

SOME COMPARISONS OF THE CANADIAN-U.S. INCOME DISTRIBUTIONS

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This paper compares the income distribution of Canada and the United States as well as other characteristics of the population such as the labour force and income trends in the two countries in the post-war years. In both countries family income distributions show similar degrees of inequality and similar movements in real incomes through time. However, an examination of Canadian data suggests that differences do exist in underlying patterns. For example, there are greater earnings differentials between skilled and unskilled workers in Canada than in the United States while on the other hand in the United States greater differences exist between family incomes with heads in different age groups than is the case in Canada.

In the hundred years since the establishment of Canada as a nation, Canadians have been confronted with two goals which are to some extent irreconcilable—the desire for political and economic independence and the desire for the attainment of a level of living or a real income equivalent to that of the United States. Despite the size of Canada some 90 per cent of the Canadian population lives within a hundred miles of the American border and thus, to a considerable extent, within a short distance of some of the wealthiest states in that country. Ease of travel between the two countries, access to the same radio and television programs, the mass circulation of U.S. periodicals in Canada, expose the Canadians to the lures and pressures of American consumption patterns. To a considerable extent the Canadian buys the same automobiles, refrigerators and television sets as his American neighbour, consumes the same kinds of foods, builds similar houses. Canadians, then, tend to live much like their American counterparts and to share their economic aspirations.

Statistics for the two countries suggest that, in fact, political independence for Canada has been at the price of a lower real income level (and consumption level) than that attained by the United States. However, surprisingly few attempts have been made to measure the effect of such differences upon the relative levels of living in the two countries. In the absence of such studies the assumption has been made that the disparity in average per capita personal income levels implicitly reflects equivalent disparities in command over goods and services. Increasingly the goal of Canadian labour unions, especially those affiliated with American unions, is to achieve wage parity with American workers in the same industries, wage parity being defined as the same wage rates in Canadian dollars as the wage rate expressed in American dollars. Whether, in fact, this would result in a levelling of differences in economic well-being is questionable unless other factors such as disposable income and price levels are also comparable. Further, over the post-war decades changes in the relative exchange rates have meant that the Canadian dollar has been

above par, relative to the U.S. dollars, as well as below par. Such changes may not have been accompanied by corresponding changes in levels of living in Canada as contrasted with the United States.

The studies which have attempted to compare levels of living and real income levels have tended to provide contradictory conclusions. One study carried out in the early nineteen fifties computed consumption levels in Canada as a ratio of consumption levels in the United States for the period 1947-1950 using national accounts and other data.¹ This study concluded that although personal income per person in Canada was only two-thirds of the U.S., average consumption equaled 76 per cent. The smaller differences in consumption levels were attributed to lower price levels in Canada.

A few years later a royal commission study compared the prices of selected items of goods and services which form part of the basket of goods entering into the consumer price index in selected Canadian and American cities.² In general, the conclusions reached were that Canadian prices were higher suggesting that for equivalent disposable income levels Canadian families would have a lower real income.

New comparisons of relative consumer price levels were carried out by the Dominion Bureau of Statistics in 1967.³ Prices were compared on a dollar-for-dollar basis with no adjustments for exchange rate differentials. For this time period, the overall weighted index showed U.S. prices as slightly higher than Canadian prices. An Economic Council study of economic growth in Canada also included comparisons of Canadian-U.S. price levels by weighting the Gross National Expenditure of each country by the prices of the other country. The conclusion was that at the aggregate level in 1966 there was practically no difference. The same study concluded that in 1960 real net national income in Canada was 80 per cent of that of the United States in terms of per person in the labour force, but only 73 per cent on a per capita basis because a smaller proportion of the Canadian population is in the labour force.⁴

In summary, any studies which have been attempted on relative price levels and levels of living as between Canada and the United States have sometimes produced contradictory conclusions and provided rather tentative estimates of differentials. The various estimates suggest that, although on a per capita basis, incomes in Canada are lower whether measured in real terms or on some current dollar basis, the real income differentials may not be as great as the differentials appear to be when price levels are not taken into comparison.

All of this research has focused on per capita comparisons; very little

¹This was a doctoral thesis prepared at the University of Illinois by Dr. Jean M. Due. A summary, "Consumption Levels in Canada and the United States, 1947-50," was published in *The Canadian Journal of Economics and Political Science*, May, 1955.

²J. H. Young, *Canadian Commercial Policy*, Royal Commission on Canada's Economic Prospects, Ottawa, 1957.

³*Comparative Urban Consumer Price Levels in the United States and Canada*, An Interim Study by Herbert Segal and Frances Pratt, Prices Division, Dominion Bureau of Statistics September 1967. This report has not been published but is available upon request.

⁴Dorothy Walters, *Canadian Income Levels and Growth: An International Perspective*, Economic Council of Canada, Staff Study No. 23, Ottawa 1968. See Appendix by E. C. West, "Real Output Comparisons. Canada and the United States, 1966 and Selected Years Back to 1950," Appendix Table, page 260, for the comparisons of price relatives.

has been done to compare the relative income distributions in the two countries, either currently or over time.⁵ It has been hypothesized that countries with low levels of income have more unequal distributions than more highly developed countries and that in industrialized countries one effect of substantial economic growth is a decline in income inequality.⁶ There are many research studies which suggest that the income distribution in the United States in the period following the second world war is more equal than that of the pre-war period, that the shares of the upper income groups have declined relative to pre-war years.⁷ The extent of this shift has been a matter of some debate since the conclusions are affected by the income distribution used and the unit of measurement but the consensus has been that the relative distribution has changed. However, in the two decades since, the distributions appear to have stabilized with little overall change evident. These impressions are based primarily upon the data collected annually by the Bureau of the Census. There have been no recent studies on more comprehensive bases probing more intensively into the income distribution.

Two questions of interest regarding the Canadian income distribution are whether there have been changes in income inequality in Canada as well and whether lower income levels in Canada result in a less equal income distribution than in the United States. The first of these questions is difficult to answer. Canada has much less statistical data available about the pre-war income structure while post-war statistics have only been available for selected years from 1951 on. It is only for the post-war period that there are sufficient data to draw some conclusions as to changes in the Canadian income distribution and as to similarities or differences between the Canadian and American income structures.

CANADIAN INCOME TRENDS

The only pre-war income size data available at the national level are statistics on the distribution of wages and salaries collected on the decennial censuses. The 1931 Census statistics tabulated such earnings on a family basis and comparisons of these with statistics for 1951 collected in a household survey for the year 1951 suggested that there had been a diminution in income inequality among wage-earning families in these two decades.⁸

Canada experienced in the period of the nineteen-thirties and the war years the same changes which occurred in the United States and which may have moved the income distribution in the direction of greater equality—improved employment opportunities, structural changes in the labour market which diminished skill differentials, the increasing use of government policies

⁵One exception is the discussion by Irving Kravis in Chapter VII, "International Comparisons of size Distributions," in *The Structure of Income*, University of Pennsylvania, 1962.

⁶For evidence, see Kravis.

⁷One such study was that by S. Goldsmith, G. Jaszi, H. Kaitz and M. Liebenberg, "Size Distribution of Income Since the Mid-Thirties," *Review of Economics and Statistics*, Vol. XXXVI, February 1954.

