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Canadian Megatrends

The fall and rise of Canada's top income earners



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- not available for any reference period
- .. not available for a specific reference period
- ... not applicable
- 0 true zero or a value rounded to zero
- 0^s value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
- ^P preliminary
- ^r revised
- X suppressed to meet the confidentiality requirements of the *Statistics Act*
- ^E use with caution
- F too unreliable to be published
- * significantly different from reference category ($p < 0.05$)

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The fall and rise of Canada's top income earners

CANADIAN MEGATRENDS

We can gain insights into our economy by looking at the top 1% of earners. Historical trends in the top 1% are affected by the boom and bust of the business cycle, and reflect demographic, economic, social and political change. Current trends show how the market is valuing certain occupations and certain industries, and how patterns differ across the country. Examination of the income of the top 1% also reveals changes in wealth and in returns on investments.

This month's issue of *Canadian Megatrends* describes the share of market income earned by the highest earners in society and how that portion has changed from 1920 to 2014. It also looks at the major sources of income for the top earners, and to what degree women are sharing these economic gains.

To be in the top 1% in 2014, a taxfiler needed to have a market income of at least \$225,100. There were 268,500 taxfilers who earned this amount or more in 2014.

A century of change

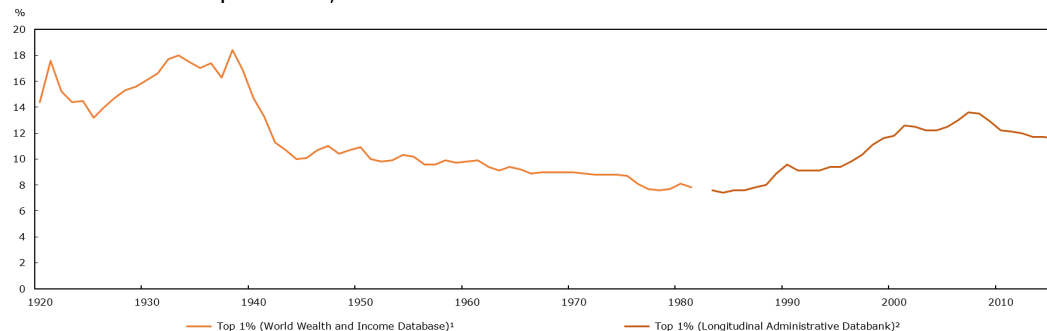
In the first decades of the 20th century, high income earners held a significant share of Canada's income. From 1920 to 1940, the top 1% of taxfilers received no less than 13% of all income, with this figure peaking at just over 18% in 1938. However, this share declined during the social and economic upheaval of the Second World War. By 1944, the top 1% of earners received 10% of all income, a drop of more than 8 percentage points in six years.

Income concentration among top earners continued to fall—albeit less dramatically—until 1978. From 1944 to 1978, the share of income earned by the top 1% gradually declined from 10% to just under 8%.

However, the trend began to reverse itself in 1978. The share of income earned by the top 1% edged up to just over 8%, remained steady until the mid-1980s, and then rose sharply from 1988 to 2007, with brief dips around economic downturns in 1991 and the early 2000s. At its peak in 2007, the share of income earned by the top 1% was almost 14%, still below levels seen in the 1920s, but representing an increase of 75% over 30 years.

After 2007, the proportion of income earned by the top 1% (and higher brackets of earners) decreased somewhat to the levels of the late 1990s.

Chart 1
Market income shares of top 1% taxfilers, 1920 to 2014

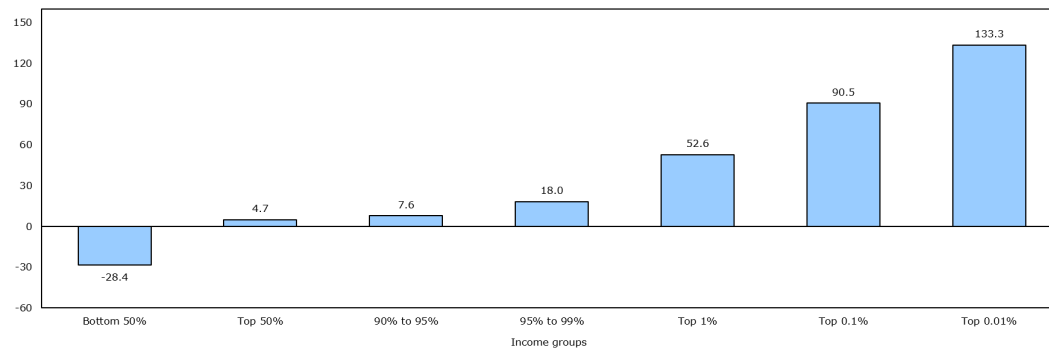


1. Data from the World Wealth and Income Database are presented for the period from 1920 to 1981 only.
2. Data from Statistics Canada's Longitudinal Administrative Databank are presented for the period from 1982 to 2014 only.
Sources: The World Wealth and Income Database; Statistics Canada, CANSIM table 204-0001.

