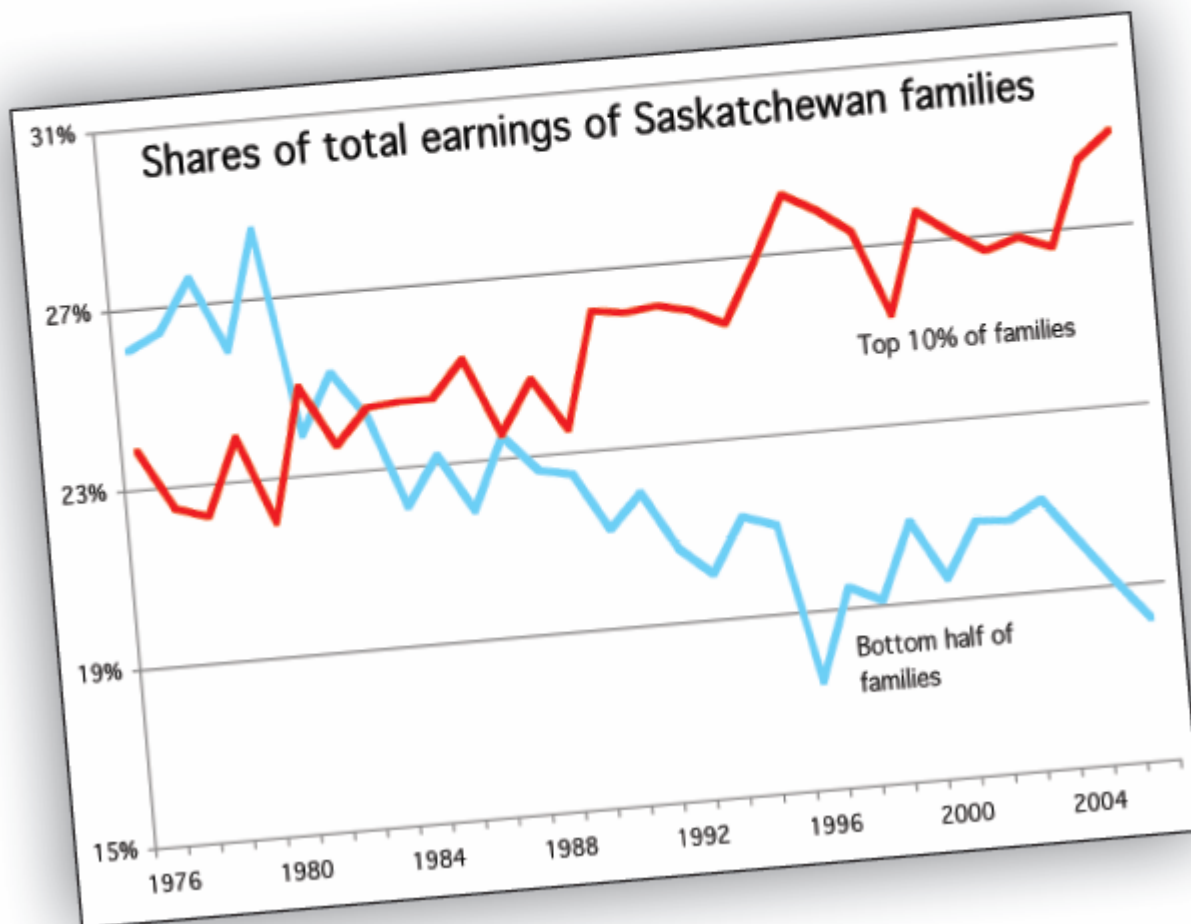


Boom and Bust: The Growing Income Gap in Saskatchewan

By Paul Gingrich



Boom and Bust -- Sociology 208. January
26 2010

The Growing Gap

- A project conducted by the Canadian Centre for Policy Alternatives (CCPA).
- Income inequality among families with children under age 18.
- Studies show increased income inequality among families in Canada, Ontario, Manitoba, and British Columbia from 1976 to 2006.
- Saskatchewan study conducted for CCPA-Saskatchewan; released September 3, 2009.



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More than anything, it is that sense – that despite great differences in wealth, we rise and fall together – that we can't afford to lose. As the pace of change accelerates, with some rising and many falling, that sense of common kinship becomes harder to maintain.

Barack Obama, 2006
The Audacity of Hope

Growing Unequal – OECD, 2008

The gap between rich and poor has grown in more than three-quarters of OECD countries over the past two decades the economic growth of recent decades has benefitted the rich more than the poor. In some countries, such as Canada, Finland, Germany, Italy, Norway and the United States, the gap also increased between the rich and the middle-class.