⁸The results of this comparison were presented in a paper by Simon A. Goldberg and Jenny R. Podoluk in "Income Distribution Statistics in Canada," at the Fourth Conference of the International Association for Research in Income and Wealth, 1955. The paper was published in the *Income and Wealth, Series IV, 1957*.

aimed at redistributing incomes and shifts in the composition of income which resulted in a decline in the relative importance of property income and a rise in that of income derived from employment and government transfer payments.⁹

TABLE 1
COMPOSITION OF PERSONAL INCOME

| | Canada | | | United States | | |
|---|----------|-------|-------|---------------|-------|-------|
| | 1929 | 1951 | 1965 | 1929 | 1951 | 1965 |
| | Per Cent | | | | | |
| Wages, salaries and supplementary labour incomes ^a | 64.0 | 65.1 | 68.5 | 59.4 | 68.7 | 70.4 |
| Less contributions to social insurance | -0.6 | -2.1 | -2.6 | -0.2 | -1.3 | -2.5 |
| Net income received by farmers from farm production | 8.5 | 12.3 | 4.3 | 7.2 | 6.2 | 2.8 |
| Net income of non-farm unincorporated business | 13.4 | 9.5 | 7.4 | 10.4 | 10.2 | 7.6 |
| Interest, dividends and net rental income of persons | 12.6 | 8.4 | 10.6 | 21.4 | 11.3 | 14.2 |
| Transfer payments | 2.1 | 6.7 | 11.8 | 1.7 | 4.9 | 7.4 |
| TOTALS | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Direct income taxes as per cent of total personal income | 0.7 | 5.6 | 8.6 | 0.2 | 11.0 | 11.9 |

^aIncludes military pay and allowances

SOURCE: U.S. and Canadian National Accounts

Table 1 summarizes the composition of personal income by source for Canada and the United States for 1929, 1951 and 1965. In Canada the shifts in the composition of personal income from the pre-war to the current period are somewhat greater than the 1929 figures indicate because farm income in that year was already affected by economic and physical factors. For the period 1926 to 1928 inclusive, wages and salaries averaged 60 per cent of personal incomes and farm income approximately 13 per cent. The wage component share of personal income thus was similar in both countries. In Canada, income from self-employment accounted for a greater portion of personal income than in the United States where investment income was a more significant source of income. The latter types of incomes are usually less equally distributed than is wage and salary income so that a decline in their relative importance can be expected to diminish income inequality.

In both countries the changes which occurred in the relative importance of the different sources of income were changes which might be expected to result in greater equality of income through time—a decline in the importance of income from self-employment and investment income with a corresponding

⁹For a discussion of changes in skill differentials see Sylvia Ostry, "Wages in Canada: The Occupational Structure," in *Labour Policy and Labour Economics in Canada*, Chapter XV, by H. D. Woods and Sylvia Ostry (Toronto: MacMillan of Canada, 1962).

increase in the share of income originating in wages and salaries and government transfer payments. However, although wages and salaries accounted for a similar proportion of personal income in both countries, differences still existed in the relative importance of other sources of income.

In Canada by the nineteen sixties government transfer payments were the second most important income component in contrast to the United States where interest and rental income remained of greater significance. Although in both countries the social security system along with the increased use of direct personal taxes are now important redistributive mechanisms, Canada has tended to develop different policy approaches in the social welfare field. As the statistics for 1965 show, transfer payments accounted for 11.8 per cent of personal income in Canada as contrasted with 7.4 per cent in the United States. At the same time personal direct taxes were 8.6 per cent of personal income as compared with 11.9 per cent in the United States. Differences in tax yields may simply be a reflection of higher income levels in the United States rather than a higher direct tax incidence on incomes of equivalent size.¹⁰

The higher proportion of income originating in transfer payments is attributable to the fact that Canada has expanded its social security system to a greater extent than the United States in recent decades. In developing social security legislation the Canadian government has probably been much more influenced by the experience of Britain and Western Europe than has been the case in the United States. A number of basic principles have influenced Canadian federal government policies. One of these is that benefits should be uniform across the country so that residents of poorer areas would be entitled to the same benefits as those of wealthier areas, that is, that there should be a national standard of payments. Another important principle adopted was that, where possible benefits should be available to all regardless of need. The Canadian social security system thus reaches a much greater proportion of the population than in the United States.

Examples of differences between the social security systems are family allowances and old age pensions. In Canada family allowances are paid to all families with children under 16, and to families with 16- or 17-year-old children attending school. Several provinces make additional payments. The family allowance plan was legislated during the war years. In 1952 an old age pension of \$40 a month became payable to all persons 70 and over who had at least ten years residence. In subsequent years the age of eligibility has been dropping so that by 1970 pensions be paid to all persons 65 and over. The amount of the basic pension has been raised and is now almost \$80 a month. Since 1966 additional payments have been made to aged persons whose other income falls below certain limits. In effect, the aged have a guaranteed annual income, currently, for example, a person with no other sources of income receives an annual income of \$1,300, a married couple who were both 66 or over would be in receipt of a guaranteed minimum of \$2,600. Over and above this a con-

¹⁰Canadian governments have also made more extensive use of indirect taxes such as sales taxes levied at the manufacturers level to raise revenue that appears to be the case in the United States. It is possible that a comparison of direct and indirect taxes paid as a proportion of personal income might show different results as to which country has a higher tax incidence.

tributory pension plan was instituted under which payments commenced in 1967 with maximum pensions becoming payable in ten years. This plan does not supersede the universal benefit payments but will provide a further earnings-related pension in addition to the universal pension. In the United States social security pensions are earnings related under social security legislation. The needy aged with no pensions are only eligible for means test pensions which are state administered.

Other major examples of Canadian national legislation during the past twenty-five years are unemployment insurance, universal medical care and a social assistance act. Unemployment insurance is a national scheme in Canada in contrast with the United States where plans are state operated. Hospital insurance coverage through provincial governments is provided to the total population. In the United States, only private coverage exists except for the population 65 and over. Canadian social assistance legislation allows for assistance to any individual or family in need, because of illness or disablement, unemployment, widowhood, inadequate earnings or any other reasons which appear to justify special assistance.

It has been the conscious policy of the successive Canadian governments to develop national integrated comprehensive welfare plans. Although in the pre-war period the United States implemented a number of major social security schemes before Canada in the post-war period social security coverage had a much greater emphasis in Canada and this accounts for the greater importance of transfer payments as a source of income in Canada.

This divergence of national priorities raises interesting questions as to whether Canadian government policies have had any equalizing effect upon the income distribution in the post-war period and whether the greater significance of social security income in Canada is reflected in a more equal income distribution than in the United States.

I. INCOME INEQUALITY IN CANADA

Statistics on the distribution of family and individual income by size are only available for selected years from 1951 on. Thus no comparisons are possible with the pre-war or early post-war years. In developing these statistics the identical concepts of income and family unit are used as in the American series available from the Current Population Surveys and the decennial census so that, in effect, incomes are being measured in the same fashion in both countries. As a result, the statistical series are directly comparable. However, for the period 1951 to 1963 and in the 1961 Census of Canada income data were restricted to the non-farm population only. In 1965 the coverage of the statistics was extended to the total population.¹¹

For the non-farm population an examination of trends in inequality shows that in Canada little change occurred in the relative distribution of income, especially among families. For non-farm families and for unrelated individuals the income shares by quintile for 1951 and 1961 are shown in Table 2.

¹¹The definition of farm population differs in the two countries but the effect of this on the definition of non-farm population is not significant.

TABLE 2
PERCENTAGE DISTRIBUTION OF INCOME BY QUINTILES CANADA, NON-FARM
FAMILIES AND UNRELATED INDIVIDUALS

| Quintile | Families | | Unrelated Individuals | |
|----------|----------|-------|--------------------------|-------|
| | 1951 | 1965 | 1951 | 1965 |
| | Per Cent | | | |
| First | 6.1 | 6.6 | 2.7 | 3.8 |
| Second | 12.9 | 13.3 | 8.9 | 8.3 |
| Third | 17.4 | 18.0 | 16.1 | 16.7 |
| Fourth | 22.4 | 23.5 | 25.8 | 26.1 |
| Fifth | 41.1 | 38.6 | 46.6 | 45.0 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: *Incomes of Non-Farm Families and Individuals in Canada Selected Years 1951-1965*, (D.B.S. Catalogue No. 13-529).

