

Canada's Income Polarization Trend: A Comparison of Four Metropolitan Areas in an International Context

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Income and wealth *inequality* – the growing gap – is a serious socio-economic trend that has been the source of increasing concern in many Western countries. A related but different trend is the income and social *polarization* it is producing, that is, the increased concentration of the population at the top and bottom of the income spectrum, accompanied by a decline in the numbers of people at the middle. The latter trend has often been referred to as the “disappearing middle.” Income polarization has increased substantially over the last two decades, especially in many of Canada’s large metropolitan areas.

There has always been income and wealth *inequality*, but as long as Canada’s labour market wage structure and public policies maintained a large and stable middle-income group, as they did until the 1990s, economic, social, and spatial *polarization* did not increase. This is no longer the case, and the outcome demands our attention. Income polarization, like income inequality, is not inevitable. It is not happening at the same rate in all comparable Western nations. Even within large urbanized nations, there can be regional differences.

Any significant increase in economic inequality and polarization results in the exclusion of specific groups, communities, and neighbourhoods from the normal benefits and opportunities of urban life. Economic inequality and polarization produces forms of social and spatial exclusion that in turn separate people in certain groups from participation in much that constitutes the normal or mainstream routines of daily economic, political, social, and cultural life. The separation is spatial as well as social. We have in Canada, as a result, more high-income and many more, often disadvantaged, low-income neighbourhoods.

As co-investigators in a major national study on the impact of growing social and spatial polarization on our cities, funded by a grant from the Social Sciences and Humanities Research Council of Canada, we present two sets of bar graphs that summarize the trends. The first three compare Canada to similar Western nations. The last four provide a 40-year look at income polarization trends in Canada's four largest metropolitan areas.

International Comparisons

Out of 15 relatively wealthy Western nations studied by the Organisation for Economic Co-operation and Development (OECD), Canada has one of the largest gaps between rich and poor, as indicated by the Gini coefficient in Figure 1. (The Gini coefficient is the most widely used measure of income inequality.) International comparisons also indicate that Canada is doing less than most of the other 14 nations studied to counteract this inequality. As indicated in Figure 2, Canada spends less than most of the other countries on meeting social needs (as a percent of GDP). Also, after two decades of tax cuts and special deductions that benefit mainly the highest income groups and larger corporations, Canada has less fiscal capacity to meet social needs and address income inequality and polarization (see Figure 3, Tax revenues as a percentage of GDP).

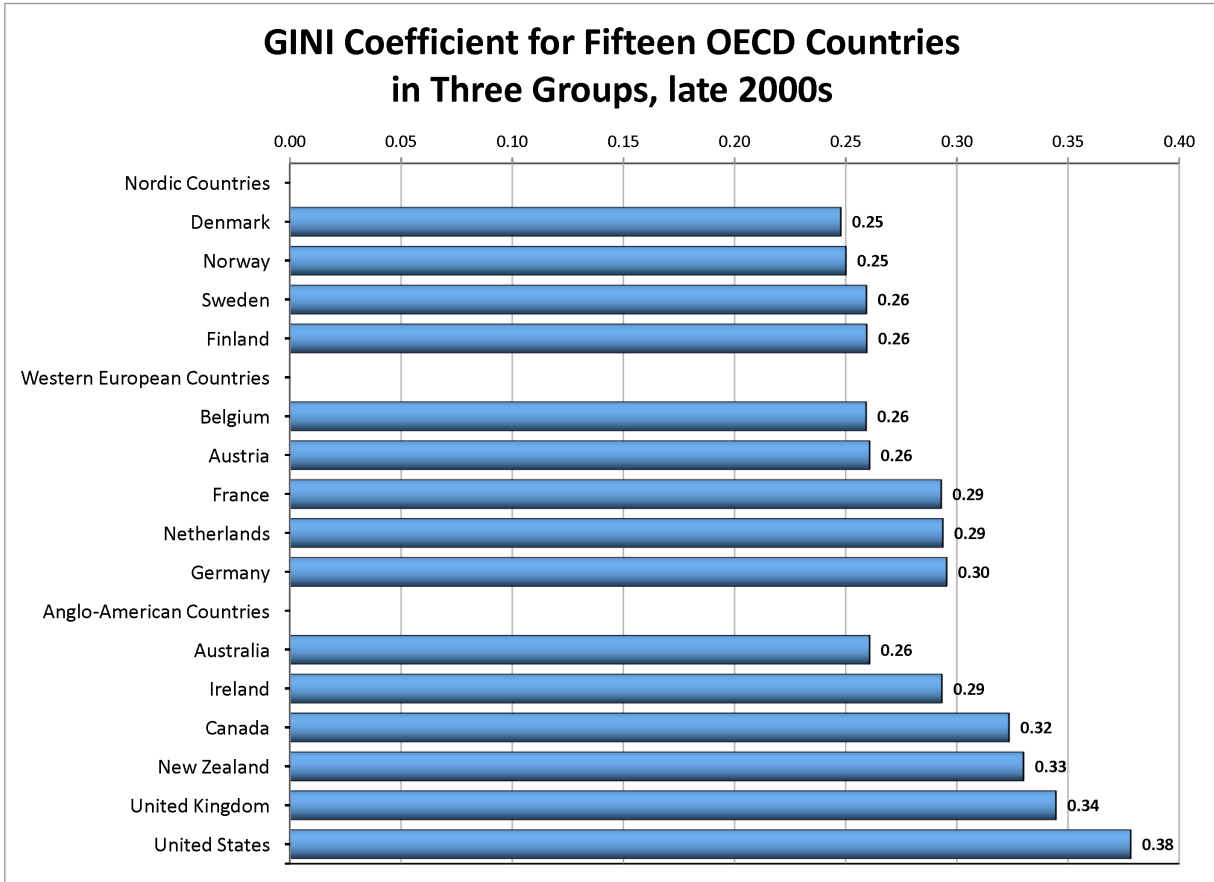
Income Distribution in the Montréal, Toronto, Calgary, and Vancouver Metropolitan Areas