Growing Unequal – OECD, 2008

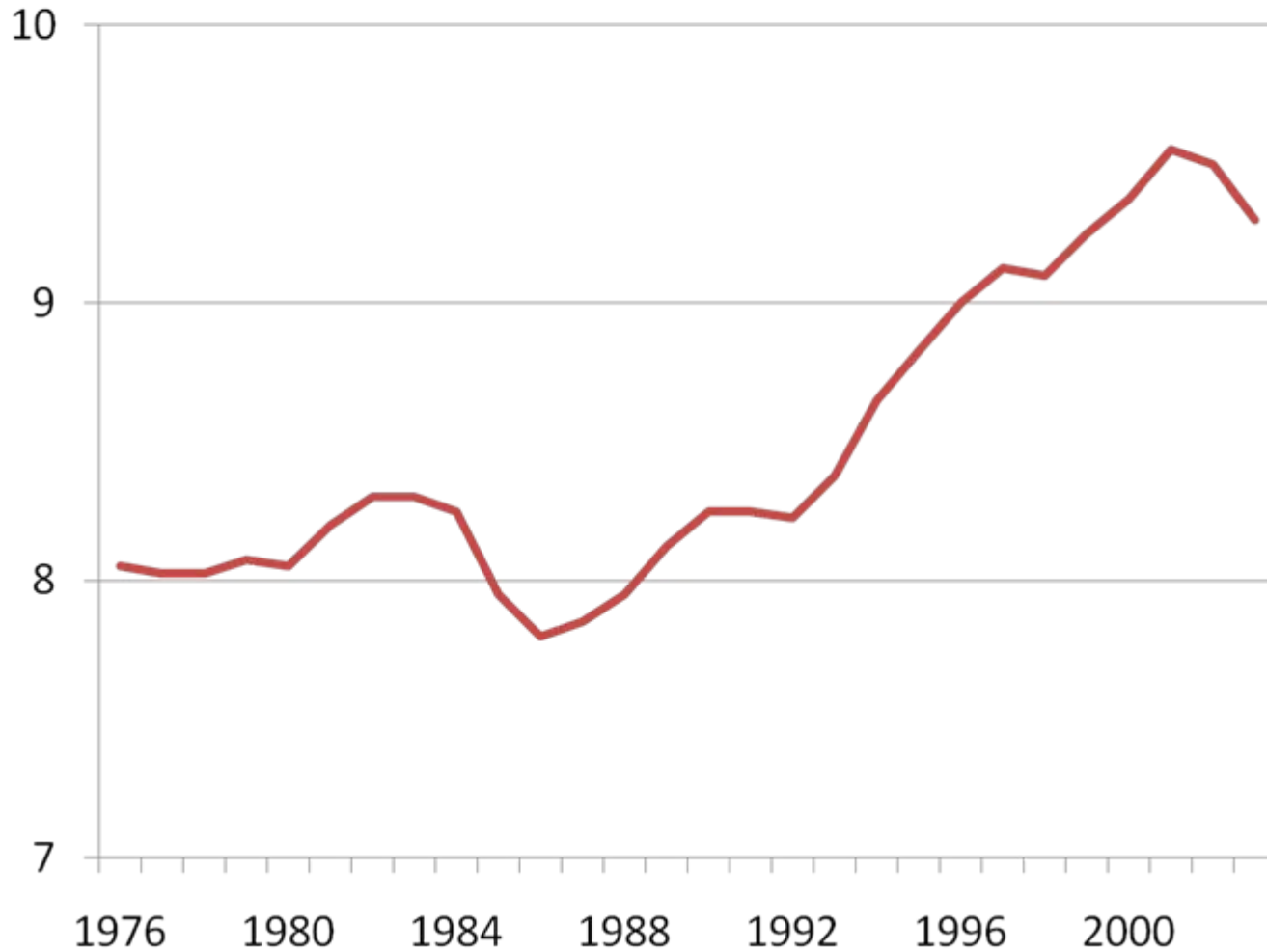
- A key driver of income inequality has been the number of low-skilled and poorly educated who are out of work. More people living alone or in single-parent households has also contributed [to inequality].
- Those around retirement age have seen the biggest increases in incomes over the past 20 years, and pensioner poverty has fallen in many countries. In contrast, child poverty has increased.

OECD, *Growing Unequal* press release, 2008

Income inequality in Canada

- Little change in the gap between rich and poor from the Second World War through the mid-1980s.
(Osberg, CCPA, 2008)
- Economy and social programs expanded.
 - Rich, middle income, and poor made gains.
 - Expanding opportunities for young people.
- Inequality increased from mid-1980s.
 - Low and middle incomes declined or stagnated, followed by slow growth.
 - Upper incomes increased rapidly from mid-1990s.

Income after taxes. Ratio of top 10% to bottom 10% Canada, 1976-79 to 2003-06



Does inequality matter?

- Health. Low income associated with diabetes, heart disease, suicide, youth depression.

(Lemstra and Neudorf, Saskatoon, 2008)

- Housing. High and growing incomes increase price of housing. Saskatchewan since 2005.
- Low income children have disadvantages, limiting education and career options.
- Growing inequality fosters elitism and resentment and creates social exclusion, isolation, and reduced social participation.

Saskatchewan economy, 1976 to 2006

- Shift away from agricultural production
 - 25% of production and employment in 1976
 - Fell to 10% by the middle of this decade.
- Recent economic growth mostly as a result of high commodity prices – petroleum, potash, uranium.
- Limited employment growth in mining and manufacturing.
- Most extra employment in community, business, and personal service. Much of this is low wage, irregular, and is not covered by collective agreements.