The table shows only a minor amount of redistribution between the top and bottom quintiles. An examination of statistics for interim years shows that the quintile shares changed very little over this period with the bottom 20 per cent receiving 6.1 to 6.8 per cent of aggregate income and the top quintile 37.5 to 41.1 per cent. The share of the top quintile was highest in 1951 with a small decline in the later years.

If data were available for all families in Canada for these years changes in the quintile shares might be somewhat greater since farm families formed a greater proportion of families in 1951 than in 1965. Thus, there may have been somewhat more movement towards greater equality than statistics for non-farm families alone suggest. For unrelated individuals no changes are evident in the non-farm distribution but again more comprehensive data might alter the conclusions.

Table 2 thus provides a partial answer to the first question raised in the paper. Has the greater emphasis in government policy in Canada on extending the social welfare system influenced the income distribution in Canada towards greater equality? Superficially the answer appears to be no and this in turn raises the question, why not?

One standard explanation of why there seems to have been little movement towards greater equality in Canada is the effect of extensions of social security upon what constitutes a family group. Many papers on the problems of measuring income inequality have pointed out that changes may be obscured because of the definition of the income receiving unit. Families in Canada as in the United States are defined as consisting of relatives living in the same household and related by blood, marriage or adoption. It is hypothesized that one effect of improvements in income is the undoubling of families to constitute several family units. The introduction of universal payments such as the universal old age pension which Canada introduced in 1952 may make it possible for the recipients to maintain a separate household rather than to share a home with relatives.

In Canada, census statistics suggest that there was little undoubling of families proper. In 1951, the year preceding the introduction of pension pay-

ments, only 6 per cent of elderly sub-families, that is elderly couples, lived with relatives. The most significant doubling up of older generations with younger relatives are those of the older widowed population, especially women. Census statistics show that both the proportion and the absolute number of elderly people doubling up with relatives declined during the nineteen fifties despite the fact that a very substantial increase occurred in the size of the population 65 and over. The impact of the pension legislation was not so much to affect the family income distribution but to increase the number of unrelated individuals living alone. The characteristic undoubling of the nineteen fifties was the separation of widowed and single elderly relatives who formed their own households. The availability of the pensions may also have made it possible for the elderly to maintain their own households rather than move in with relatives when one spouse died. Since 1951, the elderly have constituted a growing proportion of individuals living alone. This trend created new pressures towards an extension of social security legislation. In the nineteen-sixties the low income levels of the elderly living alone were a major factor in the setting up of a guaranteed annual income for the aged.

The principle which has guided Canadian social security legislation in the post-war years, that of universality or complete coverage, may be another reason why relative shares have changed little. Canadian income data can be disaggregated by size and sources of income. In 1965 the distribution of direct cash transfer payments among family income levels was as follows:

TABLE 3
DISTRIBUTION OF FAMILY UNITS AND OF TRANSFER PAYMENT RECEIPTS BY
INCOME LEVEL, 1965

| Income group | Per Cent of families and unrelated Individuals | Per Cent of Transfer Payments |
|-----------------|--|----------------------------------|
| under \$3,000 | 25.0 | 40.2 |
| \$3,000-\$4,999 | 21.9 | 20.4 |
| 5,000- 6,999 | 22.5 | 16.4 |
| 7,000 and over | 30.7 | 23.1 |
| TOTAL | 100.0 | 100.0 |

SOURCE: Estimated from unpublished data from the Surveys of Consumer Finance.

It is evident from this table that a very substantial proportion of government transfer payments is in fact paid out to family units in middle and upper income brackets. In 1951, families in the lowest quintile received 29 per cent of all transfer payments paid to families and by 1965 their share had only risen to 35 per cent. The top quintile received 17 per cent in 1951 and this share declined only moderately to 15 per cent in 1965.

As part of the study of the nature and extent of poverty in Canada a special analysis was made of the low income population using 1961 Census data.¹²

¹²See Chapter 8, "Low Income and Poverty," *Incomes of Canadians* by Jenny R. Podoluk, Dominion Bureau of Statistics (Catalogue No. 99-544), 1968.

Low income was defined in terms of a combination of family size and income level with the income limits ranging from \$2,500 to \$4,000. This study showed that low income families thus defined constituted 25 per cent of all non-farm families, and only received 29 per cent of family allowances, 44 per cent of old age pensions and 38 per cent of other types of government payments.

These comments on the reasons why social welfare plans had no more effect in equalizing incomes in 1965 than in 1951 must be qualified by some comments on the limitations of the data used and on changes in welfare approaches which are not as yet reflected in the income statistics. In the nineteen sixties a new direction of government policy has been towards the provision of services which do not involve a cash redistribution of income and towards a selective expansion of welfare payments with emphasis on needs.

A major factor in the substantial increase in the share of personal income originating in transfer payments in recent years was the introduction of hospital insurance in Canada covering the total population.

Although again, to a considerable extent, the coverage has been universal, the introduction of health care plans has undoubtedly benefited low income groups to a greater extent than the middle and upper income groups. The statistics collected in the census and the surveys only measure cash payments received from government welfare. Imputation of the income in kind provided by the health plans might show that, in fact, government transfer payments had a greater impact on the real income distribution than the money income distributions suggest.¹³

The statistics used in this paper are for the period 1951 to 1965. Since 1965 there have been a number of significant improvements in social welfare payments such as supplementary payments to the aged in low income brackets and expanded social welfare payments. These expansions of benefits will primarily benefit the low income groups. It may take some years for the full effects to be evident in the statistics but the recent direction of government policy in Canada may be more effective in redistributing incomes than the policies of the nineteen-fifties.

II. COMPARISONS OF THE CANADIAN AND AMERICAN INCOME DISTRIBUTIONS

As has already been indicated Canadian income data prior to 1965 were restricted to the non-farm population only. In 1965 the statistics were broadened to be representative of the total population. The statistics are conceptually consistent in all respects with American data collected by the Bureau of the Census. The 1965 income distributions in current dollars for both countries for families and for unrelated individuals are shown in Table 4 below. There is no adjustment for exchange differentials.

¹³A study on "Utilization of General Hospital Care: Canada and the United States, 1948-66" by Louis S. Reed and Willene Carr, *Social Security Bulletin*, November 1968 shows that Canada has more general hospital beds per 1,000 of population and provides more days of hospital care than is the case in the United States.

TABLE 4
DISTRIBUTION OF INCOMES BY SIZE, CANADA AND THE
UNITED STATES, 1965

| Income Group | Families | | Unrelated Individuals | |
|-----------------|----------|-------|-----------------------|-------|
| | Canada | U.S. | Canada | U.S. |
| | Per Cent | | | |
| Under \$1,000 | 2.8 | 3.0 | 24.4 | 23.6 |
| \$1,000-\$1,499 | 2.3 | 2.8 | 12.9 | 15.2 |
| 1,500- 1,999 | 3.8 | 3.3 | 7.3 | 9.5 |
| 2,000- 2,499 | 4.0 | 3.6 | 6.0 | 7.9 |
| 2,500- 2,999 | 3.9 | 3.8 | 8.4 | 4.7 |
| 3,000- 3,499 | 5.0 | 4.0 | 7.2 | 5.0 |
| 3,500- 3,999 | 5.0 | 3.8 | 7.2 | 4.2 |
| 4,000- 4,999 | 11.1 | 8.0 | 10.7 | 8.0 |
| 5,000- 5,999 | 13.2 | 9.3 | 7.5 | 7.0 |
| 6,000- 6,999 | 12.3 | 9.3 | 3.7 | 4.9 |
| 7,000- 7,999 | 9.1 | 9.7 | 1.0 | 3.4 |
| 8,000- 8,999 | 13.4 | 14.4 | 2.2 | 3.5 |
| 10,000- 14,999 | 10.6 | 17.3 | 1.2 | 2.3 |
| 15,000 and over | 3.5 | 7.6 | 0.2 | 1.0 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 |
| Average income | \$6,536 | N/A | 2,873 | N/A |
| Median income | 5,909 | 6,882 | 2,449 | 2,110 |

SOURCE: Canada: *Income Distributions by Size in Canada, 1965*, D.B.S. Catalogue No. 13-528; United States: *Income in 1965 of Families and Persons in the United States*, Bureau of the Census, Series P. -60, No. 51.