The last four charts provide an overview of changes in income distribution within Canada's four largest census metropolitan areas (representing 13 million Canadians or 39% of the population). Regional variations are due to labour market and provincial policy differences. A more detailed breakdown (not possible in this short brief) would show the socio-economic and ethno-cultural polarization trends within each metropolitan area. Even at this level of aggregation, however, we see the decline in the number of middle-income census tracts in three of the four cities (Montréal is an exception); most of these tracts have become lower-income areas. We define the middle-income group broadly: incomes that are 20% above or below the average for the metropolitan area in each census period. For Toronto, Calgary, and Vancouver the "disappearance of the middle" has been abrupt over a relatively short period of time, about 20 percentage points between 1970 and 2010.

The reasons for these trends are complex and multifaceted. The most important is probably the decline of well-paid manufacturing jobs as well as the increasing importance of highly paid managerial and professional employment at one end of the job spectrum and the increasing numbers of low-paid service jobs at the other end. Equally important, however, is the declining importance of unions in protecting existing jobs, especially those in the middle, and the withdrawal of the federal government from employment assistance programs, especially for the unemployed.

The implications are severe, especially for those in precarious jobs at the lower end of the job spectrum, many of whom are recent immigrants who have yet to become fully established in Canada. As noted earlier, however, other countries, especially those in Scandinavia and parts of Western Europe, have been able to lessen income inequality and polarization. It is time for Canada to tackle this challenge.

