



# Income in Ontario

Growth, Distribution and Mobility

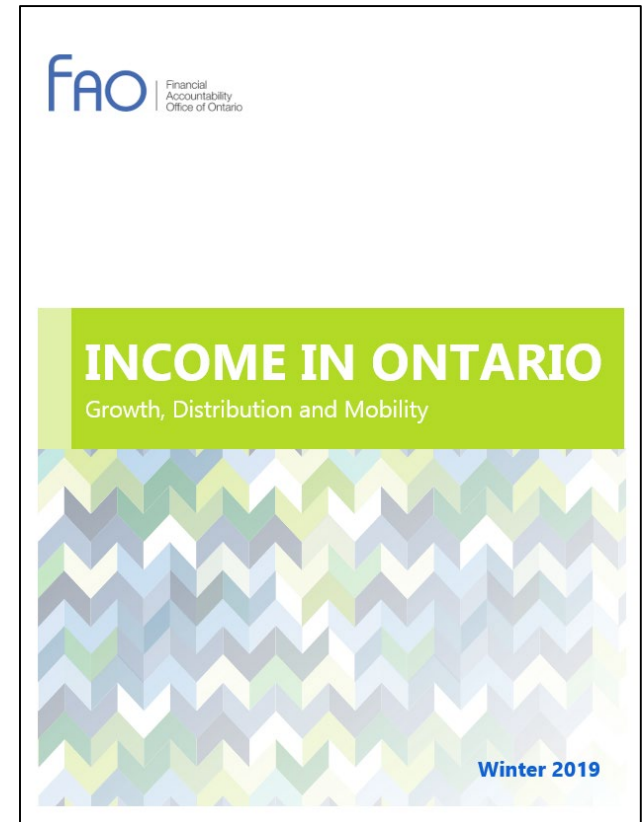
**fAO**

Financial  
Accountability  
Office of Ontario

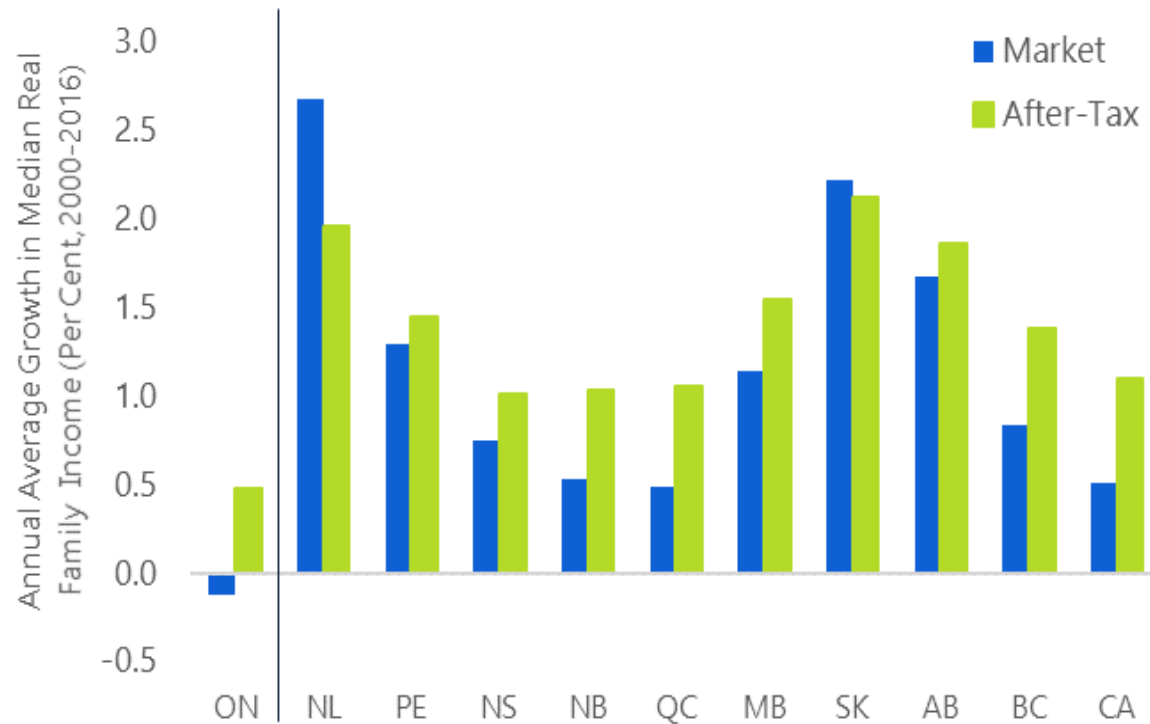
January 2019

# 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

