

# Clues to Deepening Disparity: Continuing Impacts and Implications of the Economic Meltdown on Immigrants and Students

Kelly Ernst & Gillian Steward<sup>1</sup>

## Introduction

This report summarizes key findings of an investigation asking students and new Canadians how well individuals were economically faring and to what degree they continued to experience impacts from the 2008 downturn. It was conducted in 2010, almost 2 years after the economic meltdown. These results are summarized in broad themes and related to possible long-term impacts. The possibility of using Guaranteed Annual Income as an alternative stimulus/mitigation solution is explored.

## Context

More than 2 years ago, the collapse of Lehman Brothers and AIG sparked shock waves throughout major financial markets and wreaked havoc worldwide. In Alberta, current media coverage continually spouts how well the recovery has taken hold and how well the markets have recovered. Albertans' median family income<sup>2</sup> is the highest in the country and well ahead of the U.S.,<sup>3</sup> unemployment is reported to be around 6 percent<sup>4</sup>, and investment is returning to Alberta's oil patch.<sup>5</sup>

Simultaneously we continue to hear on the streets how things have not substantially changed and in many cases how the recovery has simply bypassed individual lives.<sup>6</sup> New jobs pay less than in 2008, or are simply part-time or temporary;

---

<sup>1</sup> Authors: Kelly Ernst, Senior Program Director, Sheldon Chumir Foundation for Ethics in Leadership, [www.chumirethicsfoundation.ca](http://www.chumirethicsfoundation.ca); & Gillian Steward, Journalist & Instructor, Mount Royal University. Citation: Ernst, K. & Steward, G. (2011). *Clues to Deepening Disparity: Continuing Impacts and Implications of the Economic Meltdown on Immigrants and Students*. Paper presented at the 2011 Basic Income Guarantee Congress, New York.

<sup>2</sup> Data throughout this article is largely based on Statistics Canada data tables and reports. For example, see: <http://www40.statcan.gc.ca/l01/cst01/FAMIL107A-eng.htm>

<sup>3</sup> Noss, A. (2010, September). *Household Income for States: 2008 and 2009*. American Community Survey Briefs, U.S. Census Bureau.

<sup>4</sup> Statistics Canada: <http://www40.statcan.gc.ca/l01/cst01/lfss03k-eng.htm>

<sup>5</sup> See: <http://www.theglobeandmail.com/report-on-business/albertas-royalty-u-turn-seen-as-boon-to-oil-patch/article1499653/>

<sup>6</sup> Community and Neighbourhood Services (2011). *Affordable Housing and Homelessness in Calgary*. Social Research Unit, City of Calgary.

for those experiencing homelessness, it is described as chronic; and private debt is at an all time high.

When the economic downturn is discussed, we often hear about the continuing focus on some macro-economic factor,<sup>7</sup> very recently in relation to the massive debt stimulus packages have created.<sup>8</sup> Such reports seem more relevant to perhaps a CEO, a politician, or some other “body,” they are de-individualized and seemingly unrelated to “you and me.”

Less often do we hear about the continuing impact of the meltdown on average citizens and we’ve come to think of the meltdown in the past tense, or in terms of numbers and figures, not people and lives.

More than 2 years later, the people interviewed for this investigation clearly cried out that the economic downturn is far more than a collection of indicators – for many it has truly continuing and potentially long-term effects on personal lives, even changing the course of some lives forever.

So what do macro indicators really tell us? Does it tell us what is happening in the streets? Does it tell us what is happening in people’s homes? Does it tell us about the impact a downturn has on people’s careers? The mismatch between economic indicators and people’s lives called for a very different approach to understand how the economic downturn might still be affecting people well after many indicators suggest an upturn has occurred.

If we are to find ethical ways out of the current economic mess, we cannot ignore the human suffering caused by the downturn, we cannot ignore the people who are enduring that suffering, and we cannot go on creating “solutions” that are disconnected from individual lives.

## **Method**

For a small group of organizations, the media messages and lived experiences did not appear to match and neither picture seemed to tell the whole story about the economic downturn. In 2009, this group decided to do an investigation about the impact of the economic downturn on Calgarians, resulting in, *Dashed Dreams, New Realities*:

---

<sup>7</sup> See: <http://www.fin.gc.ca/pub/psf-ppsp/index-eng.asp>

<sup>8</sup> See: <http://www.fin.gc.ca/pub/report-rapport/2010-6/cgel-lemc3-eng.asp>

*Calgarians Talk Frankly about the Impact of the Economic Downturn.*<sup>9</sup> Since this report, the mismatch of messaging seemed persistent, so the original investigation was replicated with a subgroup of individuals in 2010.

