**Measuring Working Poverty & Income Inequality**

**1. Year:** 2010[[1]](#footnote-1)

**2. Geography:**

**Table 1: “Working Poverty”**

|  |  |
| --- | --- |
| **Taxfiler**  **Geo Label** | **Taxfiler**  **Geo Code** |
| Urban forward sortation areas (residential area) | 3 |
| Rural postal codes (within city) | 6 |
| Other urban area (non-residential within city) | 7 |
| Postal city (city total) | 8 |
| Rural postal codes (not in city) | 9 |
| Other provincial total | 10 |
| Provincial totals (territories are excluded) | 11 |
| Canada | 12 |
| Census division | 21 |
| Census metropolitan area | 41 |
| Census agglomerations | 42 |
| Census tracts | 61 |

**Table 2: “Income Inequality”**

|  |  |
| --- | --- |
| **Taxfiler**  **Geo Label** | **Taxfiler**  **Geo Code** |
| Postal city (City total) | 8 |
| Rural postal codes (not in city) | 9 |
| Other provincial total | 10 |
| Provincial total (territories are excluded) | 11 |
| Canada | 12 |
| Census division | 21 |
| Census metropolitan area | 41 |
| Census agglomerations | 42 |

**3. Definitions**

**Table 1 – Working Poverty**

**Measures:** # of working poor individuals / # of total Individuals[[2]](#footnote-2)

Working poverty is defined as individuals with an after-tax income below the Low Income Measure (LIM AT) and earning an annual individual **working income** of over $3,000.[[3]](#footnote-3)

The table includes three separate counts of individuals at the geographies identified above[[4]](#footnote-4):

* All individuals
* All individuals excluding full-time postsecondary students living on their own (enrolled as a full-time student at a designated educational institution for more than 13 weeks in the year)
* All working poor individuals

Each count of individuals includes three age ranges:

* individuals ages 0-64
* individuals ages 18 to 64
* individuals aged 65+

**Procedures to build the Working Poverty table:**

1. Drop Yukon, Northwest Territories, Nunavut, non-residents and Indian Reserves;
2. Flag individuals living in low income;
   1. Calculate adjusted after-tax family income ( Divide the after-tax family income by the square root of the family size);
   2. Assign the adjusted family income to each family member;
   3. Calculate the median of the adjusted family income using all persons;
   4. Multiply the median adjusted family income by 0.5 to get the LIM threshold for a family of size 1;
   5. To obtain the LIM thresholds for families of other sizes, multiply the one-person family LIM threshold by the square root of the family size;
   6. Flag each individual by the LIM status. If the family’s income is below the LIM threshold, each member of this family is defined as poor;
3. Identify individuals by the working status;
   1. Calculate the earnings of each individual. Earnings are the sum of Employment income from T4 slips, other employment income and self-employment income;
   2. Flag each individual by the working status. Individuals who have earnings no less than $3,000 are defined as working;
4. Identifying working poor individuals as those individuals who:
   1. Live in a poor census family [2.f.] and
   2. Have earnings no less than $3,000 [3.b.] and
   3. Do not claim full/part time education deductions; and,
   4. Are not Child taxfilers and non-taxfiling children - where child is determined by a familial relation and not age (i.e. Dependants who do not live on their own)

**Table 2 – Income Inequality**

**The table is intended to allow the following analysis:**

* A ratio of incomes at different percentile and decile thresholds (Deciles 1 through 10, 99th percentile top 1% e.g. top 10% to bottom 10%, etc…); and,
* A comparison of the value of the share of total after tax income received by the population above or below any given decile or percentile threshold (e.g. the top 1 percentile earned x% of all income, while the bottom 4 deciles earned y%).

**The table includes three variables :**

* Number of persons
* Aggregate After-tax Income ($)
* # persons with after-tax Income
* After-Tax Income Threshold upper limits ($)

**For the following decile and percentile thresholds:**

* All persons
* Decile 1, Decile 2, Decile 3, Decile 4, Decile 5, Decile 6, Decile 7, Decile 8, Decile 9,Decile 10
* 99th percentile (Top 1%)

**Procedures to build the income inequality table:**

1. Exclude persons in Yukon, Northwest Territories, Nunavut, non-residents and Indian Reserves and dead filers in the year of death
2. Calculate income decile groups for each individual within each geography as follows:
   1. Assign the adult equivalized Census Family after tax income to every person (Divide family income by the square root of family size)
   2. Determine the decile thresholds for each geography across all individuals
   3. Group individuals into decile groups using these thresholds and their census family income

1. 2010 is a baseline year. We will additional years as required. Income data for 2013 should be available by June 2015. [↑](#footnote-ref-1)
2. At a later point in time, we will explore a measure of working poverty by family type . E.g. What proportion of working poor individuals are in lone parent families? [↑](#footnote-ref-2)
3. **Working income** is the total amount of an individual's income for the year from employment and business, excluding losses. This reflects the Federal government’s Working Income Tax Benefit (WITB) a refundable tax credit intended to provide tax relief for eligible working low-income individuals and families who are already in the workforce and to encourage other Canadians to enter the workforce. As of January 2014, eligibility for the WITB was limited to **working incomes** over $3,000. [↑](#footnote-ref-3)
4. Excludes Yukon, NWT, Nunavut, Non-residents, Indian reserves, and dead filers in year of death. [↑](#footnote-ref-4)