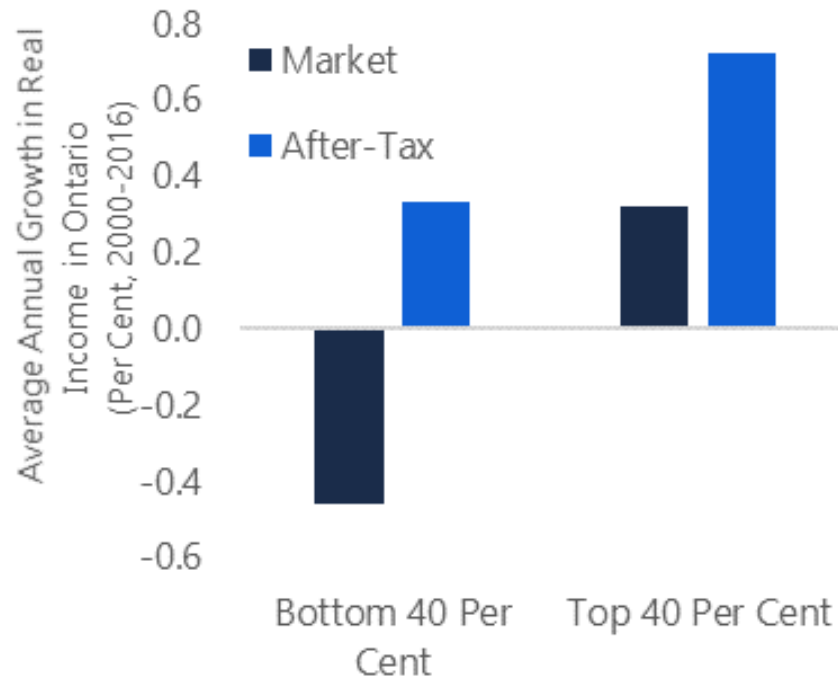


Source: Statistics Canada Canadian Income Survey and FAO.

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.

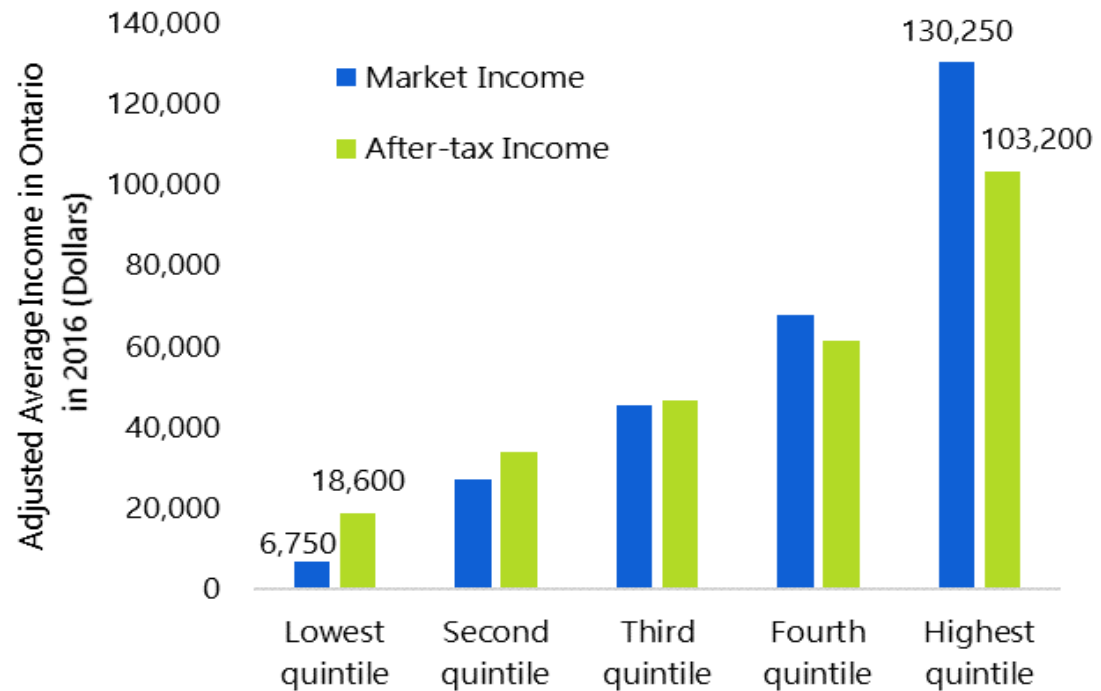
# Income growth slowest for lower-income Ontario families