“*Wasted Potential: Students and New Canadians Talk Frankly about the Impact of the Economic Downturn.*”<sup>10</sup> was the result of this second investigation. This report zeroes in on the lived experiences of young students and immigrants after the economic downturn in Calgary, Alberta. It is the youth and new Canadians of today that will drive the economy of tomorrow. The investigators wanted to know if and to what degree this “economic engine” was continuing to be affected by the events of 2008.

Over 100 young Calgarians were interviewed that were currently in university, new to Canada, or both. In all, 13 focus groups were conducted in the spring and summer of 2010. A standardized interview method was used and the same questions were asked by a group facilitator in each focus group. Questions were asked about how well individuals were currently economically doing, and to what degree they continued to experience impacts of the downturn. A recorder sent raw interview tapes to a researcher who examined responses from each focus group. These responses were analysed for qualitative themes.<sup>11</sup>

Broad themes were then compared with economic data and trends from credible and publicly available sources. The resulting themes and corresponding economic summary information was then compiled into the report, “*Wasted Potential.*”

It was hypothesized that the themes arising in the focus groups pointed toward commonly experienced economic trends. It was further suggested that the ideas that arose from the focus groups might point toward possible solutions not yet fully explored by policy makers.

---

<sup>9</sup> Steward, G. (2009). *Dashed Dreams, New Realities: Calgarians Talk Frankly about the Impact of the Economic Downturn*. Calgary: Sheldon Chumir Foundation for Ethics in Leadership. [http://www.chumirethicsfoundation.ca/files/pdf/Dashed\\_Dreams\\_Report\\_091509-lowres.pdf](http://www.chumirethicsfoundation.ca/files/pdf/Dashed_Dreams_Report_091509-lowres.pdf)

<sup>10</sup> Steward, G. (2009). *Wasted Potential: Students and New Canadians Talk Frankly about the Impact of the Economic Downturn*. Calgary: Sheldon Chumir Foundation for Ethics in Leadership. [http://www.chumirethicsfoundation.ca/files/pdf/WastedPotential\\_Final20101123-low-res.pdf](http://www.chumirethicsfoundation.ca/files/pdf/WastedPotential_Final20101123-low-res.pdf)

<sup>11</sup> The same interview methods were used in this year as in the 2009 Dashed Dreams interviews. In that year, over 100 people were interviewed from a broad cross-section of Calgarians in a similar number of focus groups, and using a similar set of questions.

## Findings

In all cases, participants could describe the impact of the economic meltdown on themselves and those around them. The descriptions how the downturn affected them varied. For some people, their families experienced decreased investment income, and were now seemingly fine, but this was by far the minority group. The more widely held view was that the economic downturn had placed them in a position behind 2008 levels, their situation seemed now to be unrelenting, and that their future was uncertain. These two groups seemed far apart in their perceptions of the downturn's impact.

From the first to second years of interviews investigators noticed a shift. During interviews for *Dashed Dreams*, the situation was described as acute and diffuse; in this second set of interviews people described the impact as more chronic and specific. Chronic because participants were used to the downturn's impact and accepted the uncertainty that came with it; specific, because they could clearly identify the effect on their lives.

Participants noted jobs were scarcer, jobs available were lower paying or part-time, household debt had significantly increased, they saw a growing gulf between the rich and poor, they did not trust the Medias and governments' recovery talk, and saw a great need for government action.

### **Theme 1: Deep Frustration with the Job Market**

People described a far greater degree of competition in the job market. They noted their frustration with looking for work and that it took longer to find work. They described how the new jobs they found were lower paying and it took two or more jobs to replace the income of those prior to 2008.

For students, they were in a triple bind: 1) tuition had been significantly increased to cover education funding shortfalls; 2) jobs were required to pay for schooling, yet they were scarcer, and those available were lower paying often with reduced hours; 3) they required more debt to get through school, very often they had "bad" private debt, which was accumulating and often encouraged by banks.

For immigrants, they were in a triple disappointment: 1) they could not find jobs easily, especially in their field of training, so their income lagged that of 2008; 2) they often did not have their credentials from other countries recognized, so they were retraining into new fields and seeking new experience; 3) their saving acquired elsewhere

was depleted to the point that they could not afford re-credentialing in their original field of study.

