



CANADA 2020.CA

The Canada We Want in 2020
Reducing Income Disparities and
Polarization

Fairmont Château Laurier

Jan. 19, 2012

Twitter: @Canada2020, hashtag

Welcome

A decorative graphic consisting of several horizontal lines in red, purple, green, orange, and teal. On the left side, these lines are grouped and curve downwards, then extend horizontally across the top of the slide.

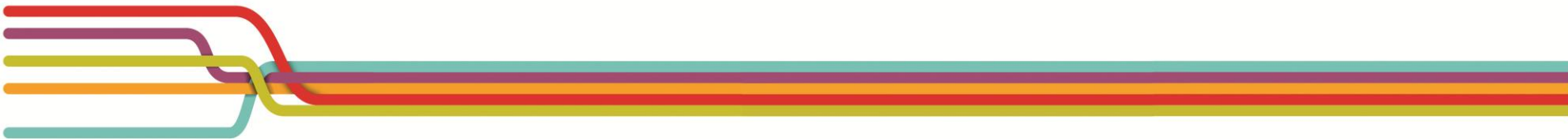
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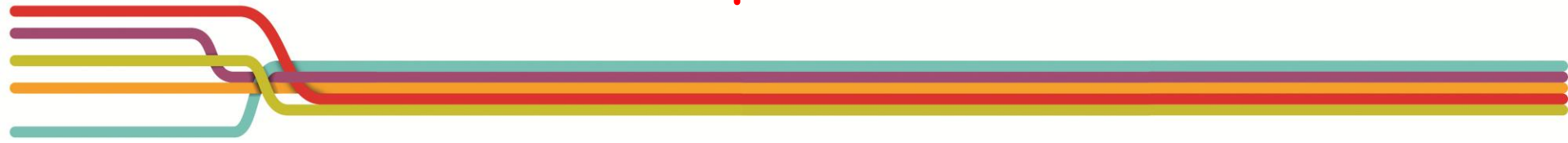
bluesky strategy group inc.



and the individual members of the Canada 2020 Founders' Circle

Twitter: @Canada2020, hashtag #Canada2020

Got a question?



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Alessandro Goglio

OECD

Divided We Stand:
Why Inequality Keeps Rising



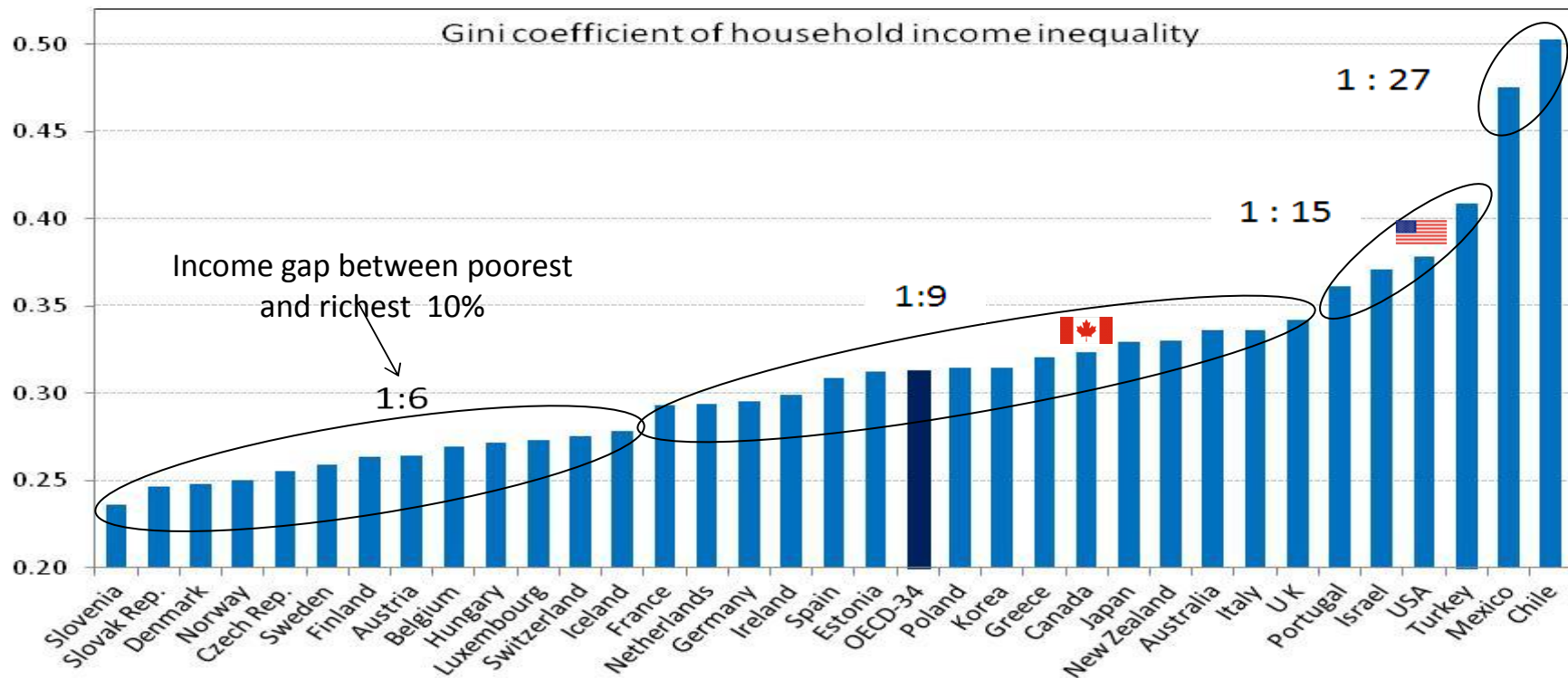
Divided We Stand: Why inequality keeps rising –