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

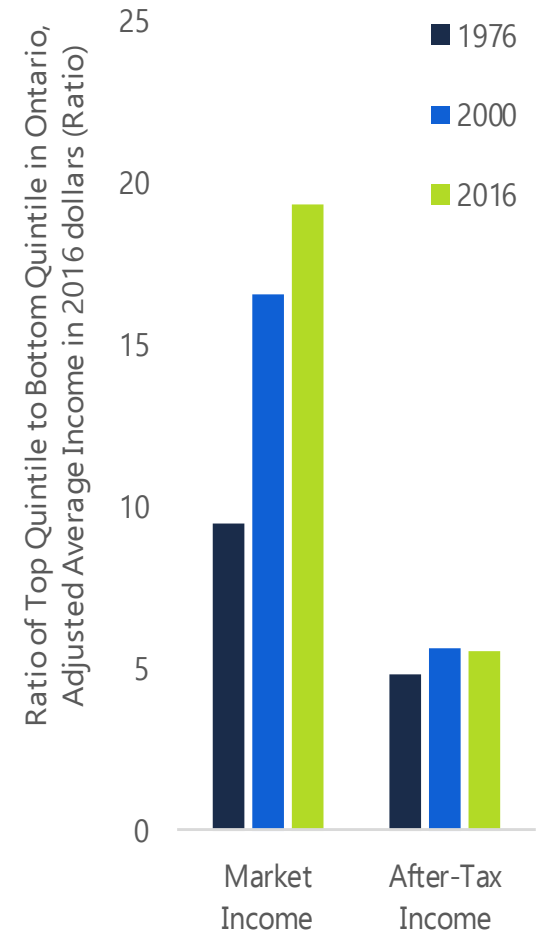


Source: Statistics Canada Canadian Income Survey and FAO.

- 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.

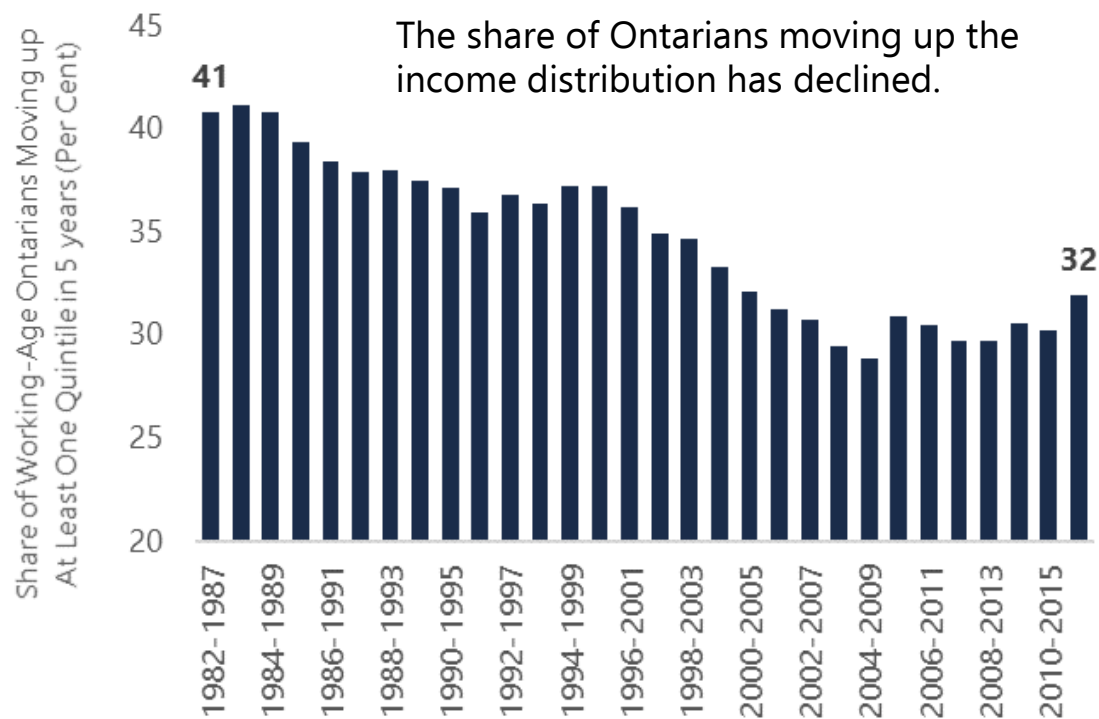
# Inequality increased for market incomes but not for after-tax incomes

