

Why Inequality Matters and What We Can Do About It

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Why Inequality Matters

- Context
- Promise
- Reality
- Response – What We Can Do About It

Context is Everything – The Promise of Prosperity

- A rising tide will lift all boats
- Focus on economic growth and everything else will follow
- Economic justice without painful redistribution by “baking a bigger pie”

How To Make the Promise Real

Get better **educated**.

Work **harder**.

Improve productivity.

Expect less from government.

Let the **market** do what it's best at doing,
creating **wealth**.

The good life will **"trickle down"**

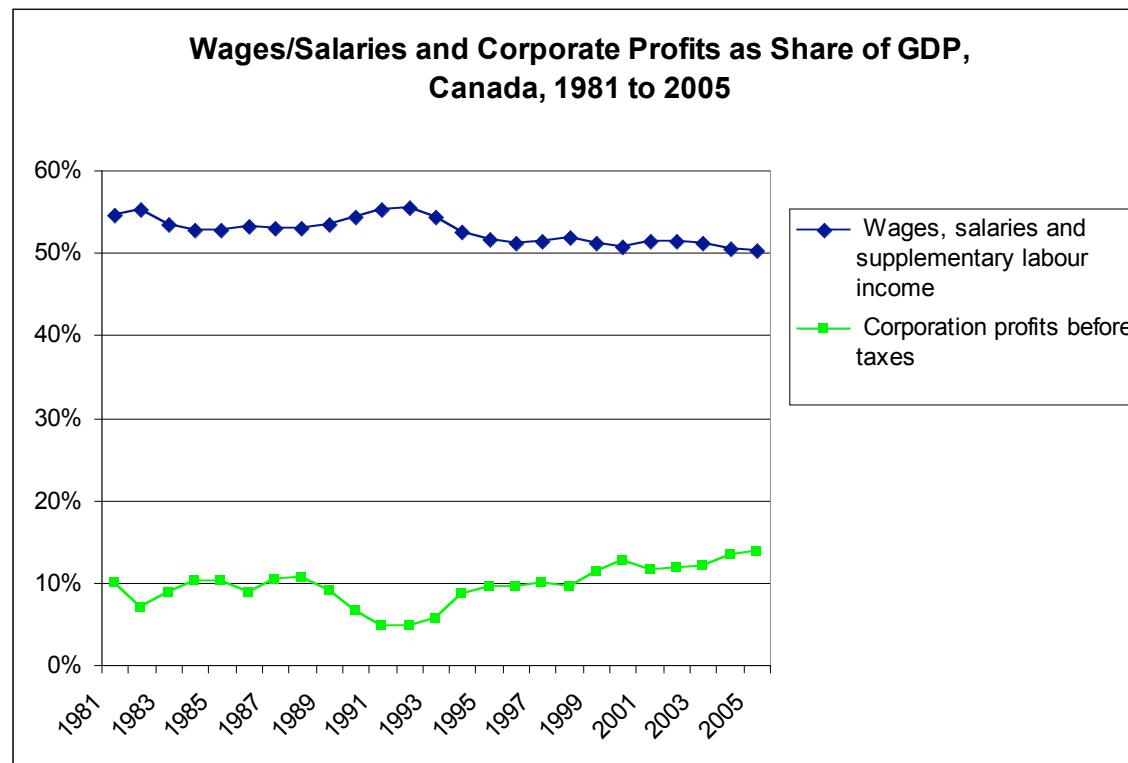
The Reality

- Labour force better educated, by every measure
- Employment rates at record highs, unemployment rates at 33 year lows
- Economy has grown
- Distribution of growth has been highly concentrated
- Inequality – the *other* inconvenient truth

Is Bigger Better? The Trillion Dollar Baby

	Nominal Growth	Real Growth	Unemployment Rate
	Dollars (in millions)	Constant \$ (2002)	
1981	360,471	647,323	7.6%
1995	810,426	898,814	9.6%
2005	1,371,425	1,246,064	6.8%
Q1 2008	1,577,976	1,327,452	6.1%

