

## Income (1995\$)

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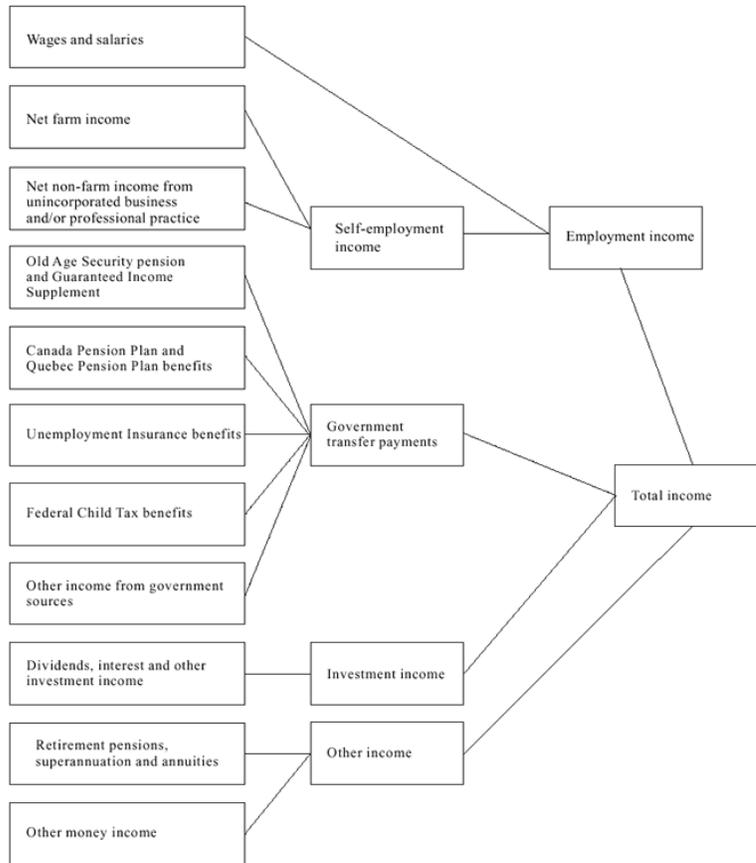


Income statistics are used by researchers and policy analysts to forecast the needs for government transfers, to understand the per capita consumption of goods and services and to aid in the development of government policies.

Canadian income statistics, based on specialized surveys such as the Family Expenditure Survey, the Survey of Labour and Income Dynamics or on the Census of Population, all capture, in varying degrees, an income distribution for the whole of Canada. The census is the most comprehensive, as the survey sample collects data for 20% of the population and the statistics provided are then adjusted to reflect 100% of the total population.

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Statistics Canada collected statistics for the population 15 years of age and over, reporting income in 1995 (not including institutional residents). Income sources included: wages and salaries, farm and non-farm self-employment, government transfer payments, investment income, retirement pensions and other money income. The chart below shows the relationship of these major income sources.



**Figure 1.** Components of Income, 1995

**Source:** Canada. Statistics Canada, 1996 Census Dictionary: Catalogue Number 92-351-XPE.

Note: All income terminology and concept definitions that have been referenced were defined by Statistics Canada. Refer to the 1996 Census Dictionary (<http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=92-351-U&CHROPG=1&lang=eng>) for more information.

## Income and the Economy

In general, the Canadian economy has been steadily growing following the recession of the early 1990s. The average earnings of Canadians reported for 1998 were the highest in over a decade. Based on the Survey of Labour and Income Dynamics (1998), the average market income for all families recorded an increase in every province. While incomes for families and individuals have increased, the distribution of this wealth has not been equal. The top 20% of families with the highest incomes

received 45.2% of the total market income while the lowest 20% saw a decrease in their share of market income, from 3.8% to 3.1% in the period of 1989 to 1998.

A large proportion of the low income group is comprised of lone-parent families. Of individuals aged 65 years and over, 18.7% had low incomes. For more information on low income refer to the map and the text "Incidence of Low-income Cut-off, 1995" located in the Atlas 6th Edition / Health / Non-medical Determinants of Health / Income.folder. At the other end of the spectrum, two-parent families with children under 18 years of age saw an increase in 1998, up 4.7% from 1997, with an average of \$55 074 in after-tax income.

Highlights of income statistics reflecting the past decade indicate that family incomes have remained relatively unchanged while household income declined slightly. Income inequalities had been stabilized to some extent through government transfer payments and increases in employment earnings. The contribution of government transfer payments to families increased from 5.4% in 1970 to 12.0% of income in 1995, allowing the lower income groups a greater share of the market income.

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## Definitions of underlined terms

**Family income:** Refers to the total incomes of all members of a census family 15 years of age and over. A census family is a couple who are married or living common-law (with or without never-married sons or daughters living with them), or a lone parent living with at least one never-married son or daughter. (Source: 1996 Census Dictionary, Cat. No. 92-351-XPE, Statistics Canada)

**Government Transfer Payments:** Government transfer payments include Old Age Security Pension and Guaranteed Income Supplement (OAS/GIS), Employment Insurance benefits, child benefits, and Goods and Services Tax credits. (Source: 2006 Census Dictionary, Statistics Canada)

**Household income:** Refers to the total incomes of all members of a household 15 years of age and over. A household may consist of a family group (census family) with or without other non-family persons; of two or more families sharing a dwelling; of a group of unrelated persons; or of one person living alone. (Source: 1996 Census Dictionary, Cat. No. 92-351-XPE, Statistics Canada)

**Low Income Cut-offs (LICOs):** Measures of low income known as low income cut-offs (LICOs) were first introduced in Canada in 1968 based on 1961 Census income data and 1959 family expenditure patterns. At that time, expenditure patterns indicated that Canadian families spent about 50% of their income on food, shelter and clothing. It was arbitrarily estimated that families spending 70% or more of their income on these basic necessities would be in "straitened" circumstances. With this assumption, low income cut-off points were set for five different sizes of families.

Subsequent to these initial cut-offs, revised low income cut-offs were established based on national family expenditure data from 1969, 1978, 1986 and 1992. These data indicated that Canadian families spent, on average, 42% in 1969, 38.5% in 1978, 36.2% in 1986 and 34.7% in 1992 of their income on basic necessities. By adding the original difference of 20 percentage points to the basic level of expenditure on necessities, new low income cut-offs were set at income levels differentiated by family size and degree of urbanization. Since then, these cut-offs have been updated yearly by changes in the consumer price index. (Source: 1996 Census Dictionary, Cat. No. 92-351-XPE, Statistics Canada)

**Market Income:** This refers to the 'income before government transfers'. Market income is the sum of earnings plus income from investments and retirement pensions. (Source: 1996 Census Dictionary, Cat. No. 92-351-XPE, Statistics Canada)