- 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

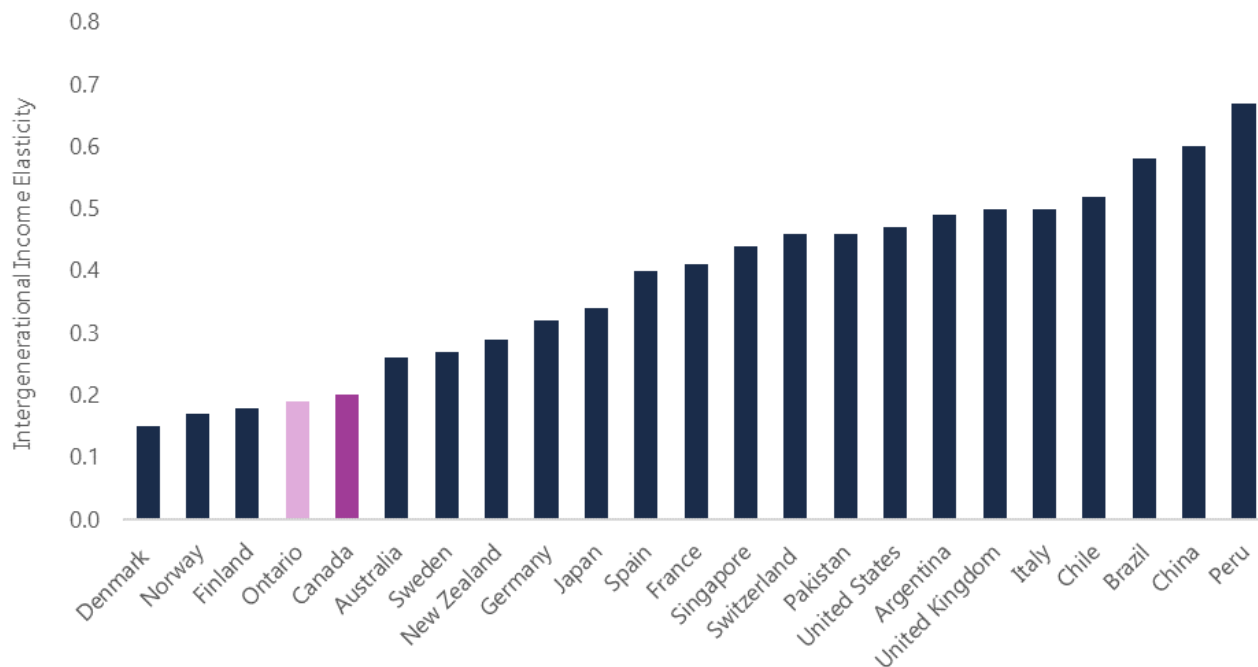


Source: Statistics Canada Longitudinal Administrative Databank custom tabulation and FAO.

- 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.

Financial Accountability Office of Ontario | [fao-on.org](http://fao-on.org)

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



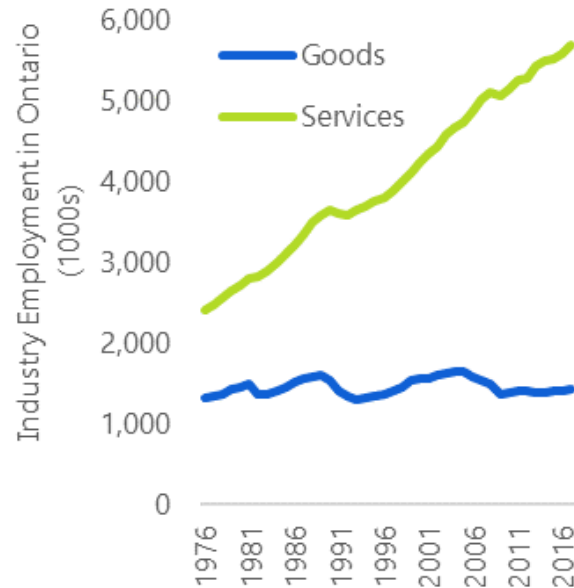
Source: Miles Corak (2017) "Divided Landscapes of Economic Opportunity: The Canadian Geography of Intergenerational Income Mobility" and Miles Corak (2016) "Inequality from Generation to Generation: The United States in Comparison".

