Human Resources and
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Canada

Indicators of **Well-being in Canada**

[   ] (Search)

Financial Security — Income Distribution

Status
- Standard of Living
- Family Income
- Retirement Income
- Low Income Incidence
- Low Income Persistence
- Net Worth (Wealth)

Life events
- Personal Bankruptcies

Key influences
- Income Distribution

Definition and Methodology | *Display High Contrast Charts*

Relevance

The *well-being* of Canadian families depends on both their level of income and the distribution of income within the population. Differences in the distribution of income, or 'income disparities', are often considered a measure of a society's fairness. High income disparities are often associated with high unemployment but may also indicate that large numbers of people are trapped in low-paid and low-skilled jobs.
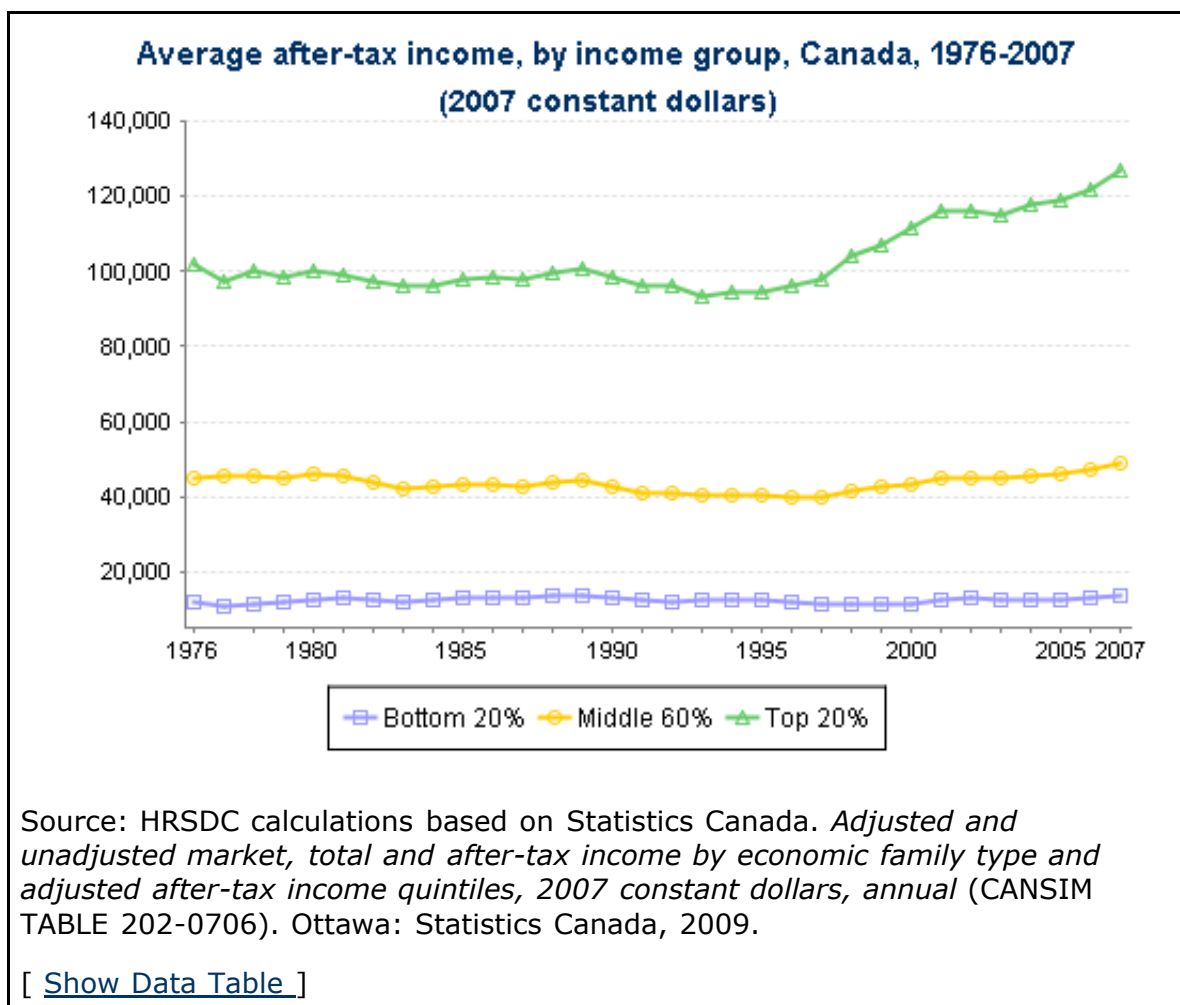
Summary