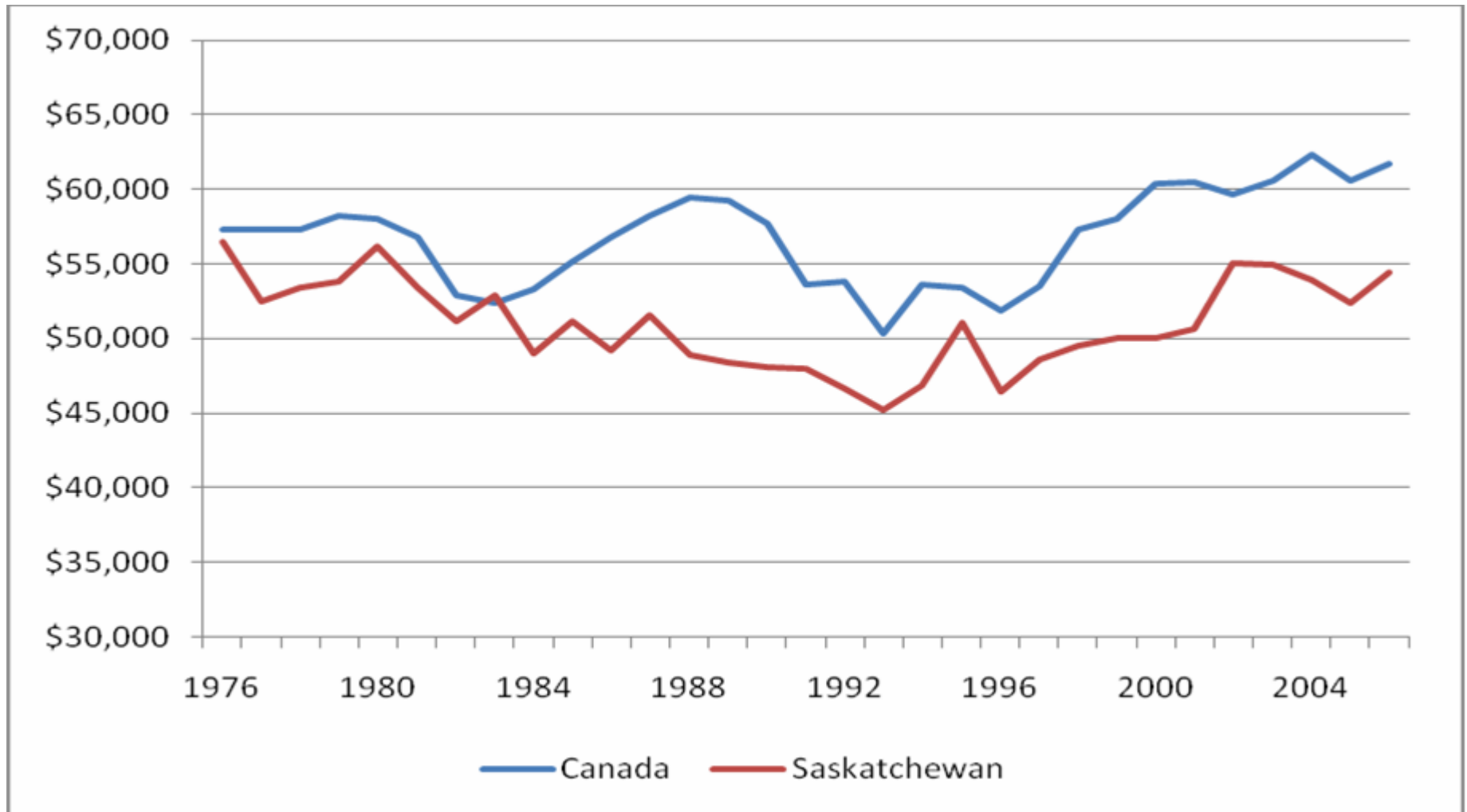
Saskatchewan labour force, 1976 to 2006

- Employment
 - Growth from 1976 to 1988: + 80,000 jobs
 - Decline from 1988 to 1993: – 15,000 jobs
 - Slow growth 1993 to 2001: + 10,000 jobs
 - Faster growth 2001 to 2009: + 60,000 jobs
- Most of the growth in jobs was accounted for by women (+71%). Male employment grew only 6%.
- Province lost almost 200,000 people through net out-migration. Reversed in last 3 years.