Is Bigger Better? Shifting Share of Economy

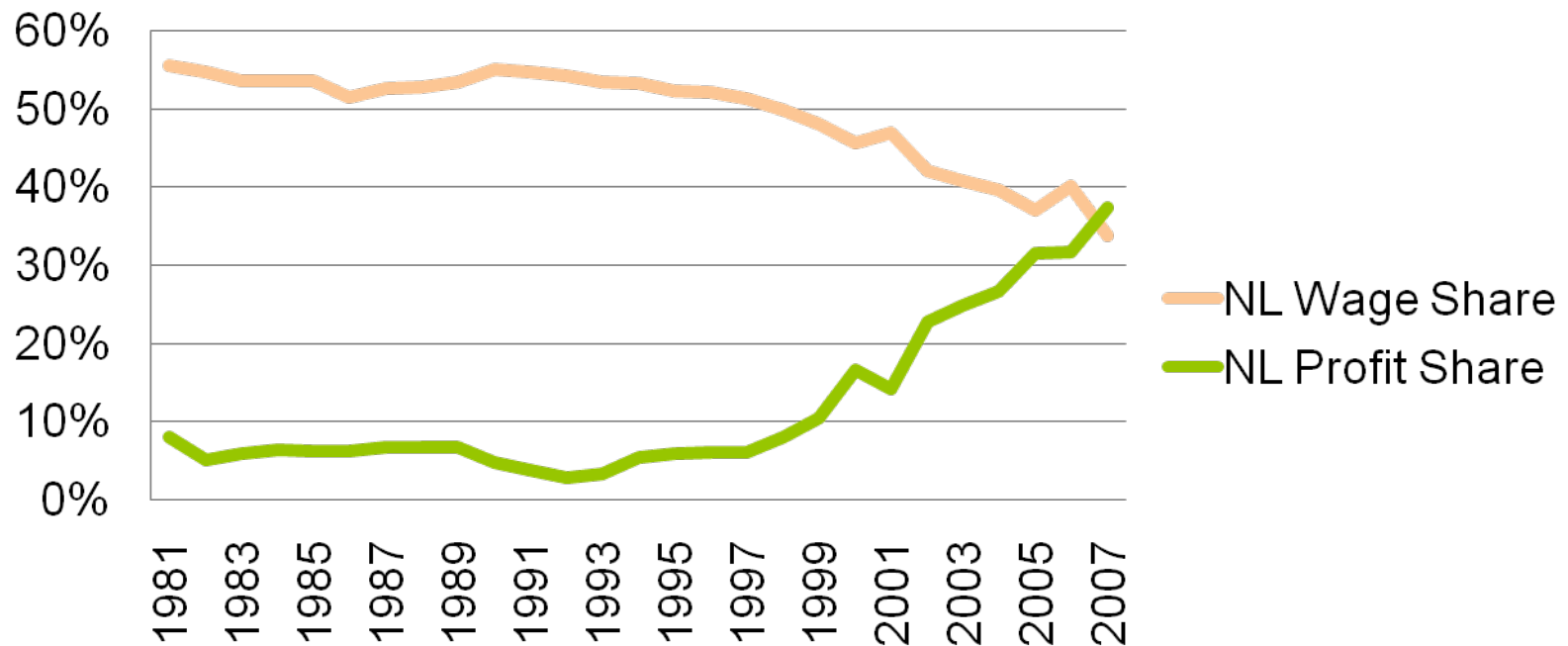


Newfoundland Fastest Growing

	Nominal GDP		Real GDP	
	1981-2007	1997-2007	1981-2007	1997-2007
CDA	324.8%	73.5%	103.3%	38.3%
N&L	463.3%	175.6%	106.5%	61.4%
ONT	344.1%	62.0%	111.9%	39.8%
ALTA	386.9%	142.8%	131.1%	48.0%

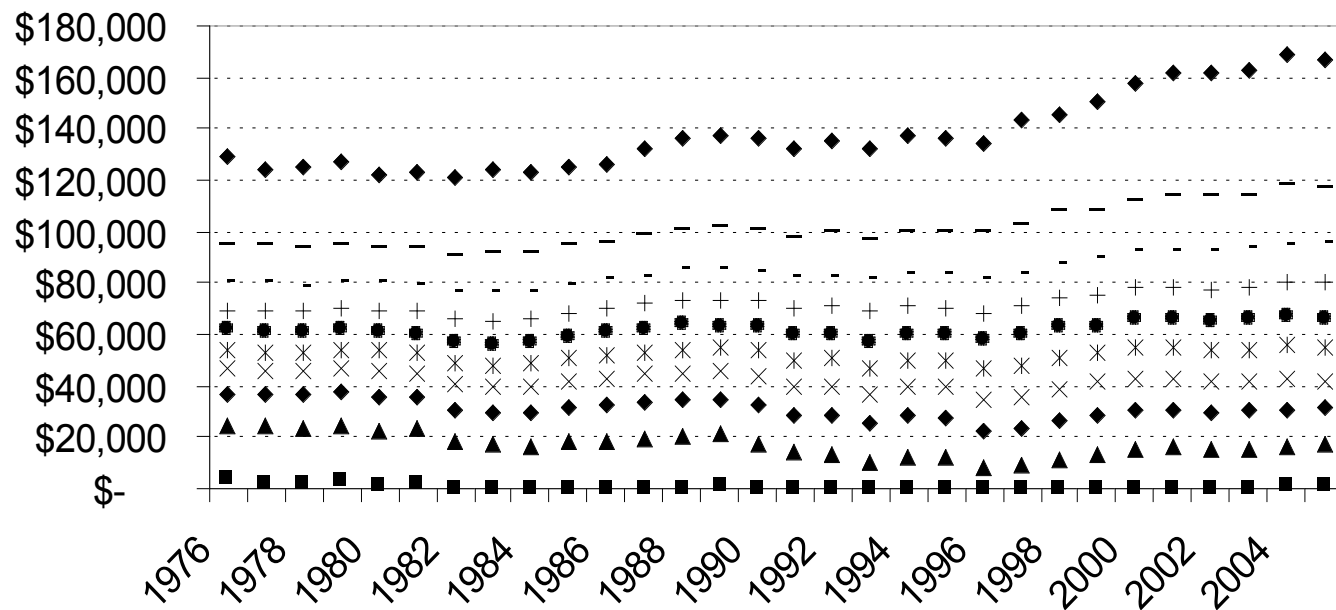
Is Bigger Better?

