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POLICY INSTITUTE

INSTITUT DES POLITIQUES  
**DU NORD**

Commentary No. 10 | March 2016

## **Show Me The Money:**

### **Some Positive Income Trends in Northern Ontario**

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This report was made possible through the support of our partners Lakehead University, Laurentian University and Northern Ontario Heritage Fund Corporation. Northern Policy Institute expresses great appreciation for their generous support but emphasizes the following: The views expressed in this commentary are those of the author and do not necessarily reflect the opinions of the Institute, its Board of Directors or its supporters. Quotation with appropriate credit is permissible.

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Published by Northern Policy Institute  
874 Tungsten St.  
Thunder Bay, Ontario P7B 6T6

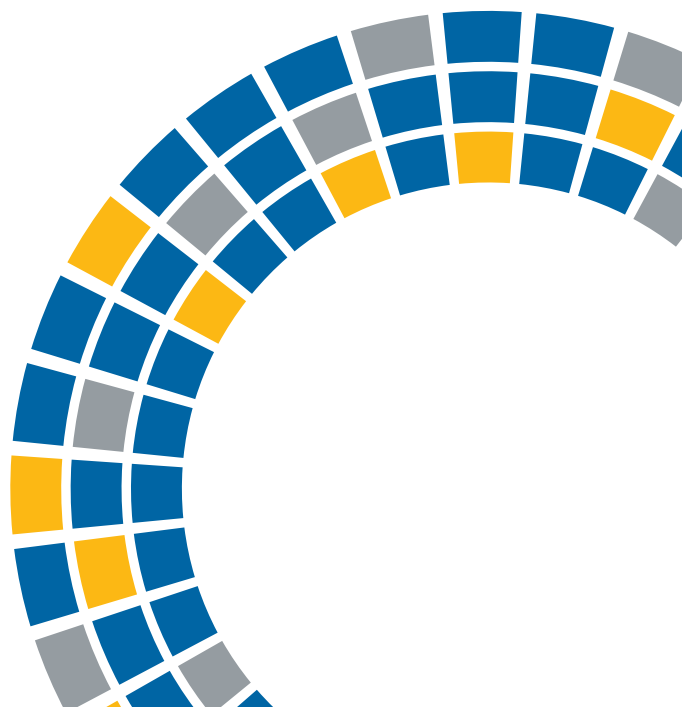
ISBN: 978-1-988472-74-4

## About the Author

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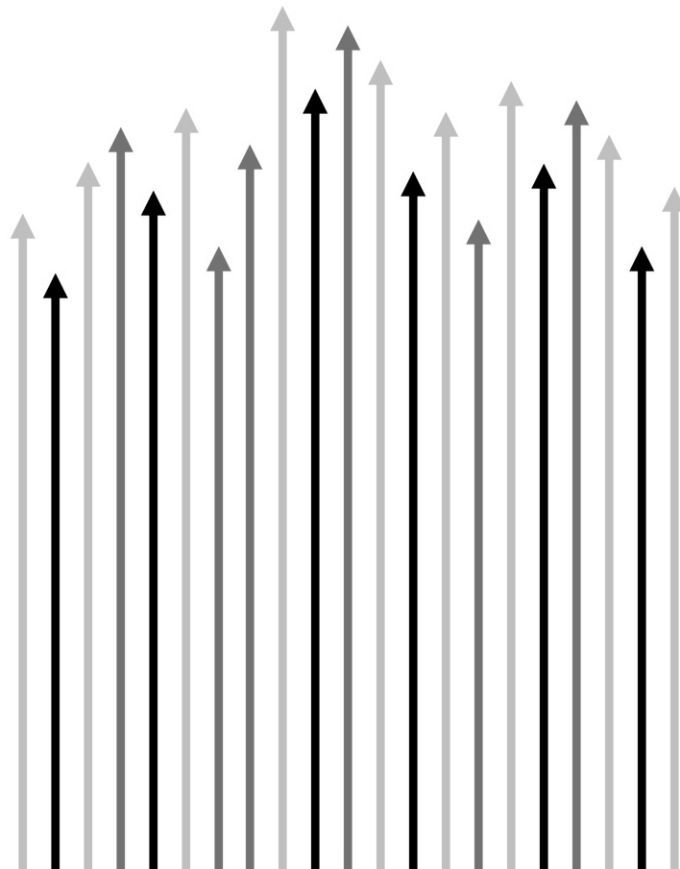


## Executive Summary

This study summarizes the absolute and relative position (with respect to Ontario and Canada) of typical income in Northern Ontario. It begins by presenting an absolute and relative picture of economic health in Northern Ontario. It then looks at demographic breakdowns relevant to the region to help ensure that variability in economic well-being associated with individual diversity is not overlooked. In the wake of the attention paid in the popular press to the stagnation of middle-class incomes in the recent past, the study then delves into historical income growth to assess the validity of this conclusion for Northern Ontario. The final section looks at income inequality, another important topic that has become increasingly relevant to public debate in recent years.