*Alessandro Goglio,
Economic Counsellor*

OECD Employment, Labour and Social Affairs

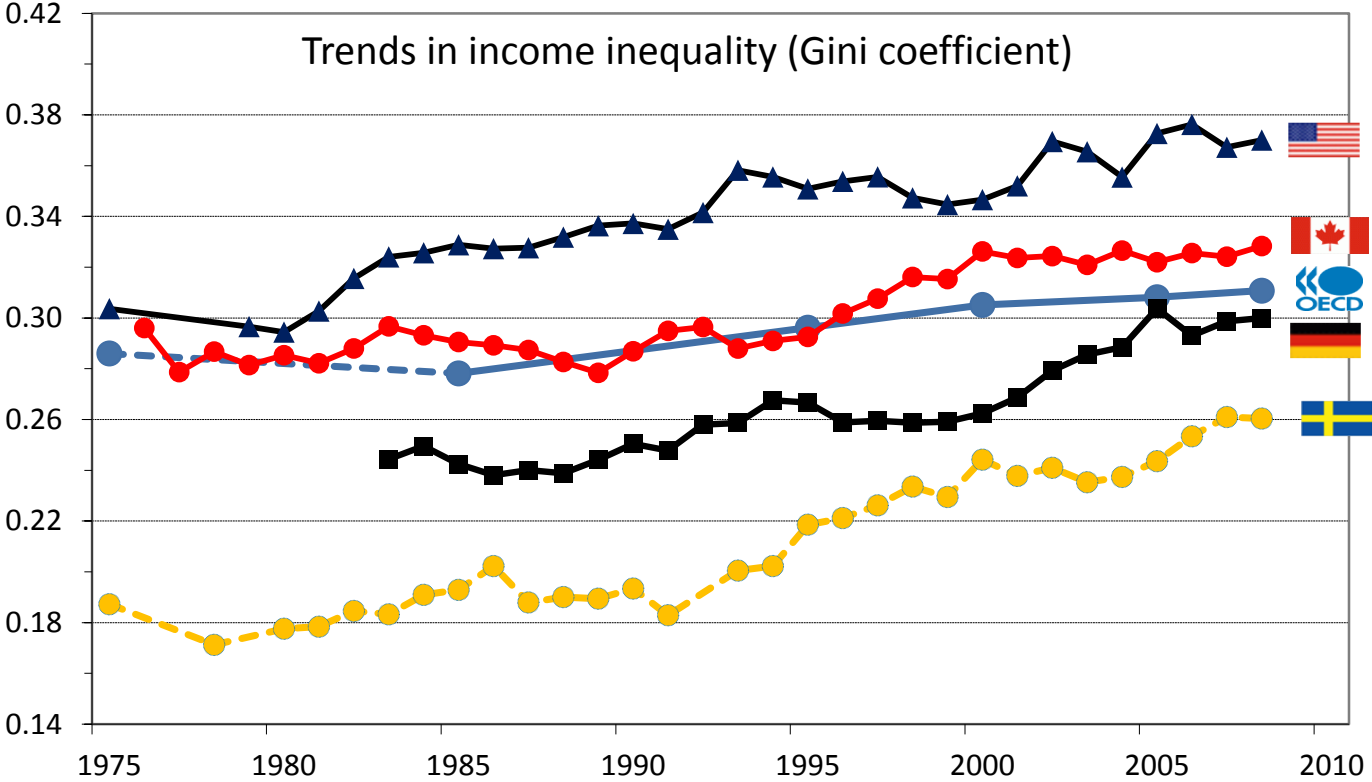
www.oecd.org/els/

Income inequality is at a record high in the OECD area



Source: OECD 2011, *Divided we Stand*

Income inequality increased in high- and low-inequality countries alike



Developments in pay are the main drivers



- Income inequality increased in both high- and low-inequality countries alike;
- Income inequality increased during both recession and boom periods;
- Income inequality increased despite employment growth.

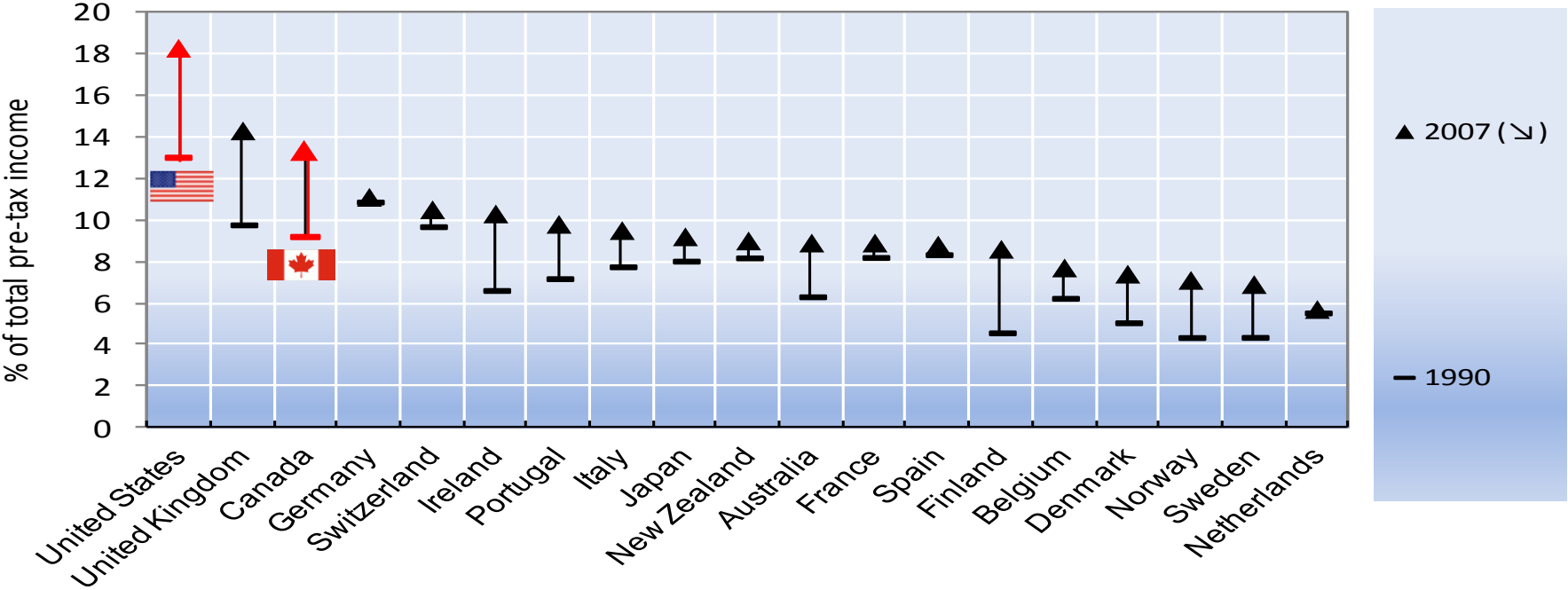
So what happened?

