



A Snapshot of Incomes in British Columbia

While economists often seem preoccupied with somewhat abstract indicators like gross domestic product, productivity and current account balances, arguably the economic variable of most interest to people is income. As defined by Statistics Canada (and similar agencies in other countries), income has two key components: 1) the “market incomes” received by individuals and households from employment, savings, investments, occupational pensions, rents, and entrepreneurial activity; and 2) “government transfers” such as social assistance, pensions, unemployment insurance, and the GST tax credit, which are remitted directly to households by the state.

Statistics Canada’s most recent review of incomes covers the calendar year 2009.¹ This issue of Policy Perspectives briefly summarizes the principal findings of this publication, with particular attention to British Columbia and the major urban centres in the province. In the section immediately following, we focus on one specific measure of income: *median after-tax income for economic families*.

- “Median” refers to the exact mid-point of the distribution of all incomes, arrayed from the lowest to the highest.² This is a better measure of the income of the “typical” family than is the statistical “average” or “mean,” which is skewed

upward by the existence of a limited number of very high-income households.

- “After-tax” means we account for the direct tax payments made by individuals (primarily income and payroll taxes), which reduce their total cash incomes.
- “Economic family” refers to households comprised of two or more related individuals; single-person households are not included in this measure.

Table 1
Median After-Tax Income
for Economic Families, 2009

Alberta	\$77,800
Saskatchewan	\$69,900
BC	\$67,200
Ontario	\$66,200
Manitoba	\$62,400
Quebec	\$57,300
PEI	\$55,800
Nova Scotia	\$55,100
New Brunswick	\$55,000
Newfoundland	\$53,900
<i>Canada</i>	<i>\$63,800</i>
<i>Source: Statistics Canada *constant 2009 dollars</i>	

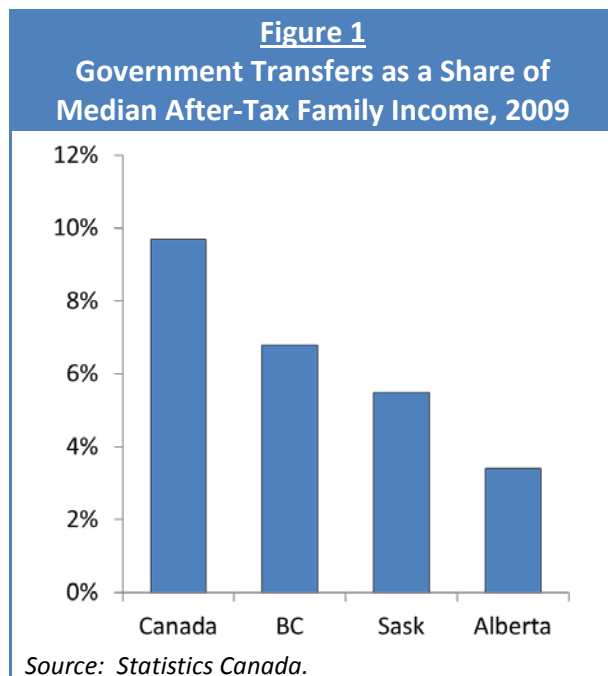
Family Income: BC in Third Place

Table 1 shows median after-tax income for economic families in 2009, for Canada and each of the ten provinces, in constant dollars. British Columbia stood third in the country, at \$67,200, compared to a national average of \$63,800. Using this performance metric, Alberta and Saskatchewan emerge as the two most affluent provinces. Of interest, BC now

¹ Statistics Canada, Income in Canada, 2009, catalogue 75-202-X (2011).

² Formally, the median is the 50th percentile.

outpaces Ontario in after-tax family income; this reverses a longstanding pattern, in which Ontario was always included among the three richest provinces. That Ontario has slipped to fourth spot in median family after-tax income speaks to ongoing changes in the growth dynamic characterizing the contemporary Canadian economy. It also reflects a shift to lower taxes on individuals in provinces like Saskatchewan and British Columbia.



One difference between BC and the richest provinces of Alberta and Saskatchewan is that families here are more reliant on government transfers as a source of income (see Figure 1). Such transfers provided 6.8% of total after-tax income for economic families in BC in 2009, higher than in Saskatchewan, and double the share in next-door Alberta. However, it turns out that families in BC actually depend less on government transfers to boost incomes than do families in Canada as a whole. In some provinces in Atlantic Canada, government

transfers represent almost one-quarter of after-tax income for the typical family. In Quebec, the figure is almost 15%.