Wage and Profit Shares of N&L Economy 1981 to 2007

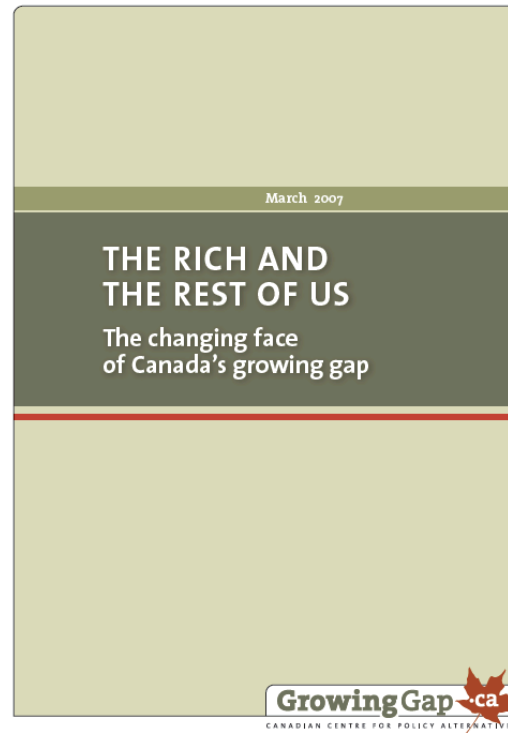


Shifting Share of Earnings: “The rich and the Rest of Us” for Canada

Median Earnings* by Decile (2005 \$'s) 1976 - 2005; Economic Households - non-senior - children; Canada