Figure 1

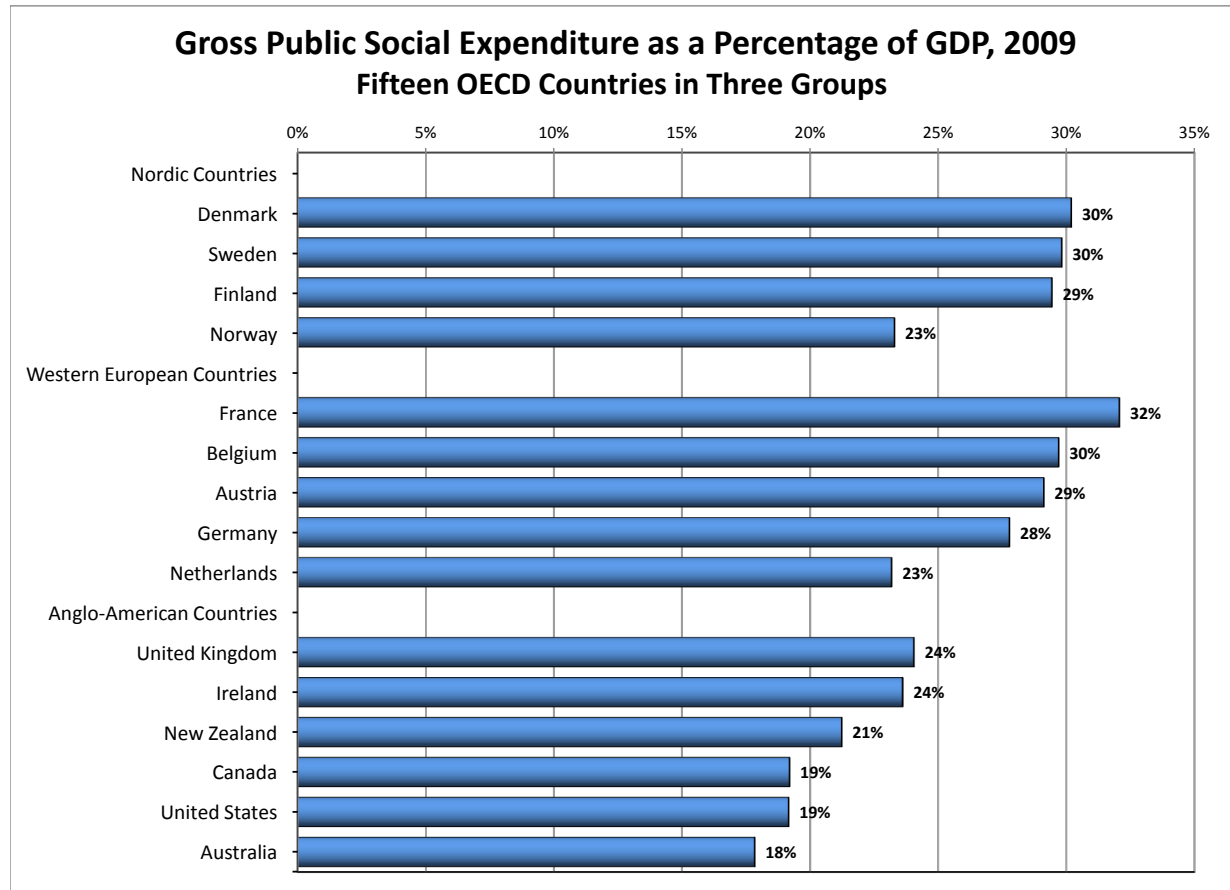


Source: OECD Factbook 2011:
Economic, Environmental and Social Statistics

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Figure 2

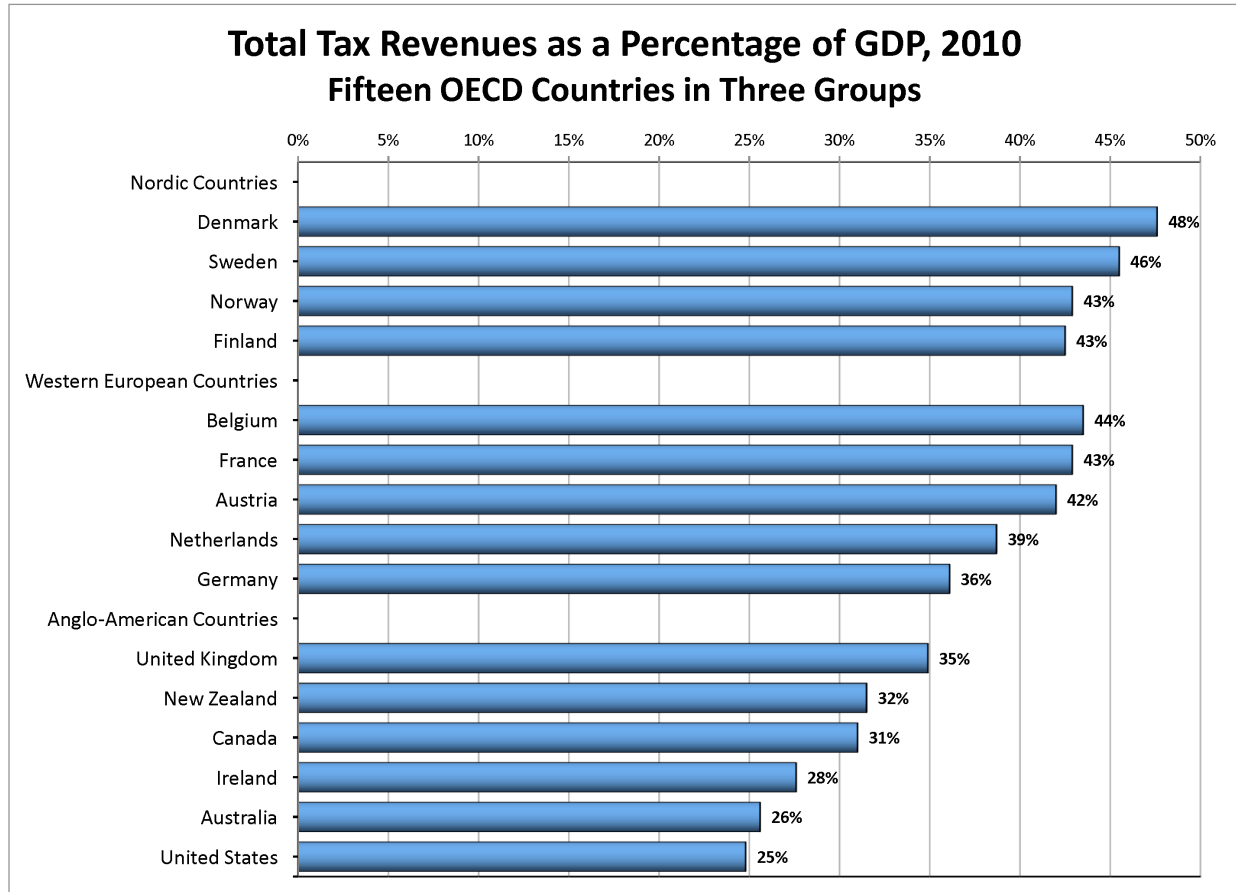


Source: OECD (2012), Social Expenditure (SOCX)
via www.oecd.org/els/social/expenditure

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Figure 3



Source: OECD, Revenue Statistics
1965-2011, 2012 Edition.