Key findings are as follows:

- Individual median income in Northern Ontario in 2010 (the most recent year available) ranged from \$23,662 in the Manitoulin district to \$32,938 in Greater Sudbury (compared with \$30,526 for all of Ontario).
- The share of market income — total income before tax minus income from government sources — is lower in Northern Ontario than in Ontario or Canada as a whole.
- The gender income gap is apparent in Northern Ontario, but at a rate not generally greater than for Ontario or Canada as a whole.
- Unadjusted median individual income among Aboriginal individuals ranges from 59 percent of the level for the overall population in Thunder Bay to 81 percent in Cochrane, Greater Sudbury, and Sudbury.
- Individual median income grew faster in every Northern Ontario district relative to the Ontario-wide rate during both the 2000–05 and 2005–10 periods.
- Income inequality is low relative to the Canada-wide level in Algoma, Cochrane, Parry Sound, Sudbury, and Thunder Bay.



## Typical income in Northern Ontario

To investigate typical income in Northern Ontario, this study examines both the median and average annual income for both individuals and households, giving four measures of (gross) annual income (Table 1).

Table 1: Annual Individual and Household Income by District, Northern Ontario, 2010

District	Individual Income		Household Income	
	Median	Average	Median	Average
	(\$)			
Algoma	28,914	36,406	53,195	67,103
Cochrane	30,934	39,446	60,123	73,288
Greater Sudbury	32,938	40,874	62,478	76,760
Kenora	30,032	37,515	59,576	72,802
Manitoulin	3,662	29,932	45,121	54,798
Nipissing	28,481	37,139	56,102	69,321
Parry Sound	27,124	35,024	55,761	66,706
Rainy River	30,049	36,867	55,627	68,700
Sudbury	29,765	36,273	58,881	68,832
Thunder Bay	31,191	38,856	59,658	72,404
Timiskaming	25,476	34,481	49,380	63,255
<b>Ontario</b>	<b>30,526</b>	<b>42,264</b>	<b>66,358</b>	<b>85,772</b>
<b>Canada</b>	<b>29,878</b>	<b>40,650</b>	<b>61,072</b>	<b>79,102</b>

Source: Statistics Canada, National Household Survey.

In the context of this study, the measure of income with the most explanatory power is individual median income. To understand why, one first needs to compare household income and individual income. It can be seen that comparing household income, rather than individual income, across different regions is not necessarily an apples-to-apples comparison because the typical number of household members, and especially income-earning members, might vary by region.

As well, the statistical concept of the median, instead of the average, is generally taken to be the standard in studies of income. This is because the median gives a much better picture of how the "typical" unit is doing. In simple terms, the median income discounts the extremes because it is defined as the value of the "middle number," above and below which an equal number of units falls. The average, in contrast, sums up all incomes and divides by population, and skews income upward because real-world income distributions tend to feature a very small number of people with extraordinarily large incomes and a large number of

people with relatively small incomes.

To begin, consider the three subsidiary measures of annual income: average individual, median household, and average household, which together give 33 observations for the 11 districts. On these measures, Northern Ontario surpasses the Canada-wide figure only once, with average individual income in Greater Sudbury higher than average individual income in Canada by \$224, while the Ontario-wide figures exceed the corresponding Northern Ontario ones in every case.

Now consider the most instructive income comparison of the four possibilities: individual median income. Here, Northern Ontario performs notably better. Of the 11 districts, three (Cochrane, Greater Sudbury, and Thunder Bay) exceed the Ontario-wide figure, and five (Cochrane, Greater Sudbury, Kenora, Rainy River, and Thunder Bay) surpass the Canada-wide figure. By this measure, then, Northern Ontario is in the neighbourhood of Canada as a whole and, to a lesser extent, Ontario as a whole.

## Composition of Income

Table 2 shows the composition of income in Northern Ontario — the sources from which income is obtained. Some comments on extrapolating and interpreting these figures are necessary. First, notice that income is composed, at the highest level, of two sources: market income and government transfer income. Thus, to attain the share of government transfers of total income, one simply subtracts market income from 100 percent. So, for example, in Algoma district,  $100\% - 80.3\% = 19.7\%$ , meaning that 19.7 percent of all income in that district is in the form of government transfers. Although more income is better, it is generally the case that a higher share of market income is a sign of economic strength. It is apparent from Table 2, however, that Northern Ontario's position is relatively weak by this measure: with market income in Ontario and Canada at 87.7 percent and 87.6 percent, respectively, the best performance in Northern Ontario is in Greater Sudbury, at 85.4 percent, while three districts are at 80 percent or less. So, although median individual income in Northern Ontario is not very different from that in Ontario or Canada as a whole, income realized in the region is measurably more reliant on government transfers than the Ontario-wide and Canada-wide averages.