The statistics suggest that there is less of a difference in cash or money income of families in the two countries than in per capita personal incomes. Median family incomes in Canada averaged 86 per cent of those in the United States while median incomes of unrelated individuals were higher in Canada than in the United States.

Comparison of Inequality

Comparisons of median and average income say little about the overall income distribution. An examination of family incomes in Table 5 shows that although income levels are higher in the United States both countries show similar concentration at the lower end of the distribution; the Canadian distribution exhibits more bunching in the middle while the American distribution has a higher proportion of families at the upper tail. In both countries approximately 17 per cent of families, even in 1965, had incomes below \$3,000. At the other extreme only 27.5 per cent of Canadian families had incomes of \$8,000 or more, contrasted with 39.3 per cent in the United States. An examination of some of the commonly used statistical methods of comparison shows, however, that the Canadian distribution on these measures shows the same inequality characteristics as does the American one.

The interquartile dispersion of family income $(Q3 - Q1)/Q2$ shows almost identical relativity in both countries, 0.72 in Canada, 0.71 in the United States. A comparison of quintile shares shows the following distribution of aggregate income between quintiles:

TABLE 5
DISTRIBUTION OF AGGREGATE MONEY INCOME BY QUINTILES, 1965

| | United States | | Canada | |
|-----------------|---------------|--------------------------|----------|--------------------------|
| | Families | Unrelated Individuals | Families | Unrelated Individuals |
| | Per Cent | | | |
| First quintile | 5.0 | 3.0 | 6.2 | 3.8 |
| Second quintile | 12.0 | 7.0 | 13.1 | 8.3 |
| Third quintile | 18.0 | 13.0 | 18.1 | 16.6 |
| Fourth quintile | 24.0 | 25.0 | 23.6 | 26.1 |
| Fifth quintile | 41.0 | 52.0 | 39.0 | 45.2 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Canada: Unpublished data from Surveys of Consumer Finances, United States: *Income in 1965 of Families and Persons in the United States*, Bureau of the Census, Series P. -60, No. 51.

This comparison by quintile shares of income suggest somewhat greater equality of income in Canada than in the United States with the more pronounced differences evident in respect to the income distribution of unrelated individuals. The Canadian distribution shows a somewhat larger share of income being received by the lowest quintiles of families than in the United States. A calculation of Gini ratios for the two countries again shows the Canadian index of concentration as being lower than in the United States.

TABLE 6

| | Gini Ratios | |
|-----------------------|--------------------|-------------|
| | United States 1964 | Canada 1965 |
| Families | 0.352 | 0.320 |
| Unrelated individuals | 0.508 | 0.424 |

SOURCE: Canadian ratios calculated from unpublished data. United States: *Trends in the Income of Families and Persons in the United States, 1947-1964*, Bureau of the Census, Technical Paper 17.

As is well recognized, it is difficult to interpret differences in Gini ratios whether inter-spatially or inter-temporally. Thus one cannot attach much significance to the differences in the quintile shares and Gini ratios. Both sets of estimates are based upon data collected in household sample surveys and minor differences may reflect sampling variability rather than different degrees of inequality. In the case of families, the relative distributions in the two countries appear to be very similar although for unrelated individuals the Canadian distribution does seem to show some significant differences.

Statistics on the characteristics of families within quintiles show similar patterns in both countries. The characteristics associated with low incomes show great similarities. For example, in both countries approximately one-third of families in the lowest quintile have no family member in the labour force. In the United States currently one-quarter of such families and in Canada

one-fifth of such families are headed by women. In both countries, something like one-third of families in this group have heads who are 65 or over. In both countries families in the lowest income quintile tend to be smaller on average; approximately half consist of two persons.

Similarities are equally evident at the upper end of the distribution, the fifth quintile. In both countries approximately one-quarter of families in this quintile have three or more family members working. Nearly all families have male heads with approximately 60 per cent of heads aged 35 to 54.

These similarities of family characteristics at different levels in the income distribution suggest low, medium and high family incomes are associated with the same family characteristics in both countries.

Trends 1951-1965

The changes in income shares of families and unrelated individuals between 1951 and 1965 was shown in Table 2 for the Canadian non-farm population. These showed only a minor amount of redistribution between the top and bottom quintiles. An examination of American data for families shows even less change.¹⁴ Canadian and American statistics thus show parallel trends.

Although the relative distribution of income shares remained very similar in both countries some narrowing of income differentials between Canada and the United States appears to have occurred over this fifteen year period.

A comparison of the median incomes in 1951 for non-farm families in both countries showed the Canadian median income to be approximately 80 per cent of the American median income in contrast to 86 per cent for all non-farm families in 1965. The median incomes of families and unrelated individuals, especially unrelated individuals, when expressed in current dollars have risen faster in Canada than in the United States between 1951 and 1965. A greater rate of increase has also occurred in current dollar per capita personal income in Canada than in the United States. Both series thus suggest that income differentials when expressed in current dollars measured in terms of per capita income or a family money income basis have been narrowing between Canada and the United States in the post-war period. This is confirmed by the statistics in Table 7 showing the income distribution of non-farm families and unrelated individuals in 1951 and 1965.

The tables below are income distributions in current dollars. For the overall distribution, incomes when measured in real terms appear to have moved upward in both countries to a similar extent. The U.S. data are currently based while Canadian statistics are only available in 1961 dollars so the statistics shown below are not directly comparable. Both national series are deflated by their respective consumer price indexes. Aside from the time period differences the Canadian data are for non-farm families only. The exclusion of farm families may result in an overstatement of the actual extent of income rise in Canada for the time period shown. However, the statistics for both countries suggest real income increases on average of over 50 per cent for the period between

¹⁴For trend data see Bureau of the Census, Technical Paper No. 17. For families the share of the bottom quintile was 4.9 in 1951 and 5.0 per cent in 1965, the top quintile shares were 41.8 and 41.0 per cent respectively.

1950-51 and 1965 with the Canadian median rising somewhat more than the U.S. median income.