- National Picture — Income disparities increased after 1995. There was a rise in the after-tax income of the top income group and very little change for other income groups over the period 1995 and 2007.
- Regions — In 2007, the highest income disparities between the top 20% and the bottom 20% income groups were in British Columbia and Ontario, and the lowest in Prince Edward Island.
- International Picture — The extent of income disparity in Canada was comparable to that of many G7 and OECD member countries in 2004 and 2005.
- Family-adjusted after-tax income — Adjusting income for family size and composition reveals smaller income disparities among income groups than for unadjusted after-tax income, although trends were similar over time.

National Picture

In 2007, the average after-tax income in Canada for the bottom 20% of incomes (after-tax income of $22,700 or less) was $13,900, and for the top 20% (after-tax income of $83,400 or more) was $126,700. The difference between these two groups has increased in recent years.

Income disparities (expressed in 2007 constant dollars) rose between 1995 and 2007. Average after-tax incomes remained roughly the same for families with incomes in the bottom 20% and the middle

60% between 1976 and 2007 but rose for those in the top income group after 1995. The difference between the top 20% income group and the bottom 20% rose by 37%. The difference in 1995 was $82,100, increasing to $112,800 in 2007. Similarly, the difference between the average income of the top 20% and the middle 60% increased from $54,067 to $77,900, or by 44% over the same period.

Source: HRSDC calculations based on Statistics Canada. *Adjusted and unadjusted market, total and after-tax income by economic family type and adjusted after-tax income quintiles, 2007 constant dollars, annual* (CANSIM TABLE 202-0706). Ottawa: Statistics Canada, 2009.

[Show Data Table]

Income disparities shown as ratios (i.e., the top income group divided by the lowest or middle income group) reveal that families in the top 20% earned between 8.4 and 9.1 times more than families in the bottom 20% in the period 1976 to 2007. In the same period, families in the top 20% had an income 2.3 to 2.6 times higher than the middle 60%. In 2007, the disparities were among the highest in the previous 31 years, with the top 20% having an average income 9.1 times that of the bottom 20%, and 2.6 times that of the middle 60%.