### **Theme 2: Anxiety about Entrenched Inequality**

Most people were quick to respond that they were “losers” as a result of the economic downturn; such responses were more than double those commenting the impact to be otherwise. There was considerable anxiety that “only the rich people are going to be able to go to university. And then get rich jobs. It is going to be harder and harder for people to move up.” This type of response was accentuated by new Canadians who were similarly affected because they saw employers denying them jobs due to lack of “Canadian” experience and/or credentials.

There was a deep sense that people have lost ground because of the recession and now do not have the resources to regain what they have lost. There was a sense of entrenching inequality and worries about the effects of greater inequality on the broader society.

### **Theme 3: Rejection of Recovery Talk**

With respect to media and politicians’ reports of recovery, the majority did not trust what they were hearing or being presented. People discussed a false sense of security given that what they hear in the media and from politicians. They clearly described a disconnection from the media messaging and what they were experiencing in their day-to-day lives.

### **Theme 4: Crushing Personal and Household Debt**

Students in this investigation noted that they had already accumulated significant debt in their studies, and were likely to end their education with considerably more. New Canadians discuss exhausting the savings they had brought with them. Both groups noted their debt was private “bad debt,” credit card debt and lines of credit, and not helping to accumulate equity.

For students, they often quoted a figure of around \$25,000 to \$30,000 in this type of debt (one stated up to \$200,000). They described their debt payments as having “a mortgage without owning property.” They further discussed how they were going further and further into debt each month. Some students questioned the value of education when such debt accumulated without any substantial increases in financial assistance (bursaries, grants, or otherwise) or increase in income after education.

## **Theme 5: Demand for Government Action**

A large group of the participants were very discouraged and disengaged from the political process. In the first report, *Dashed Dreams*, people stated they would have to rely on their own ingenuity and community to get through the downturn. Since then, a significant shift seemed to have occurred, these participants were now looking toward the government for finding better permanent solutions.

Participants commonly stated three types of initiatives: 1) increasing funds for post-secondary students and changing rules regarding student loans; 2) engaging in long-term policy thinking about how to effect the future lives of people; and 3) revising immigration policies to ensure new Canadians are not permanently placed in low economic classes, and thus wasting their potential, in both the short and long-terms.

### **Statistical Evidence Supporting Changing Individual Circumstance**

These themes were compared against recently available statistical information to examine the degree to which focus groups' comments might be reflected in trends about economic wellbeing. Analysis of economic data supported many of the themes found in the investigation.

In the last 40 years full-time employed students had increased from ¼ of the student undergraduate population to ½ of the student population.<sup>12</sup> Students generally have low paying entry level work, such as minimum wage jobs.<sup>13</sup> The percentage of annual tuition to full-time annual minimum wage increased from 13.2% to 34.8% (in 1989 the Alberta minimum wage was \$9,000 and tuition was \$1,185; by 2010 minimum wage was \$17,600 and tuition was \$5,318<sup>14</sup> plus \$818 in average fees, or \$6,136). The figure increases to 84.9% when taking into consideration that the average working student works part-time (821 hours annually<sup>15</sup>, or \$7,224 at minimum wage). This can leave extremely little to pay living expenses such as the average Calgary apartment rental of \$971 per month or \$11,652 annually. As student increase their work it also reduces the eligibility for various educational support programs.

---

<sup>12</sup> Statistics Canada: <http://www.statcan.gc.ca/pub/75-001-x/2010109/tables-tableaux/11341/tbl006-eng.htm>

<sup>13</sup> <http://www.statcan.gc.ca/pub/75-001-x/2010109/tables-tableaux/11341/tbl002-eng.htm>

<sup>14</sup> <http://www40.statcan.gc.ca/l01/cst01/educ50j-eng.htm>

<sup>15</sup> Marshall, K. (2010, September). *Employment patterns of postsecondary students*, Perspectives. Ottawa: Statistics Canada.

As for debt, in 1990 the average Canadian post-secondary student ended his or her studies with \$5,890 debt. In 2008, average student debt was \$19,182 for an undergraduate, and \$35,655 for a graduate student.<sup>16&17</sup> Debt loads size means that mortgage-style debt repayment is now commonplace with amortization periods of 10 to 15 years.<sup>18</sup>

It has also been noted that an increasing number of students, more than ¼, are taking on official students loans, meeting the maximum amounts, and then taking on additional private loans to subsidize their the completion of their studies. People with student loans are far less likely to have savings and investments. The group with the greatest financial assets are those people with no student loans and post-secondary education.<sup>19</sup> Educational costs and the need for educational financing make access to education increasingly less available to those in low income cohorts and more exclusive to those in higher income cohorts. When education is accessed, the higher income students retain their asset accumulation advantage over the long-term.

