Inequality in Canada (and NB):

A Brief History, Why it Matters, and What WE can Do.

Rob Moir (rmoir@unbsj.ca)
A Brief History

The Canadian Magazine
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Can you provide me with some statistics on what is often referred to as the widening gap between the rich and poor in Canada?

Mike Pavich,
Edson, Alta.

Different societies, at different times, have different definitions of what constitutes poverty. People’s needs vary, and so does the cost of supplying their needs. What might be a comfortable income in Coomb’s Cove, Nfld., might be poverty in a high-cost city like Toronto.

A rough indicator of poverty, sometimes used in Canada, would include non-farm families with incomes below $3,000; non-farm persons below $1,500; and farm households with gross incomes below $2,500. By this standard, and on the basis of the 1961 census, there are 4,624,113 poor people in Canada – or 25 per cent of the population.

Because our concept of poverty has changed over the years, it is hard to chart the gap between rich and poor in Canada. That it does exist seems certain – if one quarter of our population is poor, and yet the average income in Canada is the third highest in the world, after Kuwait and the United States.

As to alleviating poverty, U.S. studies have suggested that by spending two per cent of the Gross National Product, the U.S. could bring all poor families up to a $3,000 level. Corresponding estimates are not available for Canada, but two per cent of our GNP is less than we spend on defence.
A Brief History

- Measured using **quintiles, deciles, and centiles**
- Market and After-Tax Income
  - Adjusted for family size
  - Constant $$ (real income)
  - Income shares
Adjacent Market Income - Canada ($2008)
Brief History

Brief History

Adj. Mkt Income Shares - Canada
Brief History

Adj. A-T Income Shares - Canada
Brief History

Line of Equality (45 Degree)

Cumulative share of income earned

Lorenz Curve

Cumulative share of people from lowest to highest incomes

A

B
Brief History

Adj Gini - Canada
## Brief History


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<thead>
<tr>
<th>HDI Rank</th>
<th>Country</th>
<th>Ratio 10/10</th>
<th>Gini</th>
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Brief History

- But ... The tails of the income distribution are fatter than the standard stats suggest
  - Under-reporting of really rich and really poor
  - Not picked up in Gini coefficient
- Top end of income distribution has seen significant decline in total tax rate (Osberg, 2008: 30)
- Productivity steady increase since 1970, but real wages stagnant $\rightarrow$ larger share to profit-takers
In 2008, the avg pay of the top 100 Cdn CEOs was 174 times earnings of average working Canadian
Pride

- John Peters Humphrey co-authored the “Universal Declaration of Human Rights”
- **Article 25:** “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”
Pride ... And Shame

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- 2006 Report from the UN Committee on Economic, Social, and Cultural Rights
  - “... most of its 1993 and 1998 recommendations in relation to the second and third periodic reports have not been implemented ...”
  - “The Committee is concerned that the State party [Canadian Government] has not provided detailed information as to whether current provincial and territorial social assistance rates allow recipients to enjoy an adequate standard of living. It notes with concern that in most provinces and territories, social assistance benefits are lower than a decade ago, that they do not provide adequate income to meet basic needs for food, clothing and shelter, and that welfare levels are often set at less than half the Low-Income Cut-Off.”
Why Inequality Matters

The Spirit Level
Why Equality is Better for Everyone
Richard Wilkinson and Kate Pickett

Social Determinants of Health
THE CANADIAN FACTS
Juha Mikkonen
Dennis Raphael
Why Inequality Matters

- [URL](http://www.youtube.com/watch?v=jsEZr3s1aBA&feature=player_embedded)
- **Inequality ...**
  - Drains tax revenues
  - Makes public policy more rigid; less social mobility
  - Less-desirable for business to locate in areas of high inequality; low job quality
  - Less stable (fosters resentment/elitism; lower levels of trust)
  - Notion of charity vs civic responsibility
  - Fosters “possessive individualism” – what’s in it for me? vs how does this help us?
  - Rising inequality → shift from democracy to autocracy
  - Links between inequality and crime/imprisonment
  - Links between inequality and educational outcomes
  - Links between inequality and health (mental/physical)
Why Inequality Matters