Table 2: Income Composition by District, Northern Ontario, 2010

District	Market Income	Employment Income	Canada Pension Plan Benefits	Old Age Security + Guaranteed Income Supplement	Employment Insurance Benefits
	(percent)				
Algoma	80.3	64.3	5.8	4.6	1.9
Cochrane	83.7	72.5	4.6	3.5	2.1
Greater Sudbury	85.4	70.7	4.2	3.2	1.9
Kenora	84.1	72.1	4.1	3.4	1.8
Manitoulin	75.7	60.0	6.4	6.1	2.3
Nipissing	82.2	68.2	4.9	4.1	2.3
Parry Sound	80.0	61.3	6.5	5.5	2.2
Rainy River	81.8	68.0	5.5	4.1	2.3
Sudbury	80.7	64.4	5.9	4.3	2.4
Thunder Bay	83.5	68.6	5.0	3.4	1.9
Timiskaming	79.3	66.0	5.9	5.2	2.3
<b>Ontario</b>	<b>87.7</b>	<b>74.8</b>	<b>3.4</b>	<b>2.8</b>	<b>1.4</b>
<b>Canada</b>	<b>87.6</b>	<b>74.7</b>	<b>3.5</b>	<b>3.1</b>	<b>1.8</b>

Source: Statistics Canada, National Household Survey.

Note: Government transfer income =  $100\% - \text{market income \%}$ . However, the columns here do not add up to 100% because child benefits and "other income from government sources" are not shown.

Market income, in turn, can be apportioned into three major categories: employment income, investment income, and private pension income. It is not obvious whether a greater reliance on investment income is preferable to employment income in assessing regional economic health and a greater reliance on private pension income in a community might be related to the demographic makeup of the population. For these reasons, it is sufficient to remark here that employment income, as with all forms of market income taken together, makes up a smaller portion of total income in Northern Ontario than it does in Ontario altogether or Canada altogether.

The portion of total income made by up Old Age Security (OAS) and the Guaranteed Income Supple-

ment (GIS) can be interpreted as representing the combination of two things: the share of elderly individuals in the population and the share of low-income people. The GIS is restricted to low-income individuals; OAS is very widely available, but does feature an income cap that prevents sufficiently high-income individuals from receiving it. All Northern Ontario districts rely more heavily on the combination of these government programs than is the case in either Canada or Ontario taken together.

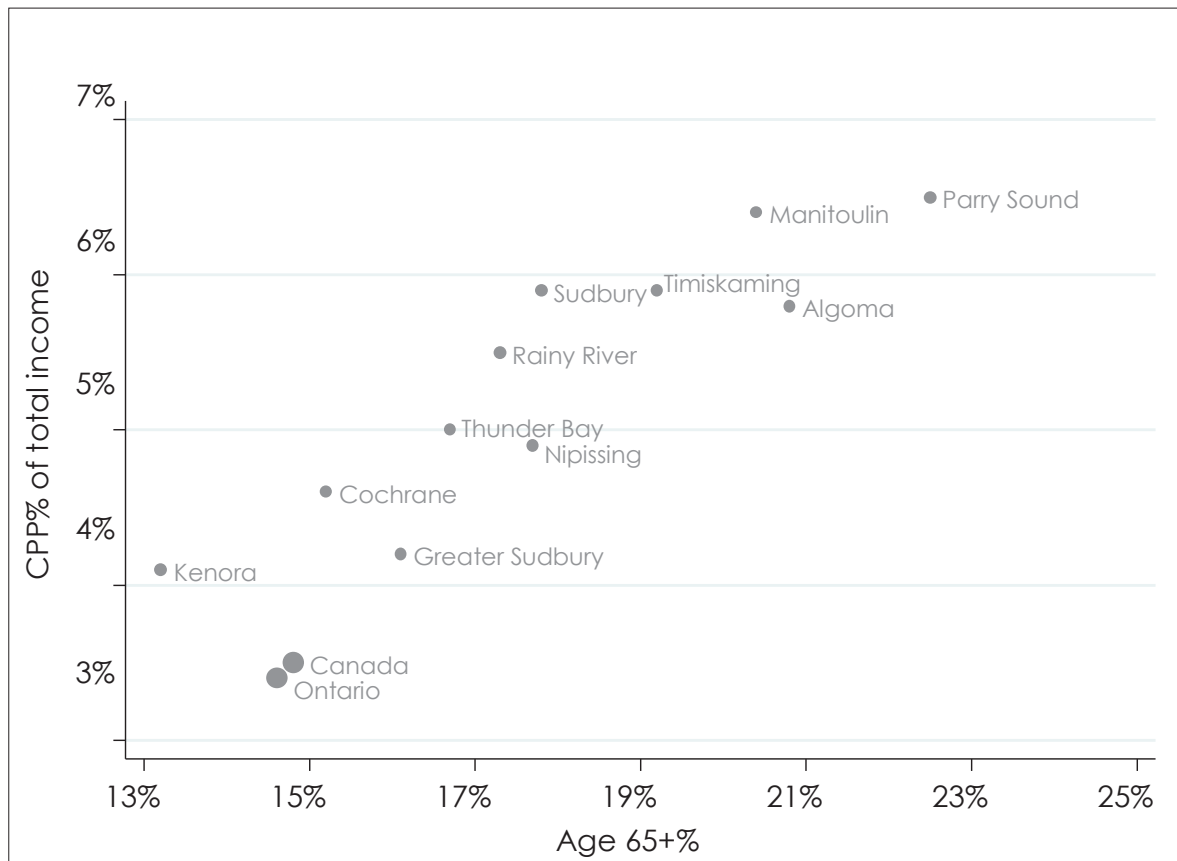
In contrast, the Canada Pension Plan (CPP) pays more depending upon an individual's contributions over his or her lifetime, up to a maximum amount. Thus, higher CPP reliance is not an indicator of low-income prevalence in a community in the way the GIS is. The data show

