

THE ENERGY BOOM AND INCOME GROWTH

In the last decade, both rich and poor households in Alberta enjoyed significant income growth.

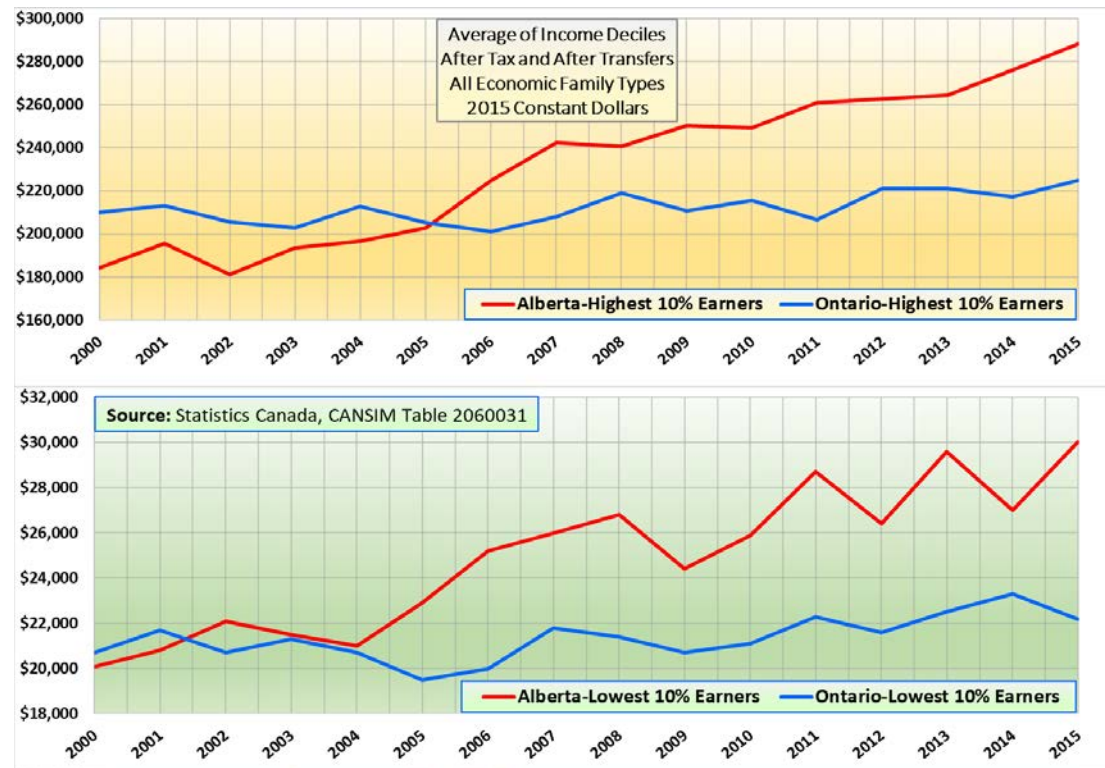
An energy boom fueled by high, though volatile, oil prices was a key driver of economic growth in Alberta for much of the period 2000-2015. Who was the beneficiary of that boom?

The graphs show, for each year during the period 2000-2015, the average after-tax and after-transfer incomes of the top 10% of households (upper panel), and the bottom 10% of households (lower panel). All figures are adjusted for inflation. To gain a sense of the contribution of the energy boom to changes in household earnings, we compare incomes in Alberta with those in Ontario.

Since 2000, the incomes of both rich and poor households have grown considerably more in Alberta than Ontario.

The data show that in 2000, the real average income of the poorest 10% of households was slightly higher in Ontario (\$20,700) than Alberta (\$20,100). Over the next 15 years, and particularly since 2005, the poorest 10% of households in Alberta saw their real average earnings rise by approximately 50%, thus approaching \$30,000. From 2000 to 2015 In Ontario, the poorest 10% of families saw their real incomes grow only very slowly and ended the period with an average income of \$22,200, an increase of 7%.

In 2000, the real average incomes of the richest 10% of households was considerably higher in Ontario (\$210,000) than Alberta (\$184,300). Over the next 15 years, these real average incomes



increased only slightly in Ontario, rising by 7% to \$224,700. In Alberta, the incomes of the richest 10% of families surpassed the incomes of the richest 10% in Ontario by 2006. By 2015, real average incomes of the richest 10% of households in Alberta had risen to \$288,100, an increase of 56% relative to 2000.

Remarkably, the energy boom in Alberta simultaneously raised the earnings of both the richest and poorest households in the province by roughly 50%. The boom pushed the incomes of both sets of households from below to well beyond those in Ontario. The ratio of highest to lowest household average real incomes over this period, representing a rough measure of income inequality, remained virtually the same in the two provinces, with Ontario having a slightly greater inequality than Alberta (10 times in Ontario versus 9.3 times in Alberta).