With respect to immigrants in Canada, the rate of immigrants living in low income levels has risen significantly from 24% in 1980 to more than 36% in 2005, especially for those individuals who have lived in Canada for 5 or less years.<sup>20</sup> For immigrants who studied outside Canada for a specific occupation, they were less likely to be working in their chosen occupation than both immigrants who had studied in Canada and people born within Canada.<sup>21</sup> Very often immigrants do not have their credentials recognized, and must spend considerable time to meet Canadian standards and obtain Canadian job experience. This is critical in helping immigrants increase their income levels to levels experienced by people born in Canada. It is most likely to occur for new Canadians with higher education and for economic immigrants who have been in Canada long periods of time.

---

<sup>16</sup> <http://www.statcan.gc.ca/pub/81-582-x/2009001/tbl/b3.2-eng.htm>

<sup>17</sup> <http://www.statcan.gc.ca/pub/75-001-x/2010109/article/11341-eng.htm>

<sup>18</sup> Canadian Council on Learning, *Tallying the Costs of Post-secondary Education: The Challenge of Managing Student Debt and Loan Repayment in Canada*, Challenges in Canadian Post-secondary Education, (Ottawa: 2010).

<sup>19</sup> Luong, M. (2010, January). *The financial impact of student loans*, Perspectives on Labour and Income, 11(1). Ottawa: Statistics Canada.

<sup>20</sup> Picot, G., Lu, Y, & Hou, F. (2009,). *Immigrant low-income rates: The role of market income and government transfers*. Perspectives on Labour and Income, 10(12). Ottawa: Statistics Canada.

<sup>21</sup> <http://www.statcan.gc.ca/daily-quotidien/100224/dq100224d-eng.htm>

## **Implications**

Focus group participants not only gave clues of economic trends in Canada, that of growing disparity, but possibly forewarned such disparity may be solidifying into large cohort groups.

These interviews, and supporting information, may suggest the downturn has had a profound impact on life-long earnings cycles and accompanying wealth accumulation. For example, some impacts could be to:

- shorten the period of time this cohort accumulates wealth;
- reduce individual saving potential, especially immediately after entry onto the job market, if income levels are lower than in 2008;
- increase debt payback times which would further reduce individual ability to accumulate savings; and
- restrict long-term compounded growth of personal investment, due to lack of early savings, thus severely reducing late-life earning from investments.

The interviews also suggest that this cohort may have:

- a significantly lower proportion of low-income and high need people who are able to participate in post-secondary education, due to increased education costs, and
- a deepening divide between those who can and cannot enter into well paying positions due to the prohibitive education costs, credentialing barriers, and access to employment potential.

Individuals' earning and saving accumulation life-cycle potential have not only reduced because of debt repayment time and less earning potential, but also due to entry barriers into well paying work. These factors compound and lessen the cohort's ability to save in both the short and long-term. The overall life-cycle accumulated assets could be predicted to be far reduced in this cohort and they will have a lessened ability to sustain themselves into a retirement cycle. This may also place long-term pressures on governments to augment income for individuals in later life.

The overall result of the downturn may be to accentuate the trend of increasing disparity both in the short and long-terms. Those who had large assets before the downturn continue to do well, whereas those who did not have similar assets ended the downturn with accentuated economic difficulties.

From an ethical perspective, deepening disparity creates harm on an individual level, over the short and long-term, by placing a larger number of people into low income situations. It also reduces the probability of having people support themselves at the end of their work life. It creates societal harm by creating larger cohort with less economic potential, greater numbers of lower income earners, and creates a permanently disadvantaged economic class with far less potential to support themselves at the end of their work cycle. The long-term societal harms of economic disparity could be substantial and affect all levels of the populace (for example, see Wilkinson & Pickett<sup>22</sup> for an account of consequences for economic disparity).

### **Government Action: What if, Guaranteed Annual Income (GAI)?**

Despite the impact the downturn was having on individual lives, focus group participants noted that the government response to the economic downturn seemed largely targeted at broad economic levels. Stimulus expenditures were on infrastructure and its impact could not be immediately experienced by people, nor was it guaranteed to affect them. They called for a very different approach, they clearly asked for solutions they could personally see and experience.

