

# 1999 income: an overview

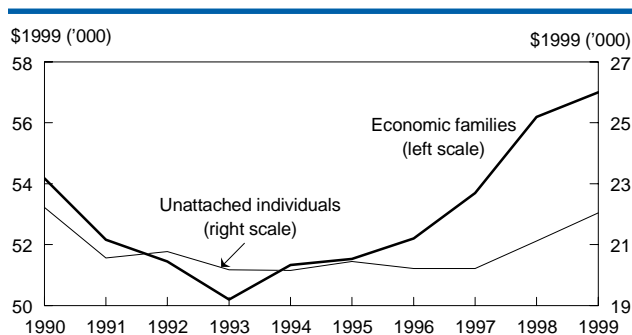
*Cathy Cotton, Philip Giles and Heather Lathe*

## Market income

Average market income for Canadian families of two or more people was \$57,000 in 1999, up 1.4% from the previous year after adjusting for inflation. This marks the sixth year of sustained growth, although at a slower rate than in the two previous years. Average market income increased by 13.6% from 1993 when it was at a low of \$50,200.

Average market income for persons not living in families (unattached individuals) was \$22,000 in 1999, up by 4.3% from the previous year. This was the second year in a row that the growth in average market income of unattached individuals exceeded 4%. Mainly because of the increases in 1998 and 1999, the average market income of unattached individuals finished the decade at basically the same level as 10 years earlier.

Chart A: Market income

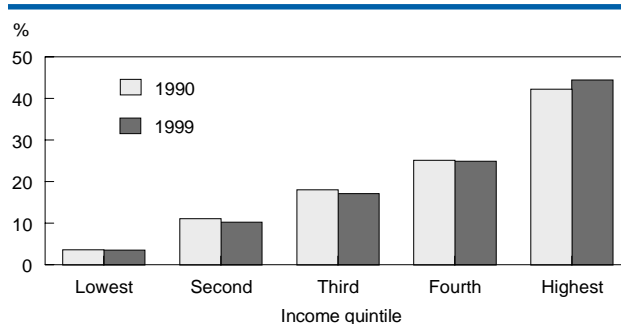


Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

## Inequality of market income

If families are ranked by their income level from lowest to highest, the top 20% of families earned 44.4% of all market income in 1999, compared with 3.5% for the bottom 20% of families. For every dollar earned by the bottom 20%, nearly 13 dollars were earned by the top 20%.

Chart B: Market income shares



Sources: Survey of Consumer Finances, 1990; Survey of Labour and Income Dynamics, 1999

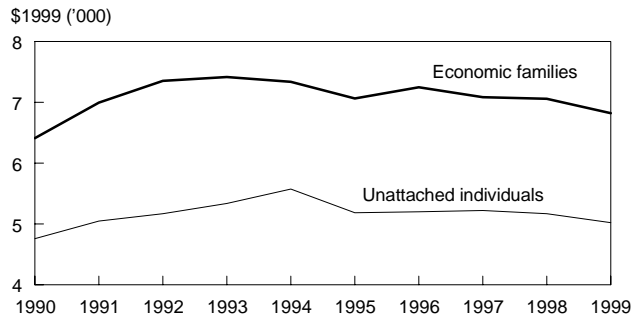
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### Downward trend in government transfers

Families of two or more persons received an estimated \$6,800 in government transfers in 1999, a decline of 3.3% from 1998. Government transfers to families peaked in 1993 and have since fallen by 8.0%.

Unattached individuals received \$5,000 on average in transfers in 1999, down 2.9% from 1998 and 10.0% from the peak reached in 1994.

