



Community and Health Services
Office of the Commissioner

Memorandum

TO: Members of Committee of the Whole

FROM: Adelina Urbanski,
Commissioner of Community and Health Services

DATE: June 11, 2015

RE: **Income Group Trends in York Region, 1995 to 2011**

Attached is an information sheet on *Income Group Trends in York Region, 1995 to 2011: What is happening to the middle?* (Attachment 1). It highlights changes in the distribution of household income groups in York Region between 1995 and 2011. It is particularly focused on the middle part of the distribution – is it growing or declining as a share of all households in York Region?

Understanding income dynamics is a key part of department and corporate-wide strategic and service planning. A stable middle income group is important to sustaining a balanced community and is a key contributor to the Regional economy and tax base.

This information sheet is the last of three that Community and Health Services has recently completed on distinct but related topics of low income, income inequality and overall income distribution trends in York Region.

The information sheets are intended to provide:

- A preliminary overview of key income trends that could impact on regional human services in York Region
- A York Region perspective on broader policy discussions in Canada and elsewhere about income inequality and whether or not middle-income groups are declining

These information sheets provide a starting point for more analysis by community groups, Regional staff, local municipalities and others on how income issues relate to service needs and community development.

Adelina Urbanski
Commissioner of Community and Health Services

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Attachment (1)



Income Group Trends in York Region, 1995 to 2011

What is happening to the “middle”?

June, 2015



Introduction

This information sheet highlights changes in the distribution of household income groups in York Region between 1995 and 2011. It is particularly focused on the middle part of the distribution and trying to better understand what is happening to the “middle-class” – is it growing or declining in numbers in York Region?

The analysis is intended to raise awareness and stimulate discussion of income issues among organizations that plan and deliver human services to York Region residents by providing data specific about what is happening in York Region.

The data used in this information sheet is from the long-form census questionnaire (1995, 2000 and 2005) and Environics Analytics Census Plus for 2011. Environics Analytics is a commercial survey firm. Their Census Plus product is being used due to concerns about income estimates from the National Household Survey, particularly the potential to underestimate populations at both the highest and lowest ends of the income distribution. The National Household Survey replaced the long-form questionnaire for the 2011 Census.^{1, 2}

¹ This is due to higher risk of non-response in the voluntary National Household Survey (NHS) vs. the previous mandatory long-form census questionnaire. People with lower and higher incomes are both less likely to fill out voluntary surveys and therefore may be underrepresented in the NHS estimates. This makes comparing the estimates between the NHS and other income data sets challenging. For more on income data quality of the NHS, see Statistics Canada (2013). *Income Reference Guide: National Household Survey*. Catalogue No. 201199-014-XWE2011006, pages 14-23.

Approach

What is the “middle”?

There has been growing attention to the middle class in Canada over the last several years, often expressed as concern that households are polarizing into higher and lower income groups and that the middle income group is declining or at least facing challenges in sustaining itself. A stable middle class is seen as a critical part of a balanced community and a key contributor to the economy and tax base.

Defining the middle class is not a straightforward process due to subjective perceptions of what being the middle class means. For purposes of this analysis, we are focused on the middle part of the income distribution – what is the size of the middle income group in York Region and how is it changing relative to other income groups?³ This information sheet uses a Canada-

² Environics Analytics Census Plus uses other data sets (e.g. 2006 Census long-form questionnaire, income tax filer data) to model income data for 2011 and provides household income by income groups. It does not use National Household Survey data. However, the algorithms used by Environics Analytics are proprietary information, so details on their methodology are not available.