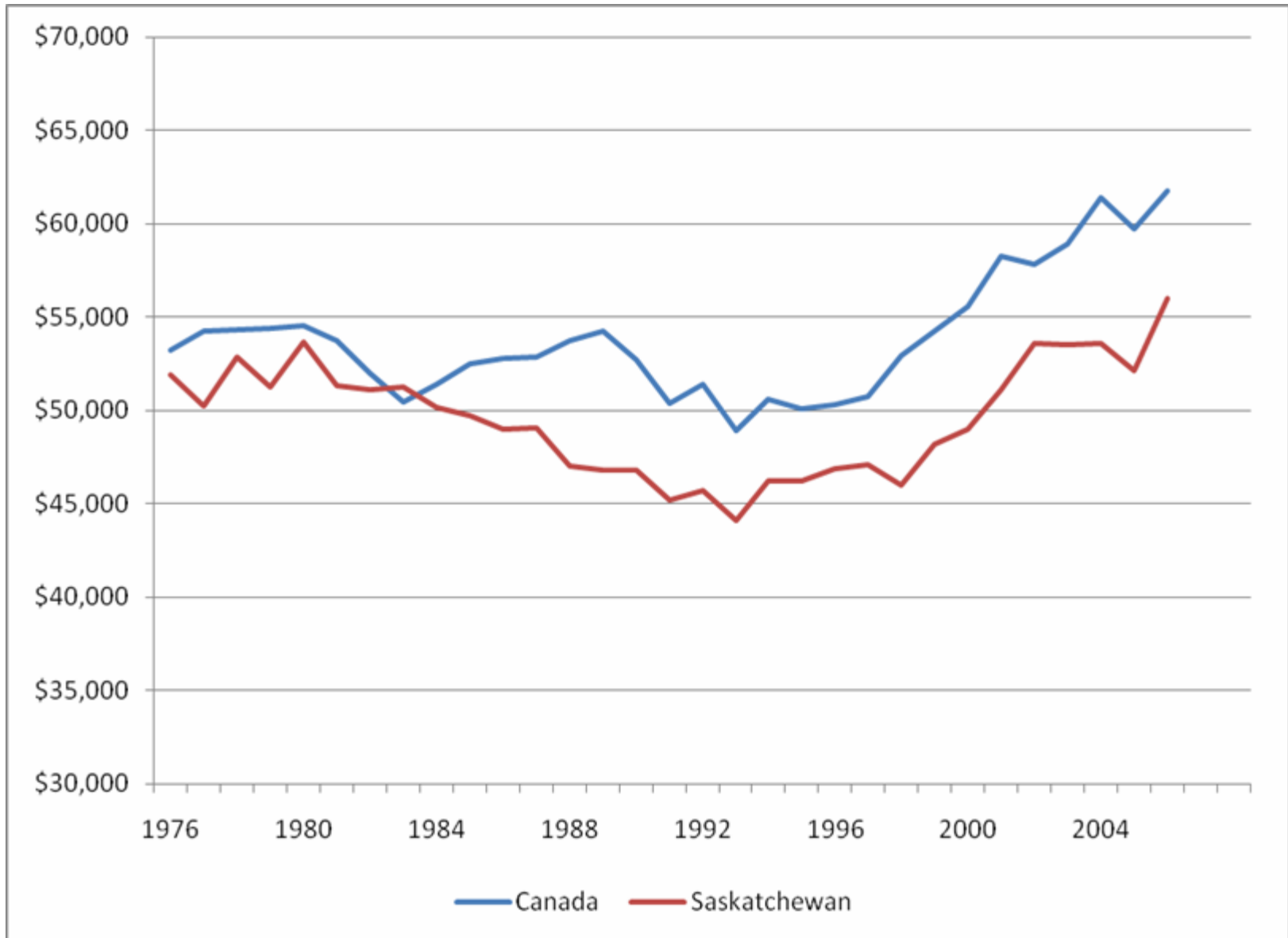
Data for Growing Gap in Saskatchewan

- Statistics Canada, Survey of Labour and Income Dynamics (SLID), 1976 to 2006. Special tabulation obtained by CCPA.
- Families with children under age 18.
 - Single and two parent families and all children.
 - Excludes families on reserves.
- Earnings = wages + net income of farm and unincorporated business.
- After-tax income = earnings + transfers + investments + pensions minus income tax.

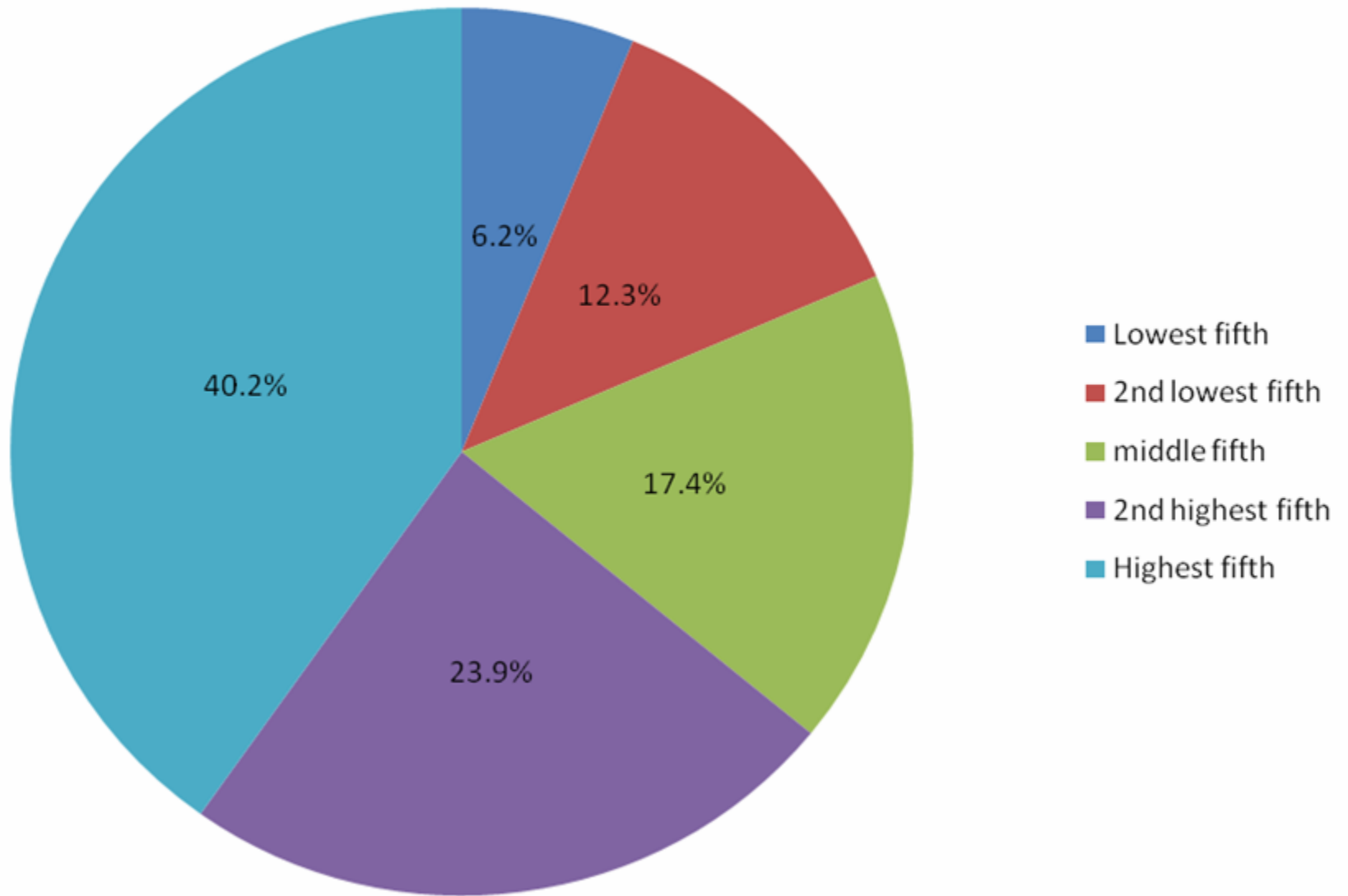
Median earnings of families with children, 2006 dollars, Saskatchewan and Canada, 1976-2006



Median after-tax income of families with children, 2006 dollars, SK and Canada, 1976-2006



