



Income in Ontario

Growth, Distribution and Mobility

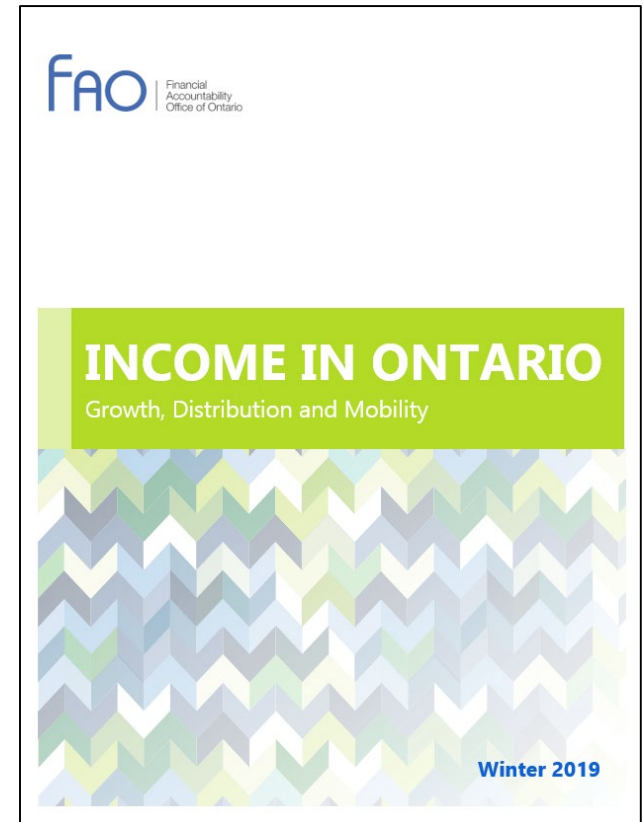
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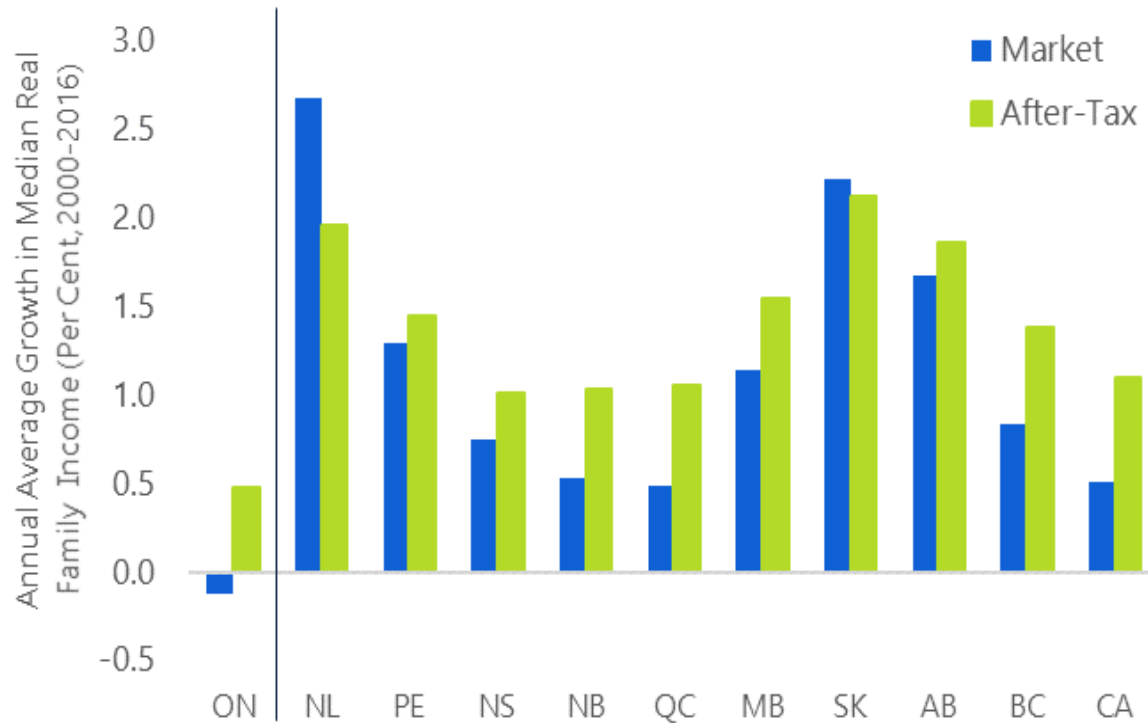
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Background