³ The issue of how middle income residents are faring economically – in other words, how they are managing the cost of living in York Region, etc. – is beyond the scope of the information presented here. However, it is an important perspective in understanding how the income distribution may be changing in York Region. For example, are middle income groups in York Region able to afford the discretionary expenses (e.g. vacations, entertainment, private fitness clubs, etc.) that are often linked to middle-



wide standard for classifying who could be considered middle income or middle class – households⁴ with income that is between 75 per cent and 150 per cent of the Canadian household median income. Using the Canadian median provides a national benchmark that captures York Region’s underlying affluence compared to many other communities in Canada.⁵ Because the focus is to look at trends over time, the absolute value of these income thresholds will vary for each year. Table 1 provides the income thresholds being looked at in this information sheet. York Region households that are within these thresholds are counted as middle income; households that are above are counted as higher income and those below as lower income.⁶

Table 1
Middle Income Thresholds based on Canadian Household Median Income⁷ (Current Dollars)

1995-2010				
	1995	2000	2005	2011 ⁸
75% of Median	\$30,157	\$35,064	\$40,226	\$45,804
150% of Median	\$60,314	\$70,128	\$80,451	\$91,608
Source: Statistics Canada, Census				

It is important to stress that this approach to tracking changes in the income distribution is not a measure of “polarization”, which requires more sophisticated statistical methods that measure the extent which household incomes are spreading from the median and are clustering around “poles” that are further away from the middle.⁹ Instead, the information presented here looks at simple changes in the relative size of income groups in York Region. As such, it provides one way of tracking if the middle income group is declining relative to other income groups.

It is also important to note that the middle income thresholds used in this information sheet are not the same as other income categories used by York Region to define low and moderate income households. Each has their own assumptions and rationale – for example, to identify affordable housing prices for residents or who is at risk of not making ends meet based on

class status after paying for basic needs, transportation and taxes?

⁴ A household is a person or a group of persons (other than foreign residents) who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada. It may consist of a family group (census family) with or without other persons, of two or more families sharing a dwelling, of a group of unrelated persons, or of one person living alone.

⁵ York Region household median incomes ranged \$23,000 to \$29,000 higher than that of Canada between 1995 and 2010. Using other benchmarks would change the distribution. For example, using the median for Ontario or the Greater Toronto Area, which are both higher than the Canadian median, would shift the distribution upward but the overall trend would be similar.

⁶ The data used in this sheet is pre-tax household income and not adjusted for family size. “Lower income” here refers only to households that fall below the threshold used to define the middle of the distribution in this analysis and is distinct from other analysis that uses defined low income measures.

⁷ Census household income ranges are every \$10,000 up to \$100,000, after which the data is aggregated. To align with these ranges, the threshold used in this analysis were rounded to the nearest \$10,000, except in years when the lower thresholds were \$35,064 and \$45,804 – in these cases, the household income range were not rounded to the

nearest \$10,000 but split in half (e.g. half of the range grouped in the lower income group and half to the middle income group).

⁸ The 2011 thresholds were calculated from the National Household Survey. Environics Analytics does not have household median income available as part of Census Plus.
⁹Polarization measures uses statistical co-efficients to assess both the spread of the income from the median and the amount of clustering that is happening. For more on the theory and measuring of polarization, see Alan Walks (2013). *Income Inequality and Polarization in Canada’s Cities: An Examination and New Form of Measurement*. Research Paper 227 Cities Centre, University of Toronto (Retrieved from <http://neighbourhoodchange.ca/documents/2014/04/walks-2013-income-inequality-rp227.pdf>).

the cost of living in York Region. In particular, York Region uses well-established low income lines, such as the Low Income Measure (LIM) or the Low Income Cut Off (LICO), to track low income trends. The analysis here is the overall distribution of household income, so the focus is on all income groups and how their distribution has changed over time.

