



ECONOMIC AND SOCIAL INCLUSION

» Inclusion is a driver of growth that can lead to a more resilient economy

Economic benefits of inclusion:

- Increased workplace productivity;
- Improved employment outcomes;
- Improved mental health;
- Improved physical health; and,
- Reduced cost of social services.

Source: Deloitte, 2019.

Economic and social inclusion

is the ability to participate fully in the political, educational, economic and social aspects of one's communities.

The factors that contribute to economic and social inclusion are mutually reinforcing.

» Exclusion comes at a cost

Costs of exclusion to individuals:

- Loss of wages;
- Lower lifetime earnings;
- Negative educational outcomes; and,
- Negative employment outcomes.

Costs of exclusion to Canada:

- Increased social spending;
- Reduced tax revenue;
- Reduced Gross Domestic Product (GDP); and,
- Less human capital wealth.

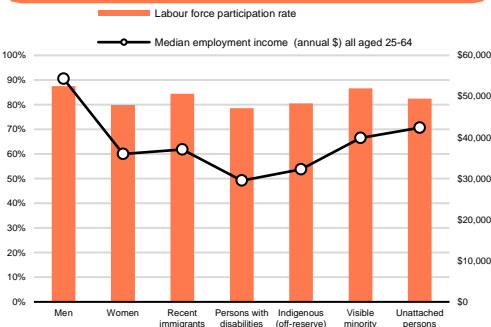
Source: The World Bank, 2021.

Racism and discrimination have additional, compounding physical and mental health costs at the individual level, which in turn have costs at the societal level.

» While Canada has made strides toward a more inclusive society, challenges persist

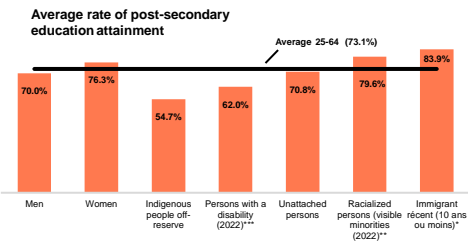
Many factors influence economic and social inclusion:

Labour force participation is relatively high, but inequalities persist for specific groups who also face lower earnings



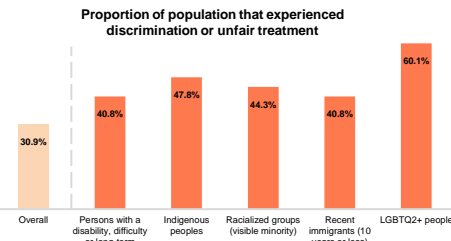
Notes: Annual labour force participation rates and employment incomes for different groups aged 25-64. Data from multiple sources. *Aged 25-54. Sources: Statistics Canada, Labour Force Survey (LFS) 2023, Canadian Income Survey (CIS) 2022 and 2023 LFS-CIS Linkage.

Canadians on average have high rates of post-secondary education, but lower levels of education are a barrier to labour force participation and impact earnings. Yet, for some, such as recent immigrants, more education does not translate to higher wages



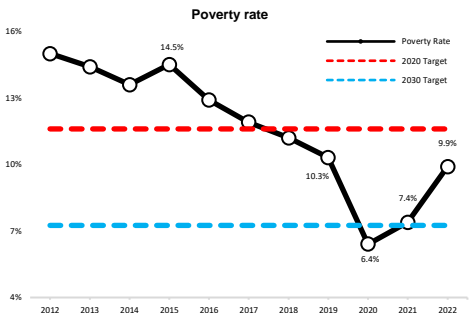
Notes: Annual post-secondary education attainment for selected groups aged 25-64. Includes attainment above high-school level. Data is from the Labour Force Survey (LFS) 2023 except where otherwise identified. *Aged 25-54. **Data from Canadian Income Survey (CIS) 2022. ***Data from the Canadian Survey on Disability (CSD) 2022. Source: Statistics Canada, LFS 2023, CIS 2022 and CSD 2022.

Discrimination is at the root of exclusion for many people, and disproportionately affects certain groups



Notes: Experienced discrimination or unfair treatment* in Canada in the past 5 years (15+), by selected group, excluding territories. *Due to Indigenous identity, ethnicity or culture, race or skin colour, religion, language, accent, physical appearance, sex, sexual orientation, gender identity or expression, age, physical or mental disability, or some other reason. Source: Statistics Canada, Canadian Social Survey (2024, Q3).

Poverty is a cause and an effect of economic and social exclusion. The stigma of poverty compounds exclusion. Canada's Official Poverty Line (COPL) is based on the Market Basket Measure



Note: The 2018-base series was back-cast for 2012 to 2014 using benchmarking techniques. Source: Statistics Canada, Canadian Income Survey, 2022.

Under the *Poverty Reduction Act*, the Government of Canada is committed to reducing poverty by 20% by 2020, and by 50% by 2030 relative to 2015 levels. The overall poverty rate, as measured by Canada's Official Poverty Line, was 9.9 percent in 2022, up from 7.4% in 2021, but well below 14.5 percent in 2015. There were close to 1.3 million fewer people living in poverty in 2022 compared to 2015.