- Developments in labour earnings and labour markets are the main drivers.

At the upper end, the share of very high incomes increased



Shares of top 1% incomes in total pre-tax incomes



At the lower end, lower-skilled people tended to fall behind

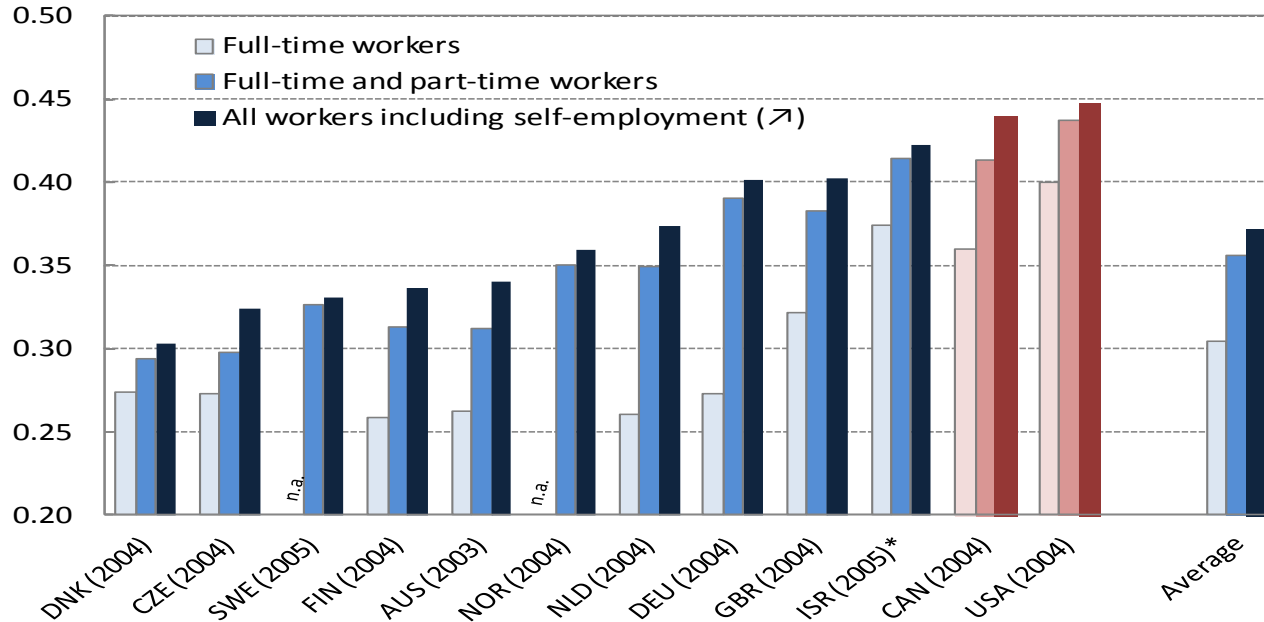


- Changes in working conditions: part-time work and non-standard labour contracts increased;
- Changes in technology: technical progress was more beneficial for the high-skilled;
- Changes in working hours: many countries saw an increasing divide in hours worked between high- and low-wage workers.

Accounting for part-timers and self-employed increases earnings inequality

Earnings inequality among full-timers, part-timers and all workers, mid-2000s

Countries reporting gross earnings

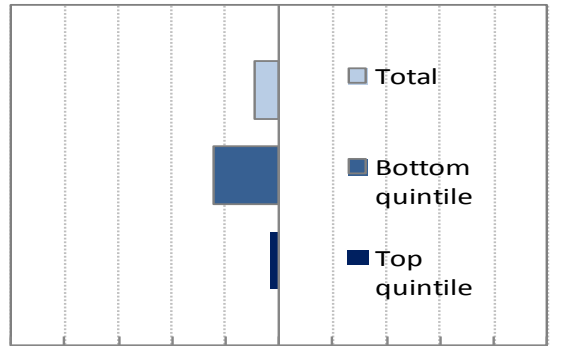


Hours worked declined mostly among lower-wage workers, the US excepted



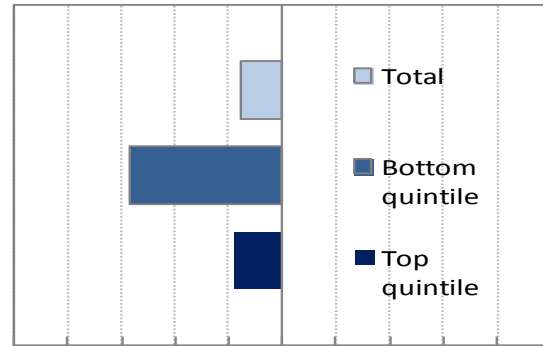
Trends in annual hours worked by earnings group, mid-1980s to mid-2000s

OECD average



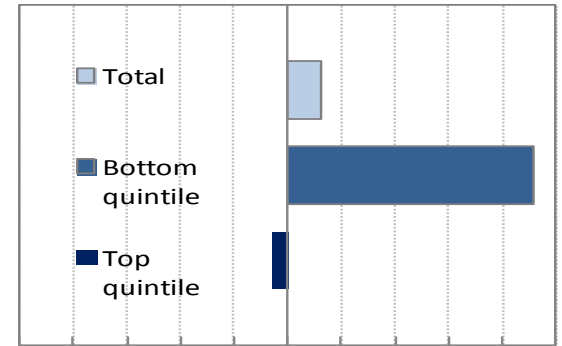
-25 -20 -15 -10 -5 0 5 10 15 20 25
Percentage change in hours worked

Canada



-25 -20 -15 -10 -5 0 5 10 15 20 25
Percentage change in hours worked

United States



-25 -20 -15 -10 -5 0 5 10 15 20 25
Percentage change in hours worked

Contrasting effects of regulatory reform and institutional changes



- A number of regulatory reforms aimed at promoting growth and productivity...
 - ...also had a positive impact on employment...
 - ...but at the same time have been associated with increased wage inequality;
- Economic globalisation had little impact on wage inequality trends – technological change did;
- The rise in the supply of skilled workers was a major counterweight in reducing wage differentials and had a positive employment impact.