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Figure 4

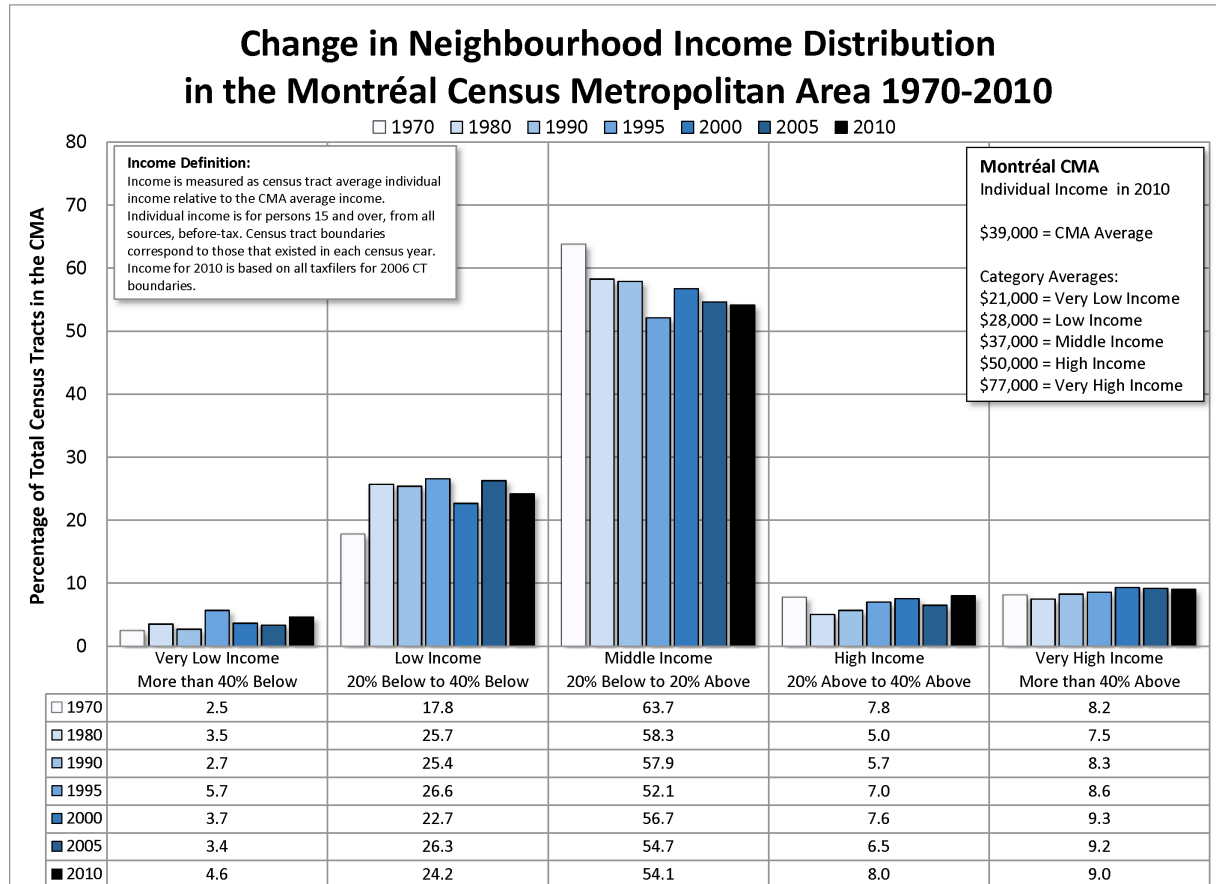


Figure 5

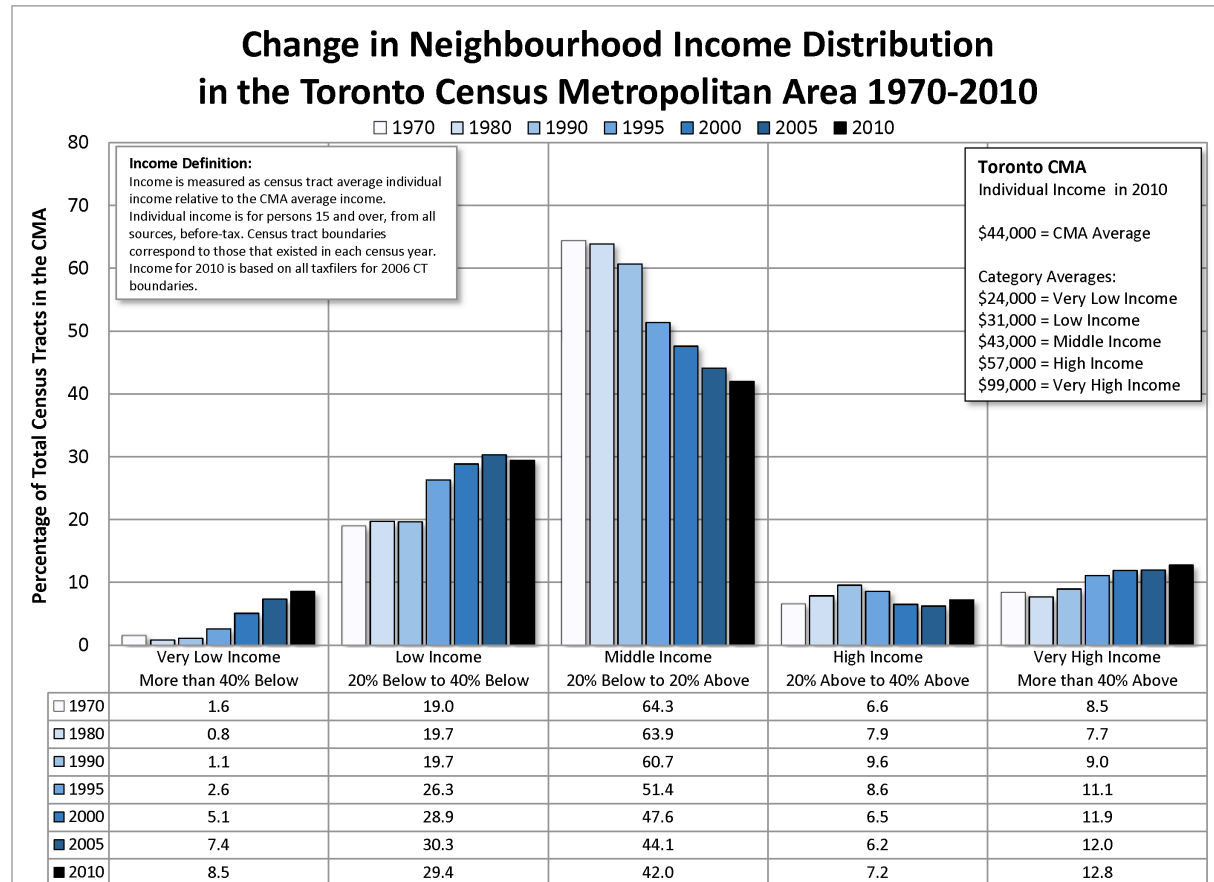