that CPP income constitutes a larger share of total income in Northern Ontario than is typical in Ontario or Canada as a whole, which can be explained by the fact that there is a relatively greater share of individuals ages 65 years and older in ten out of eleven districts in Northern Ontario, with only Kenora having a smaller share of seniors than Ontario and Canada as a whole; see Figure 1. Figure 1 also shows the expected positive relationship between the share of income derived from CPP benefits and the share of individuals ages 65 and older in Northern Ontario districts and the aggregates for Ontario and Canada: when the share of individuals 65 and older is larger, the share of CPP income in total income also tends to be larger.

Finally, it can be seen from Table 2 that the share of employment insurance (EI) transfers in Northern Ontario districts tends to be marginally higher than the Canada-wide average, while the Canada-wide average, in turn, is 0.4 of a percentage point above the Ontario-wide figure. The Northern Ontario labour force is thus disproportionately reliant on EI to some degree.

The National Household Survey public-use data also provide the share of government child benefits in total income, but as this component does not obviously say very much about the health of the economy, it is not discussed here.

Figure 1: Share of Population Ages 65 and Older (2011) and Share of Total Income Received as CPP Benefits by District (2010), Northern Ontario



Sources: Statistics Canada, National Household Survey; 2011 Census.

## Income by Sex

As Table 3 shows, the pay gap by sex is apparent. It is important to note, of course, that these are raw figures, which have not been adjusted for educational attainment, full-time versus part-time status, or caregiver status, each of which might have a disproportionate effect by sex. Nonetheless, Northern Ontario does not tend to exhibit an usually high or low pay gap by sex compared with Ontario or Canada as a whole, although there is a good deal of variance among the Northern Ontario districts. The province and nation-wide calculations show that women earn just 68 percent or so of what men do, while the figures for Northern Ontario range widely, from 50 percent in Sudbury to 81 percent in Manitoulin. Sudbury is an interesting study in this regard, as median individual income for men in that district is

higher than in any other district, while precisely the converse is true for women in Sudbury, who earn less than women in any other district in the region. Before seeking to explain or draw lessons from this finding, it is worth considering whether instead there is a problem with the data. Some experts have expressed concern about the quality of the National Household Survey data, due to their voluntary nature and accordingly lower response rate than has been the case with the long-form census. Of course, the data are less dependable the smaller is the response rate/sample size, and separating observations by sex reduces sample size. Thus, the data shown in Table 3 should be treated with caution.

Table 3: Income by Sex, by District, Northern Ontario, 2010

District	Median Individual Income		Market Income	
	Males	Females	Males	Females
	(\$)		(%)	
Algoma	35,576	23,221	83.9	75.5
Cochrane	40,387	23,733	86.6	79.4
Greater Sudbury	41,126	25,473	88.1	81.5
Kenora	35,844	25,457	87.2	79.9
Manitoulin	26,758	21,578	77.4	73.9
Nipissing	35,093	23,590	84.7	78.8
Parry Sound	33,643	22,647	82.8	76.2
Rainy River	36,323	25,879	85.3	77.4
Sudbury	41,319	20,639	83.4	76.0
Thunder Bay	38,244	25,142	85.9	80.2
Timiskaming	32,299	21,130	82.4	74.6
<b>Ontario</b>	<b>36,971</b>	<b>25,412</b>	<b>90.6</b>	<b>83.7</b>
<b>Canada</b>	<b>36,211</b>	<b>24,606</b>	<b>90.8</b>	<b>83.1</b>

Source: Statistics Canada, National Household Survey.

Looking at the last two columns of Table 3, there are a couple apparent reasons market income would make up a lower share of total income for women than for men. First, women are more likely to be caregivers of young children; this is true for both single-parent and dual-parent households. Second, women live longer on average; with the elderly making up a larger share among women than among men, retirement benefits make up a greater share of total income for this group.