- “Canadians are largely unaware that our health is shaped by how income and wealth is distributed, whether or not we are employed, and if so, the working conditions we experience.” (p.7 CDN Facts)
- “More equal income distribution has proven to be one of the best predictors of better overall health of a society.” (p.12 CDN Facts)
- “[T]here has been growing recognition that the distribution of income and degree of inequality can affect economic growth, macroeconomic activity and long run living standards.” (Beach, p.15, WIM1000)
- “A number of authors provide evidence that a poor distribution of income might ultimately negatively affect economic growth, through the channels of education, access to capital markets, as well as political and economic mechanisms.” (Michael F. Förster, Trends and Driving Factors in Income Distribution and Poverty in the OECD Area, Labour Market and Social Policy—Occasional Paper No. 42 (Paris: OECD, August 2000), p. 10.)

(as reported by the Conference Board of Canada)
What to Do

- There is a moral issue and an economic issue based on health and education.
- I believe if we focus on the economic issues that will change people’s preferences for equality.
What to Do

- Improve access to quality health (wellness) care and education
  - Focus on productivity enhancement
  - Focus on improving market incomes
  - Look to wage subsidies

- Increase unionization
  - “Social democratic welfare states – Norway, Finland, Denmark, and Sweden – have the strongest unions and highest collective agreement rate and the lowest poverty rates; liberal welfare states – UK, USA, Canada, New Zealand, and Australia – have the opposite.” (p.51 *CDN Facts*)
What to Do

- Public policy to reduce inequality
  - Progressive taxation (negative income tax)
  - Close tax loopholes (e.g., capital gains exemptions on CEO stock options)
  - Pension security
  - Increase minimum wage
  - Set maximum salaries (e.g., 8 times average salary)
  - Restore EI benefits (or return to UI)
  - Improved assistance to those unable to work (public housing, social assistance)
  - Promote employee-owned-and-managed business
  - Proportional representation
  - Develop a team goal (e.g., combating global warming)
What to Do

- Personally invest in community/the *public*
  - CEDIFs
  - Introduce yourself to a neighbour (networks and economies of scale)
  - Co-ops, Community Supported Agriculture, Communal Kitchens, Community Loan Funds, Credit Unions
  - Speak out (letters to the editor, Opinion pieces, radio call-ins)
  - Run for office (or at least vote)
It Means Big Change

“One reason [democracy hasn’t destroyed markets] is that despite their failures, market economies have proved quite effective at producing wealth. And while markets are not very good at distributing wealth, democratic political institutions have shown they can compensate. That’s why we have public health care, old age pensions, unemployment insurance, and income support for families. Markets aren’t very good at that sort of thing.

Markets need democracy to make market economies viable for people. Quite reasonably, more economic growth isn’t of much interest to the bottom half of the electorate if all of the gains are going to the top half.” (Myles, p. 18, WIM1000)
It Means Big Change

- All we have to do is rebuild democracy.
Some References & Websites

Useful Research
http://www.equalitytrust.org.uk/ - The Spirit Level (free overview)
http://www.thecanadianfacts.org/ - free download
http://www.policyalternatives.org/publications/reports/growing-gap – there’s a whole host of reports (including “Why Inequality Matters in 1000 Words or Less” which is especially poignant as researchers from a variety of ideological backgrounds)

General Reading
http://krugman.blogs.nytimes.com/ - one of the better American economists
http://www.progressive-economics.ca/re lentless/ - the Progressive Economics Forum’s blog
http://www.policyalternatives.org/issues/inequality-and-poverty - smart reading right on topic
http://www.csls.ca/ - the Centre for the Study of Living Standards does some neat research, especially on well-being
http://www.ciw.ca/en/TheCanadianIndexOfWellbeing/DomainsOfWellbeing/ LivingStandards.aspx - the Canadian Index of Wellbeing does some great research, but their work on Living Standards is right on topic