Shares of After-Tax Income, Families with Children, Saskatchewan 2006



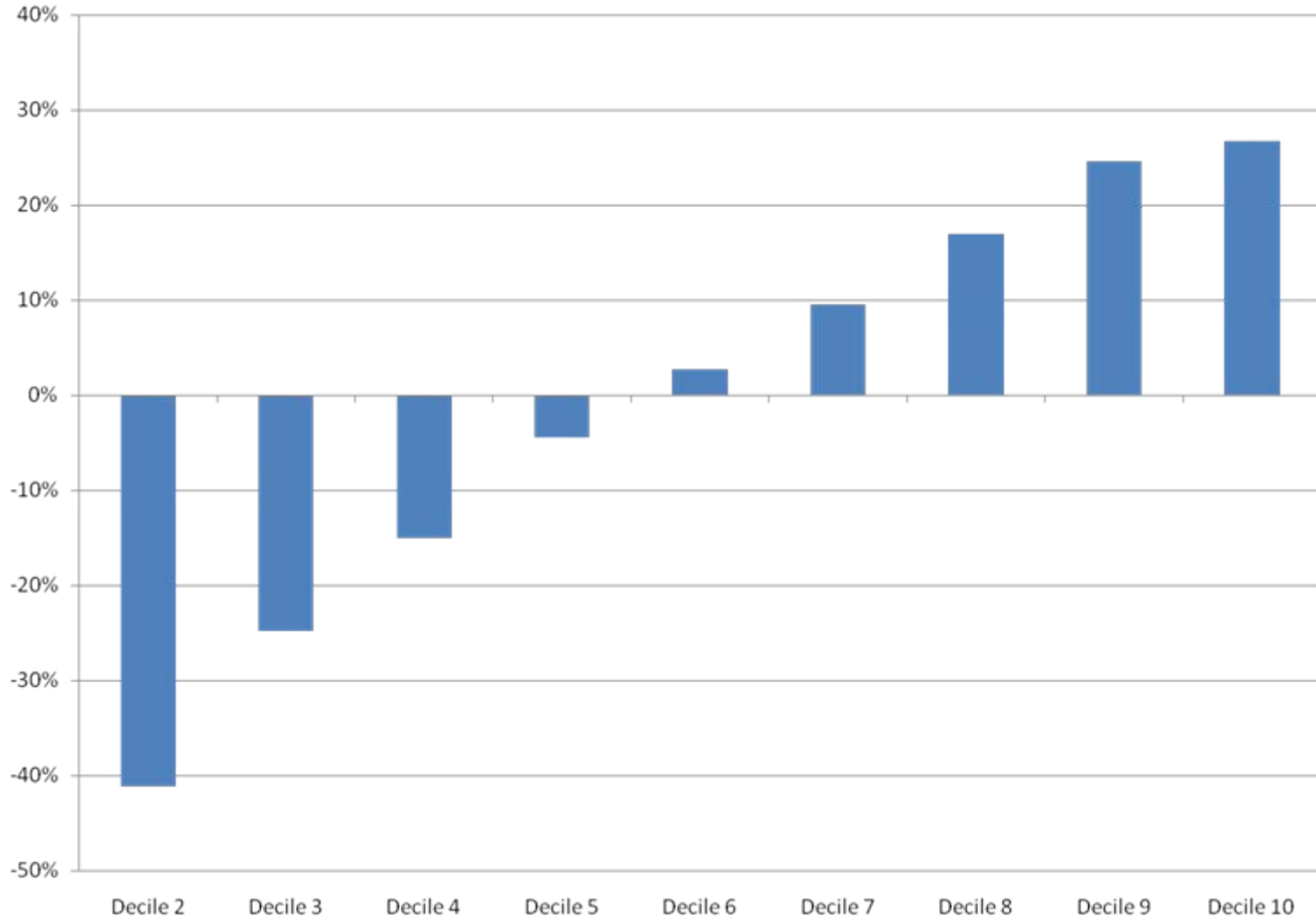
Saskatchewan and Canada

- Inequality greatest in B.C. and Ontario, 2003-2006.
- Saskatchewan ranked third in inequality, just below the Canadian average.
- Inequality lower in Quebec and Atlantic provinces.
- In 2006, inequality in Saskatchewan was the greatest in Canada – an anomaly or part of a disturbing trend?

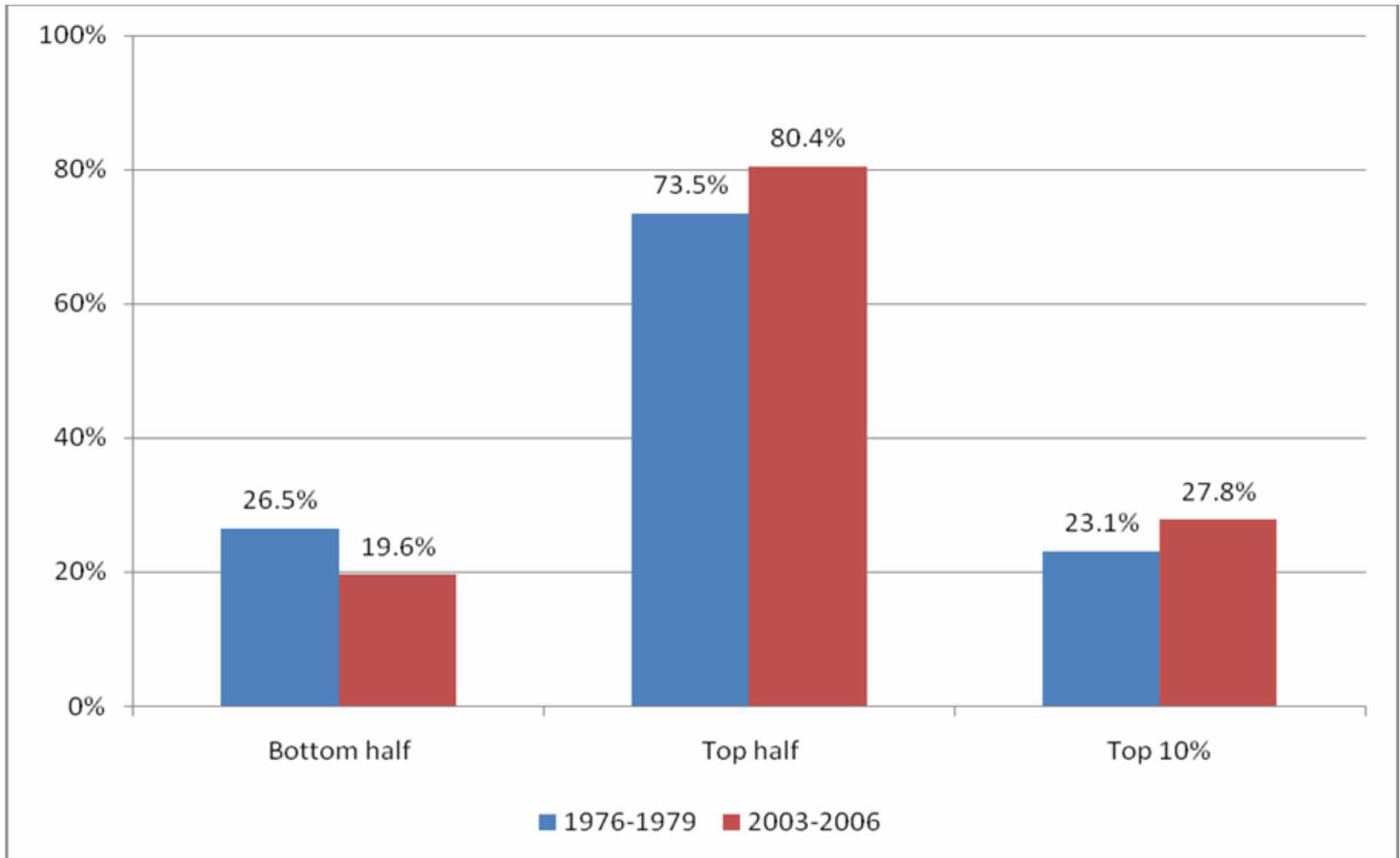
Earnings, 1976-2006 – SK families with children

