LOW INCOME ENTRY AND EXIT RATES
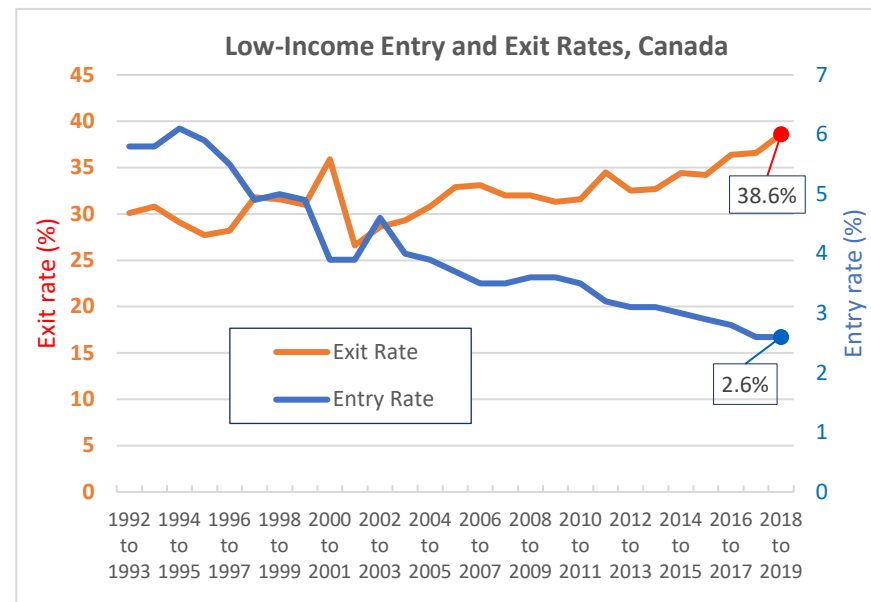
Each year, some people fall into low income, while others rise out of it. How large are these movements?

By observing changes in people's income from one year to the next, Statistics Canada records the number of individuals who move into and out of low income each year. The percentage of people who in the previous year were defined as having low income, but now have income greater than this threshold, defines the *low-income exit rate*. These people have had an increase in earnings sufficient to escape low-income status. Similarly, Statistics Canada calculates the percentage of people who have experienced a fall in income sufficient to cause them to now be identified as having low income. The percentage of people whose income was previously above the measure of low income, but whose earnings are now below that measure, defines the *low-income entry rate.*

The figure shows how low-income entry and exit rates have changed over the period 1992 to 2019. The data is for Canada and might look very different if examined by province or even city. In the last year reported in the figure, 2.6% of people who were not in low-income in 2018 moved into low-income in 2019. This was equal to 628,465 people. Similarly, 38.6% of people who were in low-income in 2018 had moved out of low-income in 2019. This was equal to 986,765 people.

Especially since the early 2000s, the rate of exit from low-income has steadily increased and the rate of entry has steadily fallen. Research identifies many reasons for these changes, but entries into and exits from employment are key.

The percentage of the population living in low-income may fall because fewer people are entering low income or because more are exiting low income. These data indicate the percentage of Canadians living with low income has fallen for both reasons. That there is no single path for reducing the number of people living with low income suggests a range of public policies options ought to be considered. There is consistent evidence showing that the most important of these are pro-employment policies

Low-Income Entry and Exit Rates, Canada

Source: Statistics Canada Table 11-10-0024-01. Low income is measured by the fixed Low-Income Measure (LIM), where median income is as defined in 2002 and updated using the all-items CPI.

targeted toward people with low incomes. Research studies from the US find that people experiencing a loss or gain of employment are the most likely to enter and exit poverty. This finding is confirmed for countries other than the US. But changes in disability status, changes in the number of children, and a change to and from a two parent and single parent household are also important reasons for movements into and out of low income.

This suggests that while policies that speed entry into, or slow exits from, employment are key, other options to support families and reduce the consequences of disability also warrant consideration. It is also worth noting that employment-focused interventions that offer re-training programs, or the provision of assistance to enter the labour force, are frequently implemented most successfully by non-government agencies.

Editorial Practices Statement: This manuscript is a rapid contribution to the policy conversation that has been open-reviewed by at least one University of Calgary faculty member prior to publication.