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# THE AFFORDABILITY GAP

## SPENDING DIFFERENCES BETWEEN CANADA'S RICH AND POOR

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# Spending Patterns and Low Incomes

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NEW DATA FROM Statistics Canada on how people spent their money in 2007 — one of the best years for gains in personal income in recent history — show major differences in spending habits between Canada's poorest and richest families.

The poorest households often forego buying many of the items that most of us consider a normal part of everyday life. They are much less likely to buy sporting equipment for themselves or their children. They are less likely to have cell phones. They often don't spend money on eyeglasses. They often don't have personal computers and high-speed Internet access at home. Even going to a movie or buying a newspaper can be a rare treat.

None of these spending dilemmas trouble the richest households. More than nine out of ten households own their own homes and perhaps a vacation home as well. Almost all own their own vehicle or vehicles rather than relying solely on public transit to get around. They are much more likely to travel by car or by air and to spend time away from home staying in a hotel or motel.

Overall, the Statistics Canada figures showed the 20 percent of the poorest households with average total spending of \$22,339 and the 20 percent of the richest households with average total spending of \$143,361.

The simple — perhaps simplistic — dynamic is the more money you have, the more money you spend. Every major category of spending items surveyed showed an increase in spending with an increase in income.

The latest data also showed a widening gap between the poor and the rich based on the spending patterns of recent years. Between 1999 and 2007, annual spending by the poorest households rose \$1,283 or 6.1 percent, while spending by the richest

rose \$16,497 or 13 percent. The poor had the smallest increase in dollar terms and the smallest percentage increase of any income group. The rich had the largest increases.

Much of the recent research on poverty talks about social exclusion or social inclusion as the best way of defining poverty. Poverty, according to this view, isn't strictly a matter of very low income. It is also based on whether people are able to participate in a meaningful way in the society around them.

In other words, can poor people purchase the goods and services that most people would consider reasonable for normal living in 21<sup>st</sup> century Canada? The latest spending data suggest the answer to that question is no.

#### THE ABCS OF HOUSEHOLD SPENDING

The most important source of information about spending patterns comes from the Survey of Household Spending done every year by Statistics Canada. The survey covers more than 200 types of purchases, what they cost in total over the course of a year and who buys or doesn't buy each item or category of items.

The latest results for 2007 came from a survey of nearly 14,000 households in all provinces and territories. The survey results were projected to the population as a whole and are said to reflect household spending by 98 percent of all households. The small portion of the population not covered included people living in institutions, from chronic-care nursing homes to prisons, people living in military camps, and residents of Indian reserves in the ten provinces.

When most people are asked about household spending, they often think about the so-called essentials of life: food, shelter and clothing. If the discussion goes a bit further, however, the list of essential spending items soon becomes quite lengthy.

Chart 1 shows six important categories of spending by Canadian households in 2007, plus a category for income taxes and a residual category that combines all the other categories of spending, most of them fairly small.

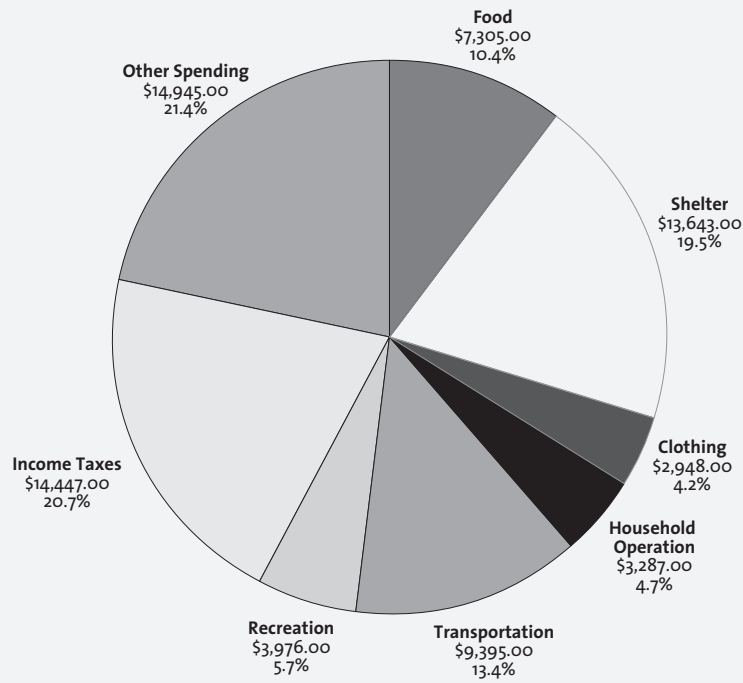
Average total spending on all the categories added up to \$69,946. Obviously, some households spent much less than the average, and some spent considerably more.

