

Giving credit where earnings are due

In a recent study, Statistics Canada¹ reported that the median earnings of individuals employed full-time full-year in 2005 was \$41,401. In other words, one-half of full-time earners made more than this amount, and one-half made less. When the agency compared the 2005 figure with the median earnings 15 years earlier, in 1990, they found (that after adjusting for increases in the cost of living) median earnings were only about \$600 or 1.5% higher. Fifteen years, 1.5%.

Another study by the Centre for the Study of Living Standards (CSLS)² found that while “the median real earnings of Canadians barely increased between 1980 and 2005; over the same period, labour productivity rose by 37.4%.” If Canadians have not seen productivity growth translate into higher real wages, what exactly have they seen? And, in particular, what does it mean for Canadian families?

One thing Canadian families have definitely seen is more time devoted to the labour market. The labour force participation rate of family members is at a record high. Dual earner families continue to make up a growing share of family types and the employment rate of lone-parent mothers has increased dramatically. In addition, the percentage of people who work overtime hours in a typical week rose to 23% in 2006, up from 18 % in 1997.³

As one might expect, the increased time spent in paid employment helped bolster family earnings, but here too the increases have been modest. Statistics Canada found that median earnings among working age families was \$64,800 in 2005, 4.4% higher than in 1990.

Selected Measures of Earnings and Debt, in Constant \$2006				
	1990	2005	Change	% change
Median Earnings ⁱ				
Individual earners working full-time full-year	\$41,459	\$42,092	+ \$633	+ 1.5%
Working Age Families*	\$62,050	\$64,779	+ \$2,729	+ 4.4%
	1990	2008 (3Q)	Change	% change
Average Household Debt ^{iv}				
Consumer credit debt	\$12,190	\$25,563	+ \$13,373	+ 109.7%
Mortgage debt**	\$33,670	\$56,732	+ \$23,062	+ 68.5%

* Working age families refers to couple families where at least one partner or spouse is aged 18 to 64, and lone-parent families where the parent is aged 18 to 64.

** includes households with and without mortgages

Source: Prepared by the Vanier Institute of the Family based on Statistics Canada (see endnote i) and Sauvé (see endnote iv).

Family Lens

While real earnings gains have been hard to come by, the availability of credit has not. Average household consumer credit debt more than doubled between 1990 and 2008, while average household mortgage debt increased by 68.5%. As a result, these debt loads now represent a record high 127% of annual disposable household income⁴. Families certainly need good budgeting skills to safely manage their debt, but they would also benefit enormously from real earnings rewards.

1 *Earnings and Incomes of Canadians Over the Past Quarter Century, 2006 Census*. Cat. No. 97-563-X

2 *The relationship between productivity and real wage growth in Canada and OECD countries, 1961-2006*. Dec., 2008.

3 Two recent reports by the Vanier Institute document these trends, and their impacts on work-life balance: Barrette, Sauvé).

4 Roger Sauvé. *The Current State of Canadian Family Finances, 2008 report*.