

Study: Rising prices and the impact on the most financially vulnerable: A profile of those in the bottom family income quintile

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In the face of rising consumer prices, close to half (44%) of Canadians in 2022 were very concerned about their ability to meet day-to-day expenses.

Feeling worried about the impacts of inflation on food, housing and other expenses was greatest among the lowest income Canadians, where more than 6 in 10 (63%) in the bottom household income quintile were very concerned. This proportion was over three times higher than those in the top income quintile (19%).

Released today, these findings are from a new study, "[Rising prices and the impact on the most financially vulnerable: A profile of those in the bottom family income quintile.](#)"

This study uses data from multiple sources, such as the Canadian Income Survey and the Survey of Financial Security. It sheds light on the financial security of Canadians in the lowest family income quintile, providing detailed information on income levels, debt and assets levels, and some of the economic challenges faced by this group in the context of rising costs of living.

Some of the data sources used in the study predate the COVID-19 pandemic. This is because these data provide an understanding of the typical situation of those living in the bottom income quintile, by limiting the effect of temporary changes in government transfers during the pandemic period.

Canadians in the bottom household income quintile are most likely to borrow money from friends or relatives or to take on additional debt to meet daily expenses due to rising prices

Rising prices can have an adverse effect on the financial stability and security of many Canadians, but more so among those with lower incomes.

In 2022, 19% of Canadians in the bottom income quintile reported that they had to often borrow money from friends or relatives or take on additional debt to meet day-to-day expenses. This compares to 2% of those in the top quintile.

Canadians in the bottom income quintile were also more than three times as likely as other Canadians to report that they were very likely to obtain food or meals from a community organization over the next six months due to rising prices (17% versus 5%).

Lone parents, divorced people and First Nations living off-reserve are most likely to be in the lowest family income quintile

In 2019, around 5.1 million Canadians lived in families in the lowest quintile of income, representing 14% of the total population.

In particular, living in the bottom income quintile was a reality for 32% of single parents with children, four times greater than couples with children (8%). Reflecting the potential increased financial vulnerability with relationship dissolution, divorced Canadians (30%) were more than three times as likely as married Canadians (9%) and those living common law (8%) to be in the lowest income quintile families.

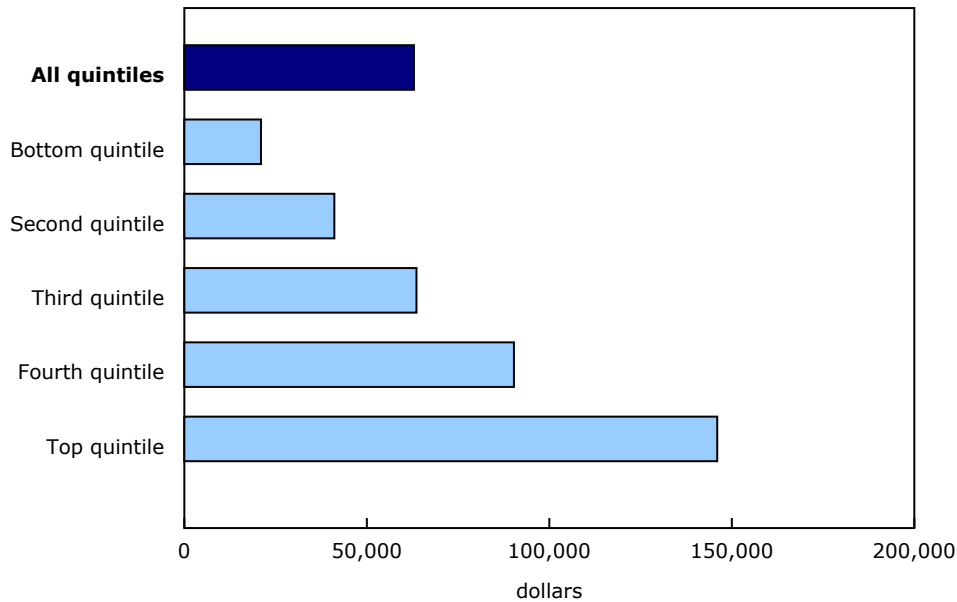
For First Nations living off-reserve, 28% were living in the bottom income quintile, compared with 14% of their non-Indigenous counterparts. It should be noted that data on First Nations living on-reserve and Indigenous people living in remote regions of Canada were not available for this study.



The median income of families in the top quintile is seven times that of families in the bottom quintile

In 2019, the median after-tax income for families and unattached individuals in the lowest income quintile was \$21,000. This was one-third of the median for all quintiles (\$62,900) and seven times lower than that of families in the top quintile (\$146,000).

Chart 1
After-tax economic family income, by family income quintile, 2019



Source(s): Canadian Income Survey, 2019 (5200).

The major source of income for most families in the bottom income quintile was government transfers (62%), followed by wages and salaries (27%) and income from self-employment (7%). By comparison, the major source of income for all other quintiles was wages and salaries (68%), with government transfers accounting for 9%.

The median net worth of families in the bottom quintile was more than 20 times lower than those in the second to fifth quintiles

Net worth, which is defined as the total value of assets held by the family minus its total debt, plays an important role in financial security. As with people living in poverty, those with low levels of assets or high levels of debt are more likely to experience hardship in the event of job or retirement losses or during economic shocks, such as higher consumer prices.

While families in the bottom income quintile have lower levels of consumer and mortgage debt, they also have lower levels of assets. In 2019, families in the bottom income quintile had median assets of \$26,400, compared with \$627,000 for families in other income quintiles. As a result, the net worth of families in the bottom quintile (\$20,000) was more than 20 times lower than that of the rest of the families (\$463,500).

Note to readers

Data from the third 2022 Portrait of Canadian Society Survey (PCS), 2019 Canadian Income Survey (CIS), 2019 Survey of Financial Security (SFS), 2019 Survey of Household Spending (SHS), 2018 Canadian Housing Survey (CHS), and 2017 Canadian Survey on Disability (CSD) are used in this study.

Adjusted income quintiles were calculated using after-tax economic family income and economic family size for CIS, SFS and CSD; after-tax household income and household size for SHS; and before-tax household income and household size for PCS and CHS. The income levels were adjusted by dividing the economic family (household) income by the square root of economic family (household) size.

Definitions

Household refers to a person or group of persons who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada or abroad. The dwelling may be either a collective dwelling or a private dwelling. The household may consist of a family group such as a census family, of two or more families sharing a dwelling, of a group of unrelated persons or of a person living alone. Household members who are temporarily absent on reference day are considered part of their usual household.

Economic family refers to a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law union, adoption, or a foster relationship. In this study, families include economic families and unattached individuals.

Definitions, data sources and methods: survey numbers [2620](#), [3251](#), [3508](#), [5200](#), [5269](#) and [5352](#).

The article entitled "[Rising prices and the impact on the most financially vulnerable: A profile of those in the bottom family income quintile](#)" is now available in the publication *Insights on Canadian Society* ([75-006-X](#)).

The infographic "[Financial vulnerability of Canadians with the lowest incomes](#)" is now available in the series *Statistics Canada – Infographics* ([11-627-M](#)).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).