

The logo features a red arch at the top with the text "CANADA 2020" in red and grey. Below the arch are several thick, colorful wavy lines in red, purple, yellow, orange, and teal that flow from the left side of the page towards the right, ending in a vertical stack of horizontal bars.

CANADA 2020

The Canada We Want in 2020

Reducing Income
Disparities and Polarization

REDUCING INCOME DISPARITIES AND POLARIZATION



About Canada 2020

- Canada 2020 is a non-partisan, progressive centre working to create an environment of social and economic prosperity for Canada and all Canadians
- Our primary focus is on the role of the federal government



The Canada We Want in 2020

- Launches a debate about the role of the federal government in Canada
- Intended to engage a wide range of interested parties
- Oriented towards policy influence



What are we doing?

- Five inter-related challenges
 - Increasing innovation and productivity
 - Rising to meet the Asia challenge
 - Squaring the carbon circle
 - Reducing income disparities and polarization
 - Securing our health system for the future
- Three stages to the project
 - Initial publication (15 authors): November 2011
 - Panels and discussion: January – May 2012
 - Synthesis document: fall 2012



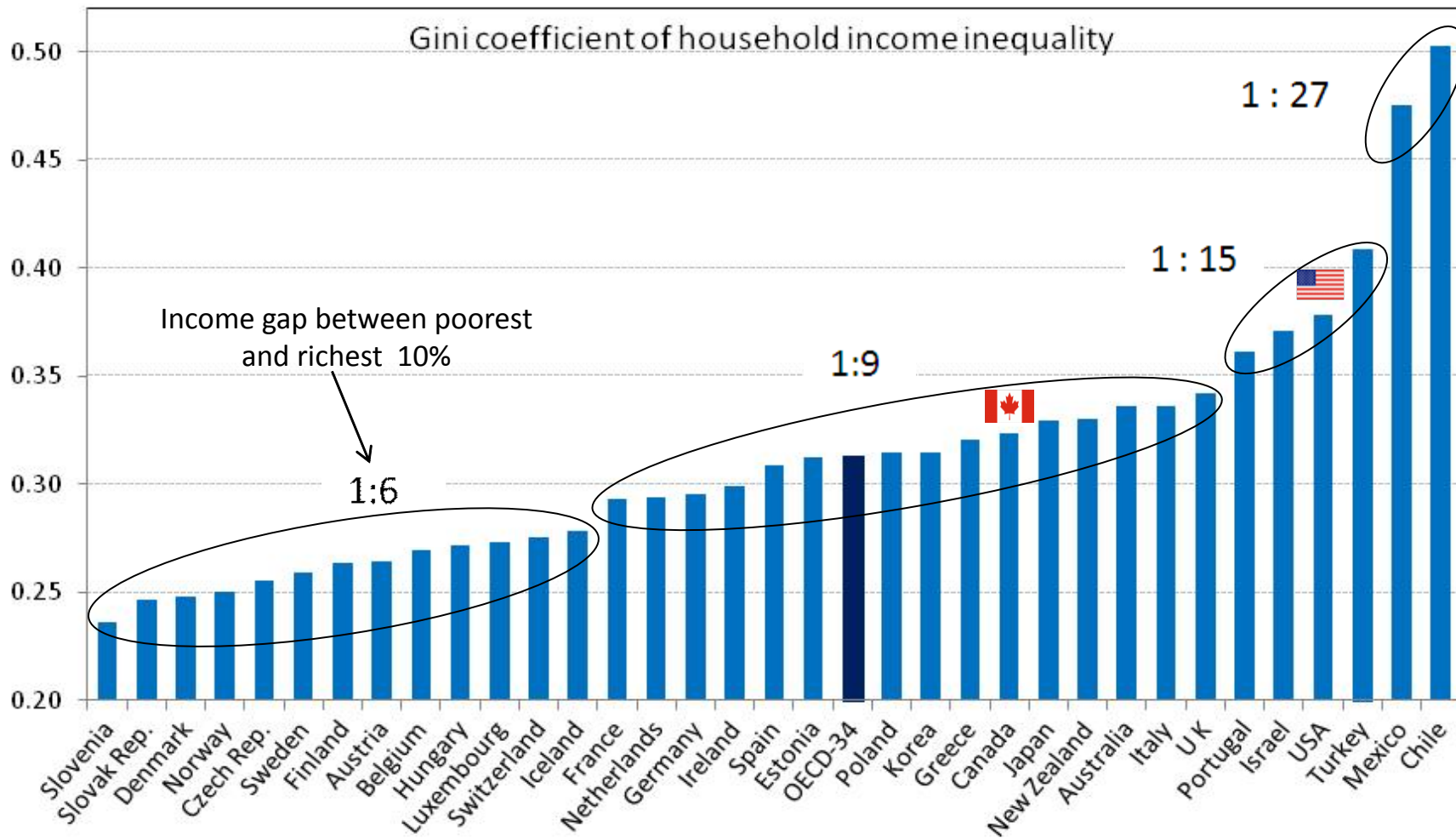
Income inequality: the problem

- Globally, income inequality is at a record high: most developed and middle income countries seeing increases
 - Largely a factor of increasing wage disparities
 - Partly due to globalization and the technology revolution
 - Policy decisions also important
 - Deregulation
 - Taxes structures flattening in most countries
- Growing sense of economic unfairness and feeling that society is weakening as a consequence
 - Inequality as a major risk
 - Heightened awareness of losers and gainers from the economic crisis
 - Before the crisis, inequality masked by credit bubble
 - In the US inequality has moved ahead of race as the most divisive issue
 - Similar findings in Canada (Ekos poll)



Income inequality in Canada

Canada is near the middle of the OECD pack in terms of overall income inequality



Source: OECD 2011, *Divided we Stand*

Income inequality in Canada

- Inequality in Canada growing faster than in the US
 - Still not as unequal in absolute terms
- Concentration of income at the very top
 - Third in OECD in concentration of income by top 1%
- Top 1% of Canadians account for nearly 10% of overall income
 - In 2009 top 1% accounted for 12.3% of pre-tax and 9.9% of post-tax income
 - After tax income share of top 1% up from 6.9% in 1982
 - Key driver of overall increase in inequality
- However, shared institutions (e.g. healthcare and education) remain important in Canada
 - Less sense that the rich are opting out of society



Key questions

- What are the main drivers of income inequality?
 - How amenable are they to policy solutions?
- What are the effects of income inequality?
 - Social
 - Economic
- How can income inequality be reduced?
 - Which solutions will work best for Canada?



Section authors

- Mark Cameron
 - Former policy adviser to Prime Minister Harper
- Andrew Sharpe