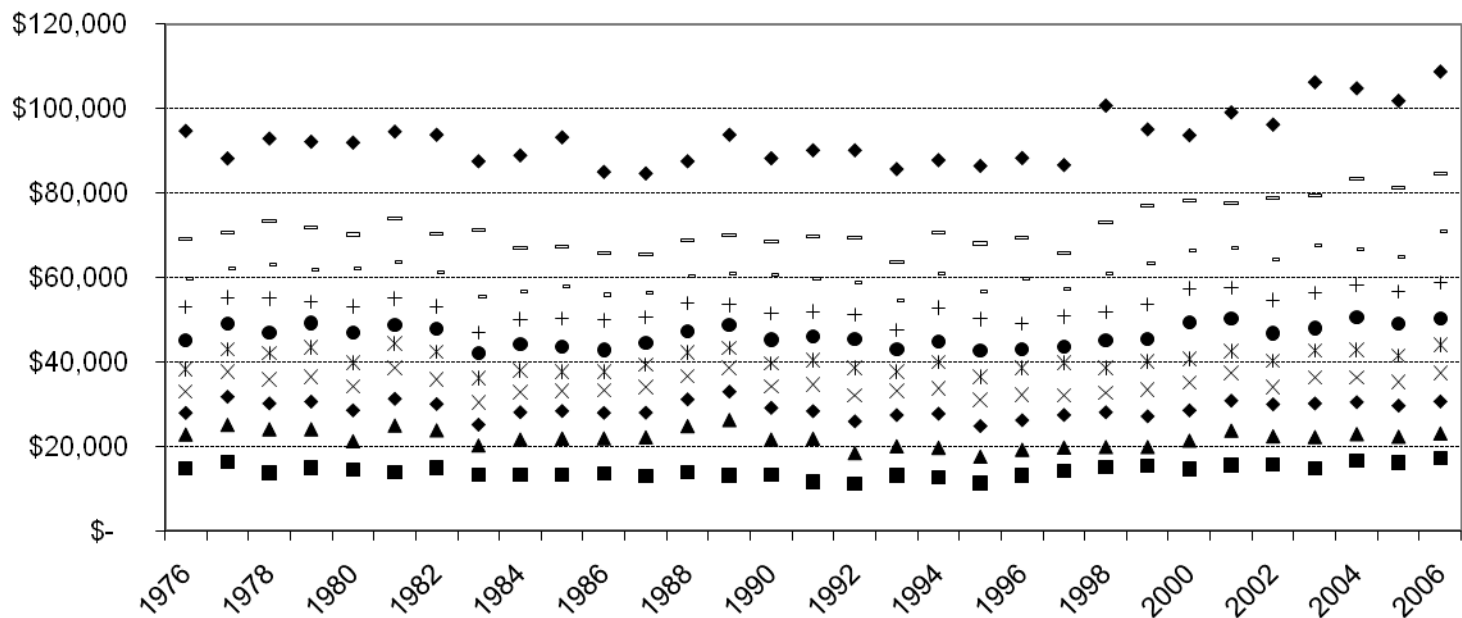


www.growinggap.ca



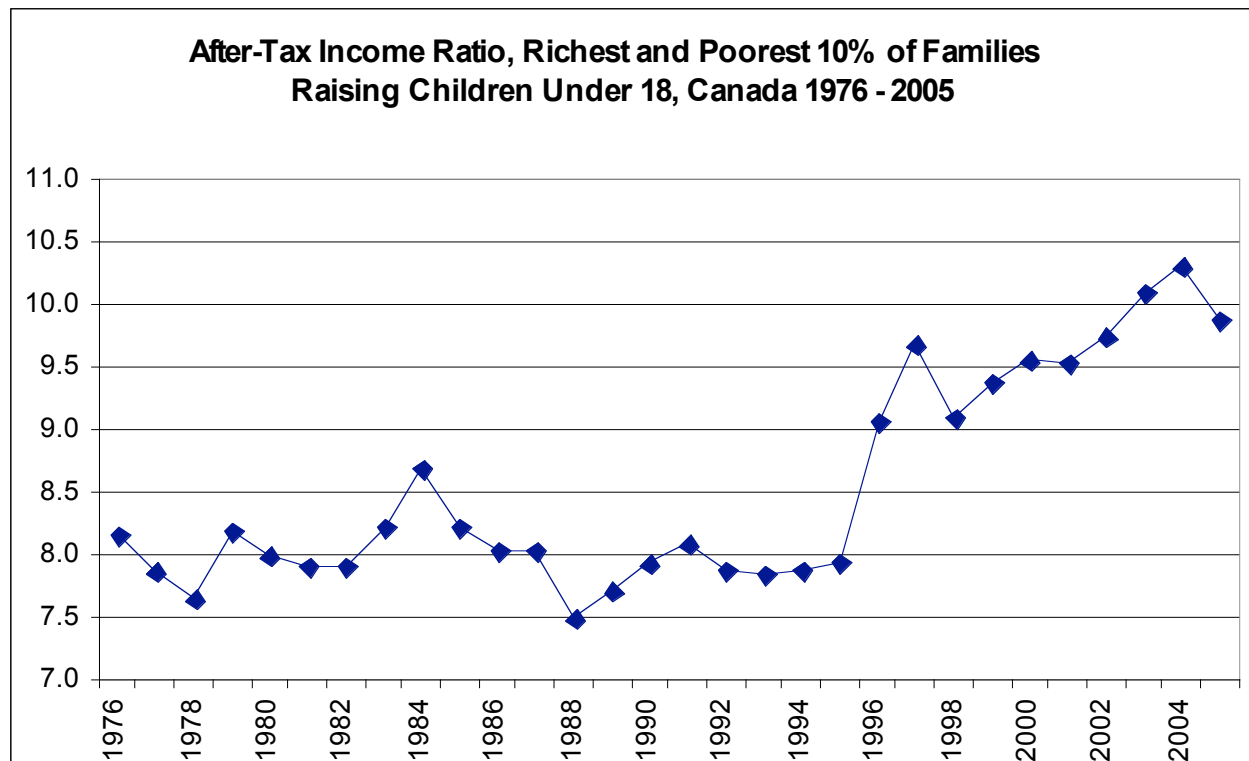
Newfoundland Rising – As Good As It Gets?

Median Income After Tax* by Decile (2006 \$'s) 1976 - 2006; Economic Families with Children (2006 def'n); Newfoundland