- ▶ Consistent with the FAO's mandate to examine important economic trends, this report assesses the personal incomes of Ontarians across three broad areas:
 - growth,
 - distribution, and
 - mobility.



Income growth for Ontario's median family slowest among provinces

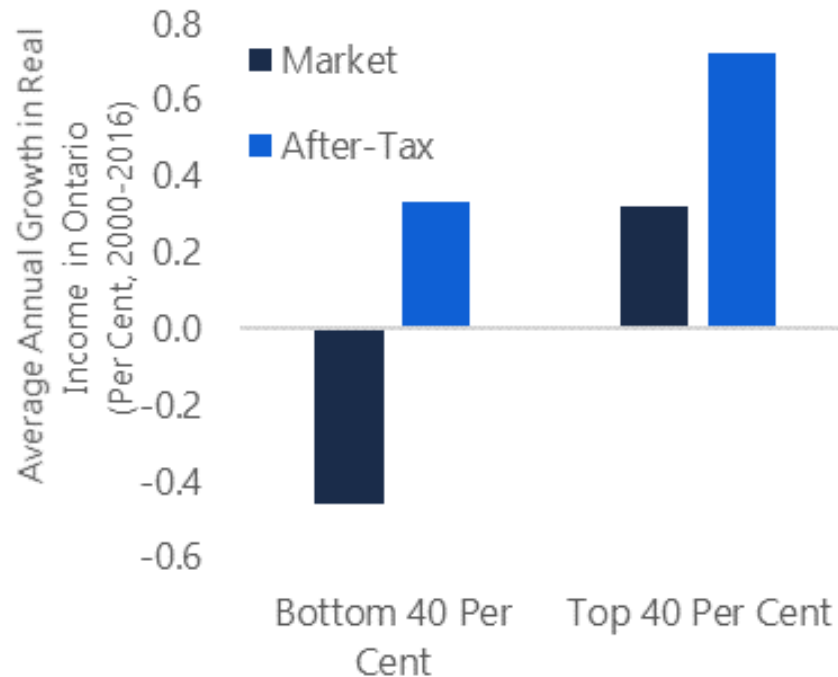


Source: Statistics Canada Canadian Income Survey and FAO.

Note: This includes the income of multi-person families, as well as the income of unattached individuals living alone.

- In 2016, Ontario's median family income was still third highest among provinces, but growth was weakest since 2000.

