Fact Sheet #3

Market income trends: Still waiting for the recovery to take hold

After the recessions of the early 1980s and early 1990s, it took many years for market incomes from employment and investments to rebound – especially among low-wage workers.[1] Early evidence suggests that the 2008–09 recession was not as deep as the one that hammered the economy in the early 1990s, but it hit fast and hard. There was a sharp drop in market incomes, especially among lower- and middle-income families, as wages and hours were scaled back and unemployment rose. Earnings are only now coming back – a positive sign moving forward in an uncertain economy.

Market incomes drop as a result of 2008–09 recession

- After more than a decade of growth, median market incomes – earnings, private pensions, income from investments, and other sources – fell by 4.2% after the recession, from $47,900 in 2008 to $45,900 in 2010.
- Individuals living on their own experienced greater losses than those in families (4.1% compared to 2.4%). In 2010, the median market income among singles was $20,800: $7,700 among unattached seniors and $27,400 among singles under the age of 65.
- Small market income gains among working-age families (1.3%) did not offset the losses in income experienced by families whose main income recipient was over age 65. The median market incomes for elderly families fell from $27,000 in 2007 to $23,700 in 2010, driven by losses in investment and pension incomes.
- Over time, the earnings gap between men and women has been narrowing. Among full-time, full-year workers, women earned 63.8% of male earnings in 1981 ($50,300 vs. $32,100). By 2010, the distance had narrowed to 77.6% ($52,700 vs. $40,900). Most of the improvement was recorded during the 1980s and early 1990s, and again between 2008 and 2010.

Market losses during the recession have been greatest among lower- and middle-income households

- Declines in incomes are never shared equally across a population. Lower- and middle-income households tend to experience much larger percentage losses of income than higher-income households. This was true during the 1990–92 recession and again, more recently, in the aftermath of the 2008–09 recession.
- During the 1990–92 recession, the average market income losses of families in the lowest 20% of the income distribution were over three times greater than the losses experienced by families in the middle 20% (68.4% vs. 18.8%), and over eight times greater than the losses experienced by families in the top 20% (68.4% vs. 8.1%).
- The market income losses were not as severe between 2008 and 2010, but the same pattern was evident. The losses were 18.4%, 4.3%, and 0.8% among households in the bottom, middle, and top income groups, respectively.

Change in Median Market Income, by Household Type, Constant $2010, Various Periods, 1981–2010

	1981–2010		1989–1993		1993–2008		2008–2010	
			Recessionary Period		Expansionary Period		Recessionary Period	
	$	%	$	%	$	%	$	%
All households	-3,700	-7.5	-9,100	-18.8	8,700	18.2	-2,000	-4.2
Families	2,900	4.7	-9,200	-14.6	12,500	23.1	-1,600	-2.4
Unattached individuals	-400	-1.9	-7,600	-36.0	8,100	59.6	-900	-4.1

Statistics Canada, CANSIM Table 202-0702 - Market income, government transfers, total income, income tax and after-tax income, by economic family type, 2010 constant dollars, annual

Loss of well-paid employment driving growth in income inequality

- The loss of middle-income jobs has been a key factor behind growing inequality. Manufacturing and the public sector, two traditional sources of middle class employment, now account for the work of less than a third of Canadians, down from roughly half several decades ago.[2]

- At the same time, low-wage sectors of the economy such as personal services have expanded, pushing wages lower. One in four workers is employed in a low-paid job, defined by the Organization for Economic Co-operation and Development as paying less than two-thirds of the median wage – approximately $13.33/hour in 2012.[3]

- Workers with low levels of education are at a particular disadvantage as the wage gap has widened.

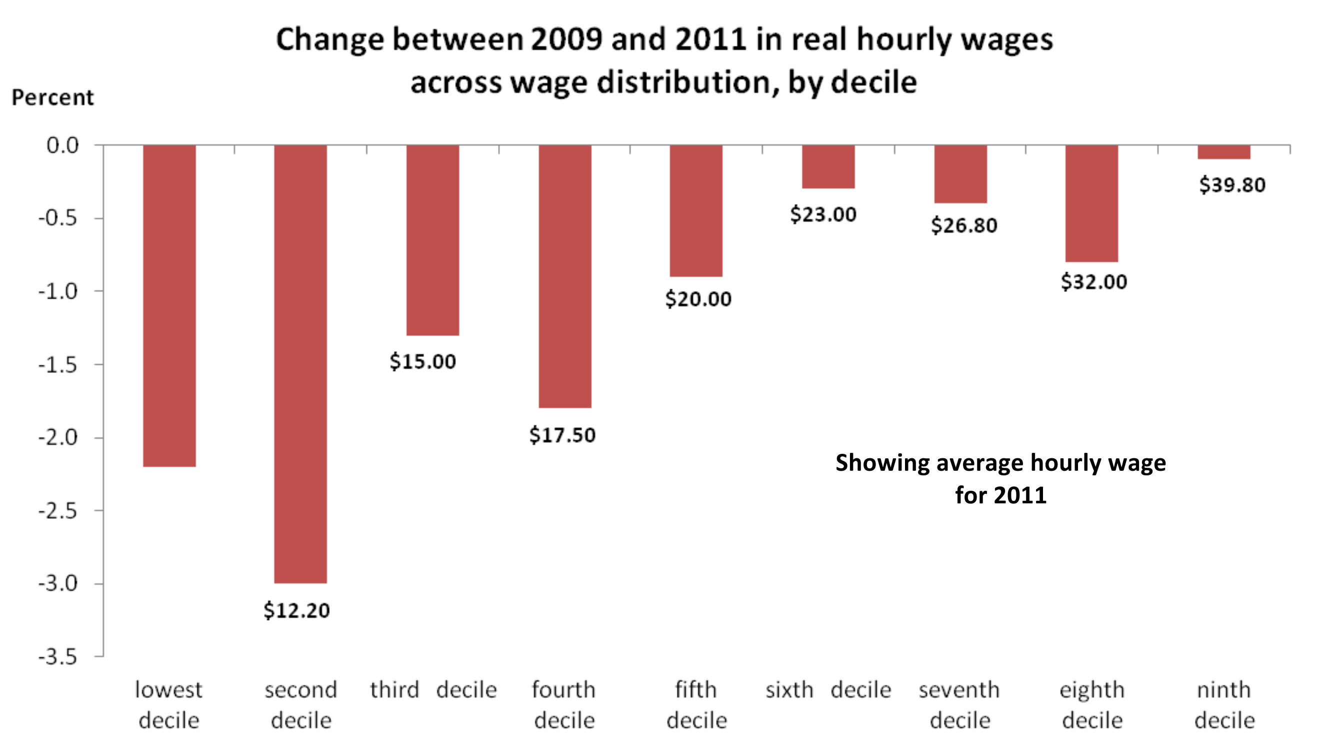
Average wages picking up since 2010

- In the aftermath of the recession, median earnings declined by 3.3% from $30,100 in 2008 to $29,100 in 2010.

- As the chart shows, workers at the bottom of the earnings ladder experienced the greatest losses in average hourly wages in the aftermath of the recession, compared to workers in the highest income groups.

- 2012 was a more positive year with median hourly wage rates increasing among both full-time and part-time workers, recouping some of the losses experienced since 2009.

Hourly wages on decline since recession among low-wage workers



Source: Armine Yalnizyan (2012), "Welcome to the wageless recovery," blog post, Progressive Economics Forum.