One possible scenario for government action could have been a guaranteed annual income (GAI)<sup>23</sup> & <sup>24</sup>, such as a negative income tax ensuring a minimum living income. This could be applied to the short-term period students pursue post-secondary education and for new Canadian retooling and credentialing, in both cases applied toward Canadians preparing for “job-market readiness.” The idea of GAI as an economic stimulus policy does not appear to have yet been debated in Canada.

The impact that a GAI might have on people entering the work force could be quite profound yet its cost could be well below funds expended on recent economic stimulus. For example, \$47 billion<sup>25</sup> was spent in Canada in 2009 and 2010 on stimulus versus 8.3 billion<sup>26</sup> spending in 2010 on Guaranteed Income Supplement for 1.6 million

---

<sup>22</sup> For example, see: Wilkinson, R. & Pickett, K. (2009). *The Spirit Level: Why Equality is Better for Everyone*. London: Penguin Books, Ltd.

<sup>23</sup> This is not the Canada Student Grants Program, but could replace this program.

<sup>24</sup> Pasma, C. & Mulvale, J. (2009) *Income Security for all Canadians: Understanding Guaranteed Annual Income*. Ottawa: BIEN Canada.

<sup>25</sup> Includes Federal spending only, Federal and provincial spending has been approximately \$61billion. See: <http://www.fin.gc.ca/pub/report-rapport/2011-7/ceap-paec-1-eng.asp>

<sup>26</sup> Treasury Board of Canada Secretariat, (2010). 2010-11 Estimates: The Government Expense Plan and the Main Estimates. [www.tbs-sct.gc.ca/est-pre/20102011/me-bpd/docs/index-eng.pdf](http://www.tbs-sct.gc.ca/est-pre/20102011/me-bpd/docs/index-eng.pdf)

elderly in Canada. Substantially less was spent on investing in direct supports for people entering the work force: \$1.3 billion for approximately ½ million people accessing loans and grants, or \$253 million for the Strategic Training and Transition Fund.

The possible impacts of a GAI on people entering the work force lead to the following questions:

- Would people end their education without having debt and could students be supported through school and potentially end their education debt free, similarly to higher income Canadians that end their education with little or no debt?
- Would the length of individuals' wealth accumulation life-cycle increase by reducing or eliminating the post-educational debt repayment period?
- Would a GAI allow access of education to groups of people who are least able to afford it and encourage low income people from accessing education, and in turn help reduce economic disparity?
- Would a GAI ensure people are better positioned for higher earning potential after their education or credentialing to Canadian standards, further reducing economic disparity? and
- Would a GAI encourage people to invest savings immediately upon entering the work force and encourage compounded wealth accumulation both individually and on a greater macro scale?

It is possible a GAI may assist people learning and preparing to enter the economic marketplace, negate negative impacts of an economic downturn, and help reverse trends of deepening Canadian disparity.

## **Conclusion: The Ethical Imperative**

A primary concern of *Wasted Potential* participants was the solidifying economic disparity for those people most likely to be the economic drivers of the future, the newest participants in the workforce. They clearly called for solutions to reduce disparity that would impact their personal lives, and not simply be noted as political and macroeconomic announcements in the media. A Guaranteed Annual Income through a mechanism such as a negative tax for those preparing to enter the job-market place could be an option that fits this call.

Citizens have an ethical responsibility to question and review past policies originally developed to cushion the blow of economic downturns. From debate on what works and what does not, unique solutions could arise. The use of GAI to reverse the harm caused by economic downturns not only may do so on an individual level, but may also at a societal level as well.

*Wasted Potential* prompts us to remind ourselves about our responsibility to promote the common good. People wanted sound fiscal policies that impacted individual lives and to especially help communities through poor economic times. Avoiding debate about these points or acting without serious public examination of the options is not an ethical solution.

Given the suffering caused by the financial meltdown and economic crisis, we have an ethical responsibility to try to ensure that the future is not like the past. Change is needed so that individuals and their communities survive economic downturns in as humane a fashion as possible.

*Wasted Potential* shows us that we can maximize the role that ordinary people play in the brainstorming, discussion and debate on policy alternatives rather than solely rely on broad economic indicators for answers. The question is: how do ordinary people go from being collateral damage in economic downturns to playing a central role in finding a way out of this mess? When faced with the fact that this cannot be easily identified, then we all have the ethical responsibility to ask our policy-makers difficult questions. We can do better, and perhaps it is time to ask the question to our policy-makers, “could GAI assist people in pre-work force preparation and simultaneously cushion the blow of economic downturns?”