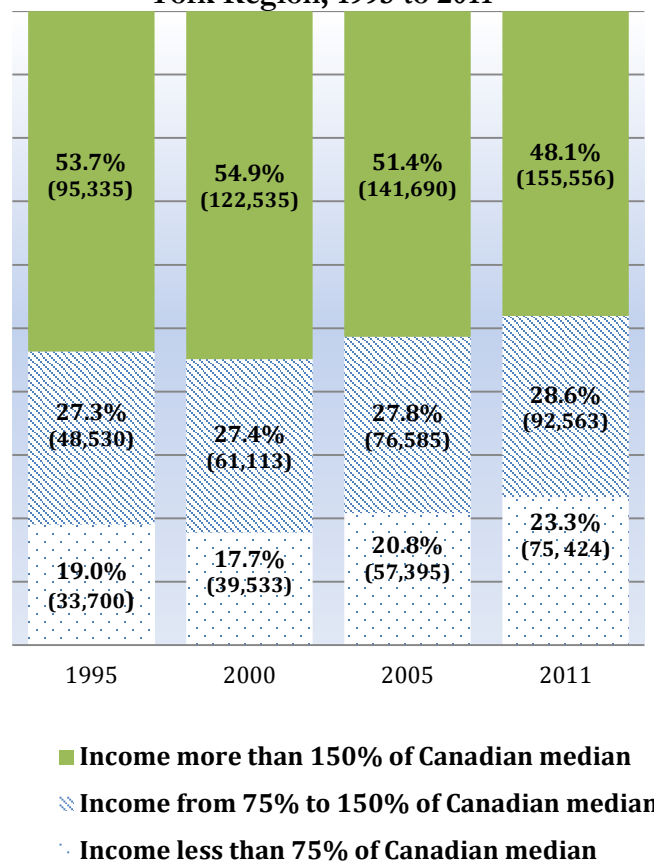
Income Group Trends

York Region is a mostly affluent community but the lower income group is increasing faster than both higher and middle income groups

Chart 1 shows the distribution of households in York Region by their income group. While higher income households continue to make up the largest income group in York Region since 1995, their share has been decreasing – from about 54 per cent in 1995 to 48 per cent in 2011. During the same time, the lower income group increased its share almost to the same extent that the higher income group share decreased – from 19 per cent in 1995 to about 23 per cent in 2011.

The middle income group has remained relatively stable, with a small increase in their share between 1995 and 2011.

Chart 1
Distribution of Households by Income Group
Per cent and Number of Households,
York Region, 1995 to 2011



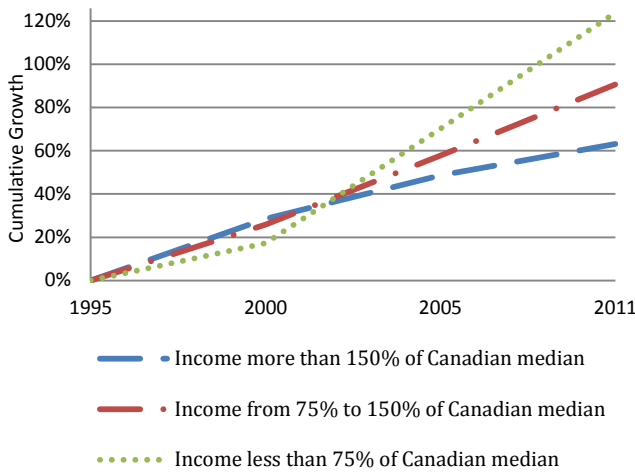
Source: 1996, 2001, 2006 Census Long-Form Questionnaire¹⁰ and 2011 Environics Analytics Census Plus

While the absolute numbers of households in all three income groups increased since 1995, as Chart 2 shows they grew at different rates. Notably, the lower income group grew slower than the others over the first five years but grew more quickly after that - almost twice as much as the higher income group and almost one and a third times as much as the middle income group.

¹⁰ For census long-form questionnaire data, income reflects the annual income previous to the census year.