**Chart C: Average government transfers**



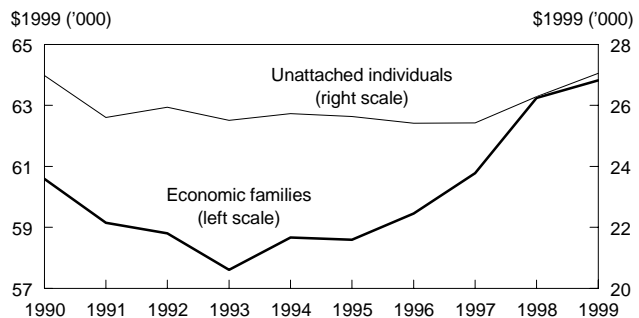
Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

### Total income

When all income sources are considered, Canadian economic families received an average of \$63,800 in total income in 1999, an increase of 0.9% from 1998. Average total income for unattached individuals was \$27,100, an increase of 2.9%. Total family income increased 10.8% from 1993, when it was at its lowest level for the decade.

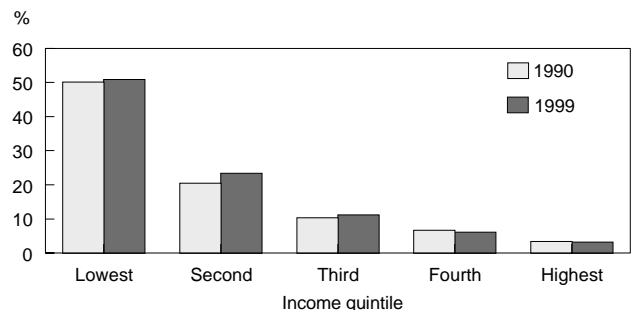
For the 20% of families with the lowest incomes, government transfers contributed about half (50.8%) of all income received in 1999. For families in the top quintile, only 3.2% came from transfers. Because of transfers, the distribution of total income is more 'equal' than market income. On the basis of total income, the top 20% of families received about six and a half dollars for every dollar received by the bottom quintile. In aggregate terms, the top 20% of families got 40.9% of total income, versus 6.3% for the bottom 20% of families. This sharing is slightly more unequal than ten years ago when the percentages were 39.1% and 6.4%.

**Chart D: Average total income**



Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

**Chart E: Transfers as a proportion of total income**



Sources: Survey of Consumer Finances, 1990; Survey of Labour and Income Dynamics, 1999

## Data sources and definitions

Data for this study are taken from two sources: The **Survey of Labour and Income Dynamics** is a longitudinal household survey that began in January 1993. The **Survey of Consumer Finances** was an annual supplement to the Labour Force Survey.

**Market Income:** total earnings (from paid employment or self-employment), investment income, retirement income (private pension plan) and "other income." It excludes government transfers. Market income is also known as income before taxes and transfers.

**Government transfers:** all direct payments to individuals and families by the federal, provincial and municipal government: Old Age Security pensions, the Guaranteed Income Supplement, Spouse's Allowance, Canada and Quebec Pension Plan benefits, Child Tax Benefits, Employment Insurance benefits, workers' compensation benefits, credits for the GST/HST, provincial or territorial refundable tax credits, social assistance payments and other government payments.

**Total income:** income from all sources before deduction of federal and provincial taxes; that is, market income plus government transfer payments.

**After-tax income:** total income minus income taxes.

**Economic family:** two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law or adoption.

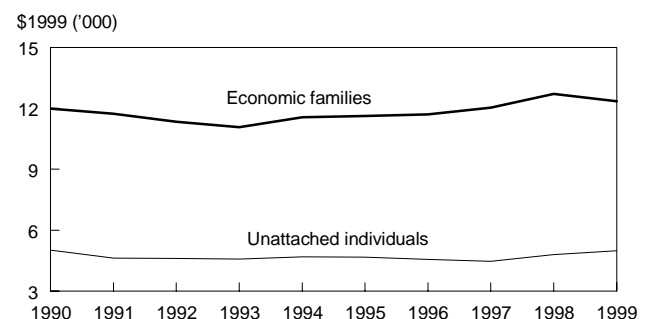
**Quintiles:** For all measures of income, quintiles are formed by ranking the families in ascending order of income and dividing the entire sample into five equal parts. The top quintile consists of the 20% of families with the highest after-tax incomes, and the bottom quintile, the 20% of families with the lowest incomes.