Total spending on food, shelter and clothing accounted for just over 34 percent of household spending. The majority of spending took place elsewhere. Transportation was one particularly expensive item — even more expensive than the cost of food.

Almost all households in Canada spent money on six of the seven main categories in the graph. Most households also paid income tax, but not those with the lowest incomes who fell below the income tax thresholds. Within the "other spending" category, most households spent money on household furnishings and equipment, health care and personal care. Spending patterns were less regular in some of the other categories.

The "other spending" categories are listed in Table 1. The table shows average spending for each category plus average spending as a percentage of total household spending.

CHART 1 Average Expenditures, All Households, 2007



Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

TABLE 1 Average Expenditures, All Households, 2007

	Average Spending	% of Total Spending
Furnishings & Equipment	\$1,964	2.8%
Health Care	\$1,932	2.8%
Personal Care	\$1,167	1.7%
Reading Material	\$260	0.4%
Education	\$1,017	1.5%
Tobacco & Alcohol	\$1,536	2.2%
Games of Chance	\$251	0.4%
Miscellaneous	\$1,081	1.6%
Contributions & Pensions	\$3,946	5.7%
Gifts, Alimony & Child Support	\$1,788	2.6%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

TABLE 2 **Average Expenditures By Quintiles, All Households, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%	Richest/ Poorest Ratio
Total Expenditures	\$22,339	\$40,009	\$60,602	\$83,420	\$143,361	6.4
Food	\$3,780	\$5,651	\$7,203	\$8,572	\$11,321	3.0
Shelter	\$6,793	\$9,358	\$12,649	\$16,347	\$23,068	3.4
Household Operation	\$1,466	\$2,283	\$2,956	\$3,873	\$5,860	4.0
Clothing	\$929	\$1,754	\$2,517	\$3,364	\$6,176	6.6
Transportation	\$2,680	\$5,622	\$9,026	\$12,283	\$17,366	6.5
Recreation	\$1,074	\$2,165	\$3,419	\$4,774	\$8,449	7.9
Income Taxes	\$577	\$3,889	\$9,318	\$16,557	\$41,895	72.6
Other Spending	\$5,040	\$9,287	\$13,514	\$17,650	\$29,226	5.8

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

#### THE MORE YOU HAVE, THE MORE YOU SPEND

One of the realities of household spending in Canada is a simple one: the more money you have, the more money you spend. The rule doesn't apply to every single one of the individual items in the Survey of Household Spending, but it certainly applies to the overall spending figures and spending on major categories of items such as food, shelter and transportation.

Statistics Canada looks at spending patterns by income by breaking down all households into five groups of 20 percent each. The groups are sometimes known as quintiles — meaning each group is one-fifth or 20 percent of the total.

The quintiles include both one-person households and family households, but the proportions change dramatically as you move up the income ladder. One-person households made up 67 percent of the households in the poorest quintile and only five percent in the richest quintile.

The percentage of seniors as heads of households fell almost as dramatically, from 42 percent of the poorest quintile to five percent of the richest. The survey doesn't indicate the proportion of seniors living alone.

Couples with or without children were much more common in the higher quintiles. One of the main reasons for this is that couples often have two breadwinners, and households with two breadwinners generally have higher incomes than one-person households. The survey estimated that 54 percent of the households in the richest quintile had two or more earners.