- Family earnings = wages and salaries for all family members plus net income of family farms and businesses.
- Data in 2006 dollars, ie. corrected for inflation.
- Little change in average earnings for Saskatchewan families from 1976-1979 to 2003-2006.
- But a decline in earnings for families with lower earnings and increase for those with greater earnings.

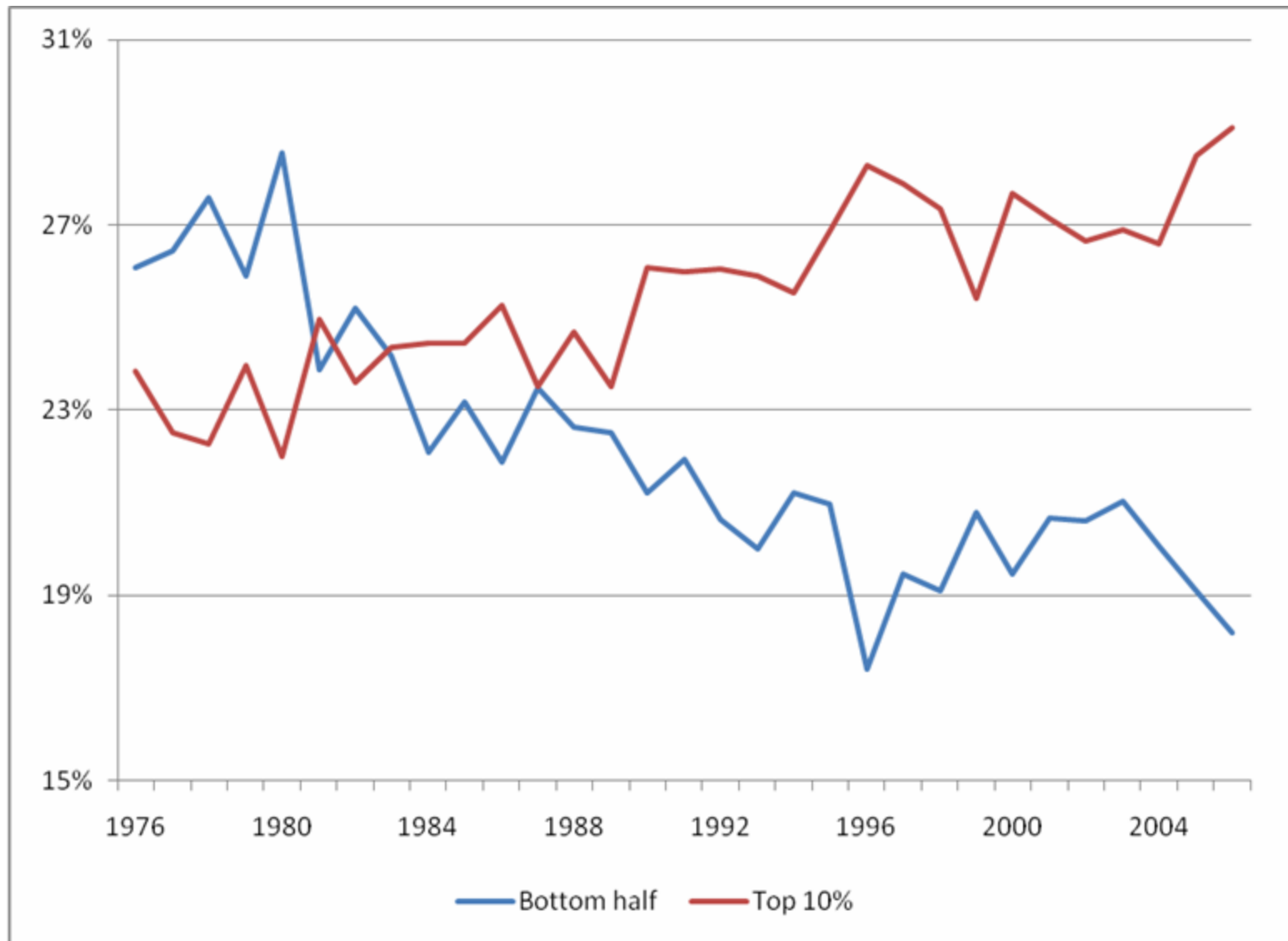
% change in median earnings by decile, Saskatchewan, 1976-1979 to 2003-2006



Shares of earnings of families with children, SK



Shares of earnings of bottom 1/2 and top 10%, SK



More earners, more weeks, more hours at jobs

- Average weeks of work
 - 1976-1979 86 weeks per year
 - 2003-2006 95 weeks per year
- More time at jobs across the spectrum, when jobs are available.
- Middle 50% – Average 98 weeks per year
- Top 20%
 - Average 125 weeks per year
 - More than two earners per family

Employment gap

- Those families who find greater employment have reaped benefits of economic expansion.
- Members of low income families employed for more weeks and hours when jobs are available.
- More employment necessary to prevent family from falling behind, but often this is insufficient.

