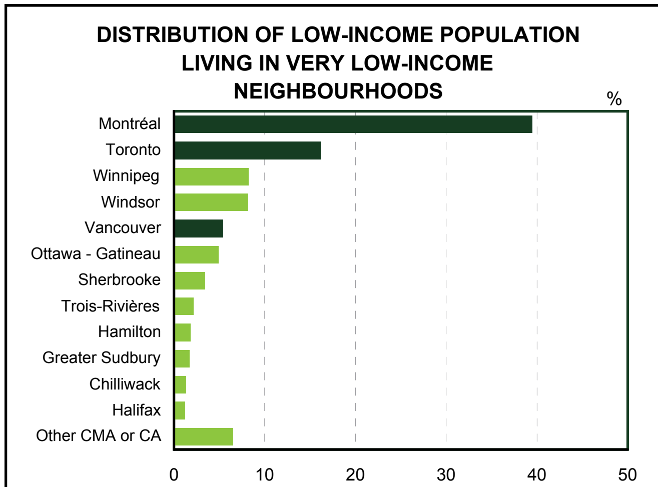
Incidence of low-income in Canada's cities

- The 2011 NHS reveals that 4.8 million Canadians (14.9%) live in a low-income household. This threshold is dependent on family size, but for a single person, the cut-off is $20K after taxes. The three worst performing major Census Metropolitan Areas (CMAs) were Montréal (26.4%), Saint John (22.3%) and Victoria (20.7%). The lowest incidence of low-income was in Calgary (10.9%), Ottawa (11.7%) and Edmonton (12.7%).

- Statistics Canada surveyed over 5,000 neighbourhoods across Canada. It defines a low-income neighbourhood as one in which 30% or more have low income, and, defines a very low-income neighbourhood as having 40% with

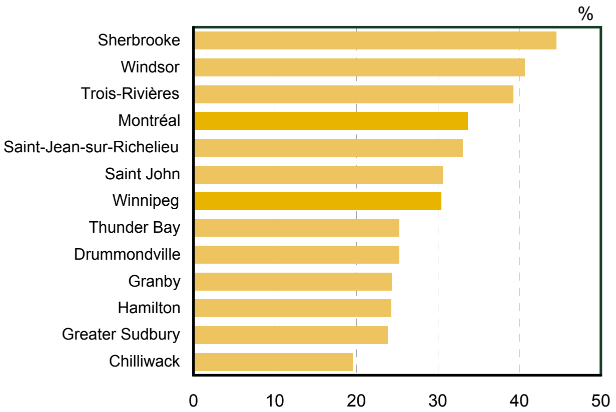


Source: Statistics Canada, National Household Survey, 2011



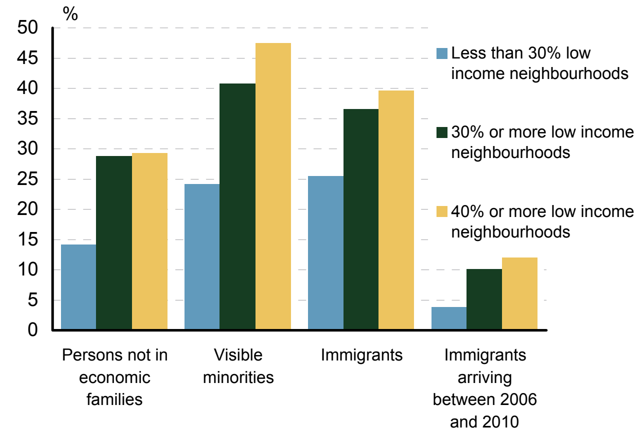
Source: Statistics Canada, National Household Survey, 2011

PROPORTION OF LOW-INCOME POPULATION LIVING IN LOW-INCOME NEIGHBOURHOODS



Source: Statistics Canada, National Household Survey, 2011

PROPORTION OF SELECTED POPULATION SUBGROUPS BY NEIGHBOURHOOD TYPE



Source: Statistics Canada, National Household Survey, 2011

low income. Of the surveyed neighbourhoods, 9% (or 478) were considered low-income and 3% (or 137) were classified as very low-income.

- The prevalance of low-income and very low-income is heavily skewed towards the three largest CMAs: 35.8% of the 478 low-income neighbourhoods were in Montréal. The figure was 15.7% and 7.1% in Toronto and Vancouver, respectively.

- There are different degrees of concentrations of low-income across CMAs. Sherbrooke (see chart above) scored the worst on that front with 44.5% of its low-income population living in low-income neighbourhoods. A populace of students may be to blame, although this is just speculation as we are not sure whether the student filled out the NHS form or if their parents did so on the student's behalf. In the latter case, the student would be categorized under their hometown, not their student residence location.