TABLE 7
DISTRIBUTION OF NON-FARM INCOMES BY SIZE, CANADA AND THE UNITED STATES,
1951 and 1965

| Income group | Families | | | | Unrelated individuals | | | |
|-----------------|----------|-------|-------|-------|-----------------------|-------|-------|-------|
| | Canada | | U.S. | | Canada | | U.S. | |
| | 1951 | 1965 | 1951 | 1965 | 1951 | 1965 | 1951 | 1965 |
| Under \$500 | 3.0 | | 3.3 | | 24.2 | | 24.2 | |
| \$500-\$999 | 5.0 | 2.2 | 3.5 | 2.7 | 22.6 | 24.3 | 20.5 | 23.2 |
| 1,000- 1,499 | 7.0 | 2.0 | 4.2 | 2.5 | 15.9 | 12.7 | 8.1 | 15.2 |
| 1,500- 1,999 | 8.0 | 3.7 | 5.2 | 3.1 | 13.4 | 7.2 | 9.4 | 9.6 |
| 2,000- 2,499 | 11.2 | 3.7 | 7.0 | 3.4 | 9.7 | 6.0 | 10.0 | 8.0 |
| 2,500- 2,999 | 13.2 | 3.7 | 7.8 | 3.6 | 6.8 | 8.5 | 7.5 | 4.6 |
| 3,000- 3,999 | 23.5 | 9.7 | 20.8 | 7.7 | 5.2 | 14.5 | 12.7 | 9.2 |
| 4,000- 4,999 | 12.0 | 11.2 | 16.9 | 7.8 | 1.1 | 10.9 | 4.4 | 8.0 |
| 5,000- 9,999 | 15.2 | 49.1 | 27.5 | 43.6 | 0.9 | 14.4 | 3.0 | 19.0 |
| 10,000 and over | 2.0 | 14.6 | 3.9 | 25.7 | 0.2 | 1.4 | 0.2 | 3.4 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average income | \$3,535 | 6,669 | N/A | N/A | 1,364 | 2,884 | N/A | N/A |
| Median income | \$3,110 | 6,044 | 3,918 | 7,060 | 1,100 | 2,483 | 1,330 | 2,131 |

SOURCE: 1951 United States, *Consumer Income Series P. -60 Report No. 12 Bureau of the Census*, 1951 Canada, *Distribution of Non-Farm Incomes in Canada, by Size, 1951* D.B.S. Catalogue No. 13-503. For 1965 source same as Table 5.

TABLE 8
DISTRIBUTION OF FAMILIES BY INCOME SIZE IN CONSTANT DOLLARS^a

| Income Group | 1965 | 1951 |
|-----------------|--------------------------------------|---------|
| | Per Cent | |
| | United States: 1965 Constant Dollars | |
| Under \$3,000 | 17.0 | 27.8 |
| \$3,000-\$4,999 | 16.0 | 30.1 |
| 5,000- 6,999 | 18.0 | 21.7 |
| 7,000- 9,999 | 24.0 | 13.7 |
| 10,000-14,999 | 17.0 | 4.6 |
| 15,000 and over | 8.0 | 2.1 |
| TOTAL | 100.0 | 100.0 |
| Median Income | \$6,882 | \$4,507 |
| | Canada: (1) 1961 Constant Dollars | |
| Under \$3,000 | 17.4 | 38.0 |
| \$3,000-\$4,999 | 24.3 | 39.4 |
| 5,000- 6,999 | 25.8 | 13.8 |
| 7,000- 9,999 | 21.2 | 6.0 |
| 10,000 and over | 11.3 | 2.8 |
| TOTAL | 100.0 | 100.0 |
| Median Income | \$5,592 | \$3,517 |
| Average Income | \$6,209 | \$4,016 |

^aU.S. data are for all families, Canadian for non-farm families only.
SOURCE: United States 1965 statistics from Series P. -60 Bulletin No. 51 and 1951 statistics made available by the Bureau of the Census, Canadian data from D.B.S. Report Catalogue No. 13-529.

Family and Population Characteristics

A money income distribution, as distinct from a personal income distribution, is indicative of the direct purchasing power available to the family, income available for paying taxes, discretionary saving, and consumption. The statistics show that, on this more limited basis, there is greater equivalence of family income between the two countries than on the broader national accounts personal income basis. There are various possible explanations as to why this may be so. A larger share of American personal income may originate in imputed income from sources such as imputed rental returns to owner-occupied houses or imputed services provided by financial intermediaries. Since investment income accounts for a significantly greater share of personal income in the United States the combination of these two factors could account for some of the difference. Much of this component consists of imputed incomes as well as the incomes of non-commercial institutions such as insurance companies or pension funds. Other possible explanations are differences in demographic and economic characteristics of families, for example, larger families in Canada, differences in the proportion of dependent population in the United States as compared to Canada or other factors.

Family Size

An examination of the age structure of the population shows similar proportions of the population in what might be termed dependent age groups—children under 15 and adults 65 and over. In both countries the ratios are approximately 40 per cent of total population. Thus the distribution of the population between productive and non-productive age groups is similar. However, families are larger in Canada than in the United States. Average family size in Canada is somewhat over 4 persons per family, in the United States it is approximately 3.7. At the time of the censuses the proportion of the population under 15 was a little higher in Canada than in the United States but not much more. This implies that Canadian families, on average, have more members in the adult age groups than in the United States.

The relative family sizes in the two countries are summarized below:

TABLE 9
PERCENTAGE DISTRIBUTION OF FAMILIES BY SIZE, CANADA AND THE
UNITED STATES

| No. of persons | Canada | | United States | |
|----------------|----------|-------|---------------|-------|
| | 1966 | 1961 | 1966 | 1960 |
| | Per Cent | | | |
| 2 | 27.2 | 26.1 | 33.6 | 32.6 |
| 3 | 18.5 | 20.0 | 20.2 | 21.6 |
| 4 | 20.3 | 20.5 | 19.3 | 19.9 |
| 5+ | 33.9 | 33.3 | 26.8 | 25.8 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 |
| Average size | | 4.04 | | 3.65 |

SOURCE: United States: For 1966 Series P-60 Bulletin No. 51. For 1960 Census of Population Report PC(2)-4A. For Canada, for 1966 unpublished data from Surveys of Consumer Finances, for 1961, Census Report No. SX-10 Catalogue No. 98-524.

Average family income statistics are not available for the United States for 1965. However, data published for 1964 and 1967 show average incomes or mean family incomes to be some 13 per cent higher than median incomes. In Canada, the average was approximately 11 per cent above the mean and this relationship was similar for recent years. This suggests that a comparison of average family incomes in the two countries would show the Canadian average to be a somewhat lower ratio of the American average than the ratios of median incomes in the two countries. The differences in family sizes in the two countries also suggest that if money income were compared on a per family member basis, the Canadian level vis-a-vis the United States would be around 76 to 77 per cent of the American average. This would be in line with personal income per person differentials between the two countries. Differences in family size then would appear to be an important factor in explaining why family income differentials are not as great as per capita income differentials.

The only detailed source of data on family characteristics in Canada are census statistics. Because most of the Canadian census statistics on family characteristics are tabulated on a family definition differing from that of the United States it is not possible to examine the factors which result in family size differentials or to compare the structure of families in the two countries.¹⁵ More Canadian data on the same family concept are required to explore the role of family size in affecting family income levels. For example, the labour force participation rates of married women are lower in Canada suggesting that Canadian families are less likely to have wives in receipt of incomes. If, however, large family sizes in Canada are a reflection of later marriages among grown up children or more doubling up of older relatives with younger generations the Canadian families may have relatively more secondary income recipients contributing to family income, other than wives.

American statistics are not available on the numbers of family members in receipt of incomes but statistics are available on the number of family members who earned income. Comparisons of these with Canadian data show that Canadian families have a higher proportion of families with only one working family member (49 per cent compared to 43 per cent) and a lower proportion with two working members (32 per cent compared to 36 per cent). In both countries the proportion of families with no one working or with three or more persons working is very similar.

Although, at the global levels, the income distributions of the two countries show great similarities, if the data are disaggregated by family or individual characteristics differences may be found in the relative positions of different segments of the population. An examination of the data by family and individual characteristics suggests that somewhat different distributional patterns underly the overall distributions discussed above because income distributions are affected by variables whose characteristics differ in the two countries.

