

IS QUEBEC BECOMING THE POOREST PROVINCE?

Montreal, February 7, 2012 – Are Quebec households richer or poorer than those elsewhere in Canada? Has Quebec closed the income gap with the wealthiest provinces? What is the cause of this gap? What is the impact of federal tax policy on Quebecers' standard of living? The HEC Montréal Centre for Productivity and Prosperity recently conducted a study to answer these questions, and revealed some troubling trends. "The findings are rather disturbing, and deserve our attention," says the study's author, Associate Professor Martin Coiteux.

The study shows that Quebecers' incomes are lower than those of other Canadians, with the exception of people living in the Atlantic provinces. More than these income gaps, however, it is the trends observed that should alarm us. Canada's eastern provinces, traditionally the poorest, have largely reduced their income gap with Quebec, while Ontario, traditionally richer than Quebec, has widened its lead. In the long term, if these trends continue, Quebec could find itself in very last place in terms of income.

Quebeckers do catch up in part because their cost of living is lower than elsewhere in Canada. This advantage is fading, however, and in any case is not enough to offset the province's relative weakness in terms of its employment rate, number of hours worked per job and earnings per hour worked. These hourly earnings are closely linked to labour productivity, so low earnings illustrate Quebec's lagging productivity. There is a clear gap between Quebec and not only Ontario and Alberta, but also British Columbia.

Quebec's relative poverty means that its citizens pay less federal income tax and benefit more from federal personal transfer payments than do Canadians in the wealthier provinces. This interprovincial redistribution of income through federal taxation policy means that Quebec households enjoy a net positive transfer from the more affluent provinces. "Although this reduces the gap between Quebecers and people in the wealthier provinces in terms of income and purchasing power, it does create a form of dependence," notes Professor Coiteux.

Our province fares better near the bottom of the income pyramid. For the quintile representing the poorest households, Quebec has almost eliminated the net income gap with Ontario and has even managed to outstrip British Columbia and the Prairie provinces, with the exception of Alberta. In comparison with the richest provinces, however, Quebec still shows an income gap for the other four quintiles. For 80% of Quebecers, this gap increases as income levels rise. This suggests that Quebec has a generalized relative productivity problem but that the problem is particularly acute at the highest levels of the income pyramid.

Given the Quebec government's high spending ambitions, which are generally higher than in other provinces, this lack of taxable income in the middle and top layers of the income distribution pyramid is particularly problematic. This situation clearly has something to do with the province's dependence on federal transfers and is certainly partly responsible for the province's high levels of personal taxes and debt problems.

In comparison with the rest of the country, Quebec thus has a real income problem, with consequences for both individuals and society as a whole. This unfortunate situation is due, in particular, to lagging labour productivity, reflected in lower hourly earnings and fewer hours worked than elsewhere in Canada. Quebec must give serious thought to its ways of doing things that may have created this situation. "Unless we tackle this issue head on, Quebec could one day find itself trailing all the other Canadian provinces in terms of income and standard of living," concludes the author.

For more information:

- Download the study by Martin Coiteux: [Le point sur les écarts de revenu entre les Québécois et les Canadiens des autres provinces](#);
- [Consultez le communiqué en français](#).

About the Centre for Productivity and Prosperity

The HEC Montréal Centre for Productivity and Prosperity, created in 2009, has a twofold mission. First of all, it is devoted to research on productivity and prosperity, mainly in Quebec and in Canada as a whole. The Centre then shares its research findings, making them widely accessible and, in the end, educating people about productivity and prosperity. For more information on the Centre, see www.hec.ca/cpp.

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