NEIGHBOURHOOD CHANGE & Building Inclusive Communities From Within
Research Partnership: Trends, Processes, Consequences, Interventions

Canada's Income Polarization Trend:
An International and a Four Metropolitan Area Comparison

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Income and wealth *inequality* – the growing gap – is a serious socio-economic trend that has been the source of increased concern in many Western countries. Related but different is the income and social *polarization* it is producing, that is, the increased concentration of the population around polar ends of the income spectrum accompanied by a declining middle. The latter 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 were producing a larger middle-income group, as they were until the 1990s, economic, social, and spatial *polarization* remained somewhat stable. This is no longer the case and the outcome needs urgent attention. Income polarization, like income inequality, is not inevitable. It is not happening at the same rate in all comparable Western nations and 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 social and spatial exclusion that in turn separate people in certain groups from participation in much that comprises 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 outline below as background for the committee's work two sets of bar graphs. 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 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 15 nations 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, two decades of tax cuts and special deductions that mainly benefit the highest income group and larger corporations means that Canada

has less fiscal capacity to meet social needs and address income inequality and polarization (tax revenues as a % of GDP, Figure 3).

Income Distribution in the Montréal, Toronto, Calgary, and Vancouver Metropolitan Areas, 1970-2010

The last four charts provide an overview of the change in the income distribution within Canada's four largest census metropolitan areas (13 million Canadians; 39% of the population). There are regional variations due to labour market and provincial policy differences. A more detailed breakdown (not possible in this short brief) identifies more specifically the socio-economic and ethno-cultural polarization trends within different parts of each metropolitan area. Even at this level of aggregation we see in three of the four the decline in the number of middle-income census tracts, with most becoming lower income. We define the middle-income group broadly: incomes that are 20% above or below the average for the metropolitan area at each point in time. For Toronto, Calgary and Vancouver the "disappearing middle" has been abrupt over a relatively short period of time, about twenty 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 from the middle as well as the increased importance of highly paid managerial and professional employment at one end of the job spectrum and the increased numbers of low-paid service jobs at the other end. Equally important, however, is the declining importance of unions in protecting existing jobs, especially in the middle, and the withdrawal of the federal government from various employment assistance programmes, 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, there are countries, especially in the Nordic region and parts of Western Europe that have been able to lessen income inequality and polarization. This is Canada's challenge.

