

THE RICH

Report launch, Wednesday Oct. 16
Join us for Dinner and Discussion at a Forum
on Jobs, Inequality and the Future of Ontario

Doors at 6 p.m; Dinner at 6:30 p.m.;

Live Town Hall Forum 7:30 p.m.

The Lincoln Alexander Centre 160 King E Hamilton, Ontario
 (next door to the Crowne Plaza Hotel)

Free event. Transit tickets available upon request.

More info: 905-522-1148 ext. 0

AND THE REST OF US

TRENDS IN HAMILTON'S INCOME INEQUALITY AND WHY THEY MATTER

HAMILTON'S INCOME INEQUALITY IS GROWING



As the gap between “the rich and rest of us” continues to widen in Canada, there is an important conversation emerging about the changing nature of income inequality in Ontario communities. The conversation is moving from the reduction of poverty for individuals to the promotion and sustainability of inclusive communities where everyone has a better quality of life including access to good jobs with solid income, stable housing and nutritious food. It shifts us from marginalizing people living in low income situations to talking about inequality across the income spectrum.

This report investigates trends in income inequality and poverty in Hamilton, how these trends are damaging our economy and our society and what can be done to reverse course.

Chart 1. Income inequality in the Hamilton Census Metropolitan Area, 2010
 (Statistics Canada, Taxfiler data, Table 204-0002)



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Photo of Webster's Falls by Rocco Nufrio

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INCOME DISTRIBUTION IN HAMILTON

In the Hamilton Census Metropolitan Area (which includes Burlington and Grimsby), the average income of the top 1% has risen to 13 times the average income of the bottom 90%, compared to 9 times in 1982.

Growth of inequality in the Hamilton CMA has led to a decrease in share of total income of the bottom 90% of tax filers. In 2010, the bottom 90% received 66% of our community's income, compared to 71% in 1982. Chart 2 shows that the top 1% has received 13% of the growth of Hamilton's income pie since 1982.

Distribution of taxfiler population from lowest to highest income

Distribution of income gains

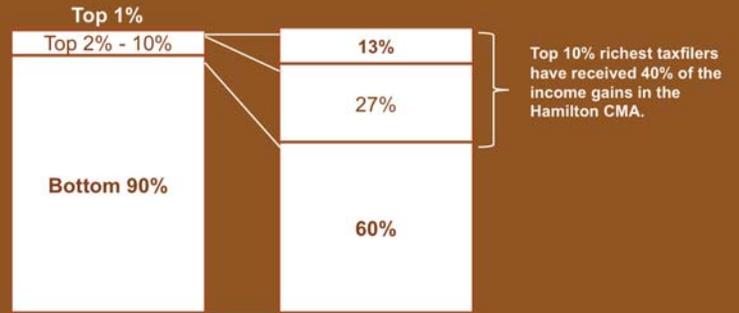


Chart 2. Distribution in income gains from 1982-2010 for selected income groups, Hamilton CMA
(Statistics Canada, Taxfiler data, Table 204-0002)

"It is basic fairness, not absolute income that matters."
– Broadbent Institute

WHY DOES INCOME INEQUALITY MATTER?

Some say income inequality is "just how our economy works." But research is now making clear that increasing inequality is damaging to both to our economy and our society.

ECONOMIC IMPACTS

The negative economic consequences of inequality are being voiced by a wide range of groups and economic leaders. The International Monetary Fund has warned that higher income inequality leads to less economic growth over the longer term. The Conference Board of Canada says "large income gaps can also diminish economic growth if these gaps mean the country is not fully using the skills and capabilities of all its citizens or if they undermine social cohesion, leading to increased social tensions."

The economy is also negatively affected because increasing inequality reduces opportunities for people to climb up the income ladder. Research by Economist Miles Corak at the University of Ottawa has shown that one of the consequences of higher inequality in countries like Canada is that the income of young people is often limited by the income of their parents, and that opportunities for people to move from one economic class to another are hampered.

SOCIAL IMPACTS

Social impacts of inequality touch all sectors, including health. Contrary to what one may think, countries with the best health indicators are not the wealthiest countries but the ones with the lowest levels of income inequality. Closer to home, there is abundant evidence in Hamilton that shows how the income ladder is mirrored in health, with the richest Hamiltonians having better health outcomes than middle and low income residents.