The poorest quintile covered households with spending up to \$27,000 and had average spending of \$22,339. They reported minimal spending on food, shelter and

TABLE 3 **Average Household Expenditures By Quintile, 1999 and 2007**

	1999	2007	Change in Dollars	Percentage Change
Poorest Quintile	\$21,056	\$22,339	\$1,283	6.1%
Second Poorest	\$36,007	\$40,009	\$4,002	11.1%
Middle Quintile	\$55,821	\$60,602	\$4,781	8.6%
Second Richest	\$77,354	\$83,420	\$6,066	7.8%
Richest Quintile	\$126,864	\$143,361	\$16,497	13.0%
All Quintiles	\$63,420	\$69,946	\$6,526	10.3%

Note: Figures for 1999 were updated using the Consumer Price Index.

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB, and similar report for 1999

transportation and even smaller amounts in the other categories. The average outlay for food, for example, was only \$3,780 a year or \$73 a week. That may be enough for a single person, but not for a family.

The second quintile covered households with spending between \$27,000 and \$46,968, the third quintile went from \$46,968 to \$70,000, the fourth quintile from \$70,000 to \$105,262, and the richest quintile \$105,262 and up.

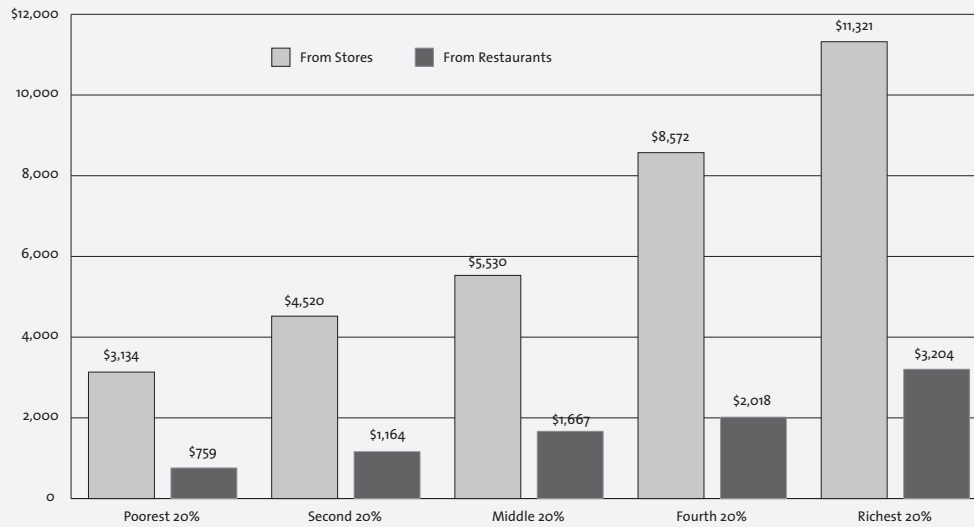
In food and every other category shown in the table, average spending rose significantly with each quintile. Spending on transportation, for example, was more than six times higher in the richest quintile than it was in the poorest. Spending on recreation was about eight times higher. The much higher figures in the upper quintiles for income taxes are because of higher taxable incomes and a progressive tax system that has higher tax brackets for larger incomes.

#### LARGEST INCREASES AT THE TOP

Spending tends to increase each year as incomes rise, but the increases over the years have not been dramatic. From 1999 through 2007, spending was up overall by only 10.3 percent after the 1999 figures were adjusted for inflation. The smallest increases in both percentage and dollar terms were in the poorest quintile, and the largest increases were in the richest quintile. Table 3 gives the details.

The poorest households saw their average spending rise by \$1,283 over the period or an increase of 6.1 percent. The richest households had an increase of \$16,497 or 13 percent.

CHART 2 Spending on Food By Income Quintile, 2007



Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

#### TARGETTING ACTUAL SPENDING

Statistics Canada also produces spending estimates that are limited to households that reported spending on any given item. Almost everyone spent money on shelter or clothing, so overall averages for all households or all households in each quintile could stand on their own. However, not all households spent money on cigarettes or alcoholic beverages, so this part of the survey reports average spending by smokers or drinkers only.

All the tables in this section of the report are limited to households that actually spent money on different goods or services.

Let's start with a closer look at food. Chart 2 outlines two types of spending. Spending on food from stores covers food bought in grocery stores and corner stores, and food from restaurants also covers snack bars and vending machines. In both categories, the more you have, the more you spend.