## Aboriginal Income

Similar data questions remain with respect to the income of Northern Ontario's Aboriginal population, particularly as the size of that population is small relative to the total population. From Table 4, however, three observations regarding Aboriginal income are immediately apparent. First, in no district do Aboriginal individuals earn more than the population as a whole. Similarly, the market income share is relatively higher for the population as a

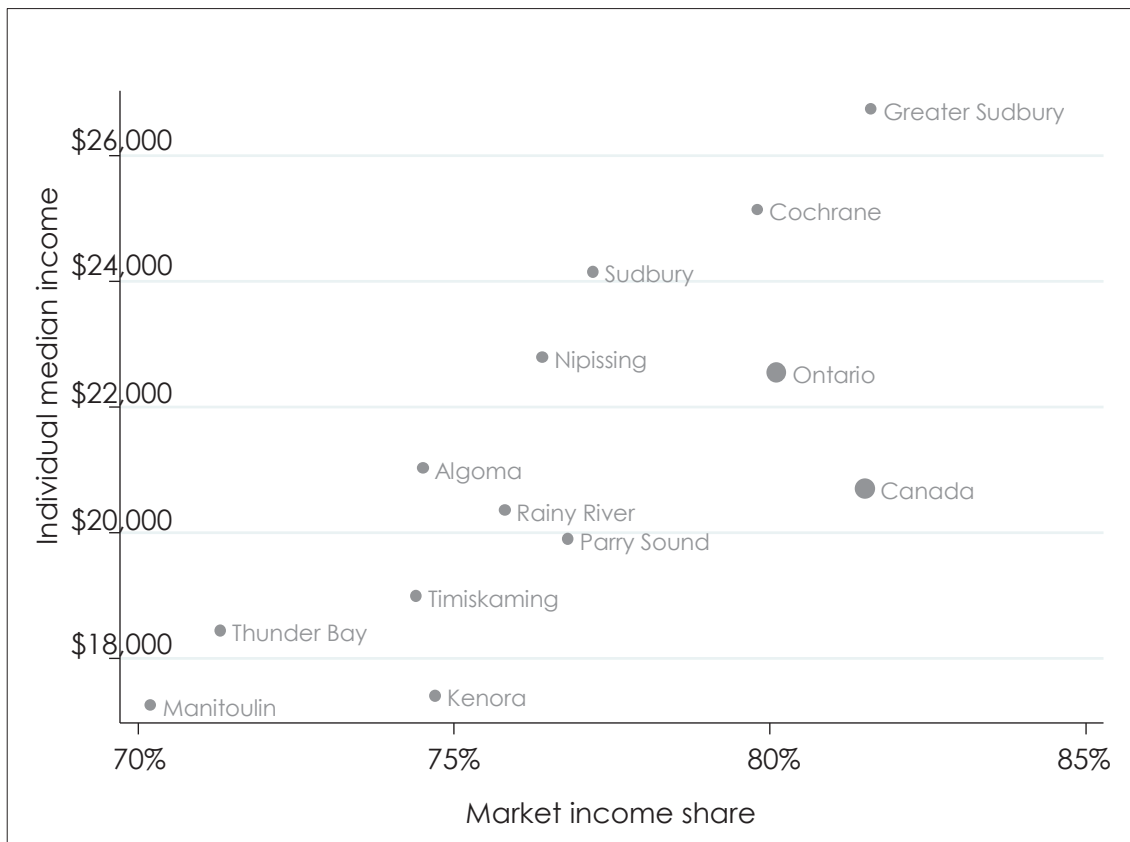
whole than for Aboriginals, although the gap is moderate. Finally, although this is not shown in the table, Aboriginal women earn more than Aboriginal men in the Kenora, Manitoulin, and Parry Sound districts. Figure 2 shows that Aboriginal incomes tend to be higher in areas where the market income share is higher; it is worth noting that this holds true for the population as a whole.

Table 4: Individual Median Income of Aboriginals, by District, Northern Ontario, 2010

District	Share of Aboriginal Population Ages 15 and Older	Total Income		Share of Market Income	
		Aboriginal	All	Aboriginal	All
	(percent)	(\$)		(percent)	
Algoma	10.22	21,023	28,914	74.5	80.3
Cochrane	11.06	25,141	30,934	79.8	83.7
Greater Sudbury	7.76	26,743	32,938	81.6	85.4
Kenora	31.12	17,404	30,032	74.7	84.1
Manitoulin	36.10	17,249	23,662	70.2	75.7
Nipissing	9.97	22,790	28,481	76.4	82.2
Parry Sound	5.31	19,895	27,124	76.8	80.0
Rainy River	19.58	20,355	30,049	75.8	81.8
Sudbury	14.06	24,156	29,765	77.2	80.7
Thunder Bay	10.29	18,441	31,191	71.3	83.5
Timiskaming	4.66	18,991	25,476	74.4	79.3
<b>Ontario</b>	<b>2.17</b>	<b>22,546</b>	<b>30,526</b>	<b>80.1</b>	<b>87.7</b>
<b>Canada</b>	<b>3.70</b>	<b>20,701</b>	<b>29,878</b>	<b>81.5</b>	<b>87.6</b>

Source: Statistics Canada, National Household Survey.

