

**CANADA: HAVE WE IMPROVED IN 35 YEARS?
TOTAL INCOME OF INDIVIDUALS FROM 1976 TO 2009**

**Alberto Calva
Acus Consulting Ltd
acalva@acusconsulting.com
416-824-1924**

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Two days ago we publish an article regarding the individual income in Canada for the year 2009 (“Canada Total Income of Individuals 2009”). We receive several comments from our readers, several of them questioning if we are poorer in Canada now than before. Good question. Difficult to answer. But we decided to gather some more information regarding this question.

Are we better or worse? This is a very difficult question to answer. Why? What is being better? Is it only a matter of money? Is it only a matter of having a larger individual income? Are there other elements, measurable or not, that are more important? Is happiness a matter of money and income? Surely not. But the only hard figures we have and that can give us a good idea on how we are today compared with 35 years ago are individual income and income distribution. Let’s talk about this.

Statistical Canada (StanCan) has information available since 1976 and up to 2009. All this information is in constant dollars, this is, all figures have been inflation adjusted up to today. What this means is that the figures from previous years were increased with an inflation rate. Therefore, those past figures are in amounts that show a similar purchase value as those today. Yes, this is not a perfect process, but it is clearly much better than not doing this adjustment. Besides, as one of our readers pointed, not everything has increased its price in the same rate. Probably real estate has increased more than the average inflation rate. But also technologies (computers, TV’s, phones) as well as cars have increased their price less than the average inflation rate. So let’s not get into specific situations and consider that this inflation adjusted figures are comparable in average in time and purchase power, but not necessarily for very specific extreme cases.

We have the specific information for each year, but we have summarized all the data into four periods: average annual figures for 1976 to 1980, 1981 to 1990, 1991 to 2000 and 2001 to 2009. At last we have the specific numbers of 2009. These are the most recent figures available. All this information is presented in our Table below.

The figures are income for individuals and not families. Also, it is income before taxes.

What can we see? The average income of individual has improved from \$28,200 in the period 1976 to 1980 to \$37,300 in the year 2009. A constant improvement can be seen through the years: \$28,200 in 1976 to 1980, \$29,600 in 1981 to 1990, \$30,790 in 1991 to 2000, \$35,733 in 2001 to 2009 and specifically \$37,300 in 2009. It’s worth saying that in 2008 the individual income was

higher than in 2009 (\$37,800 vs \$37,300), which is a consequence of the world recession we had in 2009.

What about distribution? This has also improved. Some examples. Individuals making less than \$10,000 a year (once again, constant dollars or inflation adjusted), were 34.3% in 1976-1980 to 20.7% in 2001-2009 and 19.6% in 2009. This is, less people are in the lower range.

Individuals making less than \$50,000 a year were 80.2% in 1976-1980 to 77.0% in 2011-2009 and 75.4% in 2009.

On the other side, individuals making more than \$60,000 a year were 12.9% in 1976-1980 to 16.1% in 2011-2009 and 17.6% in 2009. Individuals making more than \$100,000 a year were 2.3% in 1976-1980 to 4.1% in 2001-2009 and 4.8% in 2009.

	1976-1980	1981-1990	1991-2000	2001-2009	2009
Less than \$10,000	34.3%	28.0%	25.0%	20.7%	19.6%
Less than \$30,000	61.9%	60.7%	60.3%	55.3%	53.6%
Less than \$50,000	80.2%	80.5%	80.7%	77.0%	75.4%
More than \$60,000	12.9%	12.9%	13.0%	16.1%	17.6%
More than \$80,000	5.1%	5.2%	5.5%	7.9%	9.3%
More than \$100,000	2.3%	2.3%	2.5%	4.1%	4.8%
More than \$150,000	0.6%	0.6%	0.8%	1.4%	1.6%
Average annual income	\$28,200	\$29,600	\$30,790	\$35,733	\$37,300

What can we conclude from this simple numbers?

- Income of individuals has improved in the last 35 years in Canada. In spite of all possible errors in the numbers we are based on, the improvement is significant.
- Less people are making less money and more people are making more money every year.
- We can always be better as a country and as a community. But lets be honest, there has been an improvement and Canada is one of the countries in the world both with one of the highest income per capita and one of the best income distributions.
- If your personal situation is different that this one it is reasonable. As you moved from being a very young person that was just starting working to a more mature and experienced worker your income must have improved more than these figures. If you retired in the last years you surely have not have an improvement. And last, like it or not, there is always people with more skills than us to make more money and also people less fortunate that have definitively not improved in the last decades. All this are average figures for the country.

About Alberto Calva. He has been a business consultant in finance and strategy, as well as a part time professor of finance for two leading graduate business schools for more than twenty years. He is based in Toronto with professional practice mainly in the NAFTA area. Holds a bachelor's degree in engineering, a master's degree in economics, an MBA with a major in finance and is a PhD candidate.

About Acus Consulting. This firm supports companies, organizations and government agencies in financial and strategic analysis, investment project evaluations, financial planning and decision making. It has offices in Toronto and Mexico City.

Alberto Calva
Acus Consulting
www.AcusConsulting.com
acalva@acusconsulting.com
Tel. Canada: 416-824-1924 & 647-724-0625

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