Spending on food from stores rose from \$3,134 in the poorest quintile to \$11,321 in the richest. Spending on food from restaurants went up from \$759 to \$3,204.

The figures on shelter are divided between renters and households that own their homes. Costs to homeowners include monthly mortgage payments, but not the purchase price of the home itself. The shelter category has figures on the cost of utilities, property taxes and property insurance. And it provides other information about the annual costs of vacation homes and money spent on hotels and motels.



**TABLE 4 Spending On Shelter By Income Quintile, Households With Actual Spending, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Rented Housing	\$5,876	\$7,801	\$8,570	\$9,093	\$10,664
% of Households	64%	50%	34%	17%	11%
Owned Housing	\$4,826	\$6,320	\$9,780	\$12,627	\$17,097
% of Households	37%	53%	71%	88%	93%
Owned Vacation Home	\$2,003	\$3,884	\$2,827	\$3,164	\$5,345
% of Households	3%	4%	7%	9%	16%
Stayed at Hotels or Motels	\$514	\$627	\$770	\$988	\$1,682
% of Households	16%	32%	42%	55%	70%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

Table 4 shows a sharp decline in the percentage of renters as incomes rise and a sharp increase in home ownership. In both cases, the amounts spent on housing also rose sharply.

Renters in the poorest quintile paid \$5,876 on average or \$490 a month and renters in the richest quintile paid \$10,664 or \$889 a month. The averages reflected a substantial difference in rental rates from one part of the country to another. The low average in the poorest quintile also reflects the large number of one-person households. The high average in the richest quintile is due in some measure to the larger size of households and the need for more living space.

The poorest homeowners paid an average of \$4,826 or \$402 a month and the richest \$17,097 or \$1,425 a month. The figures for homeowners may seem unreasonably low, but they cover older homeowners who have paid off their mortgages as well as younger homeowners with large mortgages outstanding. And they reflected huge difference in housing purchase prices across the country.

The table also shows a modest increase in the ownership of vacation homes as households move up the income ladder and a very substantial increase in households who stayed in hotels or motels sometime during the year. Only 16 percent of the poorest group stayed in hotels and motels compared to 70 percent of the richest households.

Some of the most interesting figures are the percentages of households involved rather than the average amounts of spending. For many of the items in the survey after basic food and shelter costs, the percentages vary greatly from quintile to

**TABLE 5 Spending On Household Operation By Income Quintile, Households With Actual Spending Only, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Child Care Outside Home	\$1,380	\$1,837	\$1,914	\$2,910	\$4,105
% of Households	2%	6%	9%	13%	15%
Cell Phones, Hand-holds	\$491	\$568	\$717	\$816	\$1,058
% of Households	40%	60%	73%	77%	85%
Internet Access	\$356	\$415	\$416	\$443	\$478
% of Households	34%	58%	75%	84%	89%
Pets	\$453	\$609	\$814	\$945	\$1,289
% of Households	31%	44%	50%	58%	62%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

**TABLE 6 Spending On Transportation By Income Quintile, Households With Actual Spending Only, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Vehicle Operation	\$2,434	\$3,725	\$5,054	\$6,229	\$8,131
% of Households	58%	85%	95%	97%	98%
Airplane	\$1,277	\$1,265	\$1,582	\$1,738	\$2,576
% of Households	13%	19%	27%	34%	49%
Local Bus, Commuter Train	\$413	\$503	\$487	\$547	\$632
% of Households	43%	39%	38%	39%	47%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

quintile. Among other things, this helps indicate the extent of social inclusion or social exclusion.

The category household operation has interesting figures for households using child care, cell phones, Internet access at home and households with pets, as shown in Table 5.

The percentage of households using child care echoes persistent complaints by child care advocates that the demand for care far outnumbers the supply of spaces. The out-of-pocket cost of \$4,105 in the richest quintile probably reflects a wide range

**TABLE 7 Spending On Health By Income Quintile, Households With Actual Spending Only, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Eye Care	\$265	\$323	\$359	\$406	\$537
% of Households	36%	49%	57%	61%	72%
Dental Care	\$516	\$569	\$696	\$729	\$935
% of Households	29%	48%	57%	61%	64%
Health Insurance	\$554	\$682	\$757	\$847	\$981
% of Households	22%	33%	27%	24%	24%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

of costs between Quebec, where child care is only \$7 a day, and all other provinces and territories which have much higher charges.

