

Abstract

Canada's Middle Class – Forever Further Behind?

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Between 1981 and 2016, Canada's real GDP per capita grew by 55.9%, almost \$20,000 (CDN)¹, which is surely an appreciable increase. However, an EKOS poll in 2014 reported that almost three quarters of Canadian respondents (74%) agree that "*The middle class is shrinking and falling backward.*" This paper assesses the realism of that perception and prospects for the future. It begins by discussing the reasons why real hourly wages in Canada stagnated between 1981 and 2001 for all except those at the very top of the wage distribution. It then discusses the income distributional impacts of the resource boom of 2002 to 2014 and the realistic prospects for a surge in real hourly wages as Canada adjusts to the resource bust and to the trends in robotics, Artificial Intelligence and secular stagnation which other OECD nations have been facing for some years. Since real income trends may mask, or accentuate, the impacts of insecurity and housing affordability on self-perceptions of middle class status, these trends are also examined. The paper concludes with a discussion of political and policy implications.

¹ From \$35,723 to \$55,681 (in 2015 \$ CDN) – a compound growth rate of 1.31% annually. CANSIM Table 380-0084 Gross domestic product at 2007 constant prices, expenditure-based