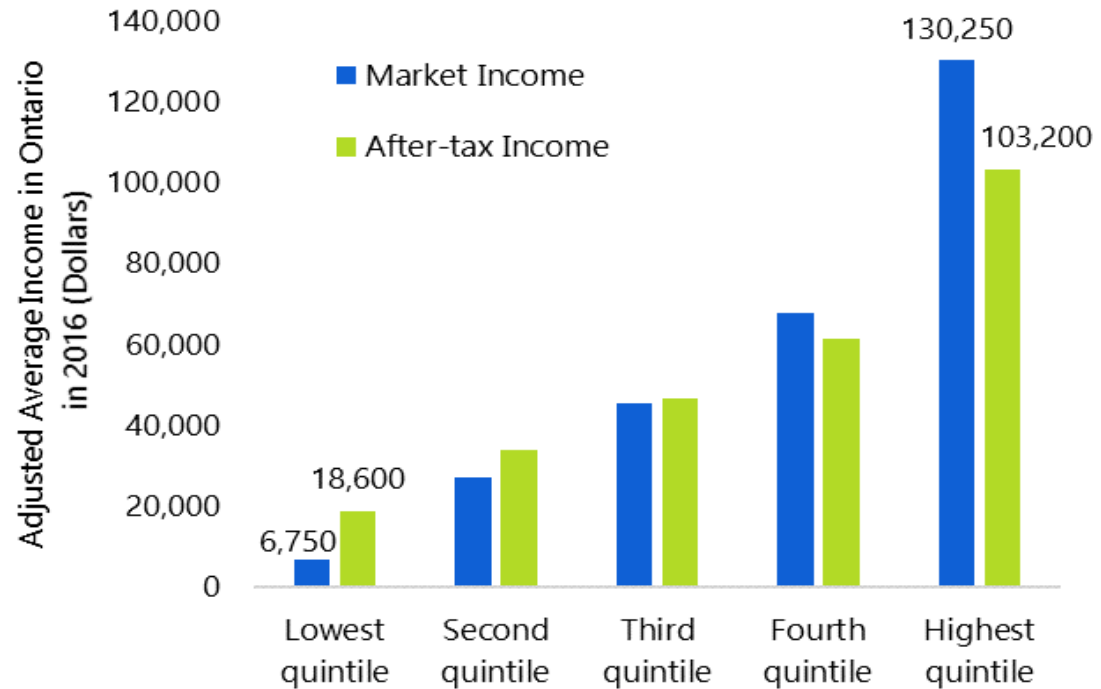
Income growth slowest for lower-income Ontario families



Source: Statistics Canada Canadian Income Survey and FAO.

- Within Ontario, lower-income families have experienced the slowest growth in income, especially single-parent families and working-age singles.

Income is unevenly distributed in Ontario

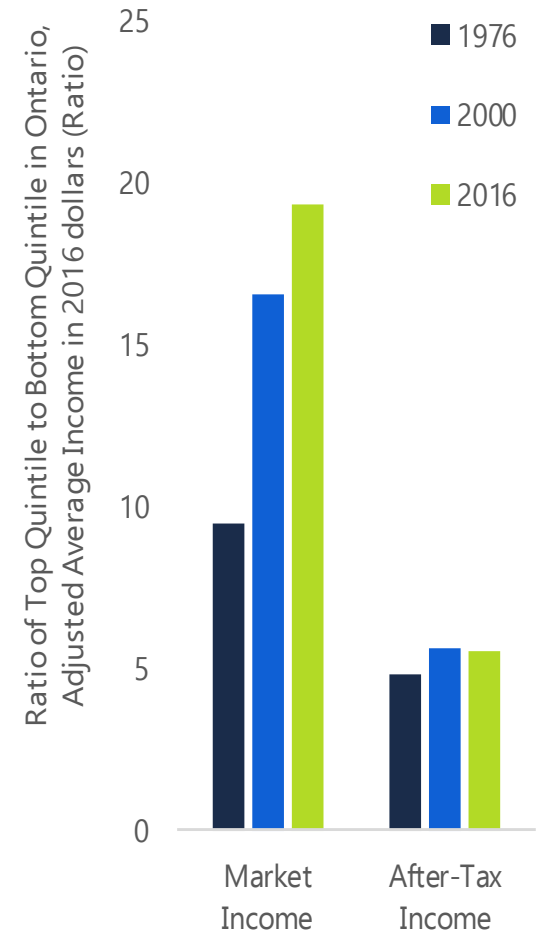


Source: Statistics Canada Canadian Income Survey and FAO.

- The tax and transfer system raises the average income of the lowest quintile and lowers the average income of the highest quintile.
- After-tax income inequality in Ontario is similar to other provinces and lower than the U.S.