Figure 2: Aboriginal Individual Median Income and Market Income as Share of Total Aboriginal Income, by District, Northern Ontario, 2010



Source: Statistics Canada, National Household Survey.

## Income Growth, 1995-2010

Examining time-series data on individual median incomes is an instructive exercise. There has been discussion in the popular press recently of the flat-lining of middle-class incomes. Studying the behaviour across time of individual median incomes is as good a way to resolve this question, as it pertains to Northern Ontario, as any. For purposes of comparison, however, the figures must be adjusted for inflation. As an example, a basket of goods and services that cost \$1.00 in 2005 would cost \$1.08 in 2010; 1.08 is thus the “inflation factor” for 2005, the factor by which monetary values in 2005 must be multiplied to express them in 2010 dollars. Of course, the census year refers to data describing the previous year, so all dollar values have been converted to 2010 dollars.<sup>1</sup>

<sup>1</sup> With that in mind, the following question needs to be asked: What if there was relatively higher inflation in Northern Ontario over the 2001–11 period, and thus the inflation factors for 2006 and 2001 should be higher for Northern Ontario than the Bank of Canada publishes for Canada as a whole? (If the inflation rate was higher in Northern Ontario between 2000 and 2010, the inflation factors for the 2001 and 2006 census years should be higher because, if prices changed more rapidly, a dollar in, say, 2005 would be worth relatively less in 2010, so that the 2005 inflation factor would have to be higher. If the 2005 inflation factor were higher, there would be less difference between 2005 and 2010 real incomes, and thus the growth rate over this period would be lower.) If this were true, the correct growth rates in Northern Ontario districts would be lower. In fact, the inflation factor for Thunder Bay in 2002 (to express 2002 values in 2010) is 1.128; see Statistics Canada, “Consumer Price Index by City,” available online at <http://www.statcan.gc.ca/tables-tableaux/sum-som/I01/cst01/econ45a-eng.htm>. Meanwhile, the Canada-wide inflation factor for this year-to-year conversion, according to the Bank of Canada, is 1.16, while Statistics Canada reports 1.165. Thunder Bay thus experienced (slightly) lower inflation during the 2002–10 period than did Canada as a whole. If this were the case throughout Northern Ontario, the strong real growth rates in Table 5 would be, in effect, a lower-end estimate, with the true real growth rates actually being higher. It is worrying to note, however, that Thunder Bay experienced relatively weak income growth during this period; although a very imperfect relationship, relatively lower real income growth in that district might be connected with deflationary pressures there that were not acting elsewhere in Northern Ontario. Unfortunately, Statistics Canada publishes city-level inflation data for only 18 cities, only one of which (Thunder Bay) is in Northern Ontario, so it is unclear whether the changes in prices during this period in Northern Ontario generally behaved more like those in Thunder Bay, more like those in Canada overall, or something else. With no evidence to the contrary, it is reasonable to suppose that prices in Northern Ontario generally did not rise much faster than was typical throughout Canada.

Having applied these adjustments, it appears that the first decade of the 2000s was relatively good for median individual incomes in Northern Ontario (see Table 5). The earlier 1995–2000 period (census years 1996–2001) did see some negative growth in Cochrane and Timiskaming, but this was the exception rather than the rule. As Table 6 shows, between the 2006 and 2011 census years, Northern Ontario experienced strong income growth, with incomes only in Thunder Bay and Timiskaming growing slower than the Canada-wide rate, and all districts surpassed the Ontario-wide rate. The period between the 2001 and 2006 censuses was also relatively favourable to the region: while real individual median income in Ontario as a whole actually contracted, every Northern Ontario district saw positive growth, and at rates faster than the Canada-wide rate everywhere

except in Rainy River.

The conclusion to draw from this analysis is that the thesis of stagnating middle class incomes does not appear to hold up during 2000–2010 in Northern Ontario.

Recall, this assessment is based on the trend of median individual income. This statistic is of total income rather than market income. The conclusion would not necessarily be the same if the trend in market income (possibly starting with median wages) was the determining measure. The stagnating middle-class income thesis generally includes the effects of changing government policies surrounding redistribution of income, and thus it is appropriate to use the trend in median individual income as the test.