Figure 6

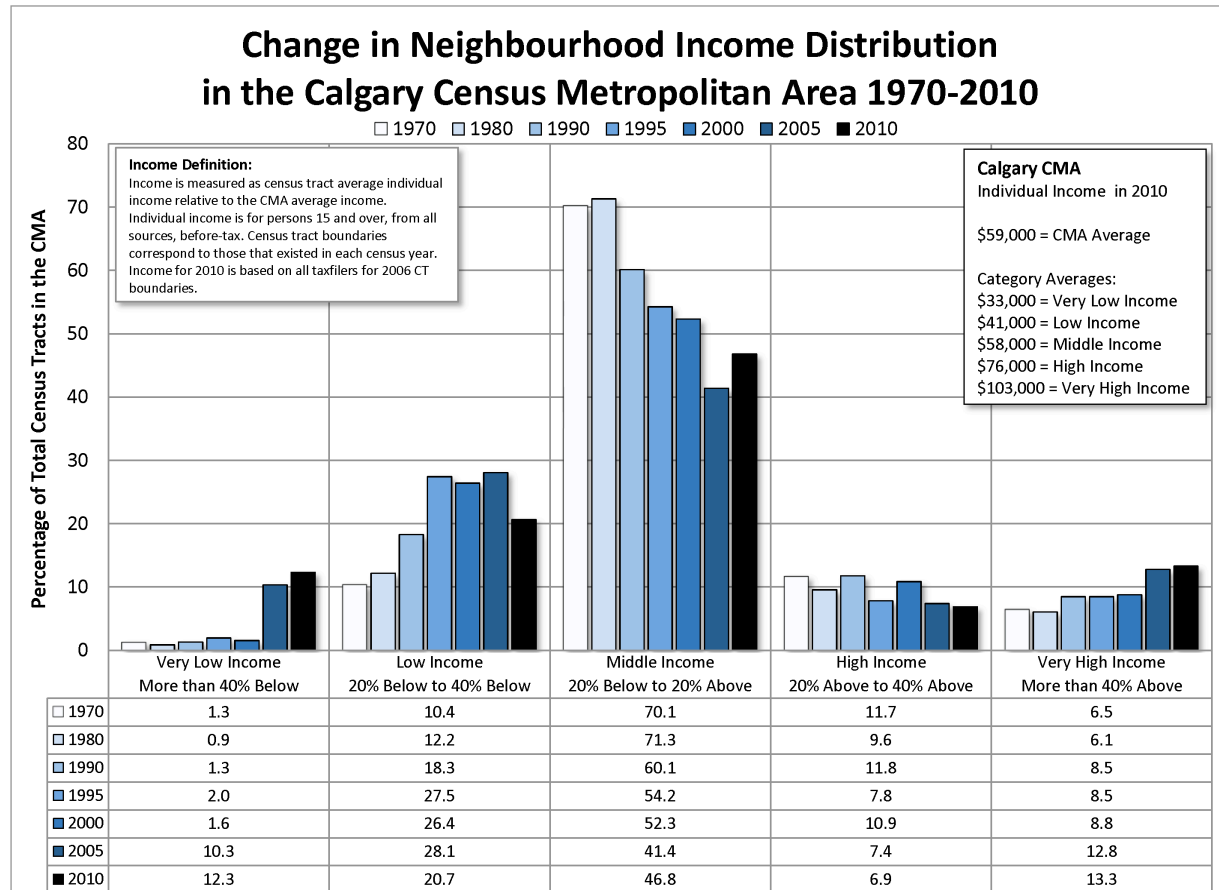


Figure 7



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