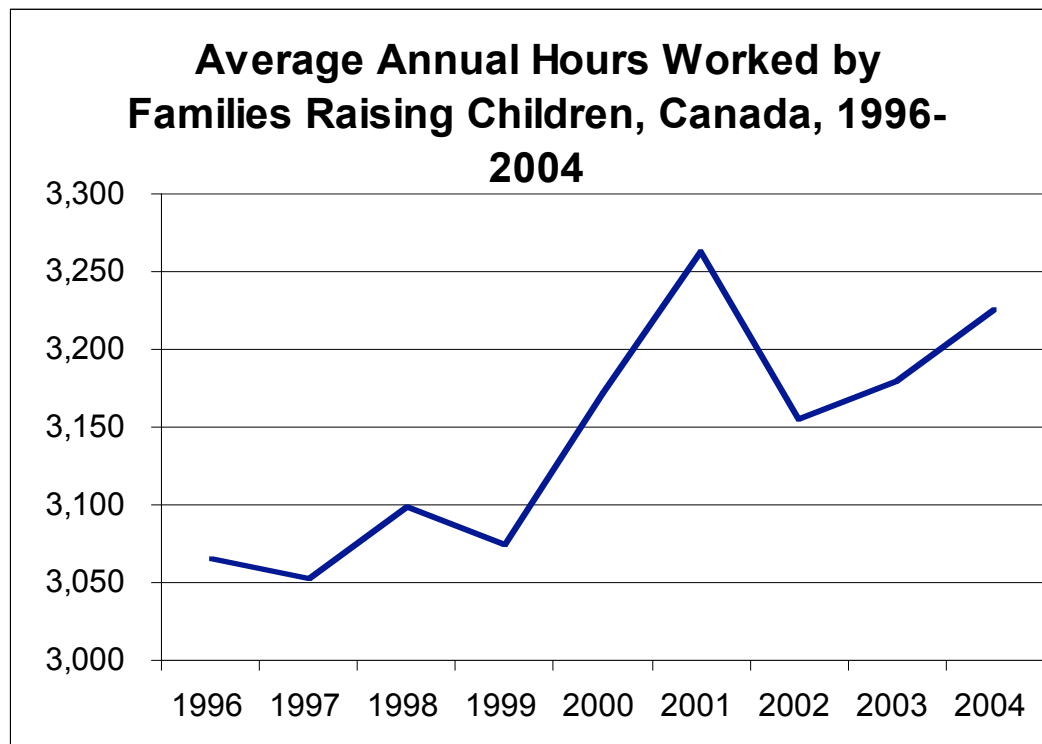


Rich/Poor Income Gap in Canada

Growing faster in past 10 years than at any time on record

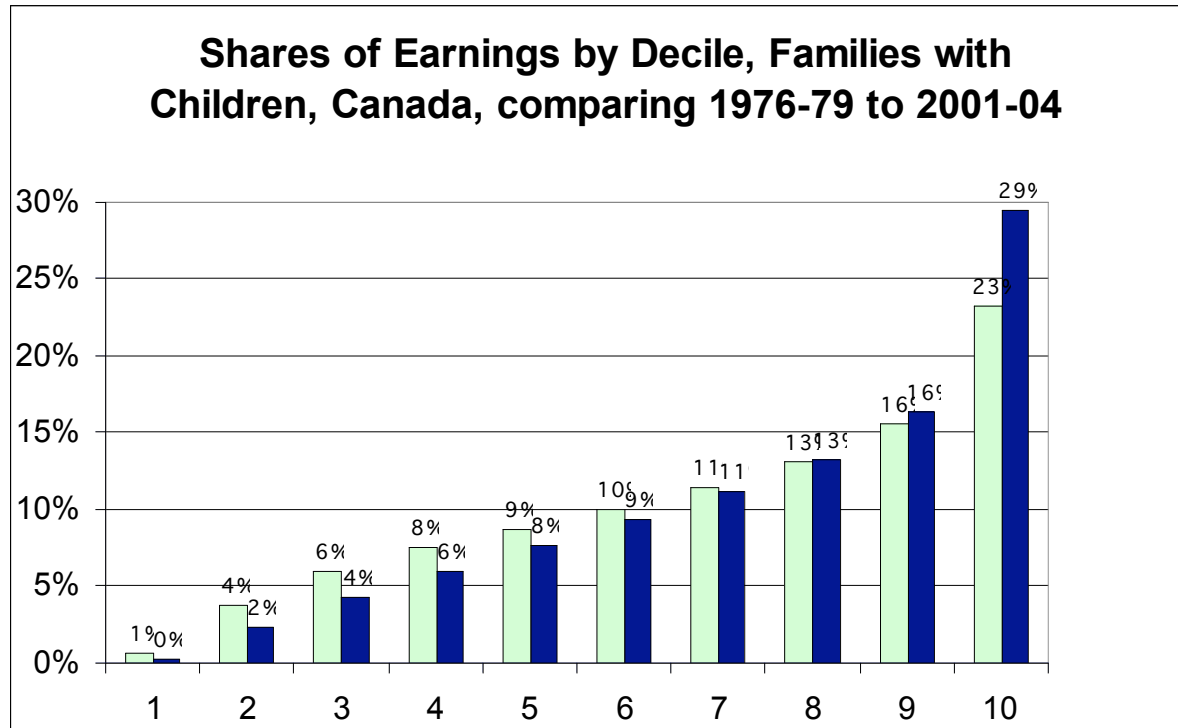


Canadian Families Raising Children Working Longer Hours Since 1996



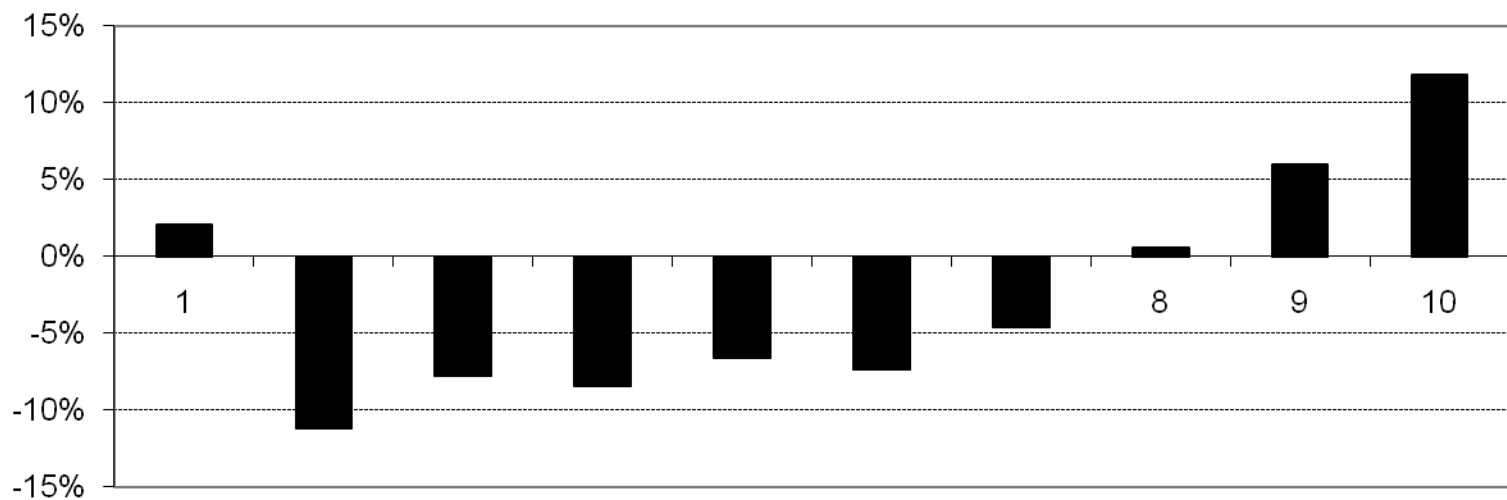
Share of Earnings becoming more concentrated at top in Canada