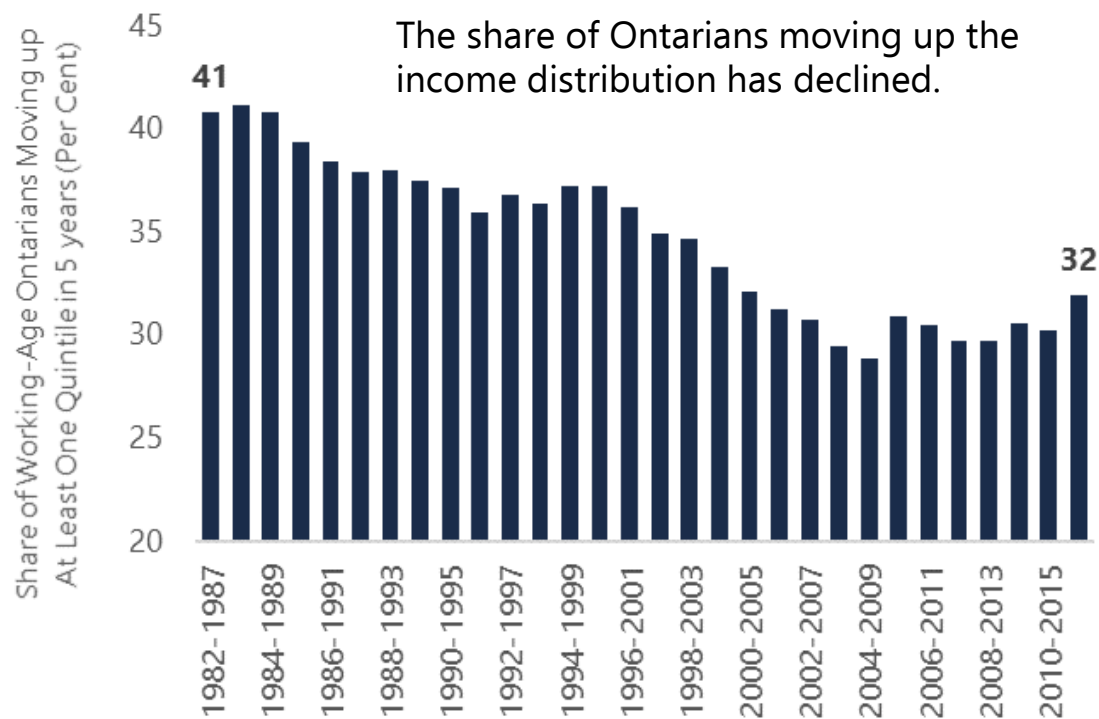
Inequality increased for market incomes but not for after-tax incomes

- Average market income of top quintile was 19 times higher than that of the bottom quintile in 2016.
 - Up from 16 times higher in 2000 and 9 times higher in 1976.
- Tax and transfer system played an important role in reducing income inequality by transferring income from higher- to lower-income Ontarians.
- After taxes and transfers, average income of the top quintile was 5 times higher than that of the bottom quintile in 2016, unchanged since 2000.



Source: Statistics Canada Canadian Income Survey and FAO.

