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The rich, the poor, and the chasm between

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Globe and Mail Update

Census data released Thursday show recent immigrants victims of widening income disparity as middle class stagnates

The earnings gap between the rich and the poor is widening in Canada, with incomes among recent immigrants showing especially dramatic declines in recent years, according to sweeping new census data.

Earnings among the richest fifth of Canadians grew 16.4 per cent between 1980 and 2005 while the poorest fifth of the population saw earnings tumble 20.6 per cent over the 25-year time period, Statistics Canada said in its 2006 census release on income and earnings. Earnings among people in the middle stagnated.

That earnings didn't budge for middle income earners was particularly surprising, given that the economy has generally expanded over the past quarter century, said one business professor.

"It's not just that there's inequality growing. We knew that. But that the middle income earner is flat-lining over a long period of time - that's stunning to me," said Tony Frost, professor at the Richard Ivey School of Business at the University of Western Ontario, who'd previously figured the middle class was moving up.

He gives two main reasons for the overall income disparity: globalization - or a bigger labour pool that's keeping Canadian wages down - and sea changes in the work-force, which now gives greater rewards to people with higher education and specialized skills.

Recent immigrants have lost much ground compared to their Canadian-born counterparts over the past quarter century. One reason for the chasm, more recently, may be that so many newcomers arrived with IT degrees, said Statscan director of income statistics Sylvie Michaud.

"Part of the difference seems to relate to the education they came with," she said in an interview. "A number came with an IT diploma or an engineering degree related to the high-tech sector. And there's been a slowdown in employment in that sector."

Web designers and developers, for example, saw wages slide between 2000 and 2005, "and there's a higher proportion of immigrants who came in these categories."

In 1980, recent immigrant men with some employment income earned 85 cents for each dollar received by Canadian-born men. By 2005 though, the ratio had dropped to 63 cents, the report said. Recent immigrant women saw earnings slide to just 56 cents from 85 cents.

Earnings disparities between recent immigrants and Canadian-born workers increased not only during the two previous decades, but also between 2000 and 2005, the report said.

On average, salaries haven't changed much over the past quarter century. Median earnings of Canadians who work full time edged to \$41,401 in 2005 from \$41,348 in 1980, measured in constant dollars.

At the top end, a growing number of Canadians have become high earners. The rapid growth among those at the top means an increasing proportion of Canadians have become "high earners" over the past quarter century.

In 1980, 3.4 per cent of full-time earners garnered \$100,000 or more, when measured in 2005 constant dollars. By 2005, that proportion had almost doubled to 6.5 per cent, Statscan said.

There's a clear link between higher education and strong earnings. People with a university degree account for 57 per cent of those who received at least \$100,000 in 2005, and about two thirds of those who earned at least \$150,000 - even though they represented a quarter of full-time earners.

Families, meantime, are earning more than individuals, "mainly due to the increasing participation of female partners in the labour market."

Working couples with children had the highest earnings of all family types in 2005, with a 20.6-per-cent jump from 1980.

Single moms still have the lowest incomes of all family types, but their lot is improving. Single mother household incomes rose 26.4 per cent over 25 years, while families headed by men fell 4.1 per cent.

Senior couples are faring better, with median income soaring 55.8 per cent from 1980.

In one reversal from 1980, there are now more lower-income children than there are seniors.

Statscan also broke down incomes. Employment earnings account for four-fifths of income, though that's a smaller proportion from a quarter century ago, when earnings accounted for almost \$84 out of every \$100 received.

Government transfer payments, such as Old Age Security, Employment Insurance benefits, Child Benefits, and credits, contributed \$9.90 of every \$100 in income in 2005.

Investment income represented \$4.20 of every \$100, while retirement income sources, such as private pensions, more than doubled the level of 1980, accounting for \$5.90.

"This gain in the share of retirement income can be attributed to both an aging population and increases in the average amount per recipient," the report said.

The latest data also included details on after-tax income for the first time, revealing how much Canadians actually have to spend.

The median after-tax income of all economic families was \$57,178 in 2005, compared with pre-tax income of \$66,343.

After-tax, the wealth disparity in Canada is narrower, simply because those with higher incomes have a higher tax rate.

It's also the first time the census can calculate low-income rates based on after-tax income.

More than one in ten - or 11.4 per cent of the total population - lived in low income in 2005, based on that measure.

Low-income rates are highest among kids and young people. In 2005, 14.5 per cent of children aged 5 and under were part of a low-income family. The rate dropped to 13 per cent for children aged 6 to 14, and to 11.4 per cent for teens aged 15 to 17.

Highlights from the 2006 census release on income and earning

- The earnings of the average Canadian has stagnated over the last 25 years.
- In 2005, a person with a full-time job earned a median pre-tax salary of \$41,348 - only about a buck a week more than what the average worker took home in 1980, when adjusted for inflation.
- While middle class workers experienced no real growth in earnings, those at the top end got a lot richer (16.4 per cent increase between 1980-2005) and those at the bottom got much poorer (20.6 per cent decline).
- The median family income in Canada was \$66,343, ranging from a high of \$90,865 in the Northwest Territories to \$51,791 in Newfoundland and Labrador.
- All provinces and territories experienced some growth in median family income between 2000 and 2005 - with Nunavut (19.0 per cent), the Northwest Territories (10.4) and Alberta (10.0) leading the way. Ontario (1.4) and British Columbia (1.8) were below the national rate of 3.7 per cent.
- Almost 3.5 million Canadians, or 11.4 per cent of the population, live below what Statistics Canada calls the low-income cut off - a term others often refer to as the poverty line.
- Immigrants have fallen further behind Canadian-born workers. In 2005, immigrant men earned 63 cents for every dollar earned by a Canadian-born male worker. Twenty five years ago, the ratio was 85 cents. There was a more dramatic drop for immigrant women - 85 cents to 56 cents.
- The wage gap between young male and female workers has stalled after narrowing for years. The wage gender gap - unchanged from the last census - means women earned on average 85 cents for every dollar earned by a man.
- More than 600,000 Canadians earned \$100,000 or more in 2005 - a 25 per cent increase from the last census. Statistics Canada does not reveal how many millionaires there are.
- The Wood Buffalo region of northern Alberta, which includes the oil sands capital of Fort McMurray, could stake a claim as Canada's richest community. Its median family income of almost \$130,000 is the highest among any city with a population of more than 10,000.

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