Relative average income of the top 20% group to other groups, Canada, 1976-2007
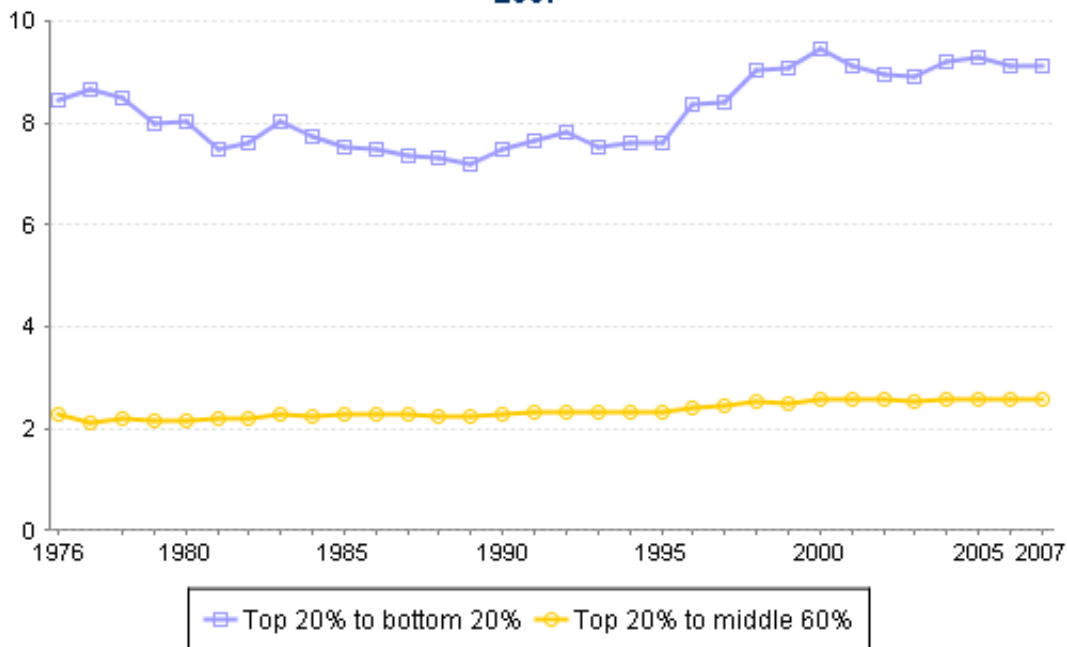
Note: Relative average incomes were calculated using the average after-tax family income.
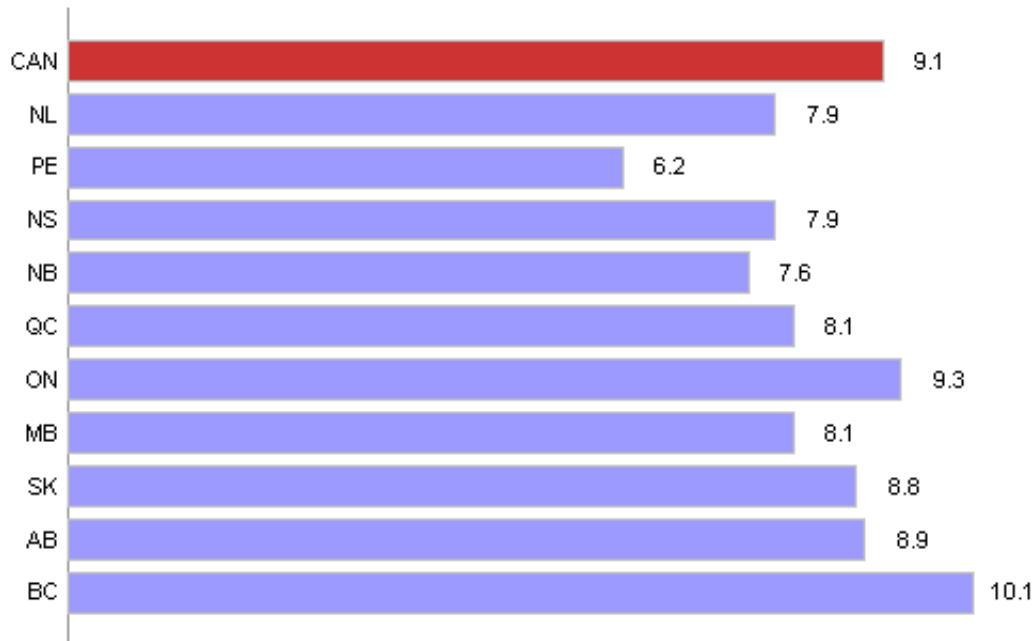
Source: HRSDC calculations based on Statistics Canada. *Market, total and after-tax income, by economic family type and after-tax income quintiles, 2007 constant dollars, annual* (CANSIM Table 202-0703). Ottawa: Statistics Canada, 2009.

[Show Data Table]

Regions

Using the ratio of the top 20% to bottom 20% average incomes showed that in 2007 income disparities were lower in Prince Edward Island and higher in British Columbia. In effect, in Prince Edward Island, families in the top 20% had an income 6.2 times higher than those in the bottom 20%. Similarly in British Columbia, families in the top 20% earned 10.1 times more than families in the botton 20%.

Relative average income of the top to bottom 20% income groups, by region, 2007

Region	Value
CAN	9.1
NL	7.9
PE	6.2
NS	7.9
NB	7.6
QC	8.1
ON	9.3
MB	8.1
SK	8.8
AB	8.9
BC	10.1

Note: Relative average incomes were calculated using the average after-tax family income.