Income inequality has become more entrenched

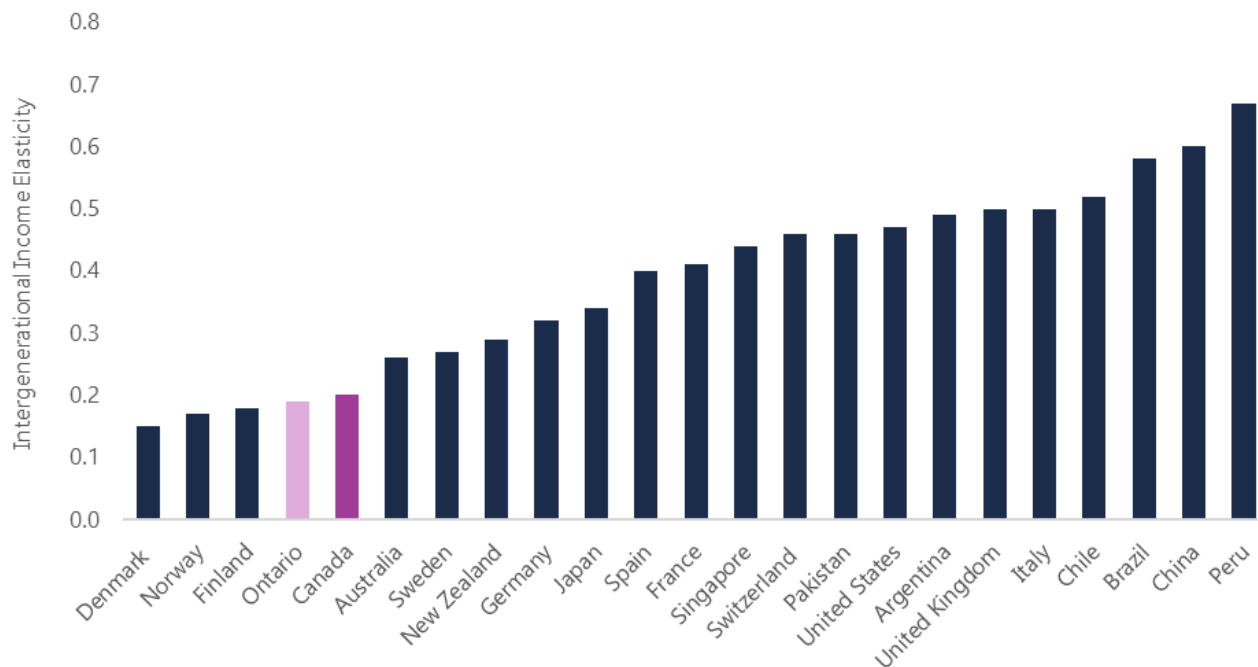


Source: Statistics Canada Longitudinal Administrative Databank custom tabulation and FAO.

- Upward income mobility has declined since the early 1980s.
- More generally, the income distribution has become “stickier”, as lower-income Ontarians are increasingly staying in low-income, while higher-income Ontarians are increasingly staying in high-income.

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Ontario's "intergenerational income mobility" better than most nations

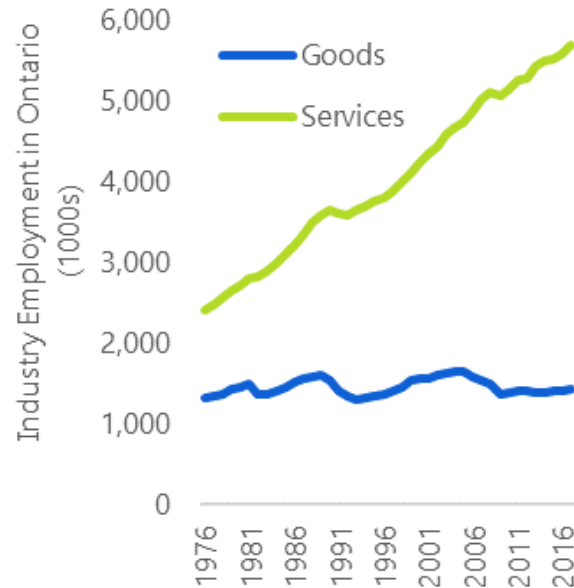


Source: Miles Corak (2017) "Divided Landscapes of Economic Opportunity: The Canadian Geography of Intergenerational Income Mobility" and Miles Corak (2016) "Inequality from Generation to Generation: The United States in Comparison".

- In Ontario, children of higher-income parents are more likely to become high-income earners themselves.
- However, a strong tax and transfer system and universally accessible education and health care are key contributors to Ontario's comparatively favourable "intergenerational income mobility".

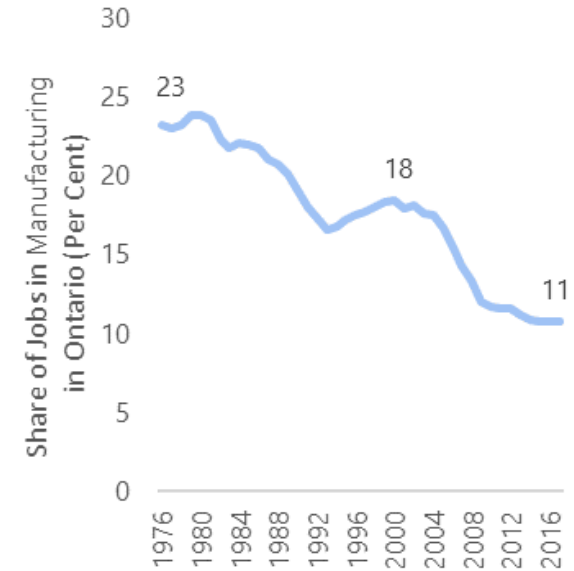
Ontario's industrial composition has changed

Job growth was dominated by Ontario's service sector...