The very low child care numbers in the lower quintiles are partly because governments normally provide more child care support to low-income families with children. For example, the figure of two percent among the poorest households was only for households with out-of-pocket expenses, not for households with child care costs paid entirely by government.

A large percentage of households at all income levels past the poorest quintile had cell phones or other hand-held devices and high-speed Internet service. The percentage of households with pets doubled between the poorest and richest groups.

Two of the three transportation items in Table 6 show a significant increase in usage and a significant increase in average amounts spent by quintile. In the poorest quintile, 58 percent spent an average of \$2,434 on vehicle operation. The figures in the richest quintile were 98 percent and \$8,131. Vehicle operation is the single best proxy in the survey for households that actually owned or leased cars, trucks or vans. The increased dollar amounts in the upper quintiles indicate that some households had more than one vehicle. The figures for air travel, both average spending and percentages, also rose from quintile to quintile.

On the other hand, the figures for households using local buses, commuter trains or other types of local public transportation changed relatively little. The amounts shown for local public transit fell roughly in the range of a limited-zone monthly bus pass in some urban areas of Canada.

Problems with health care, particularly items of health care not covered by public health insurance, were underlined in the survey data on health in Table 7. Average out-of-pocket spending on eye care was relatively scarce in the poorest quintile at 36 percent of households, and the average amount spent of \$265 was roughly equiva-

**TABLE 8 Spending On Recreation By Income Quintile, Households With Actual Spending, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Sports Equipment	\$182	\$310	\$375	\$448	\$717
% of Households	12%	24%	36%	47%	61%
Computer Equipment	\$487	\$532	\$581	\$676	\$908
% of Households	26%	46%	64%	74%	80%
Home Entertainment	\$377	\$524	\$685	\$855	\$1,422
% of Households	53%	76%	85%	93%	96%
Movies	\$119	\$127	\$146	\$177	\$233
% of Households	31%	47%	61%	73%	80%
Live Sports	\$183	\$187	\$244	\$270	\$462
% of Households	5%	10%	18%	24%	32%
Performing Arts	\$165	\$200	\$214	\$259	\$402
% of Households	15%	26%	34%	44%	57%
Museums	\$73	\$101	\$107	\$154	\$179
% of Households	10%	20%	28%	38%	48%
Newspapers	\$145	\$176	\$173	\$183	\$220
% of Households	35%	43%	45%	52%	63%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

lent to the cost of a pair of glasses. Spending on eye care reached 72 percent in the richest quintile.

Dental care was even worse. Only 29 percent of the poorest households reported going to the dentist, compared to 64 percent of the richest households. If the recommended norm is a visit to the dentist every six months or so, all the quintile groups did poorly.

The reports on eye care and dental care covered only the out-of-pocket expenses actually paid by patients. The figures in the category health insurance covering both private and public plans beyond basic medicare show that relatively few households at any income level had good supplementary insurance coverage. However, the coverage that did exist may have filled some of the reported gaps in eye care and dental care.

**TABLE 9 Spending On Diversions By Income Quintile, Households With Actual Spending Only, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Tobacco	\$1,164	\$1,661	\$1,991	\$1,950	\$2,159
% of Households	33%	37%	38%	35%	32%
Alcohol	\$593	\$804	\$1,021	\$1,195	\$1,813
% of Households	56%	77%	84%	89%	94%
Games of Chance	\$504	\$431	\$472	\$352	\$623
% of Households	37%	53%	55%	62%	59%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

The category recreation covers dozens of leisure-time activities enjoyed by Canadians. Once again, it shows the more money you have, the more you spend on recreation. Table 8 shows spending on sports equipment, computer equipment and home entertainment rose sharply with income. So did the percentage of households participating.

In the case of movies costing \$11 a ticket, for example, the 31 percent in the poorest quintile bought about ten tickets a year and the 80 percent in the richest quintile about 20 tickets. The higher spending at the top could be a function of larger household sizes, with households going to ten movies a year, but buying two tickets each time instead of one.

