



CANADA 2020.CA

Progressive policy for a modern Canada



**The Canada
We Want in 2020**

Equality of opportunity

EQUALITY OF OPPORTUNITY

a Canadian dream?

Tuesday, February 26th 2013



About Canada 2020

- Canada 2020 is a leading, independent, progressive think-tank
- Canada 2020's objective is to inform and influence debate, to identify progressive policy solutions and to help redefine federal government for a modern
- 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
- Forward-looking project focused on five key 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
- Oriented towards policy influence
 - opening book launch: November 2011
 - first series of panels: January-May 2012
 - second series of panels: January-May 2013



The income inequality debate

- Active public debate on the extent of inequality, and how much it matters
- How 'badly' Canada is doing
 - relatively
 - absolutely
 - in people's perception
 - polls show this to be top public concern but little policy response
- How concerned we should be about increasing inequality at the top
 - Top 1% and 0.1% pulling away
 - Canada 3rd in OECD – after US and UK – in terms of concentration of income at the top 1%



How does this relate to equality of opportunity?

- Income inequality debate is largely about the equality of outcomes
 - market incomes
 - incomes after taxes and transfers
- Equality of opportunity discussion is about people's chances and the extent to which these are determined by their starting point
 - parents' incomes
 - human capital: education, health status, location



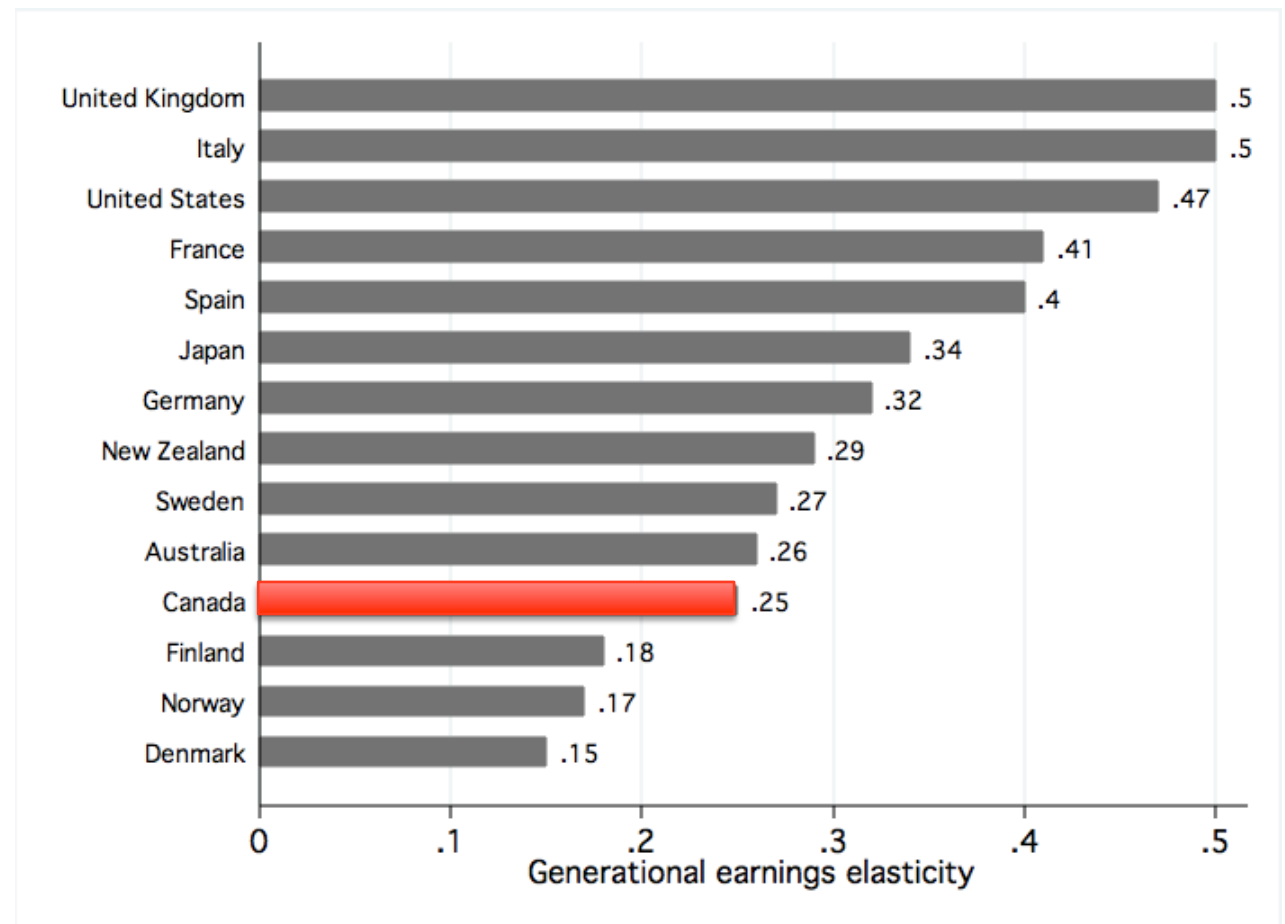
And economic mobility?