 - Centre for the Study of Living Standards
- Sherri Torjman and Ken Battle
 - Caledon Institute of Social Policy
- Additional presenter at Canada 2020 panel:
Alessandro Goglio from the OECD



Authors: Mark Cameron

- Income inequality should matter to those on the right of the political spectrum
 - Extreme inequality undermines the social cohesion required for democracy
 - Inequality leads to social unrest and an expanded role for the state
 - Also leads people to question capitalism, globalization and key tenets of the free-market economic system
- Major changes to Canada's taxation structure unlikely in current economic climate



Mark Cameron Proposes

- Build on existing tools to limit inequality
 - Increased Working Income Tax Benefit should be the main tool in the fight against inequality
 - Canada Child Tax Benefit also important
- Nurture institutions that foster civic equality
 - Ensure that the rich still have a stake in society
 - Recognize that cutting expenditures on health and education could have unintended negative consequences



Authors: Andrew Sharpe

- Decline in unionization, deregulation and privatization have tended to increase inequality
 - Also faulty corporate governance
- Notes the importance of health and education spending in reducing inequality



Andrew Sharpe Proposes

- Put in place measures to promote ‘equality of opportunity’
 - Make the starting point more equal, as opposed to just using transfers to reduce final inequality
- Invest more in post-secondary education, especially for disadvantaged groups
- Implement an inheritance tax



Authors: Torjman and Battle

- Poverty affects one in ten Canadians
 - Strong knock-on effects on health status
- Inequality is different from poverty but equally important
 - Unequal societies are more dysfunctional and violent
- Problems of the working poor and ‘bad jobs’
 - Nearly half low-income families have one member that is working.
- Federal government holds the key levers to address this problem



Torjman and Battle Propose

- Focus on better jobs, better training, equal pay for women
- Build on existing (almost universal) measures
 - Canada Child Tax Benefit should be the main tool
 - Increase to a max. of \$5,000 per child (from around \$3,500)
 - Eliminate Universal Childcare Benefit, reallocate money to CCTB
 - Make Working Income Tax Benefit more generous
- Invest in social infrastructure as well as individual transfers
- Put in place new federal disability benefit



OECD View

- Inequality is not inevitable
- Policy choices make a real difference
 - Investment choices, regulation, institutions
- Three main pillars required to address inequality:
 - More intensive investment in human capital
 - Promotion of inclusive employment
 - Need more and better jobs
 - Well-designed tax/transfer policies



What you can do

- Our goal in this project is to increase debate
- We actively encourage feedback on our work
 - Submit comments or opinion pieces through our website www.canada2020.ca
 - Contact us directly info@canada2020.ca
- Use our materials to host your own events and discussions

Thank you for your interest