Educational Levels of Labour Force

As one example, the Canadian labour force differs from the American labour force in a number of significant respects—the level of education is

¹⁵Income statistics were tabulated for families as defined in both censuses.

lower and the participation rates of the females are below those in the United States, primarily because the proportion of married women working in Canada is still lower than in the United States and other industrialized countries.

In both Canada and the United States in recent years, the proportion of males in the labour force in the age groups 15 to 64 was very similar, somewhat over 90 per cent. In the case of women, although the female labour force in both countries had been growing more rapidly than the male, the Canadian participation rate in this age group was only 35 per cent in 1964 in contrast to 44 per cent in the United States. These differences in educational levels and participation rates can have an effect on income profiles by age or the family life cycle.

Educational levels of the adult male population by age groups in the two countries are summarized below:

TABLE 10
PERCENTAGE DISTRIBUTION OF MALES BY AGE BY LEVEL OF EDUCATION
UNITED STATES AND CANADA, 1966

| | Age | | | | |
|--|---------------|-------|-------|-------|-------|
| | 20-24 | 25-34 | 35-44 | 45-54 | 55-64 |
| | United States | | | | |
| Some elementary school education or less | 4.6 | 7.1 | 11.2 | 16.2 | 24.8 |
| Completed elementary school education | 4.5 | 6.0 | 10.7 | 15.4 | 23.6 |
| Some secondary school education | 15.9 | 17.2 | 19.2 | 20.4 | 17.6 |
| Completed secondary school education | 38.1 | 39.2 | 32.8 | 29.1 | 18.1 |
| Some university education | 27.8 | 12.8 | 9.5 | 8.5 | 6.9 |
| University degree | 9.1 | 17.7 | 16.5 | 10.4 | 9.0 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| | Canada | | | | |
| Some elementary school education or less | 9.2 | 15.3 | 19.3 | 24.5 | 32.2 |
| Completed elementary school education | 12.3 | 18.1 | 22.2 | 23.8 | 27.6 |
| Some secondary school education | 35.9 | 35.2 | 31.0 | 27.4 | 20.6 |
| Completed secondary school education | 21.2 | 17.8 | 14.5 | 14.0 | 11.0 |
| Some university education | 16.5 | 6.4 | 5.2 | 4.3 | 3.7 |
| University degree | 4.9 | 8.2 | 7.8 | 6.0 | 4.9 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

SOURCE: Canada D.B.S. Special Labour Force Studies No. 7 *Educational Attainment in Canada*. U.S. *Population Characteristics*, Series P. -20 No. 158, Bureau of the Census.

The differentials in educational levels exist for every age group and the gap does not appear to be narrowing even in the younger age groups. The proportion of males in Canada in the age group 25 to 34, for example, who have completed secondary school or obtained some university training is similar to that of the age group 55 to 64 in the United States, an age group which was educated some twenty to thirty years earlier. Since earnings are greatly education as well as age correlated this could be expected to influence the income distributions in the two countries differently. In fact, Canadian data both from the 1961 Census and recent surveys shows that incomes of males, on average, peak between the ages of 35 and 44 and then decline, but declines

are greater in Canada than in the United States suggesting more inequality of incomes between age groups in Canada.

The average earnings of males by age from the two national censuses are shown below.

TABLE 11

| Age | Average Income from Employment ^a Males in Current Labour Force | | | |
|-------|--|----------------------------|------------------|--------------------------|
| | United States 1959 | | Canada 1960-1961 | |
| | Average | Ratio Age 25-34 = 100.0 | Average | Ratio Age 25-34 = 100 |
| | \$ | | \$ | |
| 25-34 | 5,236 | 100.0 | 4,183 | 100.0 |
| 35-44 | 6,371 | 121.6 | 4,905 | 117.3 |
| 45-54 | 6,373 | 121.7 | 4,868 | 116.4 |
| 55-64 | 5,974 | 114.1 | 4,468 | 106.8 |

^aBecause Canadian data were confined to non-farm households, U.S. data have been adjusted to remove farm operators.

SOURCE: United States: 1960 Census of Population, *Occupation by Earnings and Education* Report PC(2)-7B. Canada: 1961 Census of Canada, *Incomes of Individuals*, Catalogue No. 98-502.

Similar patterns are evident if median incomes of males by age groups are compared in the two countries for 1965.

TABLE 12

| Age | Median Incomes, ^a Males 1965 | | | |
|-------|---|--------------------------|--------|--------------------------|
| | United States | | Canada | |
| | Median | Ratio Age 25-34 = 100 | Median | Ratio Age 25-34 = 100 |
| 25-34 | 6,007 | 100.0 | 5,051 | 100.0 |
| 35-44 | 6,714 | 110.6 | 5,547 | 109.8 |
| 45-54 | 6,363 | 105.9 | 5,039 | 99.8 |
| 55-64 | 5,250 | 87.4 | 4,093 | 81.0 |

^aMoney income from all sources of males with income.

SOURCE: Same as Table 5.

The Canadian data suggest that income rises somewhat less with age in Canada and declines more sharply after the age of 55 than in the United States. This raises the question of whether the higher average education of older age groups in the United States means that they are less likely to be at a disadvantage in the labour market relative to younger age groups than in Canada.

However, a reweighting of Canadian earnings in 1960-61 by the U.S. educational level within each age group does not change the pattern. In fact, in the age groups between 45 and 64, average earnings weighted by U.S. weights show even greater declines in the age groups 45 to 64 than the Canadian census

data actually show. Education thus does not seem to account for the differences between Canadian and U.S. age income patterns.

If income from employment is examined in finer detail by age and education the disaggregated data show that consistently for most categories earnings rise more in the United States with years in the labour force and experience and decline less as the retirement age is reached. If earnings by age and education are compared relative to the earnings of the male age group 25 to 34 in each country the following relationships existed by age and level of schooling:

TABLE 13
RATIO OF AVERAGE EARNINGS BY AGE AND SCHOOLING TO AVERAGE EARNINGS OF
MALES IN 25-34 AGE GROUP

| Age | Elementary | Some Secondary | Completed Secondary | Some University | Completed University |
|-------------------------|------------|-------------------|------------------------|--------------------|-------------------------|
| | Ratio | | | | |
| <i>U.S. 1959</i> | | | | | |
| 25-34 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 35-44 | 113.3 | 115.0 | 119.3 | 134.3 | 154.0 |
| 45-54 | 117.1 | 119.6 | 124.8 | 147.1 | 188.8 |
| 55-64 | 116.1 | 120.5 | 127.3 | 147.2 | 185.6 |
| <i>Canada 1960-1961</i> | | | | | |
| 25-34 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 35-44 | 110.3 | 111.6 | 121.4 | 129.4 | 144.2 |
| 45-54 | 110.2 | 114.7 | 128.8 | 134.7 | 156.6 |
| 55-64 | 105.1 | 110.6 | 124.9 | 131.8 | 153.6 |

SOURCE: Same as Table 11.

The interesting feature of this comparison is that for any given level of schooling, earnings rise more with age and experience in the United States than in Canada. One can only speculate as to the reasons why this should be so—for example, a different occupational and industrial structure, lower Canadian productivity for similar schooling. The occupational classification used in the two countries is somewhat different but it is possible to compare some individual occupations in the two countries which appear to be similar in nature.

A discussion of earnings by occupation is not feasible within the scope of this paper so that the question of whether there may be significant differences in the occupational patterns of earnings cannot be explored. Rather only impressionistic comments can be made from a few broad comparisons. When earnings differentials are compared between age and education groups within each country the internal differentials appear to be similar in most cases. For example, if the earnings of workers with more than elementary schooling are compared to those with elementary schooling only within the same age groups similar patterns of differential are evident. The relative relationships are shown in Table 14.