- Economic mobility is a proxy for equality of opportunity
- Typically measured in terms of generational earnings elasticity
 - this shows the extent to which parental advantage (or disadvantage) is passed on to a child
- Absolute mobility
 - are you doing better economically than your parents?
 - recent polling (EKOS 2012) shows a majority of Canadians now believe they will be worse off in a generation
- Relative mobility
 - have you moved up the rungs of the overall distribution ladder, relative to peers?



How is Canada doing?

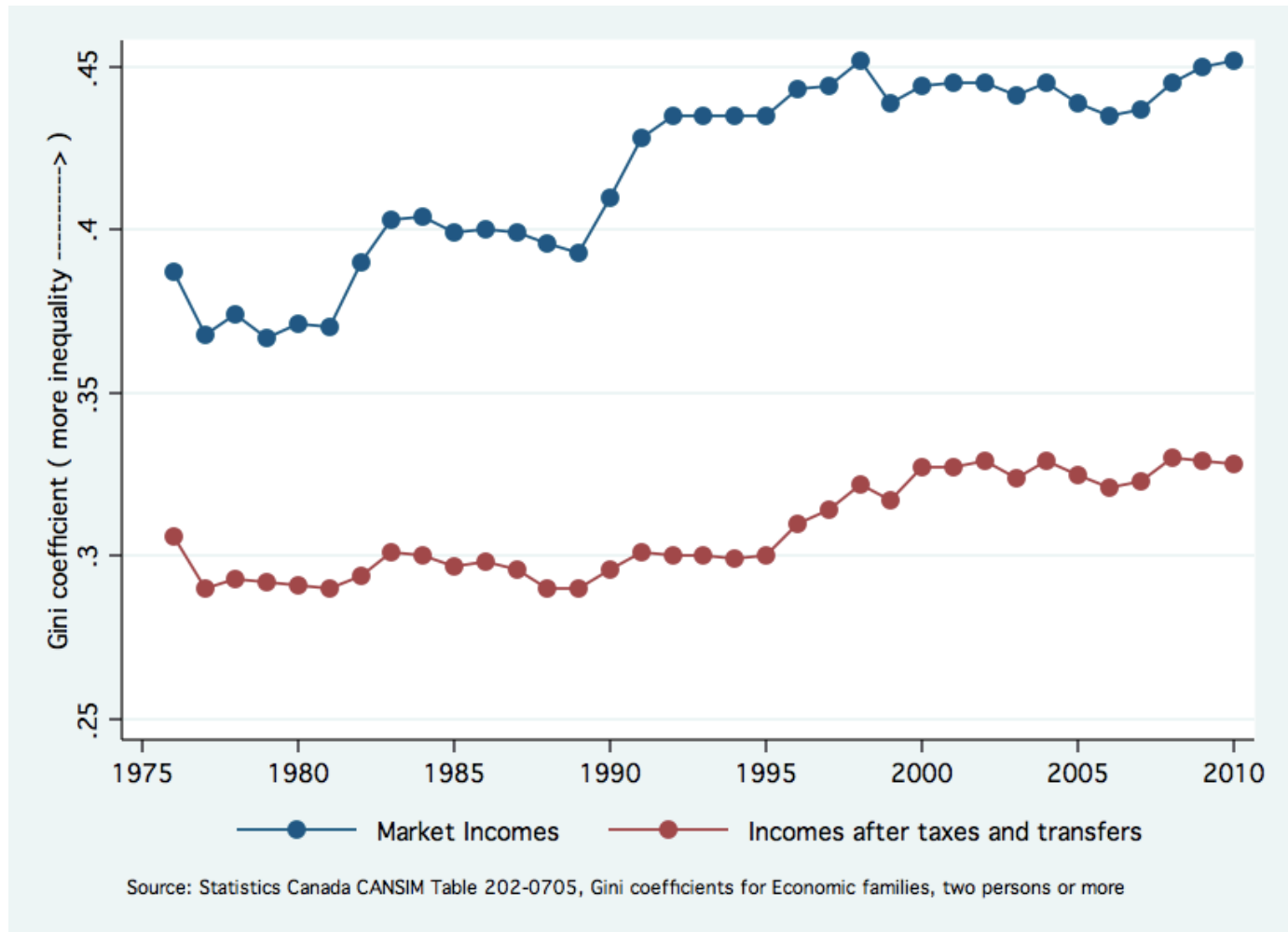
Canada does relatively well on economic mobility