Source: Statistics Canada Labour Force Survey.

...while manufacturing jobs declined.

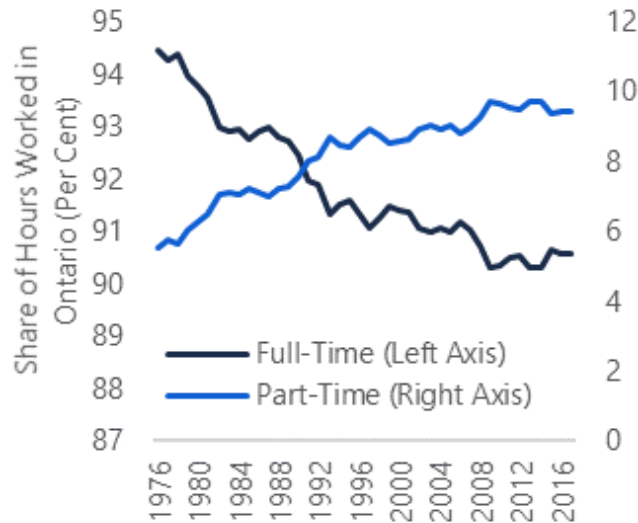


Source: Statistics Canada Labour Force Survey.

- Export industries in high-wage, developed countries are increasingly competing with firms in developing, low-wage economies, leading to the “offshoring” of labour-intensive production.
- In addition, the sharp appreciation of the Canadian dollar during the 2000s presented additional challenges for Ontario's exporting industries.

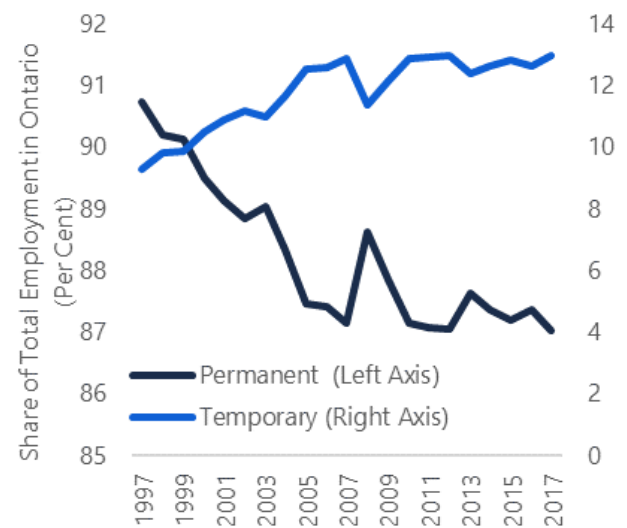
Significant changes have also occurred in Ontario's labour market

More part-time work



Source: Statistics Canada Labour Force Survey.

More temporary work



Source: Statistics Canada Labour Force Survey.

- These structural changes have contributed to slower income growth, rising income inequality and declining income mobility in many developed economies – based on OECD/IMF research.

Key Points

- Income growth for middle-income Ontario families has been slowest in Canada since 2000 - by a wide margin.
- Lower-income Ontario families, and working age individuals and single-parent families in particular, have experienced the slowest income growth.
- The distribution of Ontario incomes (before taxes and transfers) has become more unequal since 2000.
 - But the tax and transfer system played a key role in supporting low-income families and limiting the inequality of after-tax incomes.
- Income inequality has become more entrenched, as lower-income Ontarians are increasingly staying in low-income, while higher-income Ontarians are increasingly staying in high-income.
 - While the children of high-income parents are more likely to become high-income earners themselves, Ontario's 'intergenerational income mobility' compares favourably with other advanced economies.
- Significant structural changes in Ontario's economy and labour market have contributed to these unfavourable income trends.
- This raises important questions about the role of government in ensuring that all individuals have access to similar opportunities.

Thank you

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