Earnings gap

- Main cause of increasing inequality has been the growing gap in earnings.
- For those at lower income levels, problems have been:
 - Lower wages and salaries
 - Limited growth in jobs that pay well
 - Fewer earners per family
- Best off have received the bulk of benefits from economic growth.

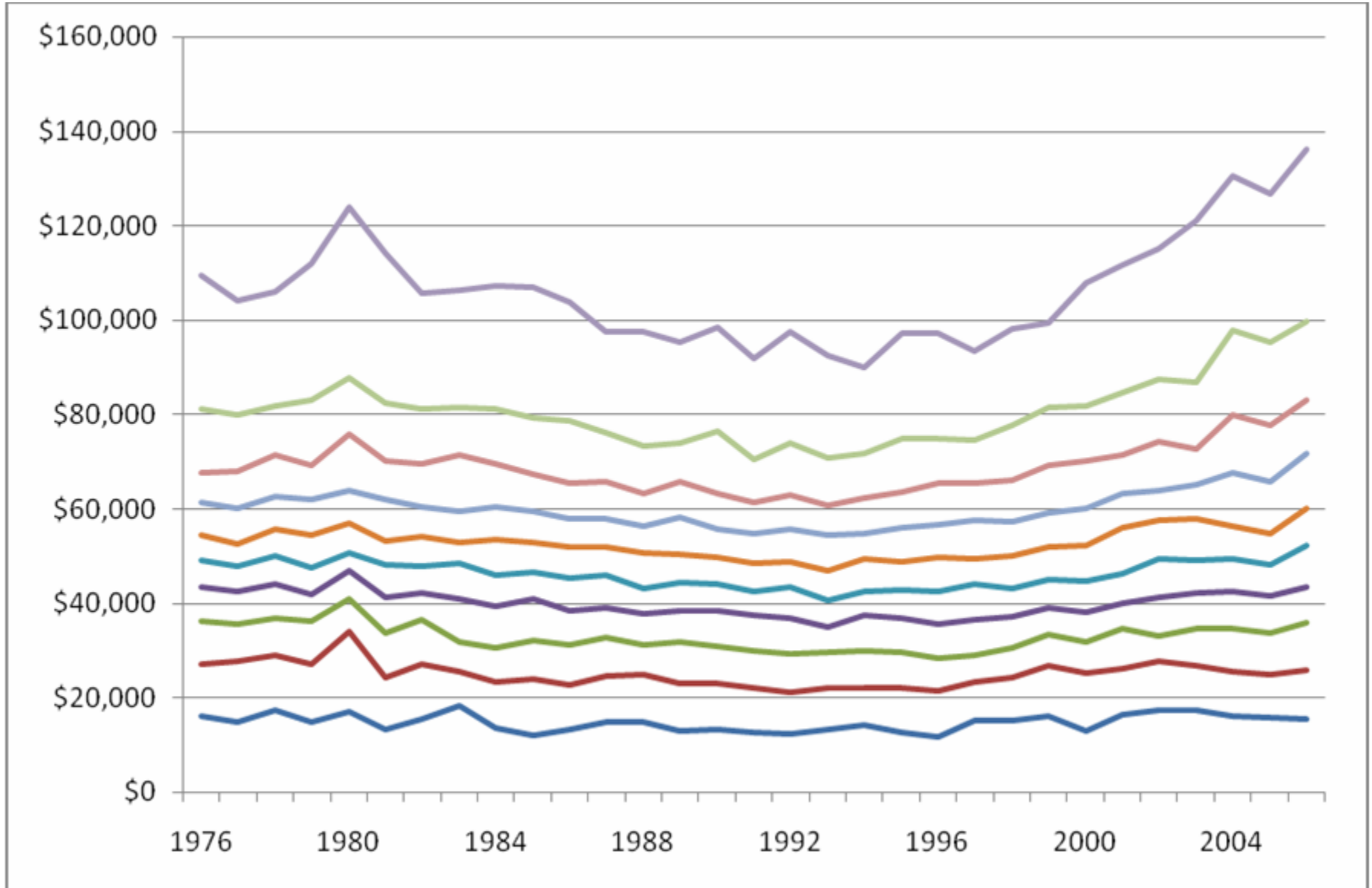
After-tax income

- Earnings = wages and salaries + net income from family farm or business
 - + Add investment and pensions (few for most families with children) to give market income
 - + Add government transfers – EI, CPP/OAS, Child Tax Benefit, Social Assistance, and others.
- Total income
 - Provincial and federal income tax.
- After-tax income = What family has to spend or save.

Inequality of after-tax income

- Less unequal than earnings because
 - Government transfers help the poorest survive, although only at or below the poverty level.
 - Greater tax rates for those at higher incomes (progressive income tax rates).
- But after-tax income inequality grew from 1976 to 2006:
 - Earnings gap became much larger.
 - Some transfers reduced – EI and Social Assistance.
 - Flatter (less progressive) tax rates.