Source: HRSDC calculations based on Statistics Canada. *Market, total and after-tax income, by economic family type and after-tax income quintiles, 2007 constant dollars, annual* (CANSIM Table 202-0703). Ottawa: Statistics Canada, 2009.
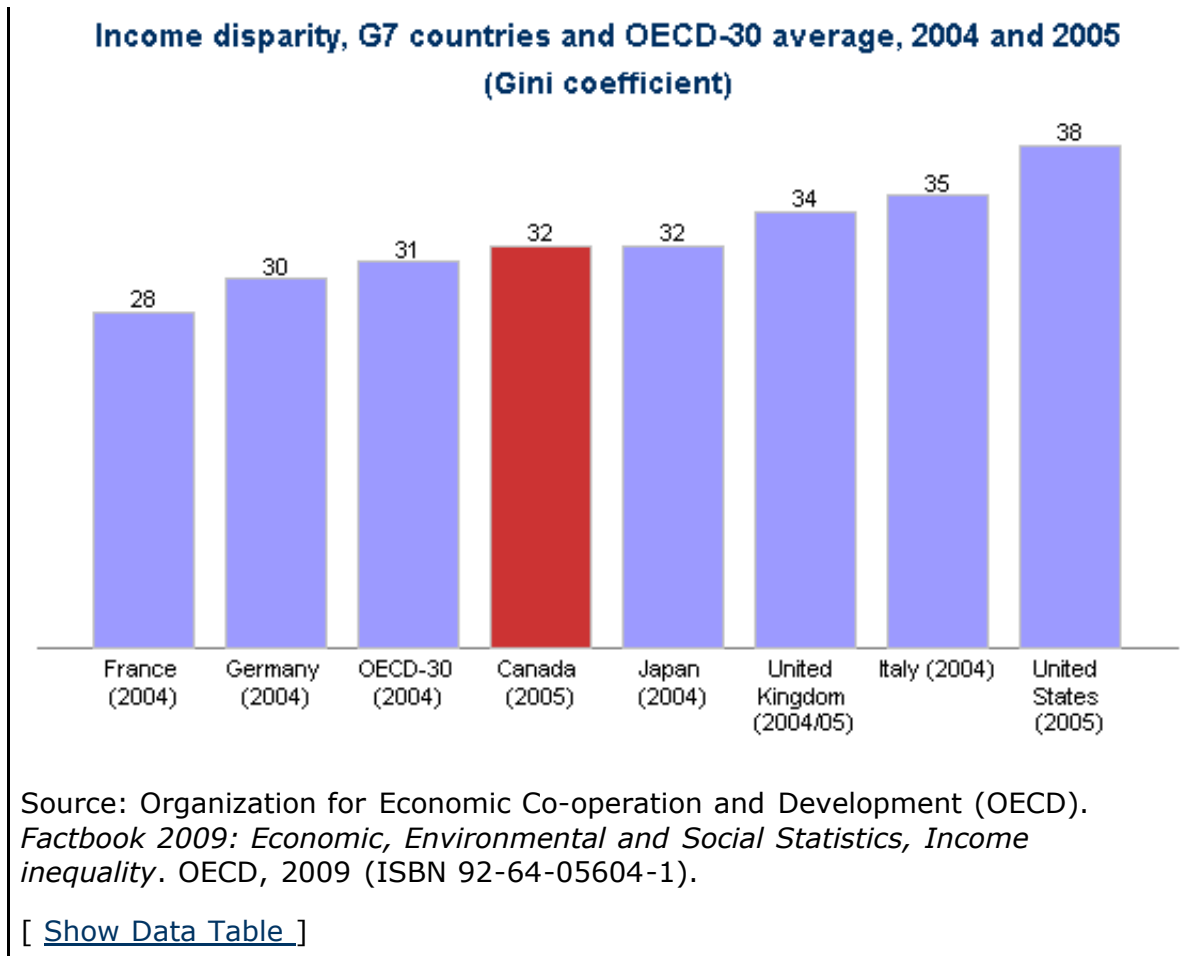
[Show Data Table]

International Picture

Another way of assessing income disparities is to assign a value to disparity. This value is called the Gini coefficient. Commonly used worldwide, the Gini coefficient ranges between 0 (no disparity) and 100 (extreme disparity). (See Income Distribution for details.)

Using the Gini coefficient, income disparity in Canada had a value of 32. Along with Japan, Canada's Gini coefficient was the third lowest among the G7 countries (2004 and 2005 data). The Gini coefficient ranged from 28 in France to 38 in the United States.

Canada's Gini coefficient was slightly higher than the average for 30 OECD member countries. The Gini coefficient was comparable to that of many OECD countries. It ranged from 23 for Denmark and Sweden to 47 for Mexico.