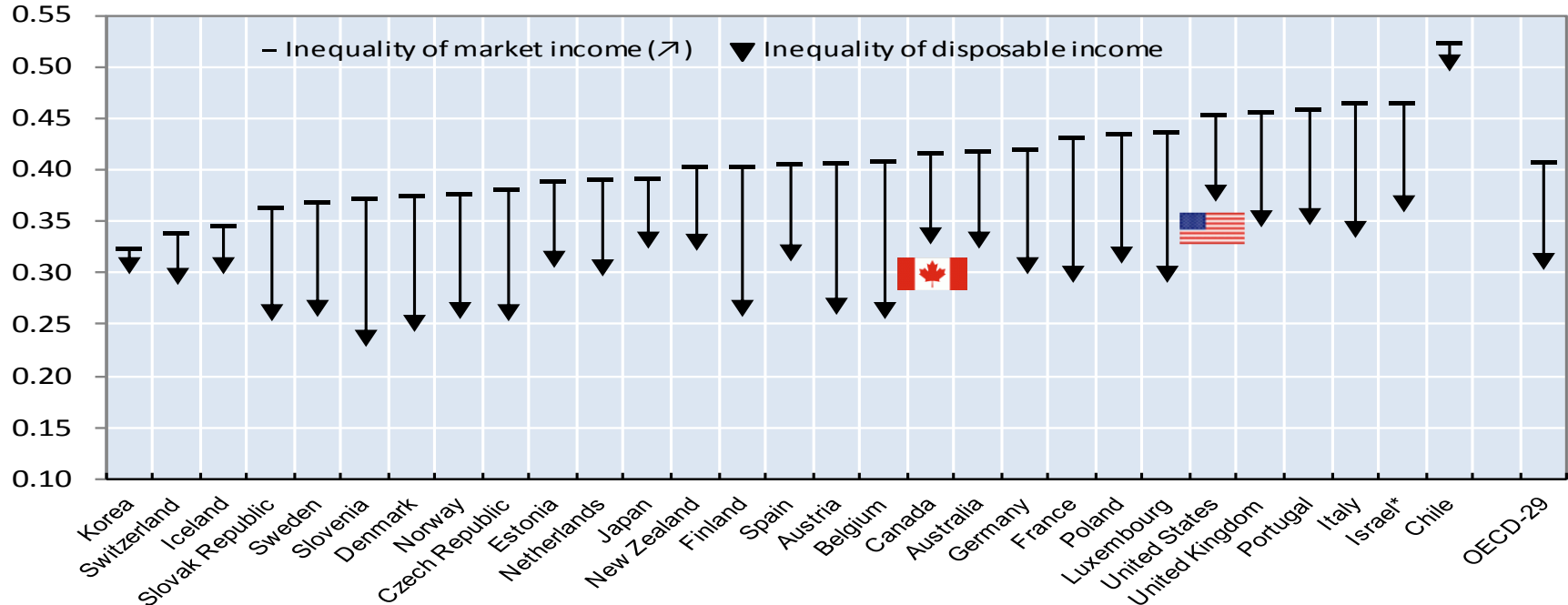
Individual wages and employment play a more prominent role than family structures:

1. Increase in men's earnings disparities is the main factor driving household earnings inequality;
2. Increase in women's employment worked in the opposite direction: *equalising* the distribution of household earnings;
3. Changes in household structures ("assortative mating", single-headed households) had a more modest impact than often portrayed.

Redistribution through taxes and benefits plays an important role



Market incomes are distributed more unequally than household net incomes: taxes and benefits reduce inequality by a quarter

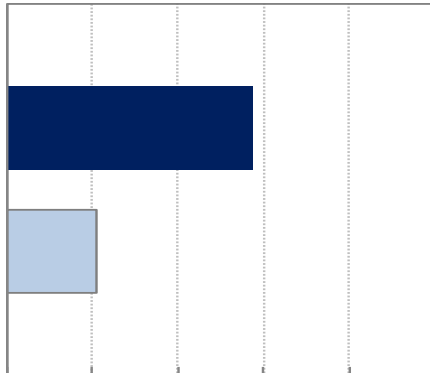


Source: OECD 2011, *Divided we Stand*

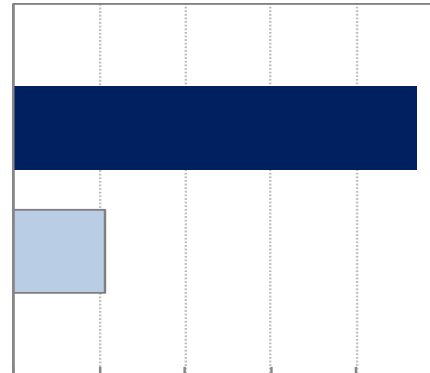
.. but redistribution became weaker in many countries

How much of the increase in market income inequality was offset by income taxes and cash transfers?

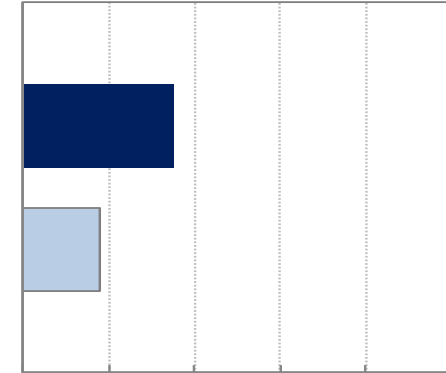
OECD average



Canada



United States



0% 20% 40% 60% 80% 100%
Change in market income inequality offset

0% 20% 40% 60% 80% 100%
Change in market income inequality offset

0% 20% 40% 60% 80% 100%
Change in market income inequality offset

Why have tax/benefit systems become less successful at reducing inequality?



- While overall redistribution has *increased*, this was not enough to offset growing market-income inequality;
- Changes in overall redistribution were mainly driven by benefits: those became more redistributive during the 1990s but less effective since then;
- Spending levels have been a more important driver of these changes than tighter targeting;
- Spending shifted towards “inactive” benefits, leading to reduced activity rates and higher market-income inequality.