Directly connected to health is food insecurity or the lack of access to nutritious food, which is higher in Hamilton than the average for all of Ontario. More and more evidence shows that people who live in poverty have higher rates of poor health conditions such as diabetes and heart disease, often due to lack of access to a healthy diet.

Worsening mental health in Canada and many countries is another negative impact of the widening gap between the rich and the rest of us.

The unfairness of income inequality makes people lose faith in the benefits of governments and leads to increased corruption and cynicism, and lower voter turnout rates. Former U.S. Secretary of Labour, Robert Reich, recently told a Vancouver audience: "We can have a great democracy, or we can have great concentration of wealth. We can't have both."

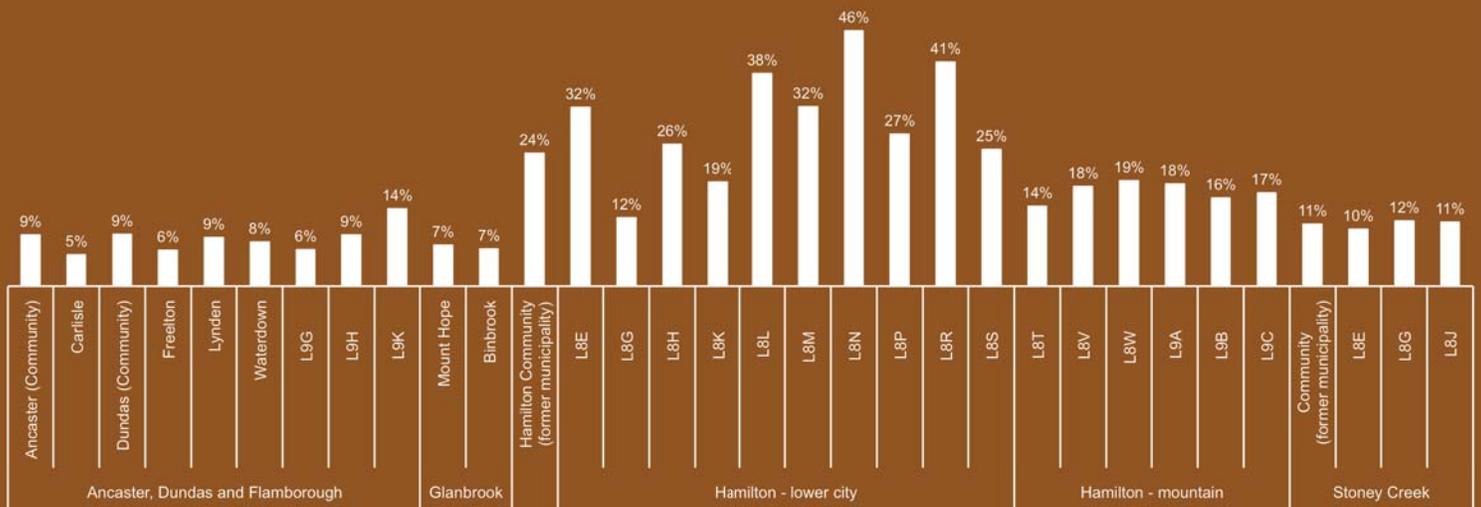


Chart 3. Poverty rates, by selected communities and postal codes, City of Hamilton, 2010
(Statistics Canada Taxfiler data, using before tax Low Income Measure (LIM))

TRENDS IN POVERTY IN HAMILTON

The effects of inequality are felt most personally and harshly by the lowest income residents of our community.

In 2010, the Canadian government eliminated the mandatory long-form census, which was used to collect high quality data on Canadians and our communities. Unfortunately with this cancellation, in depth data about poverty with historical comparisons are no longer available. It has proven more useful to examine some broad trends in poverty using annual Statistics Canada data from all Canadians who file their taxes in Hamilton. Chart 3 shows that all communities in Hamilton have a portion of their residents living in poverty, from as high as 46% in the L8N postal code in the lower city to the lowest rate of 5% in Carlisle. Differences in housing affordability in different parts of the city are the main reason there is such variability in poverty rates across the city.