TABLE 14
 RATIO OF AVERAGE EARNINGS OF MALES FOR SELECTED AGE AND EDUCATION
 GROUPS TO AVERAGE EARNINGS OF MALES WITH ELEMENTARY SCHOOLING ONLY.

| Schooling | United States 1959 | | Canada 1960-1961 | |
|-----------------------|--------------------|--------------|------------------|--------------|
| | Age 35-44 | Age 45-54 | Age 35-44 | Age 45-54 |
| Elementary only | 100.0 | 100.0 | 100.0 | 100.0 |
| Completed high school | 169.8 | 199.0 | 172.5 | 176.5 |
| University degree | 260.8 | 309.2 | 272.8 | 296.6 |

SOURCE: Same as Table 11.

Comparisons of earnings in occupations requiring limited skills, for example, craftsmen and production workers with those requiring very high skills, such as professional occupations, also show that within each country there are marked differentials within age groups between skilled and unskilled occupations. However, the Canadian data suggest that greater differentials exist in Canada between skilled and unskilled occupational earnings than in the United States. There is less of a differential, for example, within the age groups 35-44 and 45 to 54 between average earnings of the sales occupations, clerical occupations and craftsmen and production workers and those of professional workers in the United States than in Canada. The ratio of the average earnings of craftsmen and production workers compared to those of professionals, for example, in Canada are 52 per cent and 48 per cent respectively—in contrast to 62 per cent and 51 per cent in the United States. Similar differences are evident in other occupational categories.

A corollary of this is that for similar broad occupational categories earnings differentials within age groups are somewhat less pronounced between Canada and the United States for the more skilled occupations than for the occupations requiring less skills. However, the occupational data suggest that this must be qualified according to the occupational categories. For example, for skilled occupational categories which consist predominantly of persons on salary, such as engineers and physical scientists, average earnings in Canada in the year preceding the Census were some 90 per cent of earnings reported on the the U.S. Census a year earlier for those in the age group 35-44.

If however, one examines earnings patterns of occupations which tend to have significant proportions of self-employed such as law, dentistry and medicine, earnings in the United States rise much more with age than is the case in Canada. The ratio of average earnings in the age group 45 to 54 to the average earned by those in the 25 to 34 age group in Canada and in the United States for these occupational categories showed the differentials as shown in Table 15.

These differences in experiences may partially account for the greater rises in earnings reported within age groups by university graduates in the United States as compared with Canada. It is interesting to note that American lifetime earnings for the ages 18 to 64 were estimated to be \$721,000 for doctors, \$642,000 for lawyers and judges and \$594,000 for dentists. Canadian estimates

TABLE 15
RATIO OF EARNINGS OF MALES AGED 45 TO 54 TO MALES AGES 25-34

| Occupation | United States 1959 | Canada 1960-61 |
|-------------------------|--------------------|----------------|
| | Ratio | |
| Dentists | 138.3 | 104.2 |
| Lawyers and judges | 255.4 | 171.4 |
| Physicians and surgeons | 278.6 | 210.6 |

SOURCE: Same as Table 11.

which are only for the ages 25 to 64 are \$584,000 for doctors, \$468,000 for lawyers and \$403,000 for dentists. If Canadian statistics had been for comparable ages the Canadian estimates would have been somewhat higher. The differences would still be very significant and suggest that in these elite professions Americans can expect to earn significantly more than their Canadian counterparts.

A subject of current controversy in Canada is the very substantial recruitment of Americans as teaching personnel for Canadian universities. In the scramble for scarce qualified professionals to staff greatly expanded university facilities in both countries, Canadian universities have had to develop a competitive salary structure to recruit in sufficient quality and quantity. The similarities in census statistics on earnings in other professional salaried categories raises the question as to whether possibly for a number of categories of skilled manpower which have been in short supply in recent years reasonably uniform continental earnings levels may be evolving and that, in fact, earnings differentials may be disappearing between the two countries for some occupations where the supply has been limited over long periods.

Family Income by Age of Head

In both Canada and the United States family income is substantially higher than the income of family heads, primarily because the post-war years have tended to be characterized by relatively low unemployment rates so that opportunities have existed for children and wives to work and because, in both countries to an increasing extent wives have begun to enter the labour force on a permanent basis. In Canada, for example, the 1931 Census showed only an insignificant rate of employment among married women. Where families had two or more members in the labour force the combination was usually that of the husband and unmarried children. By 1961 wives had displaced children as the more likely secondary family members with earnings although children still made important contributions. In both countries, the post-war trend towards earlier marriages and towards the lengthening of the educational period means that older children, when still present in the family, are more likely to be dependent upon parental income than contributors to financial resources of the family. In Canada, the 1961 Census showed that wives had incomes of their own in 40 per cent of families while in only 18 per cent of families were there unmarried children with incomes. The 1960 Census statistics for the United

States show similar patterns; wives are the most important secondary income recipients in the family. Interestingly enough in analyzing the contributions to family income by various family members the results in both countries showed great similarity. In Canada heads of family reported approximately 80 per cent of aggregate family income, wives 10 per cent and children 7 per cent. In the United States the comparable statistics were 78 per cent, 11 per cent and 7 per cent.

Although trends in the participation rates of married women have been much the same in both countries in the post-war years, the proportion of married women working in each group is still lower in Canada than in the United States. The labour force participation rates of married women at the time of the census is shown below by age groups.

TABLE 16
PARTICIPATION RATES OF MARRIED WOMEN BY AGE

| Age | Canada 1961 | United States 1960 |
|--------------------|-------------|--------------------|
| | Per Cent | |
| 15-19 ^a | 24.5 | 27.0 |
| 20-24 | 27.4 | 32.5 |
| 25-34 | 21.4 | 29.4 |
| 35-44 | 25.2 | 37.7 |
| 45-54 | 26.4 | 40.3 |
| 55-64 | 16.1 | 26.3 |
| 65 and over | 3.8 | 7.2 |
| TOTAL | 22.0 | 31.7 |

^a14 to 19 in the United States.

SOURCE: Canada: 1961 Census *The Canadian Labour Force* (D.B.S. Catalogue No. 99-522). U.S.: 1960 Census of Population, *Employment Status and Work Experience*, Report PC(2)-6A.

In both countries the participation rates of married women have shifted upward since the censuses were taken but the differentials between Canadian and American participation rates still persist. Participation rates vary by age groups but the cross-sectional profiles show considerable differences between Canada and the United States. Participation rates for women aged 25 to 34 drop as contrasted with those of younger married women most probably because of child bearing and the presence of very young children in the family.¹⁶ However American women have a much stronger propensity to resume working in the middle age groups than their Canadian counterparts. In the United States participation rates of married women in the age group 45 to 54 were substantially higher than those of women under 25, while in Canada they were similar.

An examination of statistics on the number of family members in the labour force shows that American families have higher proportions of families with multiple earners. A classification of families by number of working members for both countries showed the following distribution.

¹⁶For a thorough discussion of trends in Canada and the United States see Sylvia Ostry, *The Female Worker in Canada*, Dominion Bureau of Statistics, Catalogue No. 99-553, Ottawa, 1965.

TABLE 17

| No. of Income Earners | Canada | United States |
|-----------------------|----------|---------------|
| | Per Cent | |
| None | 6.7 | 8.4 |
| One | 48.5 | 43.1 |
| Two | 32.2 | 36.2 |
| Three or more | 12.5 | 12.2 |
| TOTAL | 100.0 | 100.0 |

SOURCE: Same as Table 5.

These differences are undoubtedly attributable to the greater employment of married women in the United States. It is interesting to note that in both countries families with working wives had higher incomes than families where wives were not in the labour force. In 1961 in Canada, median family incomes of families with only husbands working were only 79 per cent of those with wives in the labour force; in 1965 in the United States the median family income was 76 per cent for such families.