Source: Corak 2011

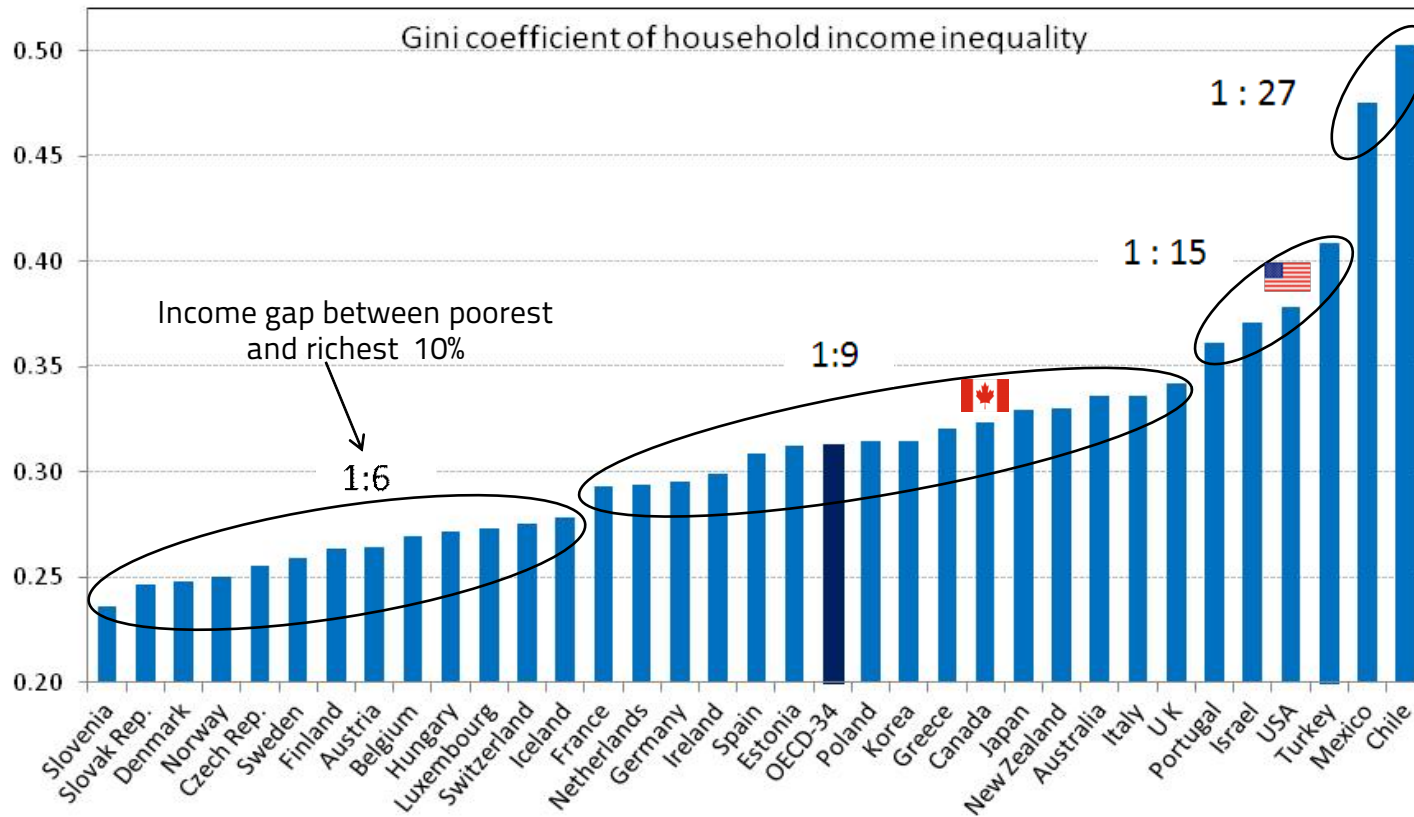
How is Canada doing?