Live sports, the performing arts and museums were barely a part of the lives of people in the poorest quintile. Five or ten or 15 percent bought a few tickets or admissions. In truth, the spending figures were not that much more impressive among households in the richest quintile. The average for live sports was only \$462 — not even close to the cost of a pair of season tickets in any major sport. The averages for the performing arts were much the same — only enough for a small number of tickets every year, but with fairly large participation rates in the upper quintiles.

The figures for museums were among the worst of the lot. Only 48 percent of the richest households went to museums, and their average spending was only \$179. Getting more people to go to museums might require that governments open publicly funded museums and art galleries to the public at no charge, the way the government of Great Britain already does and the way the government of the United States does in Washington, D.C.

The percentage of households buying newspapers rose with income, but was relatively low in all income groups. Only 63 percent of the richest households bought

**TABLE 10 Spending On Taxes and Contributions By Income Quintile, Households With Actual Spending Only, 2007**

	Poorest 20%	Second 20%	Middle 20%	Fourth 20%	Richest 20%
Income Taxes for 2007	\$1,798	\$4,665	\$9,381	\$17,206	\$41,658
% of Households	50%	91%	98%	98%	99%
Employment Insurance	\$254	\$496	\$780	\$1,031	\$1,308
% of Households	37%	65%	85%	90%	96%
Canada/Quebec Pension Plan	\$565	\$1,218	\$1,955	\$2,731	\$3,614
% of Households	35%	68%	88%	94%	98%
Charitable Donations	\$465	\$566	\$835	\$860	\$1,889
% of Households	49%	60%	64%	76%	85%
Life Insurance Premiums	\$618	\$747	\$907	\$1,141	\$1,843
% of Households	17%	36%	45%	54%	64%

Source: Statistics Canada, Survey of Household Spending in 2007, Cat. No. 62FPY0032XDB

newspapers, and some of this was in 2007 before the popularity of shorter free newspapers for commuters in many large cities.

Tobacco, alcohol and games of chance are more popular — and more expensive — diversions than some forms of recreation. Table 9 gives the details.

The percentage of smokers was roughly the same in all income groups, but the amount smoked per household doubled from the poorest to the richest quintile. Depending on the province or territory, the average of \$1,164 in the lowest quintile might have worked out to about three packs of 20 cigarettes a week, and about twice that in the richest quintile. The higher spending, however, might be due to households with more than one smoker.

The figures for alcohol increased sharply, both in terms of the percentage of drinkers and the average amounts spent. The average of \$593 in the poorest quintile might have been equivalent to a six-pack of beer every week. The average of \$1,813 in the richest quintile may reflect larger household sizes, more frequent drinking, or more expensive liquors and wines purchased.

The figures on games of chance are much flatter. Gambling is sometimes viewed as a tax on the poor, and a closer look at the figures bears this out. The average of \$504 in the poorest quintile was a much higher percentage of overall spending up to \$27,000 than the average of \$623 in the richest quintile was of spending that began at \$105,262.

The final table looks at income taxes on 2007 income, two types of common payroll deductions, charitable donations and life insurance premiums.

Most every household aside from half the households in the poorest quintile paid income taxes on their 2007 income, and the amount paid jumped enormously from quintile to quintile. That's in part because some of the households in the poorest quintile had incomes from programs such as welfare or the federal Guaranteed Income Supplement that are tax-free or had market incomes that were lower than the minimum income thresholds for taxes. The higher rates up the line reflected huge increases in taxable income and higher federal income tax rates in our progressive tax system. The federal tax brackets in 2007 were 15 percent, 22 percent, 26 percent and 29 percent.

On closer inspection, none of the tax rates appear to be out of line when measured against average total spending in any of the groups. The combined effective federal-provincial or federal-territorial income tax rate for the poorest households was eight percent, and the effective rates up the line were 12 percent, 16 percent, 21 percent and 29 percent.

Other taxes are not included in this part of the survey. Property taxes paid by homeowners were grouped under shelter costs, and the GST or HST and provincial and territorial sales taxes were included with the cost of each of the various items purchased.