- Government transfers (cash and in-kind) have an important role to play to safeguard low-income households;
 - But social transfers need to be targeted and focussed on activation;
 - Scope for reviewing some existing tax provisions in light of increased “tax capacity” among top-income households;
 - “More and better jobs”: Increasing employment may contribute to sustainable cuts in income inequality, provided employment gains occur in jobs that offer career prospects;
 - Facilitate and encourage access to employment for under-represented groups: address labour market segmentation;
 - Promote up-skilling of the workforce: better training and education for the low-skilled. But this should start from early childhood;
- Both redistribution *and* inclusive employment policies matter.

Thank you for your attention !

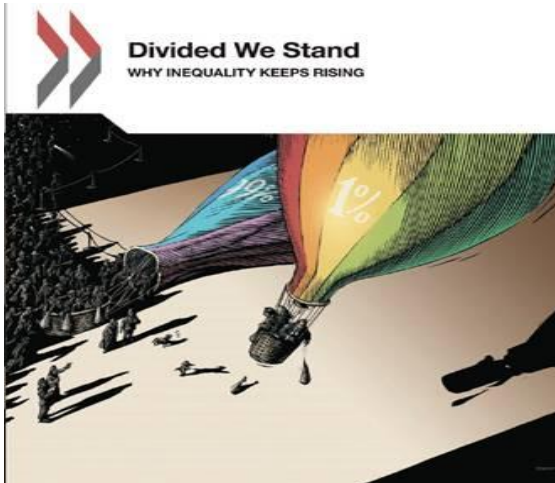
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www.oecd.org/els/social/inequality

A decorative graphic consisting of several horizontal lines in various colors (red, purple, green, orange, blue) that are slightly offset and overlap each other, creating a layered effect.

Chrystia Freeland

Thomson Reuters

Income Inequality:

The American Experience

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Keith Neuman

Environics Institute
The Public Environment



Income inequality

What does the Canadian public see?

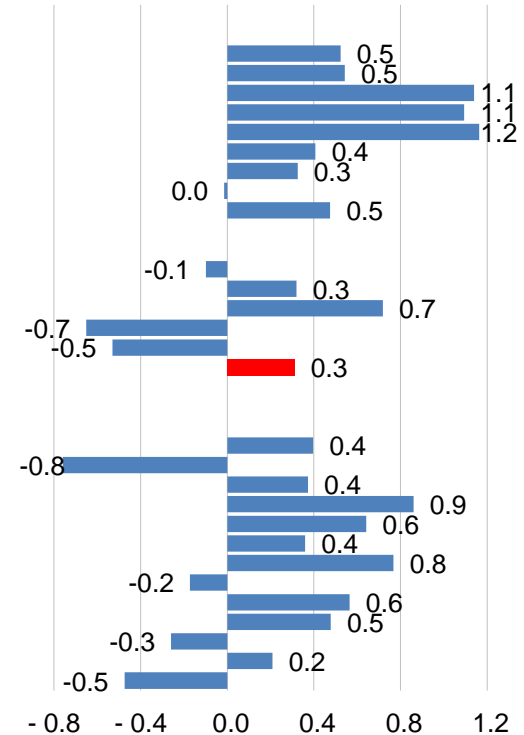
**Canada 2020 Conference on
Income Disparity and Polarization**

**Ottawa ON
January 19, 2012**



Income disparities are on the rise worldwide

- OECD documents a growing income gap in most developed countries
- The latest worldwide recession has accelerated a longer term trend



A large crowd of people is gathered for a protest or rally on a city street. In the foreground, a woman with a red headband and a yellow lanyard is looking towards the camera. To her left, another woman is holding a white flower. The background is filled with many other people, some holding signs, and buildings are visible in the distance.

This trend is polarizing Americans

“The conflict between rich and poor . . . is now the greatest source of tension in American society . . .”

- New York Times, January 12, 2012

“Income inequality is no longer just for economists . . . It has moved off the business pages to the front page.”

- Pew Research Center



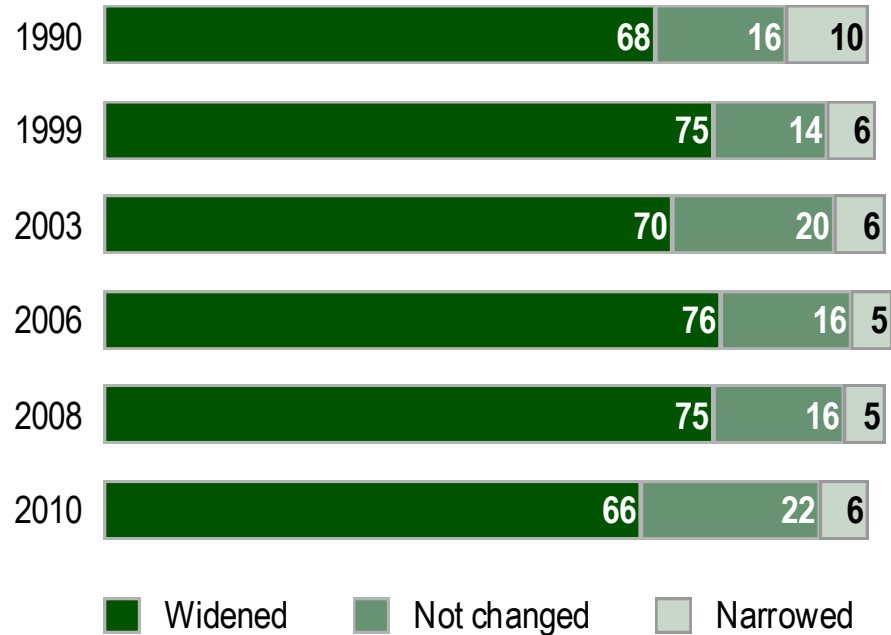
What about in Canada?