Income disparity, G7 countries and OECD-30 average, 2004 and 2005 (Gini coefficient)

Source: Organization for Economic Co-operation and Development (OECD). *Factbook 2009: Economic, Environmental and Social Statistics, Income inequality*. OECD, 2009 (ISBN 92-64-05604-1).
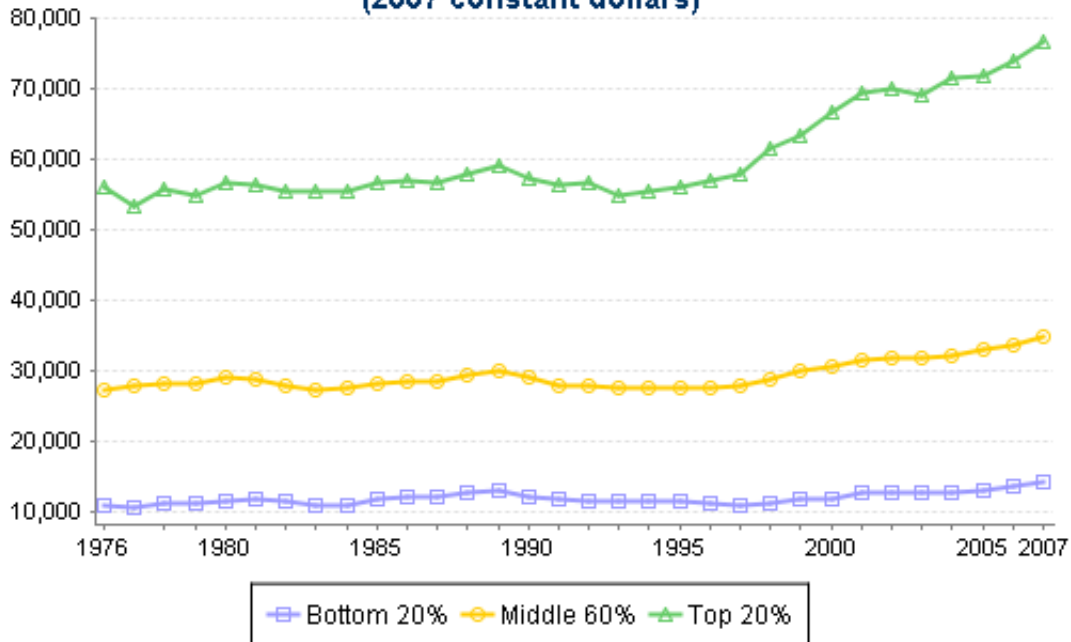
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Family-adjusted After-tax Income

A family's financial well-being depends not only on the level of income but also on the number of family members and family composition. Family-adjusted income is a measure that allows for comparisons free of differences in family size and composition among income groups. (See Income Distribution for more details on family-adjusted after-tax income).

In 2007, the average family-adjusted after-tax income was $14,100 for families in the bottom 20% income group, $34,733 for families in the middle 60%, and $76,700 for families in the top 20%. Income disparities rose after 1995. The difference between the top 20% income group and the bottom 20% increased from $44,400 in 1995 to $62,600 in 2007 (in 2007 constant dollars). Similarly, the difference between the top 20% income group and the middle 60% increased from about $28,333 to $41,967 over the same period.

Source: HRSDC calculations based on Statistics Canada. *Market, total and after-tax economic family income, by adjusted after-tax income quintiles, 2007 constant dollars, annual* (CANSIM Table 202-0706). Ottawa: Statistics Canada, 2008.

[Show Data Table]

When taking family size and composition into account, income disparities were smaller. Yet the trends over time were similar. Compared with unadjusted income (see the National Picture section), family-adjusted after-tax income data show smaller differences among income groups. Moreover, income disparities expressed as ratios were much smaller using the family-adjusted income. In 2007, families in the top 20% income group earned an income 5.4 times higher on average than those in the bottom 20% (compared with 9.1 for unadjusted after-tax income). Similarly, families in the top 20% income group had, on average, an income 2.2 times higher than those in the middle 60% (compared with 2.6 for unadjusted after-tax income).

Download Data

- Download the data in Excel format (.xls, 13824 bytes)
- Download the data in tab-delimited text format (.txt, 4678 bytes)

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Date Modified: 2010-12-09