

Census data shows income inequality remains a major challenge

By Andrew Jackson

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The restoration of the long-form census by the Liberal government has paid off in a wealth of accurate data on incomes and income inequality over the decade from 2005 to 2015. This allows us to judge the record of the Stephen Harper years, and underlines the challenges facing a new government that wants to grow the middle-class "and those seeking to join it."

As highlighted in news coverage of the new census data, income growth varied a great deal by region because of the combination of the resource boom and the crisis of manufacturing in Ontario in the wake of the 2007 economic crisis. Adjusted for inflation, median census family income rose by a meagre 13 per cent (or by about 1 per cent a year). But Ontario incomes rose by only half as much (6.4 per cent) while families in the Prairie provinces and in Newfoundland and Labrador saw their real incomes rise by between 20 and 36 per cent.

Less attention has been paid to the fact that income inequality rose from 2005 to 2015, with the highest income groups continuing to pull away from the broad middle class and poverty continuing to increase.

Statistics Canada provides data on the total income of individuals, made up of earnings from employment, investment income and government transfers. Levels and trends are reported by decile, dividing all persons into 10 equally sized groups ranked by their family income.

From 2005 to 2015, median or midpoint total income before tax (half earn more and half earn less) rose to \$34,204 from \$30,359 in inflation-adjusted dollars. That was an increase of \$3,845, or 12.7 per cent for the middle class. Meanwhile, the incomes of the top 10 per cent

rose to \$93,739 from \$80,536, an increase of \$13,203 or 16.4 per cent. In 2015, the top 10 per cent had total incomes that were 2.74 times those of the median person, up from 2.65 times those of the median in 2005.

The top 1 per cent of individuals had a median total pretax income of \$234,130 in 2015, up \$29,618 or 14.5 per cent from 2005. (Note that the top 0.5 per cent had even higher incomes.) The top 1 per cent had incomes at least 6.8 times higher than the median in 2015, up from 6.7 times as much in 2005 and 5.8 times as much in 1995.

While the gap between the middle class and the very affluent grew much faster in the decade from 1995 to 2005, it continued to widen from 2005 to 2015, mainly because of the unequal growth of earnings.

The census also reports on low income, defined as falling below 50 per cent of the after-tax income of a comparable household. Between 2005 and 2015, the overall low-income rate rose to 14.2 per cent from 14.0 per cent. This means that incomes at the bottom rose by less than those of the middle class, let alone the most affluent.

Despite a major increase in child benefits by the Harper government, the child poverty rate was almost unchanged, falling to 17.0 per cent from 17.1 per cent. The rate for lone-parent families with children remained very high at 29.2 per cent. Hopefully, the Canada Child Benefit introduced in 2016 will have a positive impact.

It is disturbing that the low-income rate for seniors jumped to 14.5 per cent from 12.0 per cent from between 2005 and 2015. The rapidly rising gap between the incomes of non-affluent seniors and working-age families reinforces the

case for the recently agreed expansion of the Canada Pension Plan, maintaining the age of eligibility for Old Age Security at 65 and improvements to the Guaranteed Income Supplement.

The restoration of the long-form census by the Liberal government was an important step in terms of giving us the means to measure and

monitor social and economic progress, and laying the basis for informed discussion of public policy. The new data certainly show that rising income inequality remains a major challenge to be tackled.

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