The statistics on Employment Insurance and the Canada Pension Plan and Quebec Pension Plan showed lower percentages of paid work in the poorest quintile and much higher percentages in the upper quintiles. Both programs have contribution maximums based on maximum insured earnings. In 2007, the maximums were \$1,989.90 on earnings of \$43,700 for the CPP/QPP and \$720 on earnings of \$40,000 for Employment Insurance. The figures in the table confirm that many households in the richest quintile had two persons working full time.

Charitable contributions fell short of the Biblical parable about the generosity of the widow's mite, but they did show proportionately larger contributions by households in the poorest quintile. Conversely, most people would not be overwhelmed by an average contribution of \$1,889 by households in the richest group, a group with total spending of \$105,262 or more.

Life insurance premiums go back to the rule of more money, more spending. Only 17 of the poorest households had life insurance, and the figure rose to only 64 percent for the richest households. The highest outlays for premiums in the higher quintiles probably reflected larger amounts of coverage.

## CONCLUSION

Other surveys by Statistics Canada have shown a growing gap between rich and poor in recent years, both in terms of their annual incomes and their accumulated

wealth. The Survey of Household Spending for 2007 offers additional evidence of the gap in terms of spending patterns.

In every major type of spending surveyed, the 20 percent of the poorest households lived in worlds far removed from the richest 20 percent. Spending on basic items was sometimes six or seven times higher in the richest households.

Take food, for example. Average spending on food was \$3,780 a year in the poorest households and \$11,321 or three times higher in the richest households. A closer look shows that spending on food from stores and spending on food from restaurants, vending machines and snack bars both increased sharply with income.

The poorest 20 percent of Canadians spent an average of \$6,793 on shelter in 2007, compared to an average \$23,068 spent on shelter by the richest 20 percent. There was a large percentage of renters within the lower income groups, but home ownership was by far the norm in the richer groups. The richest 20 percent were also more likely to spend money on hotels, airplane trips and vacation homes.

The poorest 20 percent spent an average of \$929 on clothing while the richest 20 percent spent an average of \$6,176. That was a gap of 6.6 between poor and rich.

The poorest households spent an average of \$2,680 on transportation, compared to the \$17,366 spent by the richest. Far more households owned or leased vehicles in the upper income groups. One exception to the overall pattern of spending linked to income was local buses and commuter trains. The data show roughly the same percentage of riders in all quintiles, and the amounts spent were roughly the same as the cost of monthly transit passes.

The gap for recreational items was 7.9 times, an average of \$1,074 for the poorest households and \$8,449 for the richest. There were huge differences in spending on items such as home entertainment, sporting goods, live sporting and cultural events, and even newspapers.

These differences are evidence of two kinds of social exclusion that isolate the poorest households from the rest of the population.

In some cases, it is an issue of the amount of spending. Everyone needs food, shelter and clothing, so the question is not whether you buy or not, but how much you are able to spend.

Then there are items that are not necessarily vital, but which also reflect social exclusion. Only half of the poorest households spent money on household furnishings in 2007, for example. Only 35 percent bought newspapers. Only 36 percent spent money on eye care and only 29 percent on dental care. And only 31 percent of the poorest households went to a movie in 2007.

All in all, these differences arise directly from a lack of sufficient income among the poorest households. Correcting that would require improvements in a number of government income support programs and labour market programs. A substantial increase in welfare rates and a substantial increase in the minimum wage are two obvious parts of any reasonable anti-poverty program.



Then there is the issue of public services. The Survey of Household Spending points to sizeable gaps in services such as child care, dental care and eye care. One obvious way of erasing the gaps would be for governments to provide more reasonable and more comprehensive services.

Housing is still another area. Governments already run programs for home repairs and saving for home ownership, but new social housing starts have sagged greatly since the federal government bowed out of the field some years ago. More affordable housing is a common feature of anti-poverty programs.

Without action in all these areas, the gap between poor and rich is almost certain to increase. The richest households enjoyed the biggest increases in spending over the last decade, the poorest households got the smallest increases, and there is no reason to believe the pattern will change in the foreseeable future without sweeping changes in public policy.