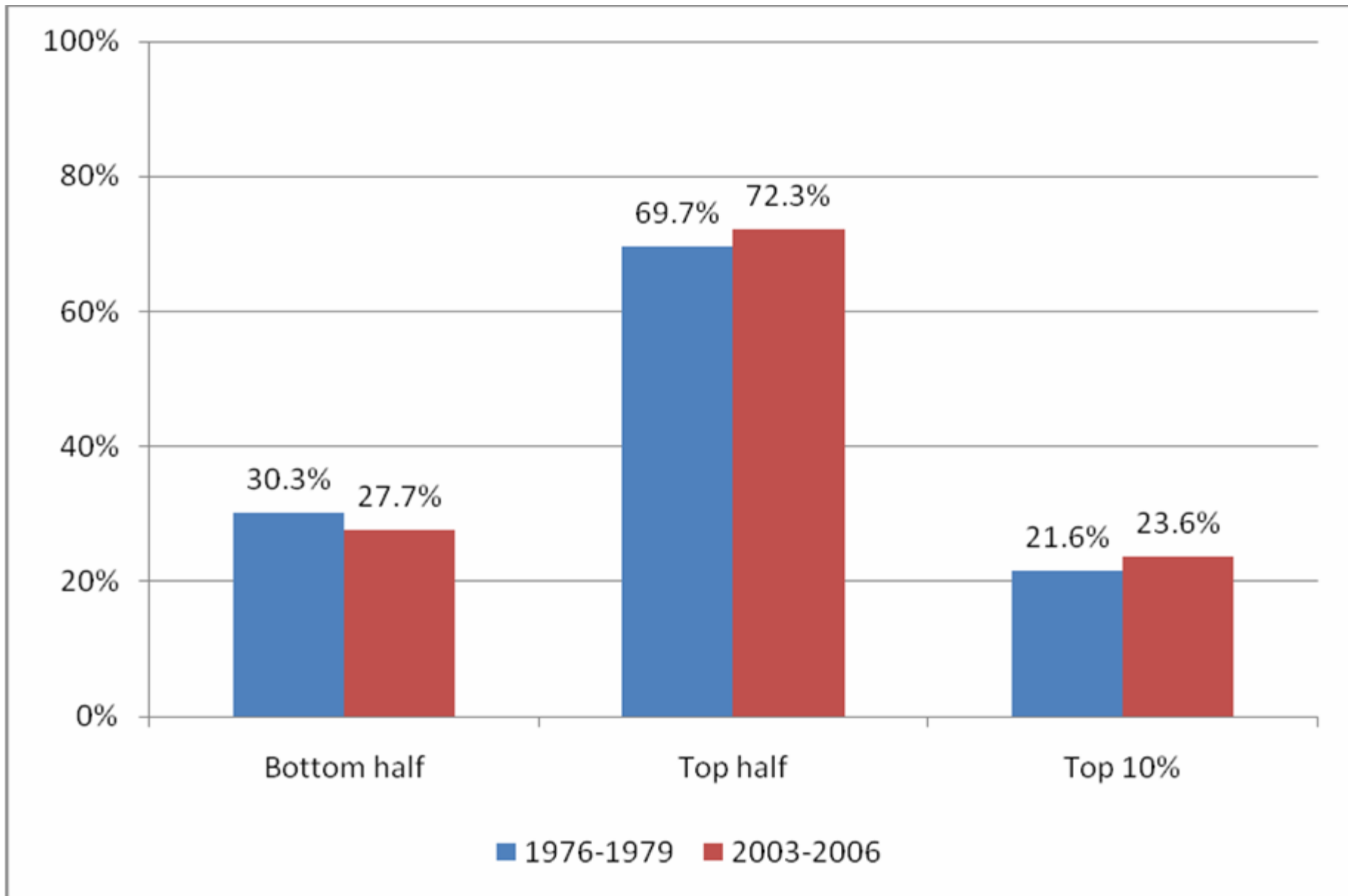
Median after-tax income of families with children, by decile



After-tax income by decile, 1976-2006

- All deciles lost income between 1976 and 1992-1994.
- All have gained since this low point. But the lower deciles gained the least and the upper deciles gained the most.
- Only the top 10% has made great gains.
- Bottom six deciles, the 60% with lowest income, all had lower income in 2006 than in 1976 – this includes the poor and those at middle incomes of \$40,000 to \$65,000.

Shares of after-tax income of families with children



Growing gap in after-tax incomes

- Gains by the top 10% were the greatest. Their share of after-tax income is approximately 10 times that of the poorest 10%.
- By 2006, the bottom half had only 28% of income, less than the 30% they had in 1976.
- The gap in after-tax income widened, although not as much as the gap in earnings.

Effect of redistribution

- Transfers help families at all levels –
 - CPP and OAS are by far the largest transfers.
 - EI, Child tax benefits, Workers' Compensation, GST credits, and Social Assistance for families.
- Taxes are progressive, although less so over the last 20 years, especially at provincial level.

Result of redistribution

- Transfers are more important for equalizing incomes than are taxes. The Canada Child Tax Benefit is especially important in providing income for low-income families with children.
- The redistribution system was inadequate to deal with the growing gap in earnings.
- Growing gap in after-tax incomes between best off and less well off families.

The greatest gap – Aboriginal incomes

Median income of individuals, ages 25-44, 2005

	Income	% of Non-Aboriginal
• First Nations	\$14,100	45%
• Métis	\$26,100	83%
• All Aboriginal	\$18,200	57%
• Non-Aboriginal	\$31,600	100%
• Total	\$29,600	

Causes of the growing gap

- Earnings – widening gap caused by low wages, limited growth in employment, irregular and unstable jobs.
 - Employers have not created enough good jobs with career possibilities.
- Redistribution – governments have allowed the tax and transfer system to weaken. It would have needed to be stronger to deal with the growing gap in earnings.

To reduce the earnings gap

- Employers could create more good jobs – higher wages, more stable, career possibilities.
- More jobs could be unionized.
- Improved education and training – early childhood education, family literacy, ESL, more accessible and affordable post-secondary education.
- Training programs for unemployed workers.
- Reduce barriers to employment and encourage economic development to create a more inclusive labour force.

Strengthen and expand social policies

- Expand child benefits, early childhood education, universal child care program.
- Increase minimum wage and social assistance; move toward a guaranteed income.
- More social housing – rather than a dome.
- Improved services for poor, disabled, and at-risk groups.
- No flat tax, and make taxes more progressive.

The road ahead

- In the 1990s, trade unions, the women's movement, and community groups forced politicians to maintain medicare and provide some support for egalitarian policies.
- Future public campaign to expand incomes and social inclusion?

Thank you

- And thanks to the CCPA, especially Brian Banks of the Saskatchewan office, for initiating and supporting this project.
- The full study is available on line at <http://www.policyalternatives.ca>

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