But getting worse on income inequality



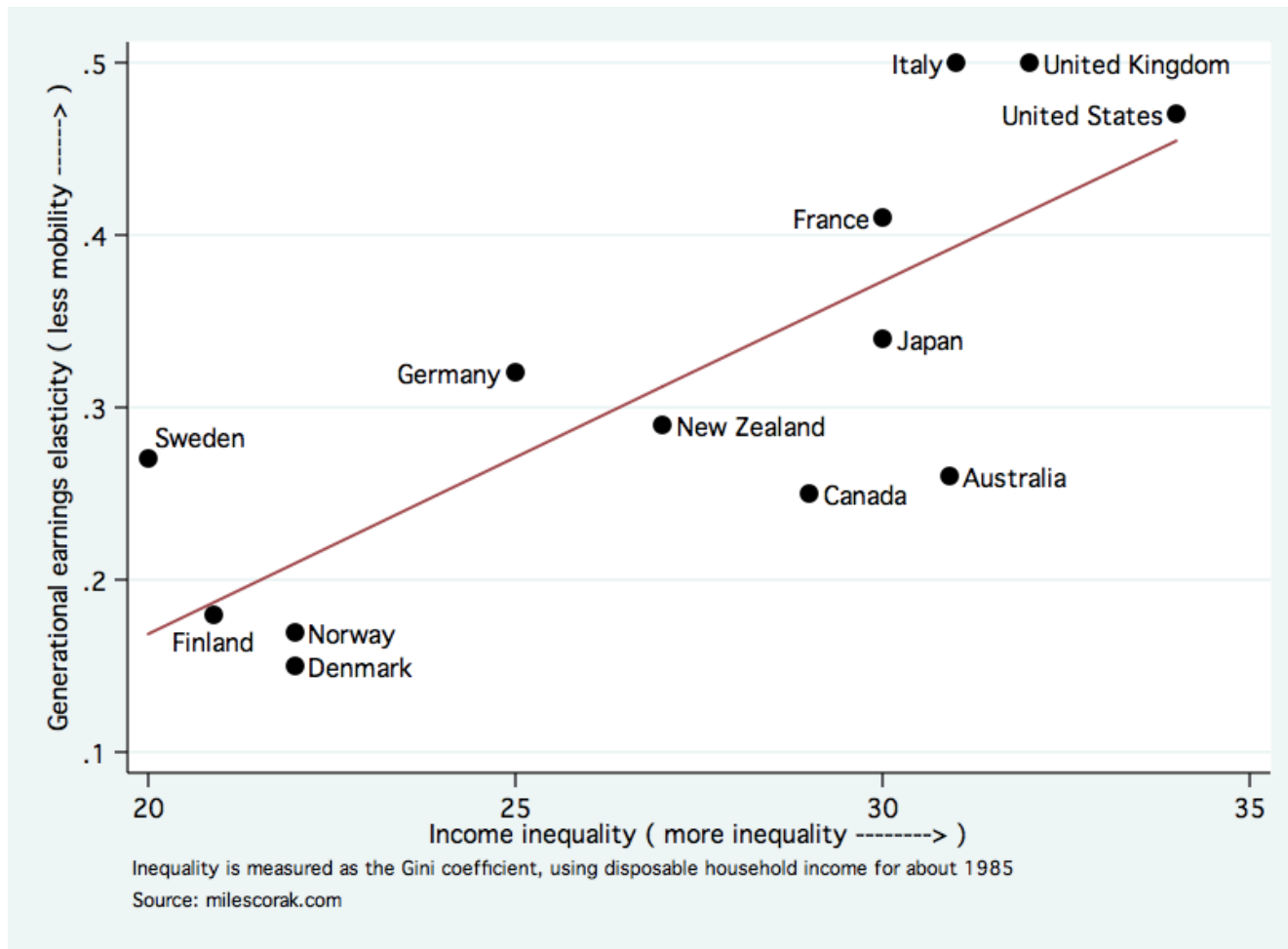
How is Canada doing?