2006 Census data for Hamilton indicated that approximately 90,000 residents were living on incomes below the poverty line, enough people to fill Copps Coliseum five times. Of that total, 28,000 were children, 12,000 were seniors, and 31,000 worked at least part time. For more and more Hamiltonians, working is no longer the reliable way out of poverty. Minimum wage is currently \$10.25 per hour, which for a 35 hour work week is only \$18,655 per year, almost \$3,000 lower than the poverty threshold of \$21,722 for a single person, using the before tax low-income measure (LIM). The LIM is a relative measure of poverty and is based on half the median income for Canada.

“The struggle to maintain a middle income existence is more difficult, and there has been a decline in average incomes at the bottom—particularly among the young and less educated.”

– Miles Corak, University of Ottawa

“Income inequality used to widen in the wake of recessions, and shrink in times of solid job growth. But over the past generation, income inequality has risen in periods of robust economic growth too, in Canada and around the world.”

– Armine Yalnizyan, Canadian Centre for Policy Alternatives

“In this age of austerity and tax cuts, many governments are doing exactly the wrong things, exacerbating inequality by undermining wages and weakening the programs that reduce inequality and alleviate its consequences, moving from universal to narrowly targeted approaches or starving the programs that the research shows make the biggest difference.”

– Alex Himelfarb, York University

WHAT CAN WE DO TO REVERSE THE TRENDS IN INEQUALITY?

The Broadbent Institute's recent report, *Towards a More Equal Canada*, lists some major strategies to close the inequality gap. Specifically they recommend:

- 1) GOOD JOBS:** including strengthening employment standards, making it easier for workers to form a union, and raising minimum wages so that employment income is more equitably distributed and governments will have less rebalancing to do through the tax system.
- 2) INCOME SUPPORTS:** increasing tax credits and income supports to help low wage workers who also rely on social assistance, consider a guaranteed minimum income starting for persons with disabilities and enhancing child benefits and seniors pensions.
- 3) PUBLIC SERVICES:** Accessible and affordable public services like medicare and schools must be protected as they are most beneficial for the bottom 90% of Canadians. The same principles should be applied to enhance services like childcare, home care for the elderly, transit, affordable housing and post-secondary education.
- 4) FAIR TAXES:** making the tax system more progressive, including taxing investment and employment income in the same way, and increasing some taxes with credits to protect those who can least afford it.

LIVING WAGE

While governments have an important role in narrowing the gap between the poor and the rich, it just as important for businesses and organizations to examine how their own pay structures are contributing to inequality and poverty. One strategy is to lift the floor of wages and ensuring all workers are paid at least a living wage, so they can provide a minimally decent standard of living for themselves and their families. In Hamilton, the living wage was calculated to be \$14.95 per hour in 2012 (set to be recalculated in 2014).

WHAT IS A LIVING WAGE?

A living wage enables wage earners living in a household to:

- Feed, clothe and provide shelter for their family
- Promote healthy child development
- Participate in activities that are an ordinary part of life in the community
- Avoid the chronic stress of living in poverty

Source: Canadian Centre for Policy Alternatives

UNIVERSAL PROGRAMS

Alex Himelfarb, formerly Canada's highest-ranking civil servant and now Director of the Glendon School of Public and International Affairs at York University, points to research that shows "universal programs – universal healthcare, childcare, education, income security, and access to justice, are the most effective by far in promoting equality and social trust. They are inclusive and not subject to arbitrary income cut offs and often degrading means-testing where officials decide who's in and who's out. They bring people together across income and cultural differences. Because they belong to everyone, everyone has a stake in their quality."

This explains why Tastebuds, Hamilton's Student Nutrition Collaborative, has universality as one of its goals, so that all children across our community can have the same access to healthy food, nutrition education, and community building through the program, and all families share in the benefits.

DO WE TRUST EACH OTHER ENOUGH TO TAKE ACTION?

Voicing concerns about declining empathy in Canadian society, Alex Himelfarb has cautioned: "In countries where social trust is low and inequality high, it is awfully hard to reverse direction. Even when people know what's needed, there's not enough trust to get it done... [Without trust,] people are not willing to pay the necessary taxes; each worries that they're being ripped off by the other, those at the top effectively secede from society and those at the bottom withdraw believing that the game is rigged. It is almost impossible in those cases to imagine big new social programs or even strengthening existing ones. And so inequality and distrust grow; solutions seem increasingly out of reach."

Himelfarb's warning makes it clear that Canada must act to put the brakes on inequality immediately, before we lose even more trust in each other and in our society, the very trust needed to fix it.