Differences between top and bottom earners

As income became more concentrated among the top earners in Canada, the lower half of income earners saw their share of earnings decrease. From 1982 to 2014, the proportion of market income earned by the bottom half of earners fell by 28%. Meanwhile, the share earned by the top half increased by 5%. The largest gains were made in the highest earning brackets. The top 1% saw their share of income rise by 53%, the top 0.1% by 90% and the top 0.01% by 133%.

Chart 2
Percentage change in market income shares of taxfilers, by percentile income group, 1982 to 2014



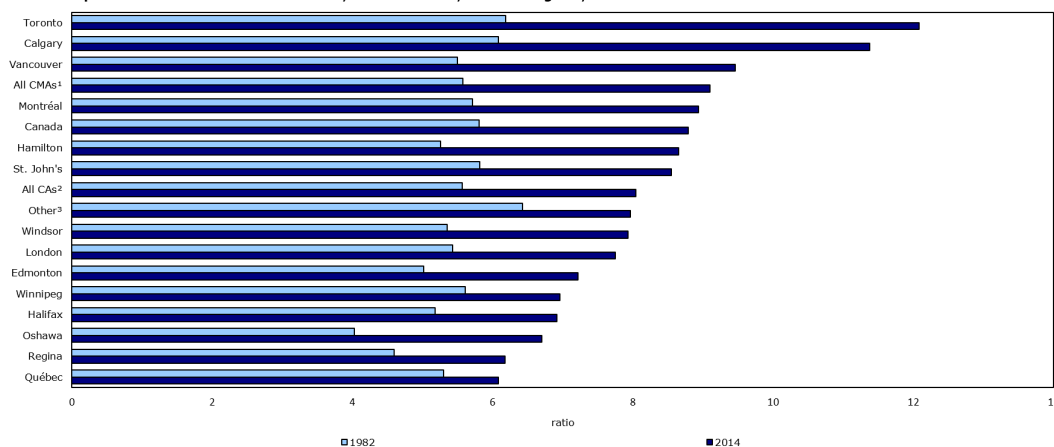
Source: Statistics Canada, CANSIM table 204-0001.

Income gaps in cities

From 1982 to 2014, Canada's big cities were more likely than elsewhere to see an increase in the difference in income between the top 1% and the median taxfiler, as measured by the ratio of the threshold for entering the top 1% to the median income. In Toronto, this ratio roughly doubled from about 6:1 in 1982 to 12:1 in 2014. In Calgary, it rose from about 6:1 to about 11:1, and the increase was equally large in Vancouver.

The increase was much smaller in regions outside census metropolitan areas and census agglomerations, where the ratio rose from about 6:1 to about 8:1.

Chart 3
Ratio of top 1% local threshold to local median, market income, selected regions, 1982 and 2014



1. Census metropolitan area (CMA).
2. Census agglomeration (CA).
3. Regions outside of CMAs and CAs.
Source: Statistics Canada, CANSIM table 204-0002.

Women one-percenters

Women have made steady inroads into the top 1%. In 2014, women accounted for 22% of the top 1% of taxfilers, compared with 10% in the early 1980s. Fully 15% of taxfilers in the top 0.1% were women in 2014, compared with 10% in the early 1980s.

Sources of income

Compared with their high-earning counterparts from the 1980s, the top earners in the 21st century are much more likely to be wage earners—that is, their income is much more likely to come from working for other people than from owning capital or businesses.

In 1982, just under 49% of all market income earned by the top 1% came from wages and salaries. By 2014, this proportion was 65%. Among women, the top 1% saw their share of wages and salaries rise from under 30% in the early 1980s to 50% in 2014.

Definitions

Market income: Total income, excluding government transfer payments from government programs, such as workers' compensation, the Child Tax Benefit, Employment Insurance, and the Canada Pension Plan or Quebec Pension Plan.

Market income share: The amount of money a group of people earns as a portion of all money that is earned (also referred to as the **share of market income**).

LAD: Longitudinal Administrative Databank.

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