- 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".



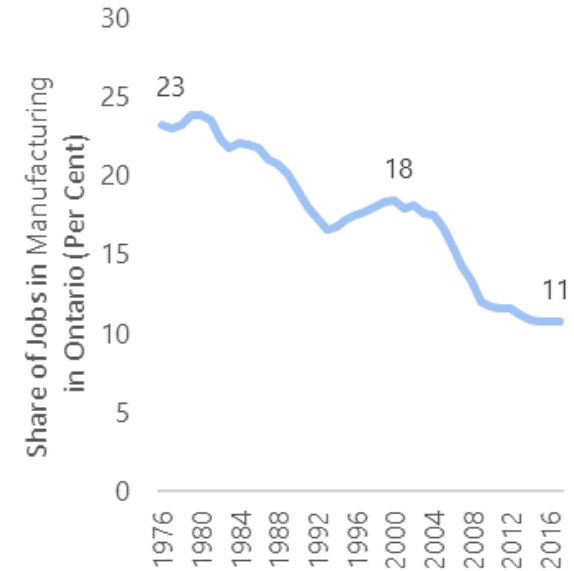
# Ontario's industrial composition has changed

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



Source: Statistics Canada Labour Force Survey.

...while manufacturing jobs declined.

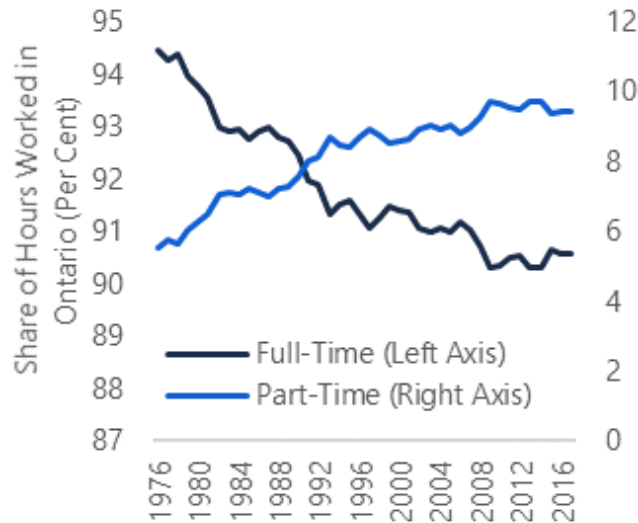


Source: Statistics Canada Labour Force Survey.

- 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.

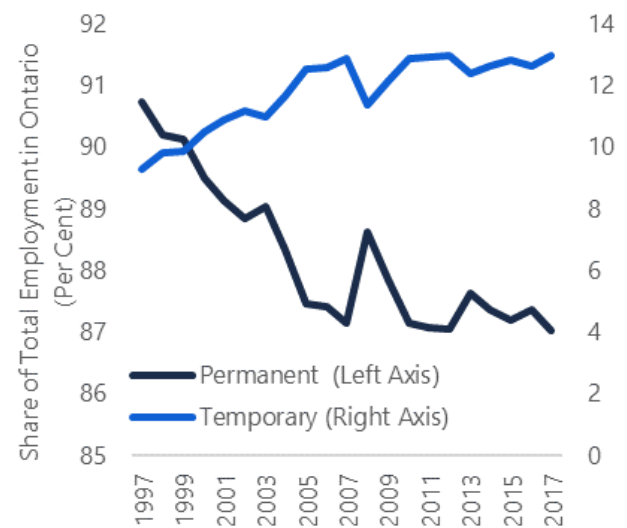
# Significant changes have also occurred in Ontario's labour market

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

For media inquiries, please contact:  
Kismet Baun, Communications Advisor  
416-254-9232  
kbaun@fao-on.org

fao

Financial  
Accountability  
Office of Ontario

2 Bloor Street West  
Suite 900  
Toronto, Ontario  
M4W 3E2  
416.644.0702  
fao-on.org  
info@fao-on.org