Table 5: Real Median Individual Income by District, Northern Ontario, 1996–2011

District	Census Year			
	1996	2001	2006	2011
	(constant 2010 dollars)			
Algoma	23,206	24,128	26,381	28,914
Cochrane	25,368	25,009	27,450	30,934
Greater Sudbury	26,016	27,158	29,667	32,938
Kenora	24,525	24,755	25,560	30,032
Manitoulin	19,758	20,023	21,486	23,662
Nipissing	23,754	23,951	25,390	28,481
Parry Sound	20,481	22,790	23,880	27,124
Rainy River	24,102	26,891	27,508	30,049
Sudbury	22,412	22,708	25,372	29,765
Thunder Bay	28,036	28,981	29,849	31,191
Timiskaming	22,319	21,926	24,344	25,476
<b>Ontario</b>	<b>27,502</b>	<b>30,276</b>	<b>29,439</b>	<b>30,526</b>
<b>Canada</b>	<b>25,125</b>	<b>26,986</b>	<b>27,664</b>	<b>29,878</b>
Inflation factor applied	1.33	1.22	1.08	1.00

Sources: Statistics Canada, National Household Survey; 1996, 2001, and 2006 censuses.

Note: Census data collected in 2011 refer to income in 2010, 2006 data are for 2005 income, and so on. All dollar values are converted to 2010 dollars according to the Bank of Canada's inflation calculator, available online at <http://www.bankofcanada.ca/rates/related/inflation-calculator/>.

Table 6: Compound Annual Growth Rate of Real Median Individual Income  
by Census Interval and District, Northern Ontario, 1996–2011

District	Census Interval			
	1996–2001	2001–06	2006–11	1996–2011
	(percent)			
Algoma	0.78	1.80	1.85	1.48
Cochrane	-0.29	1.88	2.42	1.33
Greater Sudbury	0.86	1.78	2.11	1.59
Kenora	0.19	0.64	3.28	1.36
Manitoulin	0.27	1.42	1.95	1.21
Nipissing	0.17	1.17	2.32	1.22
Parry Sound	2.16	0.94	2.58	1.89
Rainy River	2.21	0.45	1.78	1.48
Sudbury	0.26	2.24	3.24	1.91
Thunder Bay	0.67	0.59	0.88	0.71
Timiskaming	-0.35	2.11	0.91	0.89
<b>Ontario</b>	<b>1.94</b>	<b>-0.56</b>	<b>0.73</b>	<b>0.70</b>
<b>Canada</b>	<b>1.44</b>	<b>0.50</b>	<b>1.55</b>	<b>1.16</b>

Sources: Statistics Canada, National Household Survey; 1996, 2001, and 2006 censuses.



## Income Inequality

Table 7 gives a sense of the level of income inequality in Northern Ontario. The statistics allocate family (after-tax) incomes according to where they fit in the Canada-wide income distribution. In Algoma, for example, 19.95 percent of families fall into the first Canadian quintile, where a quintile refers to 20 percent (one-fifth) of families in the Canada-wide distribution. In other words, 19.95 percent of families in Algoma received less income than the family at the 20th Canadian percentile (where the family at the 20th percentile receives less income than 80 percent of Canadian families). The same logic applies at the top of the income distribution: 17.47 percent of families in Algoma received more income than the family at the 80th Canadian percentile.

Table 7: Percentage of Families in Canadian After-Tax Income Quintiles, by District, Northern Ontario, 2010

	Bottom Quintile	Top Quintile	Middle Three Quintiles	Both Extreme Quintiles Small?
District	(percent)			
Algoma	19.95	17.47	62.58	yes
Cochrane	17.58	19.59	62.83	yes
Greater Sudbury	16.84	21.21	61.95	no
Kenora	24.03	19.16	56.81	no
Manitoulin	30.08	8.91	61.01	no
Nipissing	20.79	16.50	62.71	no
Parry Sound	18.46	14.15	67.39	yes
Rainy River	20.32	16.41	63.27	no
Sudbury	15.08	16.15	68.77	yes
Thunder Bay	18.90	19.05	62.05	yes
Timiskaming	22.31	15.64	62.05	no
<b>Ontario</b>	<b>18.37</b>	<b>22.96</b>	<b>58.67</b>	<b>no</b>
Canada	20.00	20.00	60.00	-

Source: Statistics Canada, National Household Survey.

Another way to think about this is to subtract the two extreme quintiles to find what percentage of families in each district falls into the middle three quintiles (from 20 percent to 80 percent of the Canadian distribution). This can be thought of as showing, in admittedly generous terms, the size of the “middle class” in each district. From this line of argument, it is tempting to assert that Northern Ontario is disproportionately middle class: every district except Kenora features greater than 60 percent in the middle three quintiles.

