Mounting inequality in Canada

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A broadly-held perception persists in Canada, encouraged and maintained by the media, that the country is somehow exceptional—kinder and gentler—with greater social equality than other countries, particularly the United States.

However, recently released statistics from the 2001 Canadian census, combined with a report on wealth inequality based on earlier census data, shows a widening gap between rich and poor, with a sharp increase in the number of working people, notably immigrants and young people, earning less that $20,000 per year.

According to a report commissioned by the Canadian Centre for Policy Alternatives, entitled *Rags to Riches: Wealth Inequality in Canada,* published in December 2002: "Canadians may view their country as a land of opportunity, but it is also a land of deep and abiding inequality in the distribution of personal wealth."

Analyzing data from Statistics Canada's *Survey of Financial Security* and previous surveys dating back to 1970, the report details:

* The wealthiest 10 percent of family units held 53 percent of the wealth in 1999. The wealthiest 50 percent of families controlled 94.4 percent of the wealth, leaving only 5.6 percent for the bottom 50 percent.

* The poorest 10 percent of family units have negative average wealth, or more debts than assets. Average wealth, adjusted for inflation, for the poorest 10 percent declined by 28 percent from $8,031 in 1970 to $10,656 in 1999.

* By contrast, average wealth for the richest 10 percent of family units increased from $442,468 in 1970 to $980,903 in 1999—an increase of 122 percent.

Moreover, the study demonstrates that poor families—notably lone-parent families and young people—gained little or lost ground. The findings include:

* Family units headed by persons under age 25 saw their median wealth fall from $1,474 in 1970 to a mere $150 in 1999 after adjustments for inflation.

* Lone-parent families, whether headed by women or men, saw their median wealth go from $1,870 in 1984 to $3,656 in 1999.

The report highlights the changes in federal and provincial taxation policies that have conferred huge benefits on Canada's wealthiest individuals, while social safety nets and programs aimed at addressing poverty have been slashed:

* Registered savings plans, capital gains and stock dividends all get preferred income tax treatment. In 1999, 72 percent of the $42 billion in registered savings plans was held by the richest 20 percent of families. The richest 20 percent also owned 94 percent of the $92 billion in stocks outside registered savings plans and 81 percent of the $80 billion in other mutual and investment funds.

* Canada has become one of the few developed countries in the world that has no inheritance taxes, estate taxes or wealth transfer taxes.

* The percentage of unemployed workers receiving federal unemployment insurance benefits was cut in half during the 1990s. Provincial governments have also kept welfare incomes far below the poverty line in recent years.

Recently released data from the 2001 census confirms the trend toward increasing social inequality.

Some 6.7 million Canadians have annual average earnings of less than $20,000, up 5 percent, that is, 316,000 people, from the levels of the 1990s, after adjustment for inflation. By any measure, these people are living in poverty, existing on less than half the average income.

About a fifth of the people earning less than $20,000—approximately 1.5 million Canadians—are working full-time, year-round. This is legally possible because minimum wages have been kept way below the poverty line. In Alberta, which has the lowest minimum, the hourly rate is only $5.90, producing an annual income of just $12,272.

In Ontario, the minimum rate has been held at $6.85 an hour for the past decade, the equivalent of $14,248 a year. For working people living in Toronto, the provincial capital, annual housing rents alone consume between $10,800 and $14,400. Anyone trying to survive on minimum wage finds it impossible to make ends meet.

At the same time, the number of earners in higher income brackets—those earning $80,000 or more a year, and especially those earning $100,000 or more (also adjusted for inflation)—soared during the 1990s. In 2000, just under 447,000 people earned $100,000 or more, up 68.8 percent from 264,500 a decade earlier. These high-earning individuals represented 2.7 percent of all earners in 2000, compared with 1.8 percent in 1990.

Perhaps the most revealing and explosive aspects of this social polarization relate to the impact on two of the most important components of the working class—young people and immigrants.Workers aged less than 40 experienced earnings losses over the past two decades. Total average earnings only rose because those over 40, particularly over 50, experienced gains.

For employees aged 35 to 39 working full-year, full-time, average earnings in 2000 stood at $50,390, about $1,740 less than in 1980. The pattern was worse for all younger groups, with those in their 20s experiencing back-to-back declines in each of the past two decades.

According to Statistics Canada, this decline for young workers is one of the major explanations for their increasing tendency to return or continue to live with their parents for extended periods and to delay having a family. No less than 41 percent of people aged 20 to 29 lived with their parents in 2001, up from 27 percent in 1981. There were also notable declines in the proportion of the young living in unions, either marriage or common-law.

Over recent decades, the Canadian economy has become increasingly reliant on cheap immigrant labor, while the political and media elite portray a mythical image of contented and grateful recent arrivals.

The average earnings in 2000 of male immigrants aged 25 to 54 who arrived in Canada between 1990 and 1999 was $33,900, almost 25 percent lower than that of the Canadian-born. This level was well below the average of $40,100 among male recent immigrants who arrived in Canada two decades earlier.

Low wages are today continuing for longer after arrival. In 2000, male immigrants who had been in the country one full year made 63 cents for every dollar made by those born in Canada. Immigrants who had been in the country 10 years made 80 cents for each dollar earned by Canadian born workers.

In 1980, male immigrants who had been in the country for only a year made about 72 cents for every dollar made by the Canadian-born. Those who had been in Canada three or more years made about 90 cents or more. Once they had been in the country nine or 10 years, they made as much as Canadian-born men of the same age. The patterns are similar for women.

These shameful trends have emerged even though 41 percent of Canadians aged 25 to 64 hold a college or university education, the highest level of all industrialized nations. For the first time, the majority of the working age population had some post-secondary credentials.

Unequal access to higher education remains a source of advantage. More than 60 percent of people in the lowest earnings category did not have more than a high school education in 2000, while more than 60 percent of those in the top category had a university degree.

Yet, higher education is no longer a guarantee of a living wage. Significantly, 16 percent of those earning less than $20,000 per annum in full-time employment were university graduates and 11 percent were community college graduates.

The studies demonstrate clearly that Canada is no different from other advanced capitalist economies, where wealth has been relentlessly redistributed from the working people to the rich over the past two decades. As a result, increasing levels of homelessness, poverty and despair are being witnessed across the country.