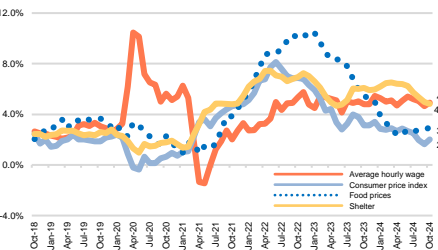
Housing is essential for inclusion, yet access remains a challenge:

- Between March 2020 and December 2022, on a given night, 32,000 people experienced homelessness (Everyone Counts 2023).
- Almost 1.5 million Canadian households lived in core housing need in 2021 (Census 2021).
- Canadians overall were less likely to own their home in 2021 (66.5%) than they were a decade earlier, when a record high (69.0%) were homeowners (Census 2021).
- Canada is projected to need about 3.5 million additional housing units by 2030, on top of the 18.6 million that will be available by then (CMHC 2023).

» Challenges of high inflation, food and housing affordability, and climate change are contributing to growing vulnerability and higher risk of exclusion

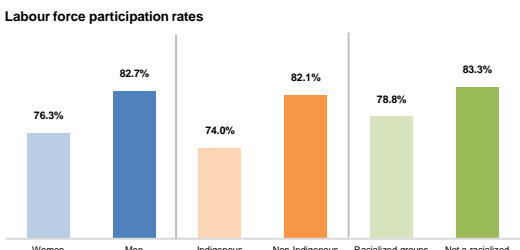
While inflation has moderated since the highs of 2022 & 2023, the cost of living remains elevated; persisting inequities for certain populations limit their ability to withstand current and future challenges:

While average wage growth has outpaced inflation since early 2023, food and shelter prices remain elevated



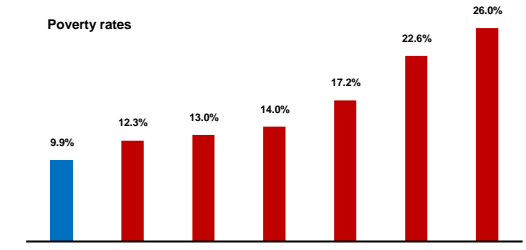
Notes: Year-over-year changes in consumer prices, food prices, shelter prices and average hourly wages (15+ years). Source: Statistics Canada, Consumer Price Index and Labour Force Survey, October 2024.

Labour force participation rates have recovered for under-represented groups, but some still participated at a lower rate than their peer groups



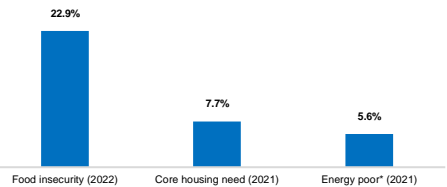
Notes: Labour force participation rates by specific group, aged 15-64. *Estimates are unadjusted for seasonality and are a three-month moving average (average of the most recent month and the two previous months). **Aged 15-54. Source: Statistics Canada, Labour Force Survey November 2024.

Poverty continued to affect certain groups disproportionately in 2022, as affordability challenges had intensified



Note: Poverty rates by specific groups, 2022. Source: Statistics Canada, Canadian Income Survey 2022.

The impact of affordability challenges also extends into other dimensions of poverty



Notes: Rates of food insecurity, core housing need and energy poor in Canada. Food insecurity includes marginal, moderate and severe food insecurity. Core housing need refers to whether a private household's housing falls below at least one of the indicator thresholds for housing adequacy, affordability or suitability, and would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable. A household is defined to be energy poor if the dwelling energy bills are equal to or greater than 10% of the household after-tax income. *Measurement unit is households. Sources: Statistics Canada, Canadian Income Survey 2022 and Census 2021.

Impact of Climate Change on Poverty and Exclusion

- Vulnerability to adverse climate impacts is **unequally distributed** and linked to broader inequalities, thus climate change is expected to result in more poverty and exclusion while posing risks for the effectiveness of ESDC's existing social development programs.
- Climate change could result in an additional 130 million people in poverty globally in the next decade, according to the World Bank.
- Low-income households are twice as likely to experience disaster-related disruptions**, according to a survey by the US Federal Reserve, and take longer to recover. Unexpected costs or income disruptions from climate shocks lead low-income households to take on more debt, including predatory payday loans, according to research from the Bank of Canada.
- Climate change could currently be responsible for about 180,000 **job losses** annually, according to the Canadian Climate Institute.
- Climate change is **driving higher costs for necessities like food, housing, energy, and insurance**. Home insurance premiums in Ontario have risen by 60%—three times the rate of inflation—over the past decade. By 2035 climate change could contribute an additional 3% to global food inflation and 1% to overall inflation annually, according to the European Central Bank.
- Seniors, persons with disabilities, children, and youth** are among those who experience the **greatest adverse physical and mental health impacts** from climate change. 90% of those who died in the 2021 BC Heat Dome were 60+ years of age and according to the Journal of Climate Change and Health, 8 in 10 Canadian youth report that climate change impacts their overall mental health.

» Tackling these broad and complex issues requires a whole of society approach of economic and social inclusion

The federal government supports inclusion through measures such as:

- The tax and transfer system;
- Income security programs like the Canada Child Benefit, Canada Workers Benefit, Canada Pension Plan, Old Age Security/Guaranteed Income Supplement, Employment Insurance;
- Workplace programs and activities under the Employment Equity Act and the Pay Equity Act;
- Workforce development programs;
- Accessibility through the *Accessible Canada Act* and related initiatives;
- Canadian Dental Care Plan
- Early Learning and Child Care
- Directly funding organizations that deliver community programs; and,
- Student loans.

All orders of government, communities, the private sector, civil society, educational institutions, and others play a significant role in supporting inclusion.