## Drop in income taxes for families

In 1999, the average family paid \$12,300 in income taxes. This is a decrease of 2.8% from 1998 when taxes were at their highest level for the decade.

The proportion of tax paid by each income group has shifted during the last 10 years. The proportion of taxes paid by families in the bottom quintile has increased but remains relatively low, having moved from 1.6% in 1990 to 1.9% in 1999. Families in the highest quintile also paid a somewhat larger share of taxes in 1999, accounting for 51.8% of aggregate income taxes versus 48.7% in 1990.

Chart F: Average income taxes



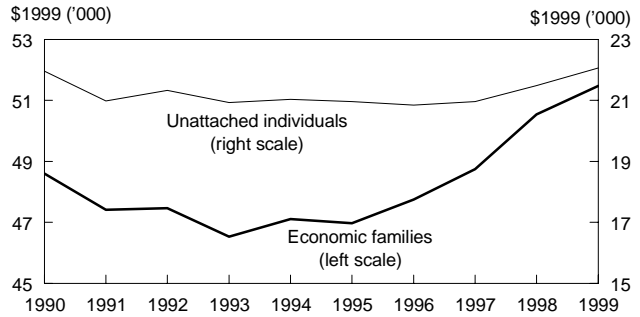
Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

### After-tax income

The average family received an estimated \$51,500 in after-tax income in 1999, up 1.9% from 1998. For unattached individuals, the average after-tax income was \$22,100, up 2.7% from the previous year.

Like transfers, taxes reduce income inequality. The top 20% of families received 38.3% of all after-tax dollars compared with 7.4% for the bottom quintile—a ratio of about 5 to 1.

**Chart G: Income after tax**



Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

### Fewer families in low income in 1999

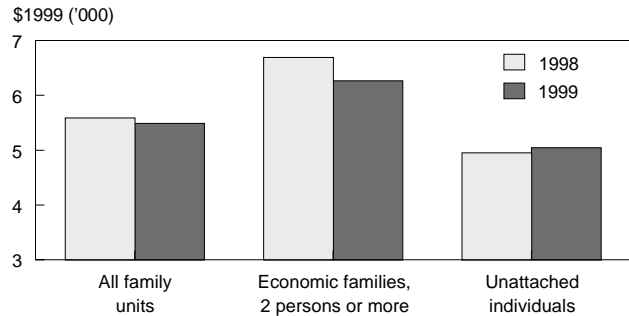
An estimated 723,000 families were in low income after tax in 1999, down from 737,000 in 1998. The family low income rate was 8.6%, the lowest rate since 1990 (8.5%). The financial situation of families below the low income cutoff also showed some improvement. On average, these families would have needed an additional \$6,300 in after-tax dollars to reach the low income cutoff, compared to \$6,700 in 1998.

Among unattached individuals, 1,280,000 were in low income in 1999, virtually the same as in 1998. They would have needed an additional \$5,000 to rise above the low income cutoff in 1999.

The low income rate for persons dropped as well. In 1999, 11.8% of all Canadians, about 3.6 million persons, were in low income based on their income after tax. After climbing throughout the early 1990s, the prevalence of low income peaked in 1996 at 14.0% and has been declining ever since.

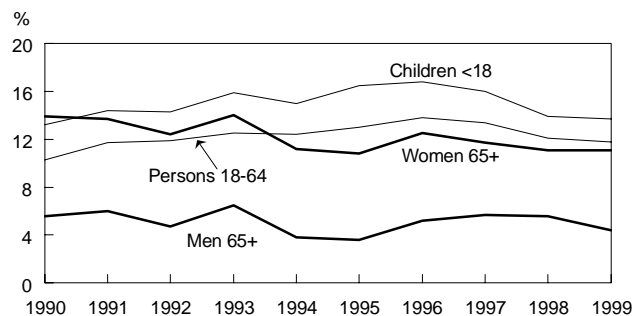
In 1999, 962,000 children lived in low income families, down from 978,000 in 1998. The proportion has been falling since 1996 when it peaked at 16.8% on an after-tax basis. The rate then fell to 13.9% in 1998 and 13.7% in 1999.