Chart 2

Household Income Groups, Cumulative Growth Rate, York Region, 1995 to 2011



Source: 1996, 2001, 2006 Census Long-Form Questionnaire and 2011 Environics Analytics Census Plus

The shifting of income distribution to the lower end confirms other findings that York Region residents living with low income have been increasing at a greater rate than the overall population in York Region since 2003.¹¹ This is a result of both macro and local factors:

- The impact of the 2008-09 recession and changing labour markets, including precarious types of employment and declines in manufacturing jobs since 2005
- The steady numbers of recent immigrants settling in York Region each year and the challenges they can face integrating into the labour market
- Changes in household types, including those who are more likely to be low income (e.g. lone parents and single person households)

¹¹ The Regional Municipality of York, (2014). *Low Income Trends in York Region – 2000 to 2011*. Newmarket, Ontario.

- An aging population, with some facing declining incomes as they retire from employment
- Lower income households finding ways to live in York Region, but not necessarily in affordable or stable housing

Whether these factors will continue to drive the growth of lower income households in York Region is unclear – for example, changing economic and labour market conditions and housing markets could either accelerate or decelerate the process. However, the shift in distribution generally reflects York Region’s changing urban form over the last 30 years – from largely homogeneous suburban and smaller rural communities in the 1980s and 1990s to a more complex region of cities, both new and maturing suburban areas and changing rural and exurban (wealthier communities on the edge of the suburbs) communities. To date, this appears not to have led to a declining middle income group overall in York Region but rather to faster growth in lower income households relative to higher income households.¹²

Communities across York Region include a more diverse mix of income groups

There are both risks and opportunities at the household, community and regional level as the income mix changes in York Region.

First, York Region households face the highest debt-to-disposable-income ratio in the Greater Toronto and Hamilton Area, which is driven mostly by mortgages and the high costs of housing in York Region.¹³ While higher income

¹² There is evidence that some level of polarization is occurring both within and between neighbourhoods and local municipal levels in York Region, particularly between 1990 and 2005. For more on local patterns of changes in the income distribution within York Region, see Walks, *Income Inequality and Polarization in Canada’s Cities: An Examination and New Form of Measurement*, Chapter 6.

¹³ The debt to disposable income ratio in York Region is 3.07 in 2011 compared 2.83 in Peel Region, 2.01 in Toronto, 2.40 in Durham Region, 2.57 in Halton Region

households may be able to manage this debt successfully, lower and middle income households are likely at higher risk of housing loss in the event of a job loss, illness or rising interest rates and may be increasing other debt burdens (e.g. lines of credit and other types of consumer credit) or reducing spending in other areas (e.g. nutritious food) to offset the costs of housing. This highlights the need for a range of supports that can help low and middle income groups meet basic needs, access transit and find and keep jobs and housing.

Second, the change in the income distribution is likely varied at the community level – where some communities may be experiencing greater mix of income groups while others are experiencing more clustering of households with similar income levels. Although the community level analysis is beyond the scope of this information sheet, it is reasonable to suggest that each community will have different needs, assets and challenges. Understanding these local dynamics is important in developing regional and local service plans and strategies to build or sustain socially inclusive communities.

Overall, York Region has maintained a fairly stable middle income group since the 1990s and both higher and middle income groups make up a large majority of York Region households. At the same time, the number of low income households has also grown. This reflects broader trends in the Greater Toronto Area of increasing income vulnerability for some residents. Helping all income groups contribute to York Region's economy and communities is key to sustaining overall community health and well-being.

For More Information

Research and analysis for this information sheet are prepared by the Strategies and Partnerships Branch, Community and Health Services Department, The Regional Municipality of York. This information is not exhaustive of all research relevant to York Region. It is provided for reference purposes only. York Region accepts no liability for the consequences of any actions taken on the basis of the information provided.

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The Regional Municipality of York, 2014. *Income Groups in York Region, 1995-2011: What is happening to the "middle"?* Newmarket, Ontario.

and 2.02 in Hamilton. Environics Analytics *WealthScapes*, March 2014. For more on patterns of debt in the Greater Toronto Area, see Alan Walks (2013). "Mapping the Urban Debtscape: The Geography of Household Debt in Canadian Cities." *Urban Geography*, Vol. 34, no. 2, 157-187.