Reminder: Earnings as Share of Economy at Record Low



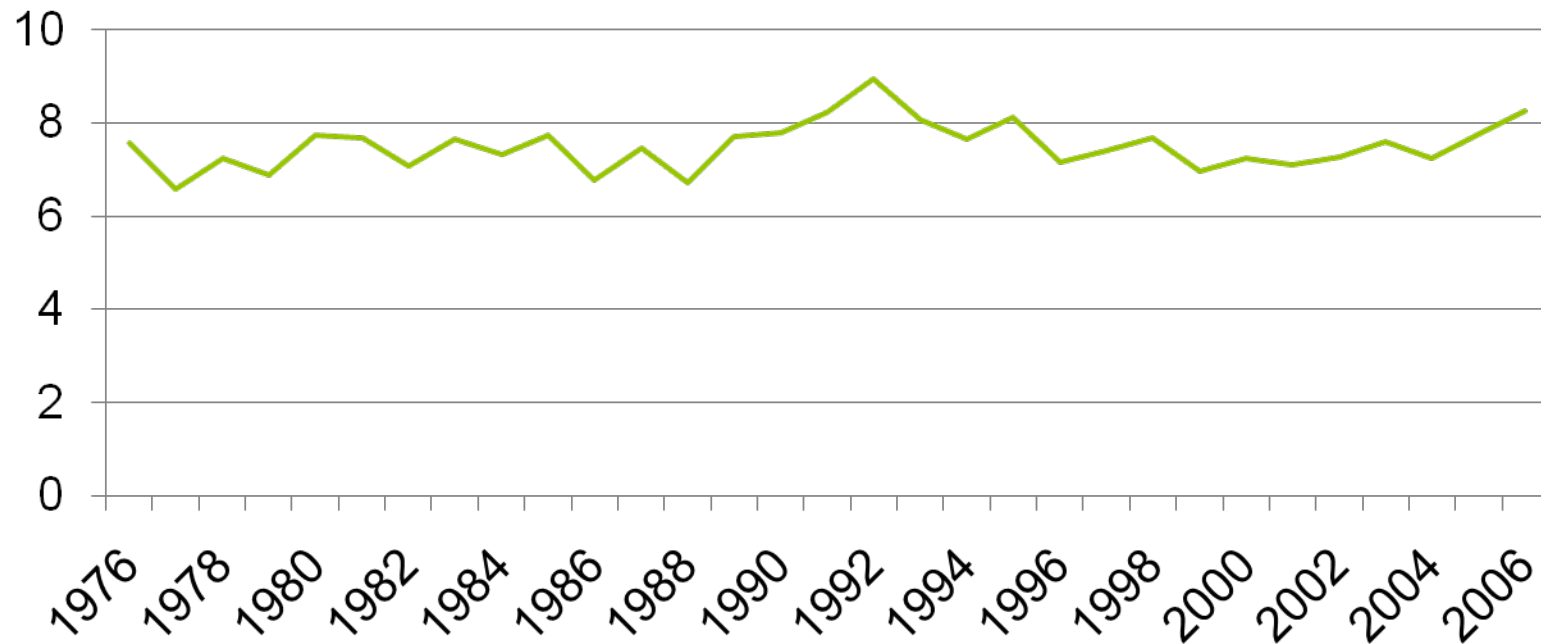
Same Trends in Newfoundland – poor better off, because of Gov't.