Focus Canada 2011 National Survey

- Focus Canada a national public opinion survey – conducted annually by the non-profit Environics Institute
- Public interest research for public release
- 2011 survey conducted in November-December by telephone with representative sample of 1,500 Canadians (aged 18 plus)
- Addressed public attitudes about income disparities and related topics

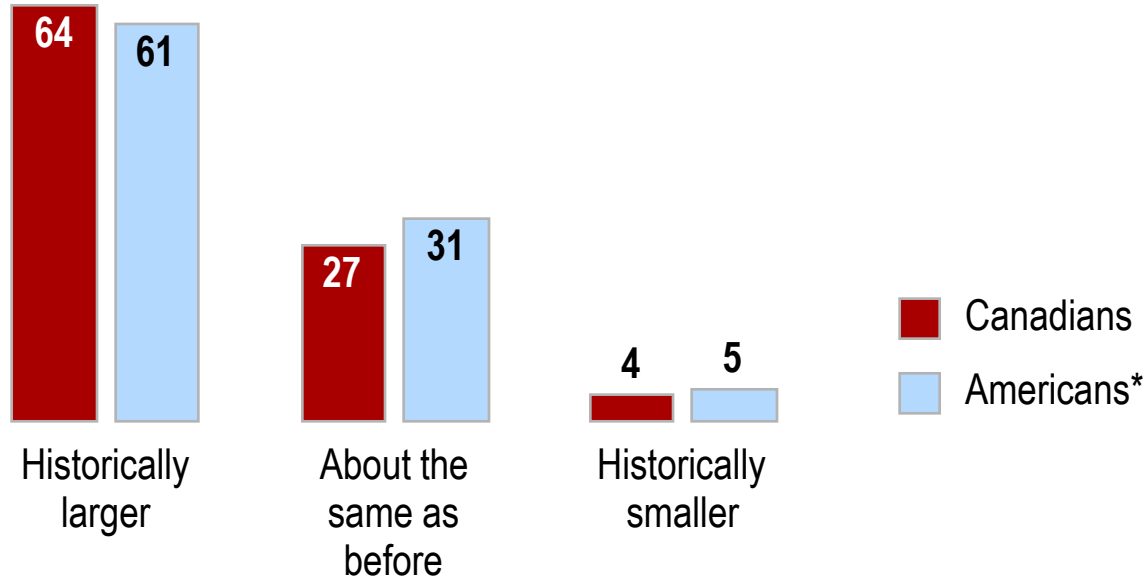
Change in gap between rich and poor in Canada

1990 - 2010



Gap between wealthy and everyone else

2011



* *Washington Post* survey, November 2011

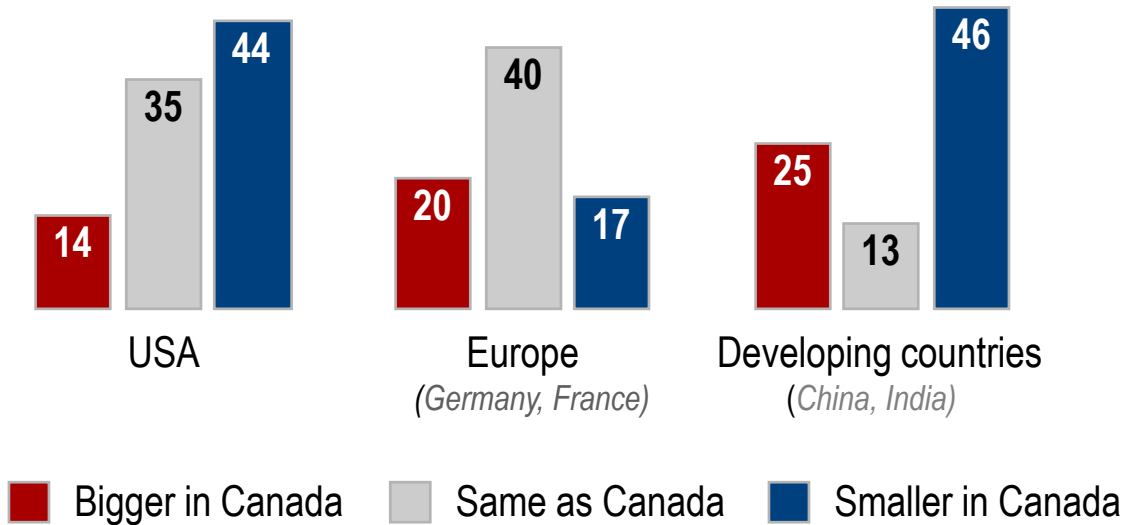
Why is this gap growing?

Unprompted mentions 2011

	<u>%</u>
Structural inequities	74
Tax breaks go only to the rich/corporations	18
Capitalism hurts poor/helps rich	14
Unequal opportunities/regional disparities	10
Government policies	7
Few middle-class jobs	6
Economic system has changed	5
Globalization/free trade	1
Other	13
Bad economy/more unemployment	11
Greed/speculation	7
Wealthy people work harder/earn it	5
Other reasons	11
dk/na	11

Gap in Canada vs. other countries

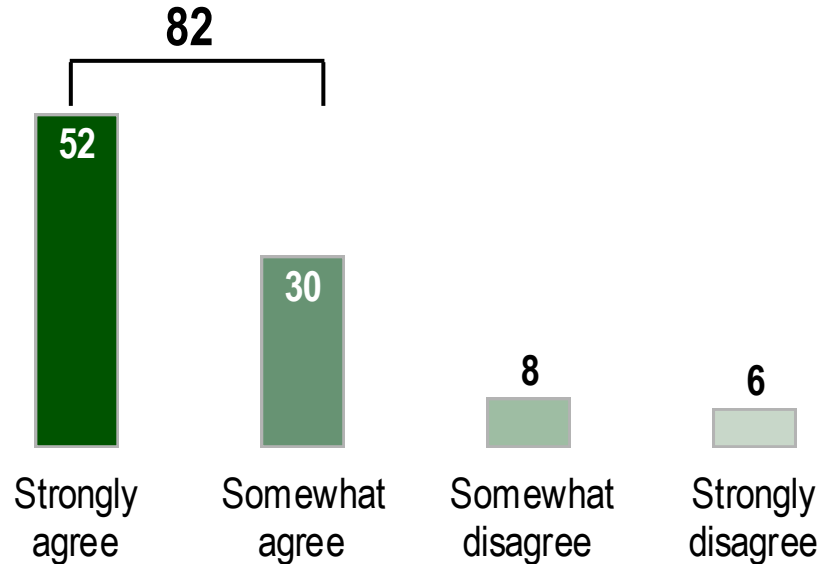
2011



Does government have a responsibility?