An unwelcome finding from Statistics Canada's report is the number of BC families classified as "low-income." Based on the after-tax low income cutoffs as defined by Statistics Canada³, 8.9% of economic families in British Columbia were low income in 2009, versus a national average of 6.5%. The proportion of low income families is smaller in the rest of Western Canada (Manitoba, 5.8%; Alberta, 5.6%; and Saskatchewan 5.1%). The above average share of low income families in BC – which also translates into relatively high rates of reported child poverty – continues to be a cause for concern.

Incomes in Urban Regions

Most Canadians today reside in communities with populations of more than 100,000, so it makes sense to consider incomes by city. Table 2 provides data on median total income of economic families by census metropolitan area (CMA), as of 2009. For the 33 Canadian metropolitan areas as a group, median total family income reached \$68,410.⁴ Canada's five richest urban communities, in descending order, are Ottawa-Gatineau, Calgary, Edmonton, Regina and Oshawa.

³ LICOs are an income threshold below which a family would likely devote a disproportionate share of its income to "necessities" – shelter, food, and clothing – compared to an average family. Although there is some controversy around LICOs, they are widely used in studies of income distribution and poverty.

⁴ Here, total family income is measured on a pre-tax basis, and thus differs from the after-tax income measure discussed in the preceding section.

Table 2
Median Total Income of Economic Families
in 2009, by Census Metropolitan Area

Rank	CMA	Income
1	Ottawa-Gatineau	\$89,410
2	Calgary	\$88,410
3	Edmonton	\$86,250
4	Regina	\$83,550
5	Oshawa	\$81,650
6	Guelph	\$79,440
7	Saskatoon	\$79,100
8	Victoria	\$77,840
9	St. Johns (Nfld)	\$75,930
10	Greater Sudbury	\$75,240
11	Kingston	\$75,210
12	Quebec City	\$75,160
13	Halifax	\$75,050
14	Hamilton	\$74,660
15	Kitchener/Waterloo	\$74,490
16	Barrie	\$73,620
17	Thunder Bay	\$72,960
18	Winnipeg	\$71,470
19	London	\$70,160
20	Saint John (NB)	\$68,520
21	Peterborough	\$67,750
22	Vancouver	\$67,550
23	Saguenay	\$67,470
24	Windsor	\$67,220
25	Kelowna	\$67,070
26	Toronto	\$66,790
27	Moncton	\$66,650
28	Brantford	\$65,970
29	Montreal	\$65,960
30	St. Catherines/Niagara	\$64,500
31	Abbotsford/Mission	\$62,370
32	Trois-Rivieres	\$62,160
33	Sherbrooke	\$61,600

Source: Statistics Canada.

It may surprise some BC readers to discover that the Vancouver CMA is actually quite “poor” when judged against other urban regions in Canada, with a median total family income of just \$67,550, which is below the average for all cities. In 2009, Greater Vancouver ranked 22nd out of 33 Canadian CMAs on this core indicator of economic well-being.

Two other British Columbia CMAs – Abbotsford-Mission and Kelowna – lag behind Vancouver, with Abbotsford placing in the bottom three CMAs in the country. In contrast, the Victoria CMA boasts a median family income 15% higher than Greater Vancouver’s, and more than \$9,400 above the average for all 33 Canadian CMAs. Victoria’s strong showing likely reflects the high proportion of public sector jobs in the Capital Region, and may also be affected by the settlement of affluent retirees in the area.

In looking at incomes by CMA, it is evident that Canada’s three biggest immigrant-receiving regions – Greater Vancouver, Greater Toronto, and Metropolitan Montreal – have among the lowest median family incomes of all urban areas in the country. This underscores the marked deterioration that has occurred in the employment earnings and overall incomes of immigrant cohorts over the last 10-15 years.⁵ Although more affluent urban centres like Ottawa, Calgary and Edmonton

⁵ For a recent discussion, see Michael Abbott and Charles M. Beach, Do Admission Criteria and Economic Recessions Affect Immigrants Earnings? (Institute for Research on Public Policy, November 2011).

also attract sizable numbers of immigrants, a majority of the newcomers arriving in Canada settle in the three biggest cities, a pattern which tends to push down median family income in these large CMAs.