Percentage Change in Shares of Incomes by Decile between the
Periods of 1976-79 and 2003-06 for Income After Tax* (2006 \$'s) ;
Economic Families with Children (2006 def'n); Newfoundland

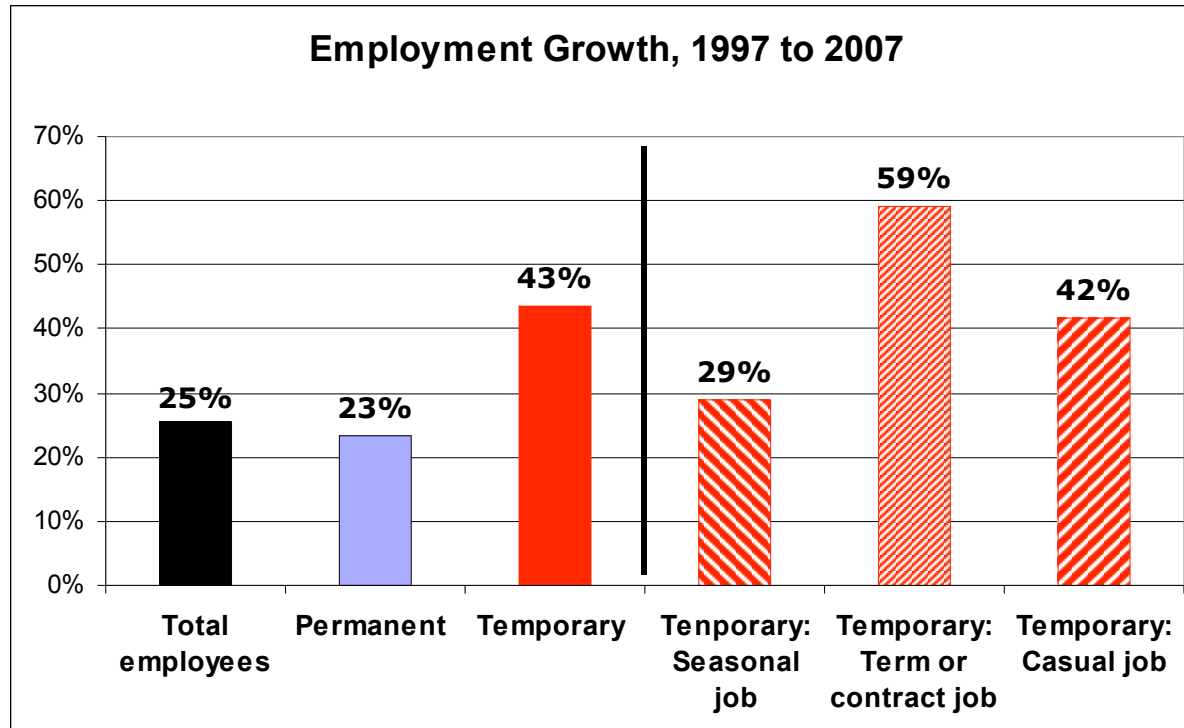


N & L – Stability in Gap In Threat

— Ratio of Richest and Poorest Deciles, Average Incomes, Income After Tax* 1976 - 2006; Economic Families with Children...