- Of the major metros, Montréal (33.6%) and Winnipeg (30.4%) scored poorly, with high incidence of low-income. In the case of Winnipeg, the city is home to a sizeable share of Aboriginal peoples who have lower-than-average incomes and display troubling socio-economic results. Montréal's situation could be the result of a perfect storm: (1) a large share of immigrants (as is the case in Toronto and Vancouver); (2) structural factors such as language challenges for newcomers and an ageing demographic, which have historically kept it poorer than the Canadian average; and (3) it has one of the worst housing affordability among other major CMAs.

- For the very low-income classification, 61.1% lived in one of the three largest metros in Canada.

- Visible minorities and immigrants represented respectively 47.5% and 39.7% of very low-income neighbourhood populations. Corresponding figures for the two groups in non low-income neighbourhoods were 24.2% and 25.2%. Immigrants that arrived in Canada between 2006 and 2010 represented 12% of very low-income neighbourhoods. Yet, they represent just 3.8% of the population in non-low-income neighbourhoods. These numbers underscore the challenges facing (especially) recent immigrants and the need for public policy to integrate this demographic successfully into the labour force. What's more, improving social mobility up the income ladder is also crucial.

Overall housing affordability and characteristics of condominium dwellers

- The NHS confirmed what many had been observing anecdotally – some Canadians are house poor. One-quarter of Canadians devote more than 30% of their total income to shelter costs (condo fees, property taxes, mortgage payments and/or rent and utilities). That 30% is a threshold chosen by the Canada Mortgage and Housing Corporation (CMHC) to be the point at which housing becomes unaffordable.

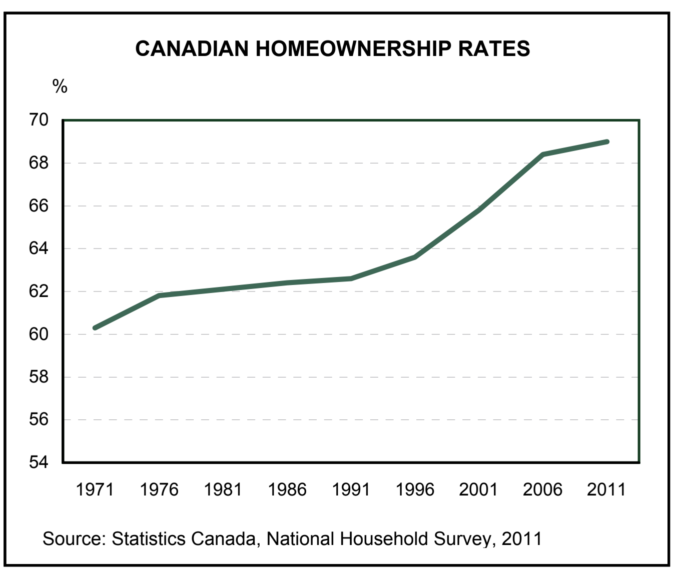
- The financial position of a homeowner is more strained versus those who rent. For those above CMHC's affordability threshold, the average homeowner exceeds this benchmark by $617, while the average renter goes over by a lesser $403. However, renters (40% of which) were more likely to be over that threshold than homeowners (25%).

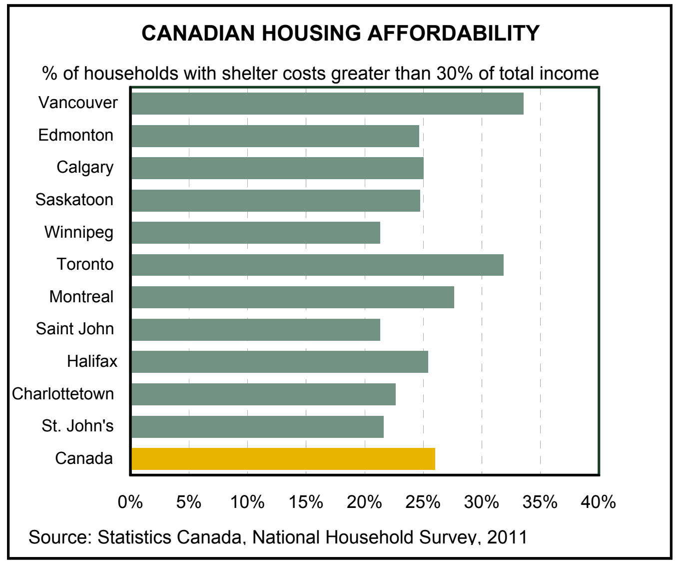
- While the overall share of households with shelter costs more than 30% of income was exactly the same in 2006, the share of homeowners for which shelter costs exceeded this amount increased eight percentage points from 2006. The higher costs for homeowners largely reflects the sharp accumulation of mortgage debt over the last five years and the deterioration in housing affordability across most major markets in Canada. It is interesting that shelter costs have risen for homeowners even though mortgage rates were at record low levels. This trend simply highlights that Canadian households are left vulnerable to the future rise in interest rates.