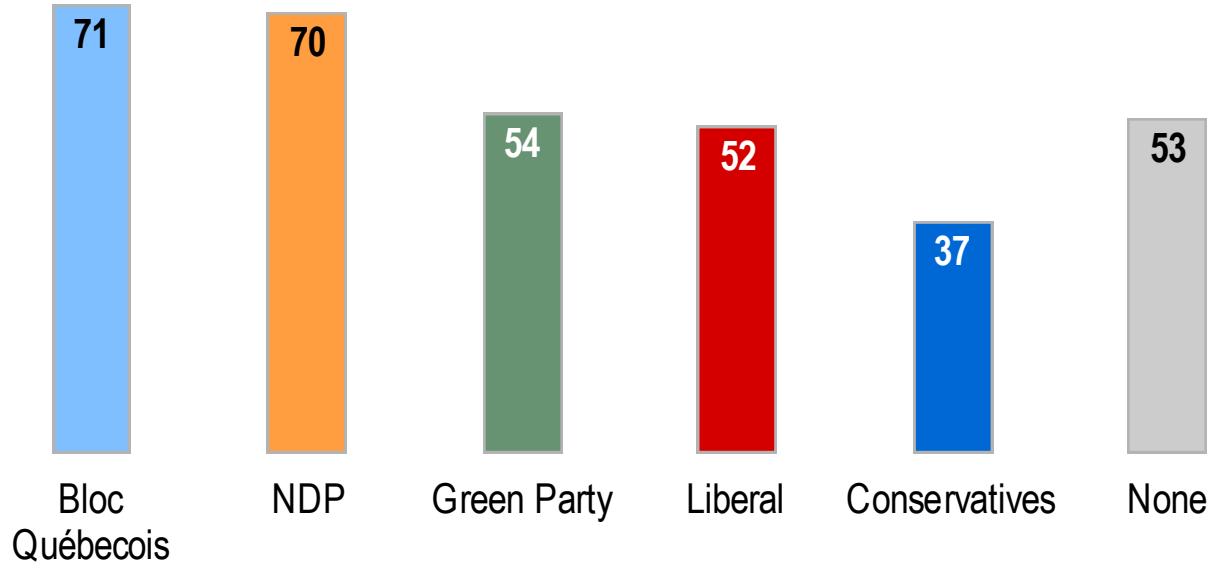
2011

Agree or disagree: Governments in Canada should actively find ways to reduce the gap between wealthy people and those less fortunate



Does government have a responsibility?

2011 Strong agreement -- by party affiliation

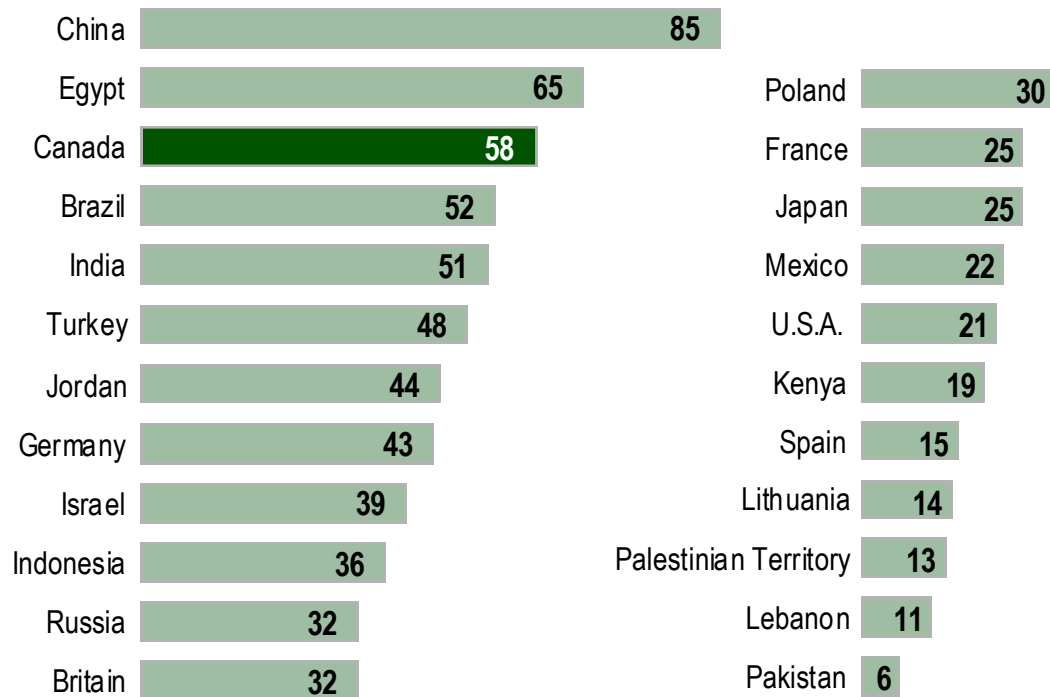


A large, dense crowd of people, mostly seen from the back, filling the frame. The image is slightly blurred, emphasizing the sheer number of individuals. A semi-transparent dark grey rectangular box is centered horizontally across the middle of the image, containing white text.

How much are Canadians truly concerned?

Satisfaction with direction of one's country

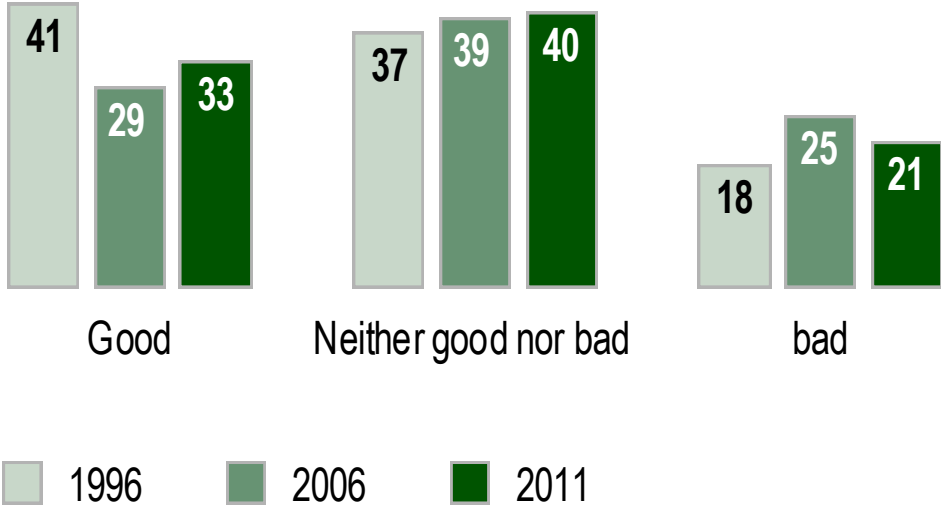
2011 % Satisfied International benchmarks*