Figure 1

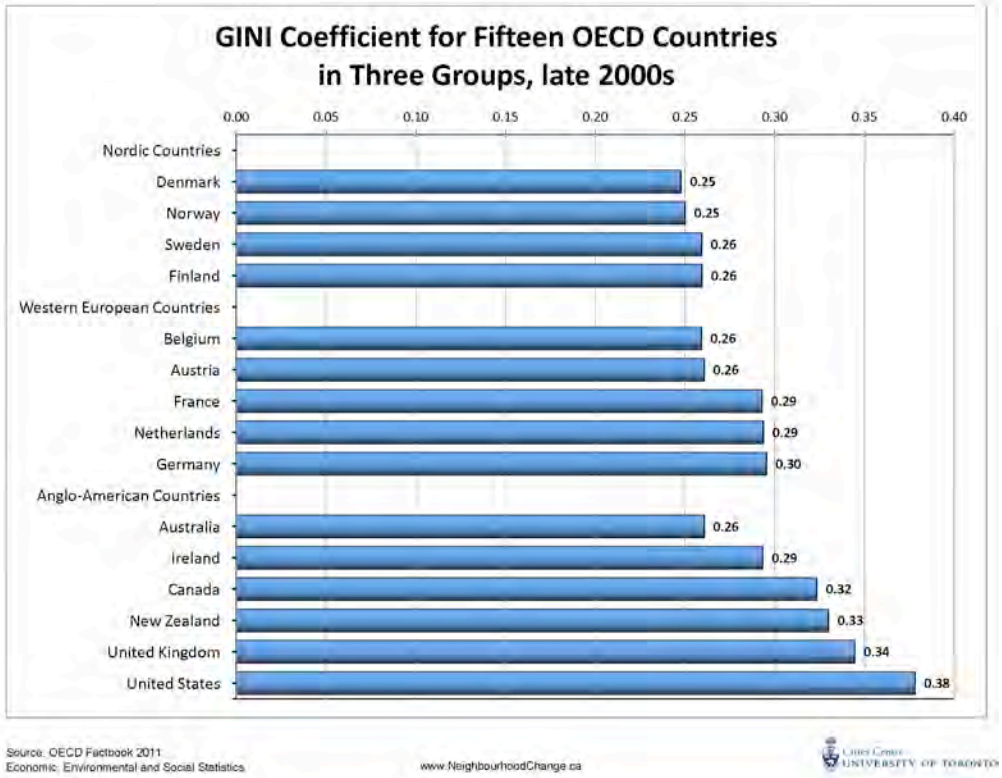
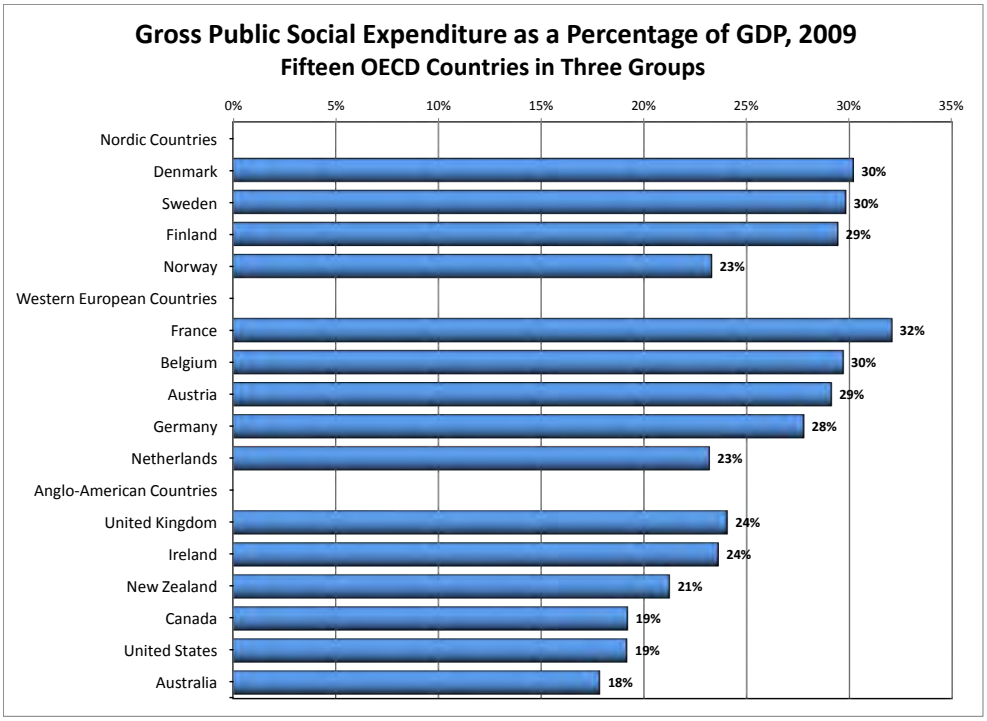


Figure 2



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

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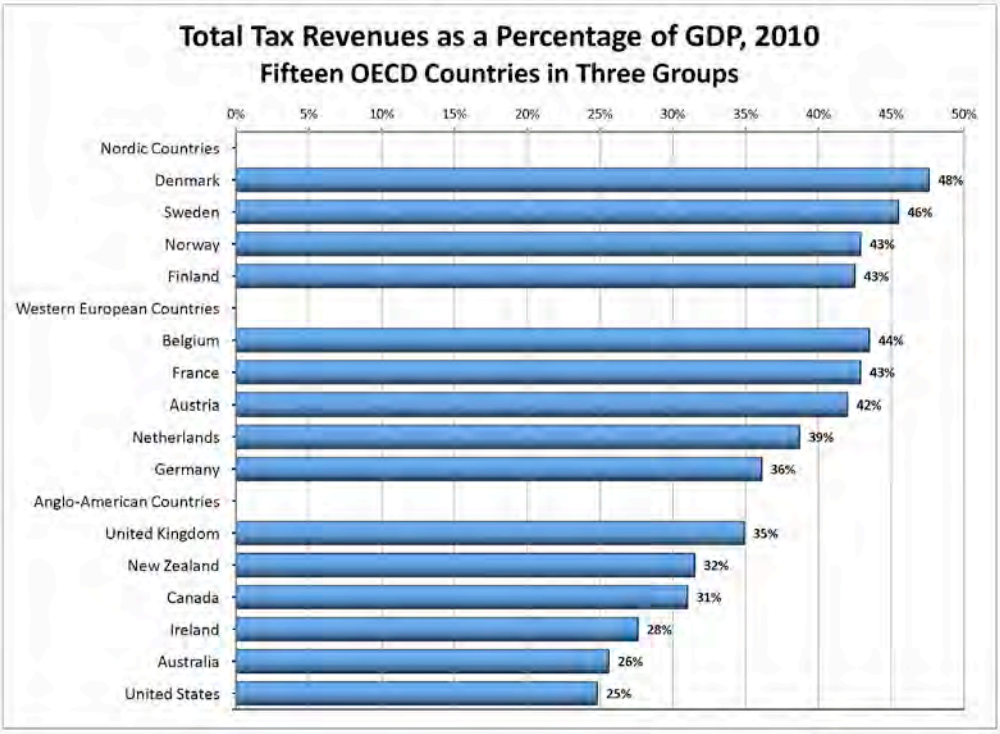
Figure 3