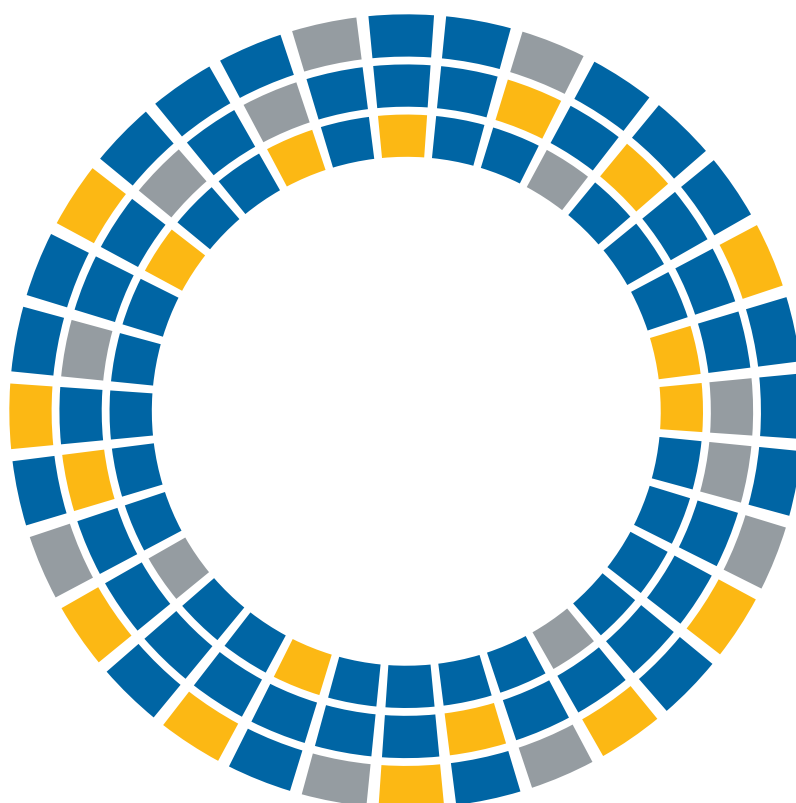
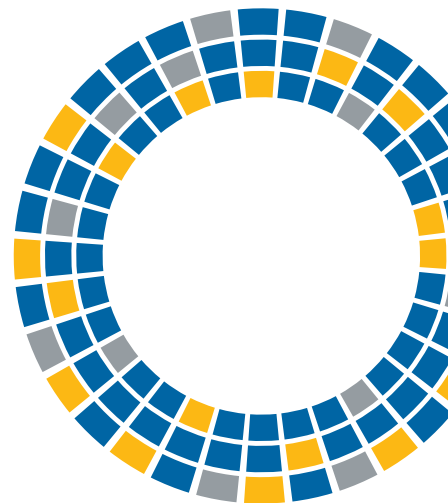
There is, however, a further wrinkle, which explains the necessity of the last column of Table 7. Consider Greater

Sudbury, where 61.95 percent of families are in the middle three quintiles. It is thus tempting to proclaim that Greater Sudbury is disproportionately middle class, and therefore exhibits lower income inequality. But notice that the top quintile includes 21.21 percent of families there, while the bottom quintile includes 16.84 percent of families. In other words, the extreme ends of the distribution are not small: there are disproportionately fewer at the bottom, but there are also disproportionately more at the top. This suggests that median income in Greater Sudbury is higher, and indeed Table 1 confirms this for individuals and households. More to the point, it limits the strength of the statement one can make about inequality.

It is possible, however, to use these data to say that inequality is lower in districts where *both* the top end and the bottom are disproportionately small, since, when this is true, it must be true that most families are middle class *and* people are not disproportionately at the bottom (with fewer at the top), or at the top (with fewer at the bottom). Algoma, Cochrane, Parry Sound, Sudbury, and Thunder Bay all exhibit this property. Sudbury is the most poignant example here, with only 16 percent and 15 percent in the top and bottom quintile, respectively.<sup>2</sup>

## Conclusion

The current level of median individual income is generally slightly lower in Northern Ontario than in the province as a whole, although some districts surpass the provincial level. Market income as a share of total income is also somewhat lower in Northern Ontario. The important demographic axes of sex and Aboriginality reveal measurable disparity in the raw figures. The growth of real median individual income was stronger in Northern Ontario than in the province as a whole during the fifteen-year period ending in 2010. Finally, the middle class is large *and* income inequality is low in Northern Ontario relative to the Canadian average in about half the census districts. Every district except Kenora appears to be disproportionately middle class relative to Canada as a whole, but because of the number of families at both the top and bottom of the income distribution, income inequality is not necessarily lower in all districts.



<sup>2</sup> This seems to conflict with the earlier finding that the income divide by sex is greatest in Sudbury. This be explained most readily by the fact that the inequality data refer to families, rather than individuals; one possibility is that, in Sudbury, families consisting of one man and one woman, each of whom earns income, tend to "average out" to being disproportionately middle class.

## About Northern Policy Institute

*Northern Policy Institute is Northern Ontario's independent think tank. We perform research, collect and disseminate evidence, and identify policy opportunities to support the growth of sustainable Northern Communities. Our operations are located in Thunder Bay and Sudbury. We seek to enhance Northern Ontario's capacity to take the lead position on socio-economic policy that impacts Northern Ontario, Ontario, and Canada as a whole.*

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