* Pew Research Global Attitudes Project, March 2011

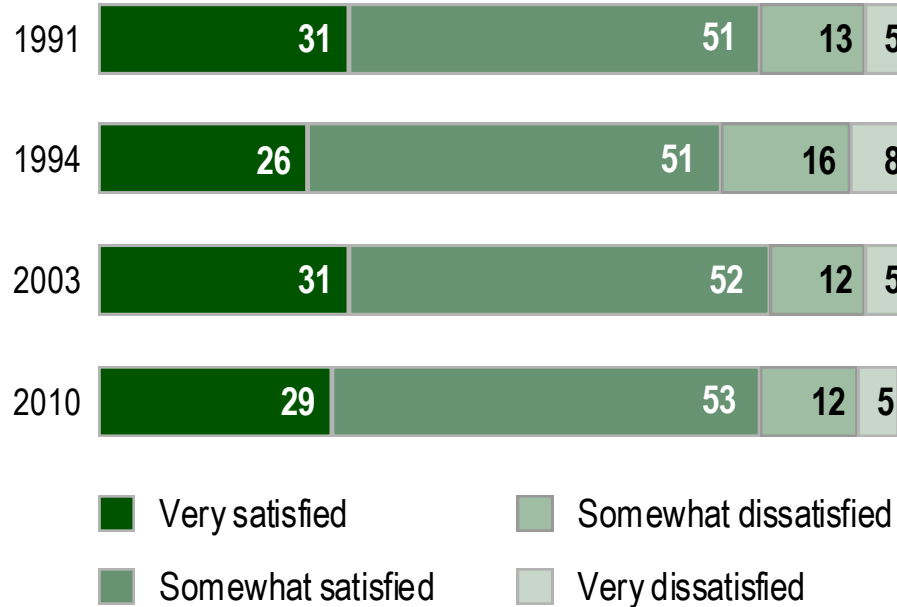
General opinion of large corporate profits

1996 - 2011



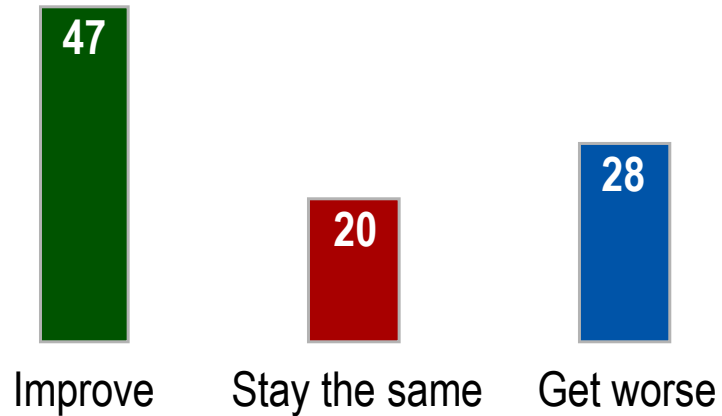
Satisfaction with own standard of living

1991 - 2010



Expectation for personal finances in 2012

2011



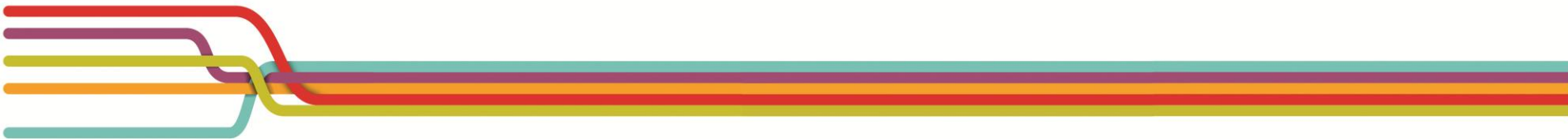
What this research tells us

- Canadians are conscious of growing income disparities
- Public is looking to government to do something about it
- But it hasn't directly affected most people
- The issue is symbolic:
 - Important, but not at a personal level
 - Unclear who is most responsible, or what the solutions are
- Not a polarizing or political issue in Canada – at least not yet



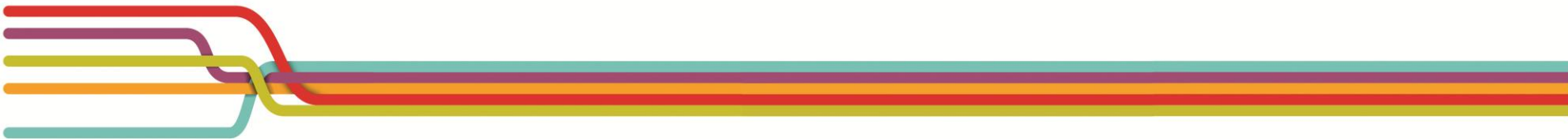
www.EnvironicsInstitute.org

Authors Discussion



- **Mark Cameron**
 - Former Director of Policy and Research
 - Prime Minister's Office
- **Andrew Sharpe**
 - Executive Director
 - Centre for the Study of Living Standards
- **Sherri Torjman**
 - Vice President
 - Caledon Institute of Social Policy

Moderated Discussion



- Mark Cameron
- Andrew Sharpe
- Sherri Torjman

- Moderated by: Don Newman

Questions & Answers



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Concluding Remarks

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Don Newman

Chair

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Next Events

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INCREASING INNOVATION AND PRODUCTIVITY

SQUARING THE CARBON CIRCLE

RISING TO MEET THE ASIA CHALLENGE

SECURING OUR HEALTH SYSTEM FOR THE FUTURE

Thursday February 23

Monday March 19

Wednesday April 11

Thursday May 10

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