Income and wealth inequality in Canada reach a new record

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According to a report by Statistics Canada on income and wealth distribution issued in July, income inequality reached a record high in the first quarter of 2025. This marks a fourth consecutive increase year-on-year; notably, starting at the onset of the COVID-19 pandemic.

Statistics Canada defines the income gap as the difference in the share of disposable income between households in the top two quintiles (top 40 percent) of the income distribution and the bottom two. This gap grew from 43.8 percentage points in the first quarter of 2021 to the record high of 49.0 percentage points in the first quarter of 2025.

The lowest income households (the bottom 20 percent) fared the worst. The average disposable income of this group was $6,373 in Q1 2025. This was the only group that had declining average wages, mainly due to weak labour market conditions; the manufacturing and mining sectors were especially adversely affected. The average income for this underprivileged segment of the working class would have dropped compared to Q1 2024 but for the modest increase in government support measures, such as social assistance and employment insurance.

In contrast, the highest income households (the top 20 percent) fared the best. It was the only quintile that increased its share of disposable income compared to the previous year. The average disposable income of this group was $52,282 in Q1 2025—a 7.7% increase compared to Q1 2024. Investment income—a major income component for this group—increased by 7.4 percent. These gains allowed this segment to grow their net savings at an above average pace of 9.6 percentage points compared to the year prior.

The economic position of the middle-income households (the middle 60 percent) was relatively unchanged. The average disposable income was $21,403 in Q1 2025, compared to $20,402 in Q1 2024. The increase was mostly due to moderate wage gains. The investment earnings for this segment declined slightly relative to one year earlier. The disposable income share of this group dropped by 0.6 percentage points.

Closely related to income inequality is wealth inequality. Over time, income inequality drives and amplifies wealth inequality. Households with high incomes can save and invest, while low-income households spend their disposable income on basic necessities.

In Canada, the richest households capture the lion’s share of the country’s wealth. The wealthiest top 20 percent accounted for almost two-thirds (64.7 percent) of total net worth, averaging $3.3 million per household. This represents an above-average 3.1 percent increase in wealth compared to Q1 2024. However, the bottom 20 percent of households had a negative net worth of -$1,644, as they owed more in debts and liabilities than they owned in assets. Given the high cost of living in most of Canada, many such households are one pay cheque away from financial calamity.

Behind the numbers, a stark portrait emerges: a society in the throes of a deepening social crisis. Skyrocketing home prices and rents, especially in major urban centers, continue to push housing out of reach for many Canadians, fuelling homelessness and financial strain. Homelessness in Toronto, Canada’s largest city, has more than doubled in the last three-and-a-half years.

According to a recent survey conducted by Pollara Strategic Insights, 23 percent of Canadians report that they are unable to buy sufficient food. Record numbers are turning to food banks as financial pressures mount. More than two million workers seek assistance every month, with many arriving for the first time. Children account for a third of those in need. The food bank system is buckling under the strain—last year, a third of food banks could not meet demand.

The response to the latest Stats Canada report by the press has been muted and predictable. The liberal-leaning newspapers made appeals to the Liberal Mark Carney government to make the tax system more progressive, increase the benefits for the less affluent and build affordable housing. Pseudo-left outfits made similar appeals in addition to suggesting that the solution lies in increasing workers’ unionization rates.

Such appeals are deceptive and politically bankrupt. A question must be asked: what is the economic and historic trajectory that led to the current situation? It is certainly true that the COVID-19 pandemic has accelerated current economic trends—but the path was laid decades ago.

After the dissolution of the Soviet Union by the Stalinist bureaucracy in 1991, an atmosphere of capitalist triumphalism prevailed in North America. In the United States, the Democratic government of Bill Clinton moved swiftly to dismantle the welfare state. Having been forced to make greater concessions to the working class in the immediate post-war period compared to its southern neighbour due to its relative weakness and a militant upsurge of the class struggle, Canadian capital had more expansive social programs to demolish.

The process of social counterrevolution began in earnest when the Liberal government of Prime Minister Jean Chrétien introduced large social spending cuts in the mid-1990s despite budgetary surpluses. The process continued during the premiership of Paul Martin, Chrétien's former Minister of Finance. In the early 2000s, the focus of the Liberal government was centered on corporate and personal income tax cuts, as well as reductions in capital gains taxes. The Conservative government of Stephen Harper continued with the policy of broad personal and corporate tax cuts. During the financial crisis of 2008, the government transferred tens of billions of dollars to Canada's largest banks. During the heights of the COVID-19 pandemic crisis in 2020 and 2021, the Liberal government of Justin Trudeau funneled hundreds of billions of dollars to the largest banks and major corporations with the full backing of its trade union and New Democratic Party "partners."

Although not in a straight line, the income and wealth gap grew during this period. This was not the result of mistaken policies. Rather, this was the outcome of definite class interests expressed through the pursuit of a ruthless class war agenda by the ruling elite against the working class. At every point, both Liberal and Conservative governments ensured that the interests of the corporations and the well-to-do were protected. Workers, by contrast, saw union-enforced wage "gains" that trailed productivity growth — and at times fell behind inflation.

The trade union bureaucracy has served as a key mechanism for the enforcement of the ruling class' onslaught, because it has worked to systematically demobilize all worker opposition as social inequality has exploded over the past four decades. The bureaucracy's nationalist basis and pro-capitalist outlook means that their first loyalty is to the state. The bureaucracies maintain close ties to the NDP and the Liberals. They have embraced the former central banker Carney as a defender of "Canadian jobs," as he has followed his predecessor Trudeau—who oversaw the banning a succession of strikes, including at Canada Post—by criminalizing the Air Canada flight attendants' strike.

The primary concern of the well remunerated upper echelons of the trade union bureaucracies is the defence of their own privileges, which rest on a corporatist partnership with the state and big business. In the present stage of economic development, trade unions are not a bulwark against inequality. Their heyday—when the trade unions led workers to important victories by way of militant struggles within the nation-state framework—is in the distant past. Today, job actions isolated to a single country and a specific industry cannot be effective against powerful multinational companies.

The Canadian economy is facing strong headwinds due to the rising levels of debt, stagnant labour productivity, the impact of trade wars, and sharpening antagonisms between the imperialist powers amid an intensifying redivision of the world. The Canadian ruling elite is desperate to reach some sort of accommodation with the fascist government of President Donald Trump, which it views as the preferable way to wage war in pursuit of Canadian imperialism's global predatory interests. But with Trump threatening to annex Canada as part of American imperialism's preparations for an escalating world war, the new Liberal government is expanding its economic and military ties with European imperialism as a hedge.

The questions of war and inequality are inextricably linked. Carney's Liberals have earmarked $9 billion in new defence spending for 2025-26, promising to hit NATO's 2 percent benchmark. Carney also endorsed a new pledge to raise military spending to 5 percent of GDP by 2035. Increases of such magnitude will require a full-scale assault on what remains of healthcare, education and other social programs the working class depends on. As the global imperialist war develops, workers will be expected to pay not just in money but also in blood.

Workers must reject the program of austerity and war. The only progressive way forward is the fight to arm the working class with a socialist and internationalist program to launch an industrial and political counteroffensive against capitalism, the root cause of inequality and war.

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