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

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Figure 4

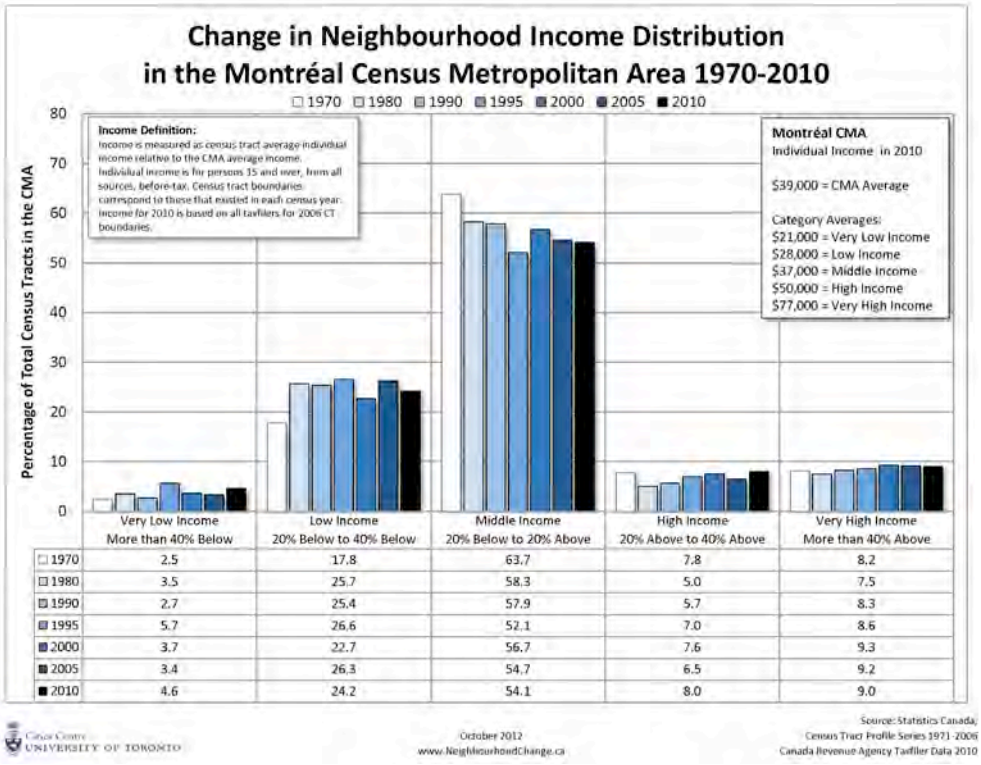

Figure 5

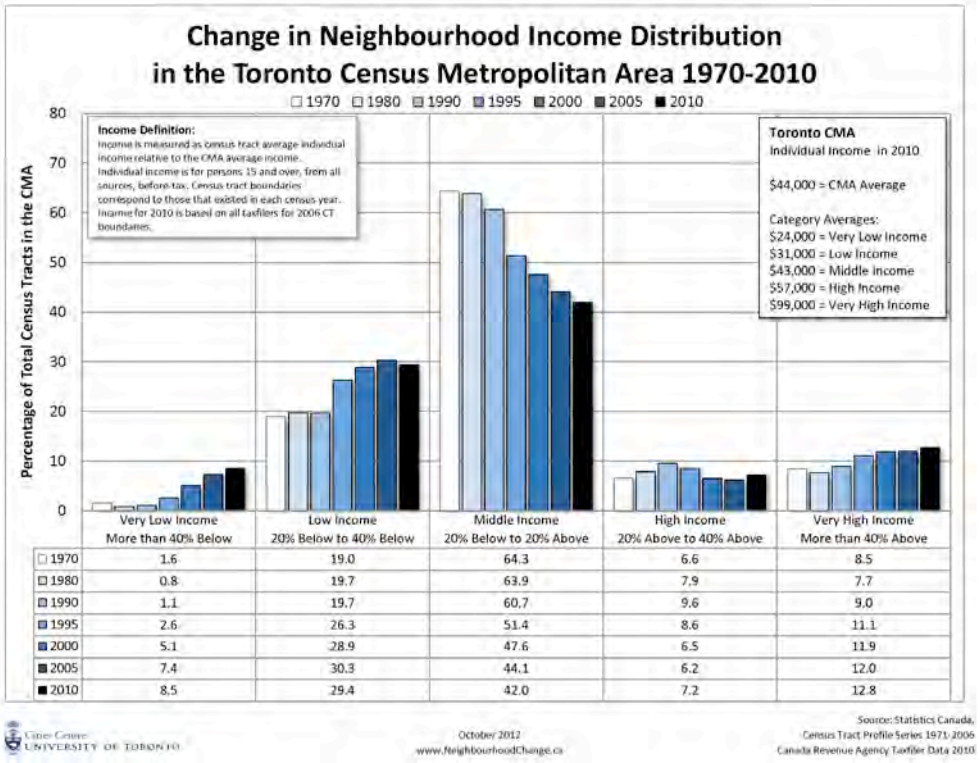

Figure 6

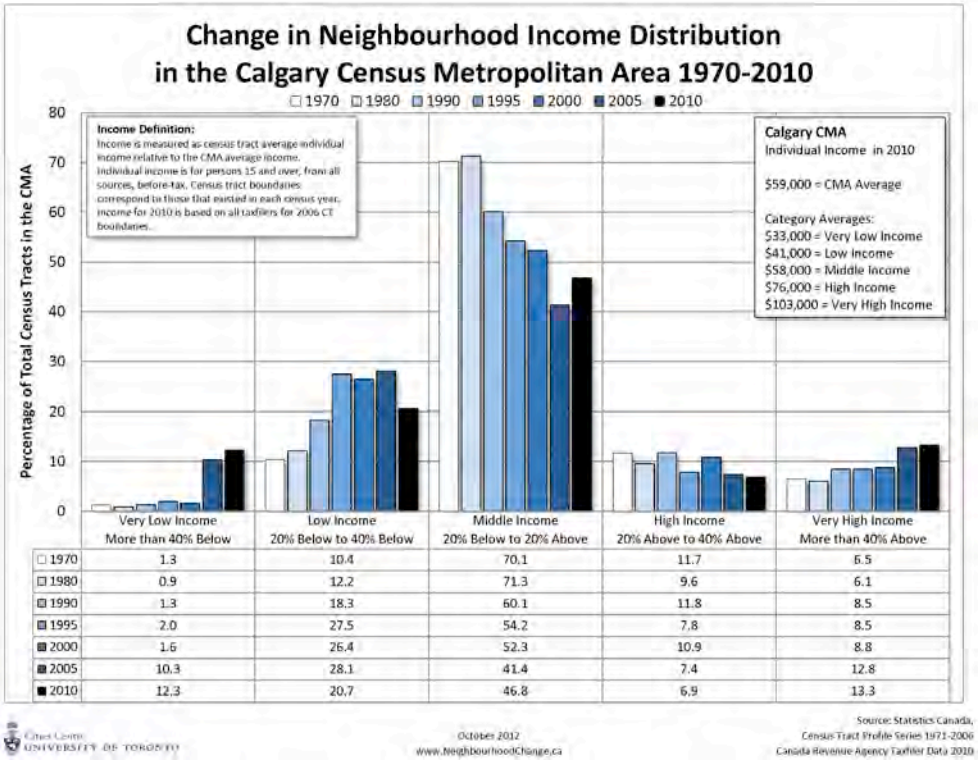

Figure 7