- Partly reflecting the deterioration in housing affordability, homeownership rates (69%) have stabilized, after rising sharply between 1991 and 2006. The noted increase in existing home prices over the last decade relative to rents has eroded some of the benefits of owning over renting. A couple (particularly with children) is still more likely to own than rent, as homeownership does provide other intrinsic value, such as a certain quality of life.

- The average age of homebuyers between 2006 and 2011 was under 35, highlighting the importance of first time homebuyers in driving housing activity over the last decade.

- Condos are becoming a larger share of the Canadian housing stock. One-in-three occupied dwellings built between 2001 and 2011 were condos, compared to just one-in-ten prior to 1981. Roughly 50% of condo owners are either 35 years and younger (single first time homebuyers) or 65 years and older (downsizing).





- Canadians who own homes continue to prefer single family homes over condos. 90% of single family homes are owner occupied and only one-in-five homebuyers who purchased a home between 2006 and 2011 opted for a condo. These preferences likely help explain why in many markets like Toronto, bidding wars continue to push the average price of a single family home up, while condo demand and prices have recently stagnated. Having said that, more and more households are opting for condos (only one-in-ten homebuyers purchased a condo more than five years ago).

- 25% of people living in condos rent. Given that the rental market is currently hotter than the existing home market, this provides us with some comfort that the slew of newly built condos coming onto the market over the next few years can be absorbed by renters, although the additional supply will weigh on price growth. Note, Calgary, Edmonton and Montréal had the highest proportion of renter-occupied condos. These cities have also had some of the most overbuilding relative to demographic demand.

Prevalence and economic consequences of caregiving

- The 2012 General Social Survey (GSS) on Caregiving and Care Receiving provides insight on those persons aged 15 years and older who provided help or care within the previous 12 months to someone with a long-term health condition or physical/mental disability or someone with problems related to ageing. It does not include day-to-day childcare. Age-related needs were the number one reason for care. Cancer, cardiovascular disease and mental illness came in a distant second, third and fourth.

- The ageing demographic coupled with longer life expectancies means that parents are the primary recipients of caregiving activities. Middle-aged Canadians (45-64) are the primary caregivers, with women slightly outstripping men. About half (48%) of Canadians cared for their own parents or parents in-law over the past year.
- Adult children were four times more likely to care for a parent versus parent-in-law and 2.5 times more likely to report caring for their own mother than father. The latter probably stems from the greater life expectancy held by women versus men.
- Providing transportation was the most common caregiving task. Household work, house maintenance and scheduling and coordinating appointments were also popular.
- The gender divide trickles down into the type of caregiver activity performed. Women are more likely to help the care receiver with personal care, whereas men tend to help with house maintenance and outdoor work.
- The time spent varies depending on the relationship to the caregiver. For instance, if the person receiving care was the caregiver's spouse, then 14 hours per week was the median time for care support. For friends, colleagues or a neighbour, the median number of hours spent was two hours. While spouses and children were among the least common care receivers, caregivers spent the greatest number of hours per week caring for these family members. Across all categories, Canadians spent three hours per week (median) performing some sort of caregiving activities.
- Caregiving can have impacts on labour force participation and job performance. About 43% of caregivers indicated that their work attendance was negatively affected. As more time is devoted to caregiving, the impact on paid employment worsens. The receipt of financial assistance – from formal or informal sources – also increases with the intensity of care.
- The juggling act and often competing priorities of caregivers is readily apparent. In 2012, 60% were working at a paid job or business and 28% had children under the age of 18. These statistics help underscore why baby boomers are often called the sandwich generation, where the adjective refers to tending to both the needs of their parents and children. Caregiving duties cause more than half of caregivers to feel tired, worried or anxious. Despite these competing demands and the emotional toll, 73% of employed caregivers were satisfied with their work-life balance.

Bottom line

Both the 2011 National Household Survey (NHS) and the 2012 General Social Survey provide a useful update to the demographic characteristics of Canadians. They provide considerable insight towards the distribution of incomes, the value of education, the continuing challenge of poverty and where it is geographically concentrated. The survey confirms many previously anecdotal trends of developments in housing. And, it shows the pressure that caregivers and the sandwich generation are under. This treasure trove of data can help inform policymakers on many socio-economic issues.

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