It should be expected that the combined effect of different male age-earnings profiles in Canada and lower participation rates among married women should result in different family income patterns by the age of the family head or by the family life cycle. Statistics on family incomes by age of family head confirm that, in fact, this is the case. Table 18 presents data on family income by age of family head.

If one considers the age groups at the extremes, those where family heads are under 25 or 65 and over, interestingly enough family income differentials are not too great, median incomes in Canada are more than 90 per cent of median incomes in the United States for families in the same age groups. Canadian family incomes diverge from American family incomes to an increasing extent as the age of the family head rises in the groups between 25 and 64, with the greatest relative differentials evident in the age group 55 to 64. In the United States greater inequality of family incomes exists between families at different stages of the family life cycle than is the case in Canada. The statistics suggest that when families reach the stage where husband and wife stop working the decline in incomes in the United States is more severe than is the case in Canada. Since 1965, significant changes have occurred in Canadian social security legislation in the pension field as already indicated. It is possible that the effect of this may result in higher family incomes among older families in Canada than in the United States.

The statistics also suggest that if the participation rates of married women in Canada should catch up with those in the United States substantial changes could be anticipated in family incomes where family heads are between 35 and 54.

An interesting footnote to these comparisons is the fact that not only do income distributions by age of family head exhibit different patterns in the two countries, but the real income changes through time in both countries have differed. The growth in real incomes in the fifties and sixties has been

TABLE 18
DISTRIBUTION OF FAMILY INCOME BY AGE OF FAMILY HEAD, 1965

| Income Group | Under | 25-34 | 35-44 | 45-54 | 55-64 | 65 and |
|-----------------|----------------------|-------|-------|-------|-------|--------|
| | 25 | | | | | Over |
| | Per Cent | | | | | |
| | <i>Canada</i> | | | | | |
| Under \$1,000 | 2.8 | 1.7 | 1.8 | 2.5 | 3.3 | 6.6 |
| \$1,000-\$1,999 | 4.1 | 2.0 | 3.3 | 5.2 | 6.9 | 20.8 |
| 2,000- 2,999 | 9.8 | 4.9 | 4.6 | 5.6 | 11.5 | 19.1 |
| 3,000- 3,999 | 17.9 | 9.4 | 8.1 | 7.5 | 11.1 | 15.1 |
| 4,000- 4,999 | 14.7 | 13.8 | 10.2 | 9.8 | 11.0 | 9.1 |
| 5,000- 5,999 | 14.4 | 16.9 | 15.3 | 11.4 | 12.0 | 6.9 |
| 6,000- 6,999 | 11.9 | 15.5 | 13.6 | 11.9 | 11.4 | 6.6 |
| 7,000- 7,999 | 10.8 | 11.8 | 10.0 | 9.4 | 7.4 | 3.3 |
| 8,000- 9,999 | 10.8 | 14.3 | 15.9 | 16.7 | 10.2 | 5.4 |
| 10,000-14,999 | 2.4 | 8.7 | 12.9 | 14.3 | 10.8 | 5.4 |
| 15,000 and over | 0.4 | 1.1 | 4.4 | 5.8 | 4.3 | 1.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average income | \$5,231 | 6,392 | 7,331 | 7,465 | 6,221 | 4,259 |
| Median income | \$5,042 | 6,067 | 6,485 | 6,699 | 5,455 | 3,185 |
| | <i>United States</i> | | | | | |
| Under \$1,000 | 5.6 | 2.7 | 2.1 | 2.1 | 3.6 | 4.7 |
| \$1,000-\$1,999 | 7.2 | 3.7 | 2.6 | 3.1 | 6.6 | 18.7 |
| 2,000- 2,999 | 8.2 | 5.3 | 4.2 | 4.9 | 7.0 | 19.3 |
| 3,000- 3,999 | 11.1 | 6.3 | 6.6 | 5.4 | 7.7 | 14.7 |
| 4,000- 4,999 | 12.0 | 8.4 | 7.0 | 6.6 | 8.5 | 9.2 |
| 5,000- 5,999 | 14.9 | 11.1 | 8.9 | 8.0 | 9.3 | 7.3 |
| 6,000- 6,999 | 13.0 | 11.9 | 9.7 | 8.5 | 8.4 | 5.6 |
| 7,000- 7,999 | 10.2 | 13.8 | 10.4 | 9.4 | 8.4 | 4.8 |
| 8,000- 9,999 | 11.0 | 17.8 | 17.6 | 15.6 | 13.1 | 6.0 |
| 10,000-14,999 | 6.3 | 15.7 | 21.8 | 24.0 | 18.0 | 6.0 |
| 15,000 and over | 0.7 | 3.2 | 9.3 | 12.5 | 9.6 | 3.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average income | N/A | N/A | N/A | N/A | N/A | N/A |
| Median income | \$5,399 | 7,041 | 7,867 | 8,238 | 6,885 | 3,460 |

SOURCE: Same as Table 5.

TABLE 19
PERCENTAGE INCREASE IN MEDIAN FAMILY INCOME BY AGE OF FAMILY HEAD (Constant Dollars)

| Age of Family Head | Canada ^a | United States |
|--------------------|---------------------|---------------|
| | 1951-1965 | 1951-1964 |
| Under 25 | 156.2 | 129.5 |
| 25-34 | 165.8 | 143.5 |
| 35-44 | 166.4 | 154.2 |
| 45-54 | 156.9 | 159.2 |
| 55-64 | 148.9 | 153.2 |
| 65 and over | 134.8 | 143.5 |

^aNon-farm incomes only.

SOURCE: Canada: *Incomes of Non-Farm Families and Individuals in Canada, Selected Years 1951-1965* (D.B.S. Catalogue No. 13-529). United States: *Trends in the Income of Families and Persons in the United States 1947-1964*, Bureau of the Census, Technical Paper 17.

most pronounced among younger families in Canada while in the United States the greater increases have occurred between the ages of 35 and 54. A comparison of constant dollar series for the two countries for the period 1951 to 1965 for Canada and 1951 to 1964 for the United States shows in Table 19 the changes in median family incomes.

An examination of income differentials by age of family head shows that Canadian and American patterns were very similar in 1951. For example, median incomes of families with heads aged 45 to 54 were approximately one-third higher in real terms in both countries than those of young families whose heads were under 25. Since 1951, incomes by family life cycle have moved differently. In Canada, differentials between age groups have narrowed while in the United States they appear to have widened.

Conclusion

The preceding comments on some of the similarities and differences between the Canadian and American income distributions have been of a very general tentative nature. The wealth of income data which will be generated by the next national censuses will enable researchers to say much more about the comparability of the income distributions in both countries. At the global level the current income distributions are very much alike on both sides of the border, almost the same degree of inequality, the same family and individual characteristics for low and high income groups. In the period since 1951 real incomes have moved upward in much the same degree although Canadian real incomes appear to have risen somewhat more.

A disaggregation of the data to compare more homogeneous families and individuals suggests that there are internal differences in the two countries. For example, the greater scarcity of more highly educated manpower in the Canadian labour force appears to result in greater differentials of earnings between the labour force with low levels of education and the more highly skilled workers. Some of the highly skilled occupations may, in fact, be moving towards parity of earnings with their American equivalents. On the other hand greater inequality of family income by age of family head exists in the United States than in Canada. American data suggest such inequality has been widening while in Canada the inequality has been diminishing. The different employment preferences of married women may be a factor in this.

More current statistics are not as yet available for Canada to assess the impact of recent changes in Canadian social security legislation upon the income distribution. It is possible that when the full effects of these changes are felt the Canadian income structure may show greater divergence from the American structure than is now the case.