Wages + Salaries, and Personable Disposable Income

Finally, we briefly review some data reported in a separate Statistics Canada publication, *Provincial and Territorial Economic Accounts*⁶, on the performance of BC and other provinces on two other indicators that are closely related to family income: wages, salaries and supplementary labour income (WSSLI)⁷; and personal disposable income (PDI). We divide the amounts reported for the first of these indicators by employment in each province, to get an estimate of WSSLI per worker; while in the case of PDI, we divide by each province's total population to determine income per capita. The results are displayed in Table 3.

On a per employee basis, wages, salaries and supplementary labour income averaged \$49,857 for Canada as a whole in 2010. The top three provinces are Alberta, Ontario and Newfoundland and Labrador, followed

by Saskatchewan.⁸ British Columbia ranks fifth among the provinces when looking at WSSLI per employee, at \$46,379 in 2010.

Table 3
Other Measures of Income (2010)

Wages, Salaries and Supplementary Income Per Employee	
Alberta	\$64,504
Ontario	\$51,109
Newfoundland	\$48,575
Saskatchewan	\$47,177
BC	\$46,379
New Brunswick	\$44,840
Quebec	\$43,818
Manitoba	\$43,689
Nova Scotia	\$43,673
PEI	\$37,887
<i>Canada</i>	<i>\$49,857</i>
Disposable Income Per Capita	
Alberta	\$37,884
Saskatchewan	\$30,594
Ontario	\$29,893
BC	\$29,173
Manitoba	\$27,657
Newfoundland	\$27,417
Nova Scotia	\$27,303
New Brunswick	\$27,085
Quebec	\$26,641
PEI	\$24,713
<i>Canada</i>	<i>\$29,707</i>

Source: Statistics Canada, Provincial Economic Accounts; computations by the Business Council.

⁶ Statistics Canada, *Provincial and Territorial Economic Accounts Review, 2010* (catalogue 13-016-XIE, 2011).

⁷ WSSLI is defined as all compensation paid to employees. It includes wages, salaries, bonuses, commissions, taxable allowances, income in kind, fees, and stock options; as well as payments made by employers for the future benefit of employees, such as payments for pensions, workers' compensation, and employment insurance. Self-employed earnings are excluded.

⁸ Although Newfoundland and Labrador has a low labour force participation rate, it is interesting to observe that those who are employed – particularly full-time – tend to earn good incomes.

Turning to personal disposable income per capita, again Alberta is in top spot at \$37,884, followed by Saskatchewan and then Ontario. BC ranks fourth, at \$29,173, slightly below the national average of \$29,707. That BC scores better on PDI per capita than on WSSLI per employee likely reflects the unusual nature of the job market in Newfoundland and Labrador, a fairly high labour force participation rate in BC, as well as the fact that personal income taxes are lower in BC than in most other provinces (lower taxes exert a positive impact on disposable income).

Conclusion

Adding it all up, British Columbia is best described as a “middling performer” within Canada on most measures of income. We come out a little better on median after-tax family income than we do on labour income per worker, or on disposable income per person. Three of the four major metropolitan regions in BC stand out for having relatively low median family incomes when assessed against the 33 largest urban census areas across the country.

BC’s middling performance on incomes may be linked to certain features of the province’s economy. For example, we have among the highest rates of self-

employment in Canada; this serves to depress incomes, since the self-employed, on average, earn less than paid workers. The province’s business structure is heavily weighted toward smaller firms, and this may also impact incomes inasmuch as smaller businesses generally pay lower wages/salaries than larger enterprises. Finally, the size of the “underground” economy may have implications for reported incomes. Anecdotally, BC appears to have a larger underground economy than other provinces. Assuming this is actually the case, it would cast an unflattering light on reported incomes, in that relatively more people in BC presumably would be dependent on underground economic activity to support their spending and lifestyles.

Incomes matter a great deal to overall prosperity, and to the economic well-being of employees and households. So it’s important to monitor trends in the key income indicators, and to track how BC is faring in a comparative context. For policymakers, a top priority should be to strive to create an environment that supports business growth and economic development, in order to improve the prospects for rising incomes for both workers and families.

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