**Chart H: Average after-tax amount needed to reach low income cutoff**



Source: Survey of Labour and Income Dynamics

**Chart I: Low income rates based on income after tax**

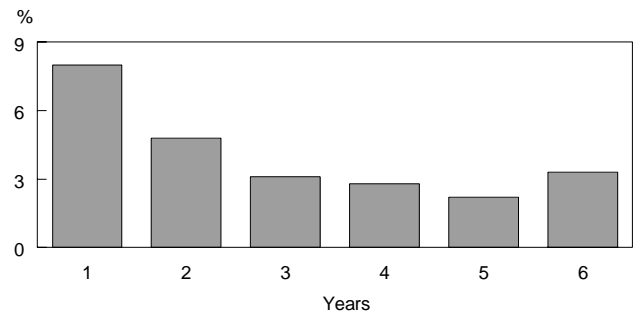


Sources: Survey of Consumer Finances, 1990-1995; Survey of Labour and Income Dynamics, 1996-1999

### Low income touches almost one in four over a six-year period

About a quarter of Canadians experienced low income for at least one year during the six-year period starting with 1993. More specifically, 8.0% experienced one year of low income and 4.8% experienced two years (not necessarily consecutive). At the other extreme, 3.3% of the population remained in low income throughout the full six years.

Chart J: Low income persistence, 1993-1998



Source: Survey of Labour and Income Dynamics

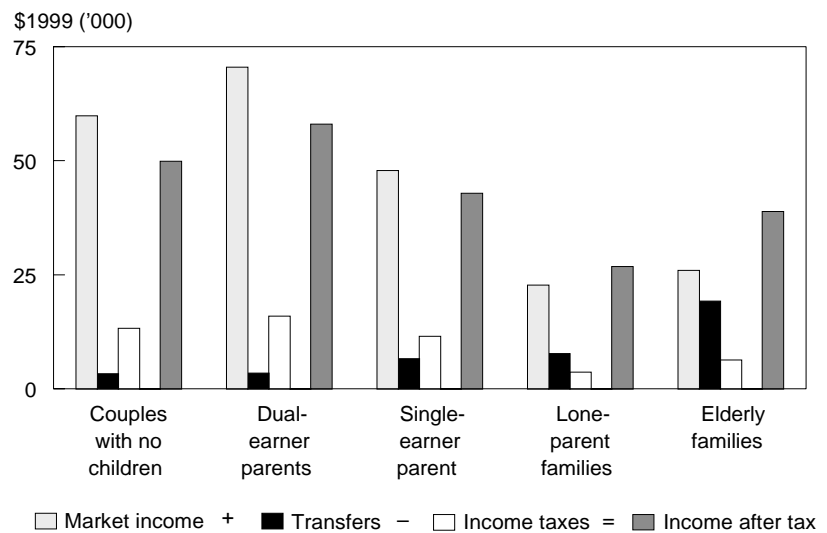
### Effect of transfers and taxes across family types

The average married couple with no children at home earned about \$59,900 in market income in 1999. They received an additional \$3,300 in government transfers but paid out \$13,300 in taxes. So, on average, they received \$49,900 after tax; after netting out taxes and transfers, they retained 83.4% of their market income.

Dual-earner parents had higher market income (\$70,500) and higher after-tax income (\$58,100), but the portion of market income they retained was much the same—82.4%. Single-earner couples with children had substantially lower levels of market income in 1999, \$47,800 on average. But with somewhat higher government transfers and lower income tax, their after-tax income, at \$42,900, was 89.7% of their market income.

Lone-parent families averaged \$22,800 in market income in 1999. They received more in government

Chart K: Transfers and taxes by family type



Source: Survey of Labour and Income Dynamics

transfers than they paid in taxes; after-tax income was therefore higher at \$26,800. The same is true for families headed by a senior. Their market income averaged \$25,900 in 1999 while after-tax income was \$38,800.

Unattached seniors, particularly women, registered very low levels of income. Senior unattached men averaged \$22,600 after tax, while women averaged \$18,400.

Perspectives