

**ECONOMY LAB**

# Who are the richest 1 per cent in Canada? They're not just CEOs

[Tavia Grant](#)

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For all the hue and cry over Canada's richest 1 per cent, little is known about just who they are.

Until now. A new picture of that rarified club shows they are overwhelmingly men, older men in particular. They tend to have university degrees, and half of them work more than 50 hours a week. They're not, by any stretch, all bankers: they are also doctors, dentists, managers and veterinarians, who earn at least \$230,000 a year to qualify.

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### A paper

[<http://www.clsrcn.econ.ubc.ca/workingpapers/CLSRN%20Working%20Paper%20no.%20100%20-%20Green,%20Lemieux,%20Milligan%20and%20Riddell.pdf>] released last week by University of British Columbia economics professors sheds new light on income inequality trends in Canada, who the top earners are and what policies might best address the country's growing income gap.

They find, broadly speaking, that income distribution has not been this uneven in Canada since "the dark days of the Great Depression."

"The ratcheting-up of inequality in Canada is real," the 43-page paper says. "Whatever else it achieved, the Occupy movement shone a light on our growing inequality."

Income inequality has been hotly debated in the past year, and a raft of recent studies has shown it is widening in most advanced economies. Growing income disparity has been linked with deteriorating outcomes for health-care, crime and long-term economic growth.

In Canada, about 8 per cent of the country's total income was concentrated in the hands of 1 per cent of

the population back in the late 1970s. In recent years, that almost doubled to 14 per cent, the UBC paper said, which is based in part on details from the 2006 long-form census.

Reasons for the growing chasm vary. The wage gap between those with a university degree and those with just high school is widening. Younger workers are facing worse earnings prospects than a generation ago. Outsourcing, declining unionization rates and technological change may also be playing a role.

Policies that could narrow the gap include closing tax loopholes, hiking taxes on the richest 1 per cent and increasing refundable tax credits to lower-income Canadians, the authors say. Making the education system more flexible and reducing high school dropout rates could help support the middle class.

Here are some more of the findings from the study, entitled *"Canadian Inequality: Recent Development and Policy Options"*:

- The top 1 per cent of earners amount to 275,000 individuals.
- Fifty-two percent of people in the top 1 per cent work at least 50 hours a week, compared to less than 20 per cent for the overall population.
- One needs an annual income of at least \$230,000 to be part of the top 1 per cent. The average income in this group is \$450,000, compared to only \$36,000 for the whole Canadian population.
- One could safely call this a brotherhood -- 83 per cent of those in the top 1 per cent are men. "So despite the significant gains realized by women over the last few decades, they remain dramatically underrepresented at the very top of the income distribution."
- Young people (under age 35) are also underrepresented in the top income group, though this may just be transitory as most haven't yet reached their peak life-cycle earnings.
- Fifty-eight percent of individuals at the top have at least a bachelors' degree, a greater proportion than the broader population, where 19 per cent of the adult population are university graduates.
- Top earners hail from a variety of sectors. Just 10 per cent of people in the top 1 per cent work in the finance and insurance industry (despite garnering most of the public's wrath). Senior managers and CEOs are over-represented in the top group, but still only account for 14 per cent of top earners. The only other large group of top income earners? Physicians, dentists and veterinarians who comprise almost 10 per cent of top earners, despite representing less than 1 per cent of the workforce.

The paper was jointly written by UBC's Nicole Fortin, David Green, Thomas Lemieux, Kevin Milligan and Craig Riddell for the Canadian Labour Market and Skills Researcher Network.

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