Canada is slightly above the OECD average for overall income inequality



Source: OECD 2011, *Divided we Stand*

Thinking about outcomes and mobility together we get: the 'Great Gatsby' curve



What does the 'Great Gatsby' Curve tell us?

- That more inequality is generally associated with less mobility
 - though this is not a causal relationship
- That Canada is (or has been) a relative outlier on economic mobility relative to other rich countries with similar levels of inequality

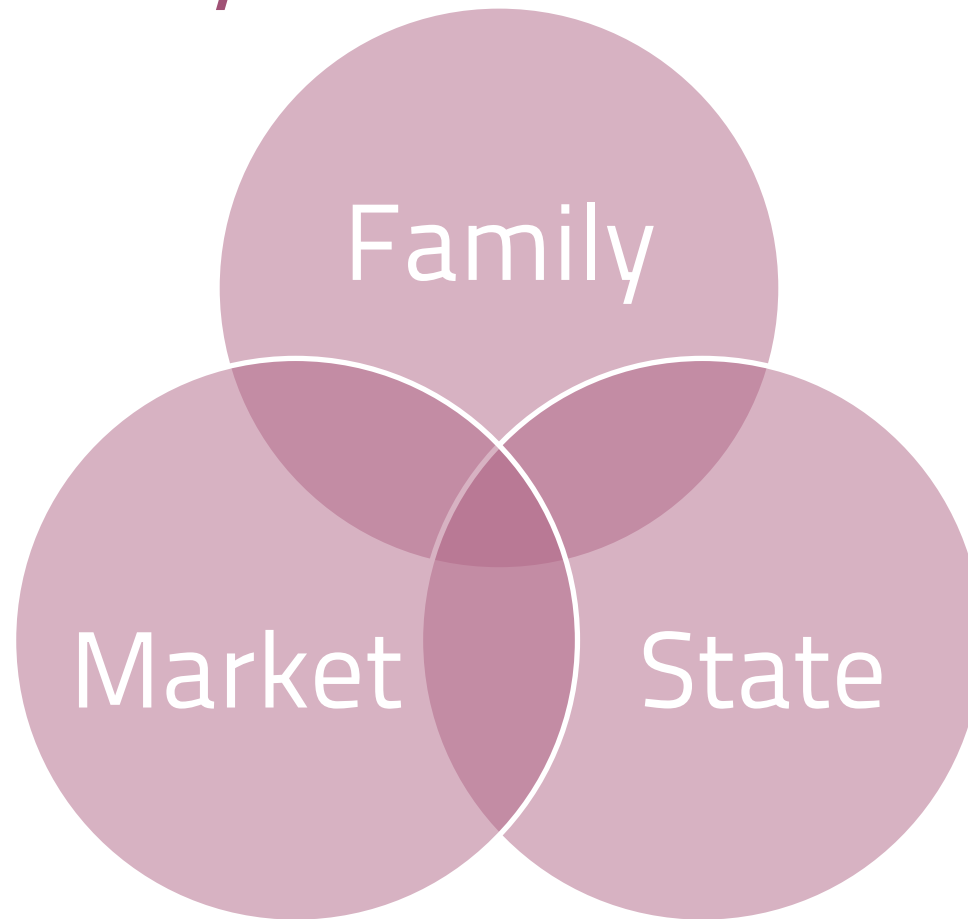


Which leads us to question...

- The value we, as a society, place on economic mobility/equality of opportunity
- The basis of differences between countries on this metric
- The role of policy in supporting equality of opportunity



What matters to equality of opportunity?



Family issues

- Family structure
- Family income and labour force participation
- Family propensity and ability to invest time and money in children
- Family attitudes and values



Market issues

- Increasingly polarized labour markets
 - is 'shared growth' a thing of the past?
- Continued high returns to education, especially for women
 - though not as high in Canada as in the US
 - some convergence since 2000 with Canada's resource boom
- Youth unemployment almost double general unemployment (14% to 7%)
 - over-educated workers crowding out less well-educated workers in more menial jobs
- Shortage of skilled workers
- Significant regional discrepancies in employment opportunities and wages
- Corporate governance weaknesses



State / policy issues

- Labour market policies
 - working income tax benefit
 - minimum wages
 - childcare policies
 - immigration policy
- Taxation policy
 - degree of progressivity in taxation
 - tax preferences
 - inheritance taxes
- Education and healthcare policy
 - accessibility and quality



Canada vs. U.S.

What can we learn?

- Canada