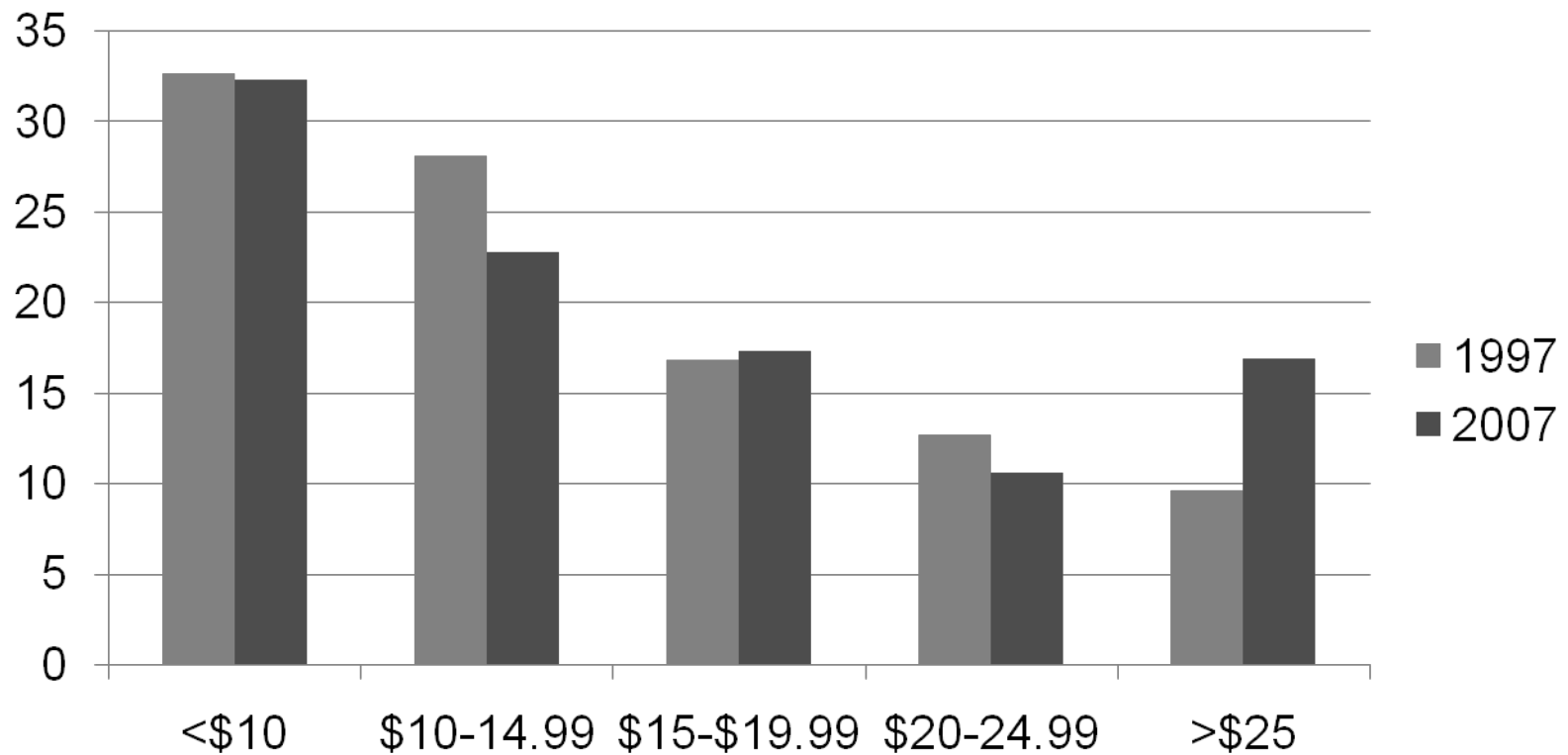


Rapid Growth in Temporary Jobs – no job/skill shortage, but WAGE shortage



Where's the Growth in Pay?

Distribution of Pay Rates, N&L Jobs



The Growing Gap – *Another Inconvenient Truth*

- Growing under conditions it should be decreasing
- Bottom half shut out of economic gains of last 30 years, despite working more
- At least half Canadians are not getting ahead, despite playing by all the rules (better educated, working harder), despite “perfect” economic conditions
- Is this as good as it gets?

Understanding Inequality: Context is Everything

- “Trickle down” economics now repudiated
- Rising inequality, in good times and bad
- Global expansion stalled (for the moment)
- Impending “retirement” of boomers, super-sized population cohort

Why Inequality Matters

- It's About Values - cultural expectations re labour
- Rising Costs of Basics – Affordability of Housing
- Time Crunch - “it takes two” to be in the middle
- Attitudes to Services/Taxes – when rich “divorce” us
- Economic Instability – More players, more speculation, more volatility in stock markets

THE ROAD AHEAD

Response to Labour Shortages

- No reserve army of labour (women) going forward
- After 2011 net growth in labour market from immigration
- Policy shift from immigrants to temporary foreign workers?
 - employer driven “in-sourcing”
- More Zoomers (working after 65), more under 35

LABOUR SHORTAGES?

Or not enough good paying work?

- What are we buying, and who's buying it (global versus domestic demand)
- Capital intensity of demand for labour
- Skills imported if not developed (global labour market)
- Rising wages could address supply issues
- Inflationary fears

The Real Shortages

- People as workers vs consumers (Henry Ford) – the pay shortage
- Looming shortages in “basics” such as housing, education, health care (Universal Declaration of Human Rights)

THE REAL CHALLENGE:

Will inequality “naturally” decrease in time?

- Prediction 1: Yes
 - Education + experience = income mobility
 - Boomers will retire, labour market will tighten
- Prediction 2: No
 - Less mobility than in 1980s and 1990s
 - Weaker labour market protections
 - More temporary/precarious work
 - Retiring boomers may not generate more work and better pay for next generation

The Real Responses

- Poverty Reduction Strategies
- Living Wage Strategies (shift balance of power)
- Deal with Affordability Issues (housing, education, skills development)
- Invest in infrastructure (hard and soft) to build platform for future growth
- Prosperity of community, not just pocketbook

Poverty Reduction NOW!

- 6 provinces, 4 federal parties, Senate
- Majority focus on bringing down rates of poverty, but more than just income
- Child poverty the focus of most
- Close the gap by raising the floor
- Strengthen the floor, strengthen the structure
- Smart Economics – efficient public spending (pay now or pay later), returns on investment

What Canadians Want Done – Environics Polling

- 81% want poverty rate cut by 25% in 5 years
- 89% say raise min wage (93% in Atlantic)
- 86% help incomes of fams with kids (89%)
- 85% want more affordable child care (92%)
- 92% want more affordable housing
- 77% see increase in welfare rates (84%)
- 96% want investments in jobs and skills training

Ready for Leadership

- 77% say poverty reduction must be a priority, particularly in face of recession (85% in Atl.)
- 90% want government leadership in reducing # of poor (95%)
- 90% want their province to take the lead in Canada (96%)
- 88% want Canada to distinguish itself globally were none live in poverty (92%)

FINAL THOUGHTS

- New conversation, “paradigm shift”
 - For past 30 years: Governments the problem, markets the solution
 - Oh really?
- Labour shortages open spaces for “new think” about hiring, employment relations, social planning, training strategies
- An opportunity to reframe – moment to help us all “think again” about the promise of prosperity; moment to show leadership