 - lower inequality and higher mobility
 - higher minimum wage levels and unionization rates
 - greater value placed on equality of opportunity in Canada despite the notion of the ‘American Dream’?
- United States
 - more unequal education and health systems
 - higher returns to education (bigger wage differential for those with more education)
 - wealthy have greater political influence due to campaign financing regulation



Major policy opportunities?

- Maintain the core public institutions that underlie equality of opportunity
 - healthcare, education, childcare
- Focus on employment
 - promote skill development in non-university sector
 - remove barriers to labour mobility
 - Increase labourforce participation through increasing tax benefits for low-wage earners
- Overhaul taxation system
 - more progressive taxation, inheritance taxes, stop corporate tax cuts, remove spurious tax preferences
- Make corporate sector support more transparent



Key questions for the panel

- To what extent is equality of opportunity threatened by increasing inequality?
- What value do we, and should we, place on improving – or maintaining – economic mobility in Canada?
- What (federal) policy instruments are most effective in ensuring equality of opportunity?
 - do we target inequality or mobility first?
- How can we get the best out of education?
 - given that the average effect of education is to reinforce differences associated with family background



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



Acknowledgement

This presentation draws heavily on the work of Dr. Miles Corak from the University of Ottawa, and the background paper prepared by Dr. Corak for our event, **Equality of Opportunity: a Canadian Dream** on February 26, 2013.

Canada 2020 wishes to thank him for his support.



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THANK YOU FOR YOUR INTEREST

