

“Recent Trends in Income Inequality:
Canada and the World”

Mike Veall, McMaster University, Productivity Partnership, veall@mcmaster.ca



CANADIAN INTERNATIONAL COUNCIL
CONSEIL INTERNATIONAL DU CANADA

Waterloo Region Branch
Section Région de Waterloo

**"Addressing Inequality in Canada &
Around the World"**

A Virtual Canadian International Council Roundtable

June 8 & 9, 2021
1:00-4:00pm EDT each day

Acknowledgements: Zvez Todorov, Sara Kamala Anaraki, Anthony Hong, Daniel Tingskou (RAs), SSHRC (Productivity Partnership), Statistics Canada (data, Brian Murphy!). Opinions are mine.

- Types of inequality
- Consider this income distribution:
half the people receive \$70,000 per year and half receive \$30,000 per year
- About same average as Canada; much less inequality

- Types of inequality
- Consider this income distribution:
half the people receive \$70,000 per year and half receive \$30,000 per year
- About same average as Canada; much less inequality
- But what if all the high incomes went to men and all the low incomes went to women?

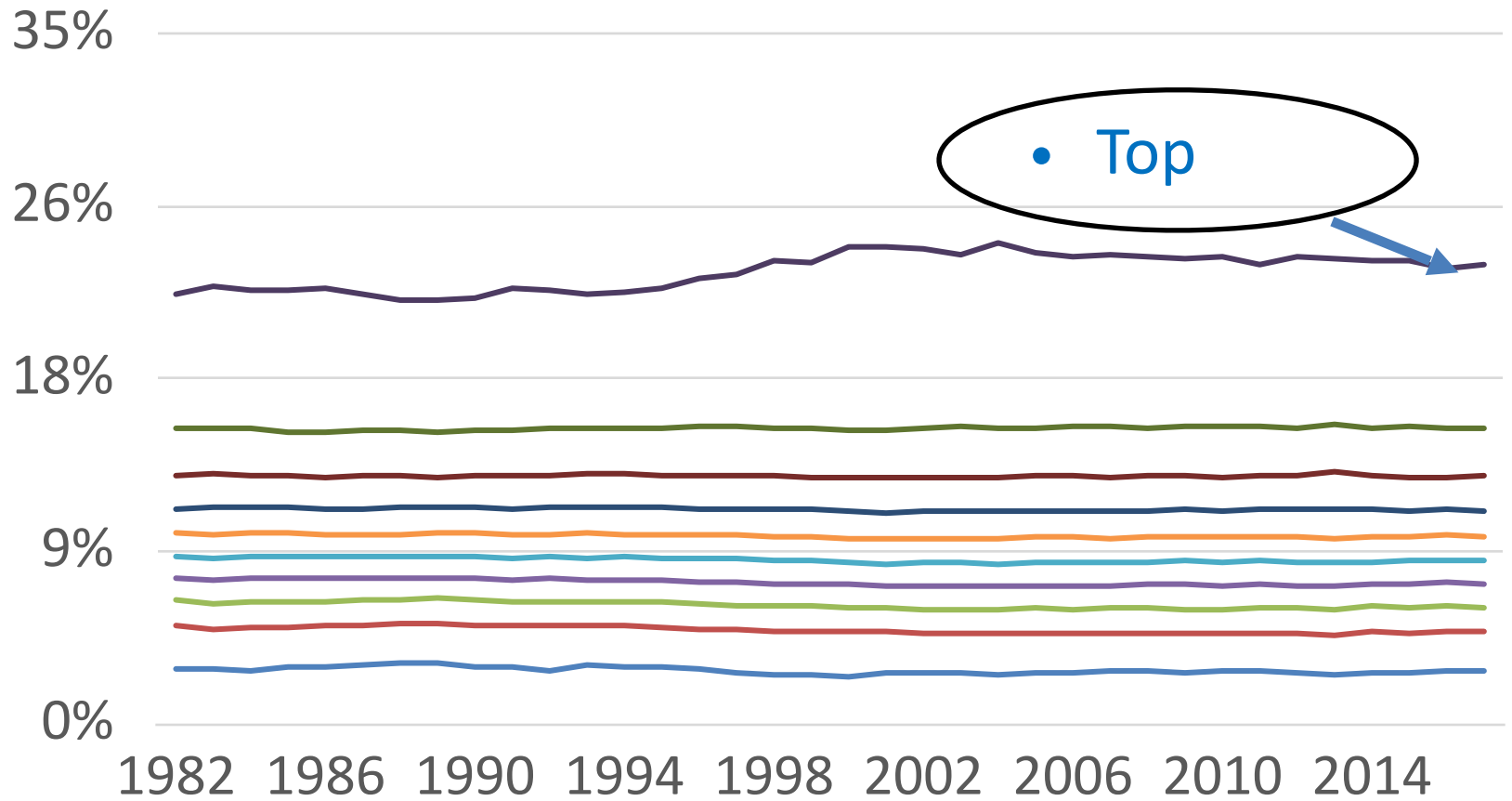


Main points I will make:

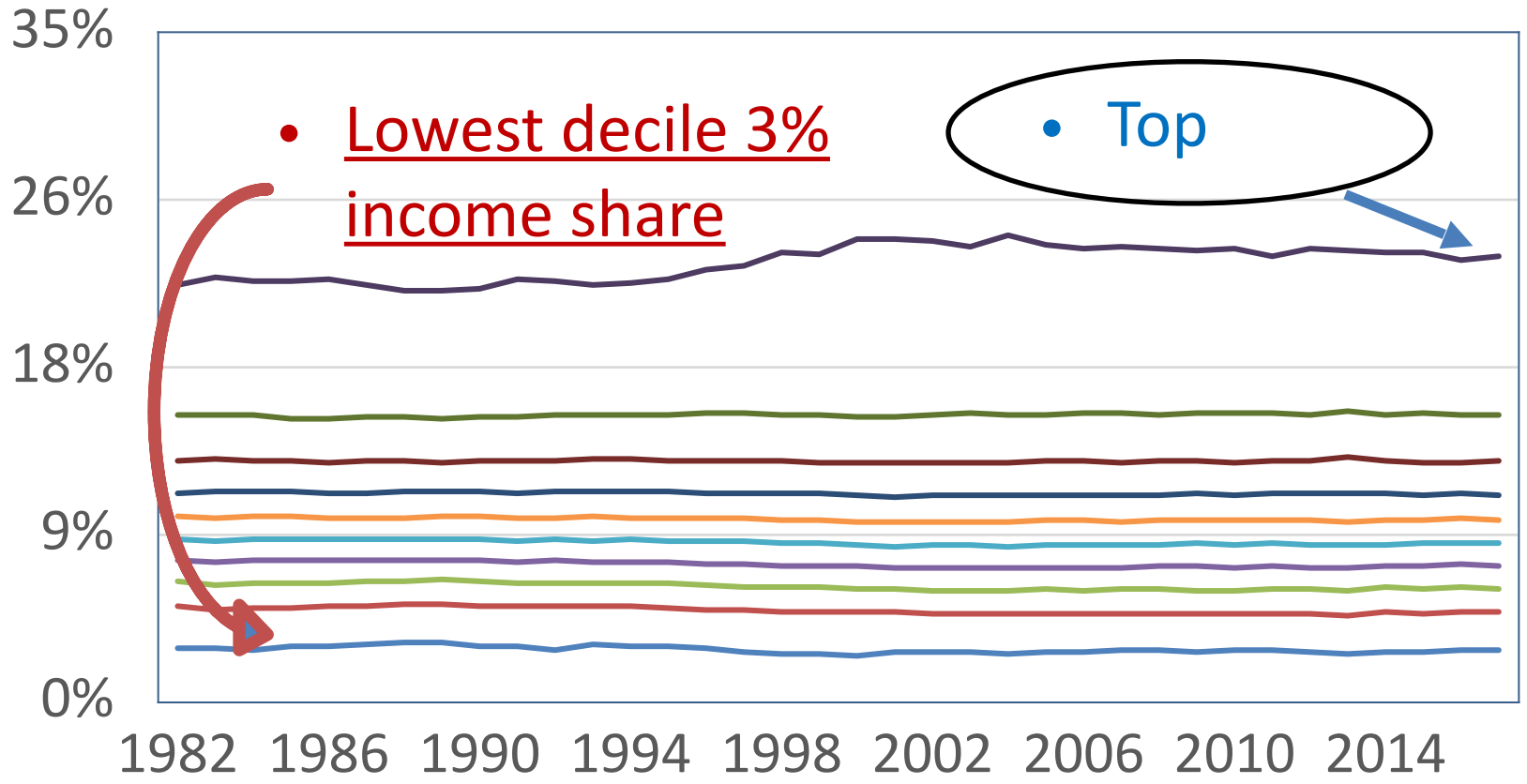
- Rise in measured Canadian income inequality a top-end phenomenon during the 1980s, 1990s, 2000s
- No evidence rise is continuing
- Male but becoming somewhat less male
- Important regional differences; cause?
- Differences across countries, not clear whether world income inequality is falling or rising but clear income inequality large

Why do I emphasize the top end (e.g. the top one per cent)?

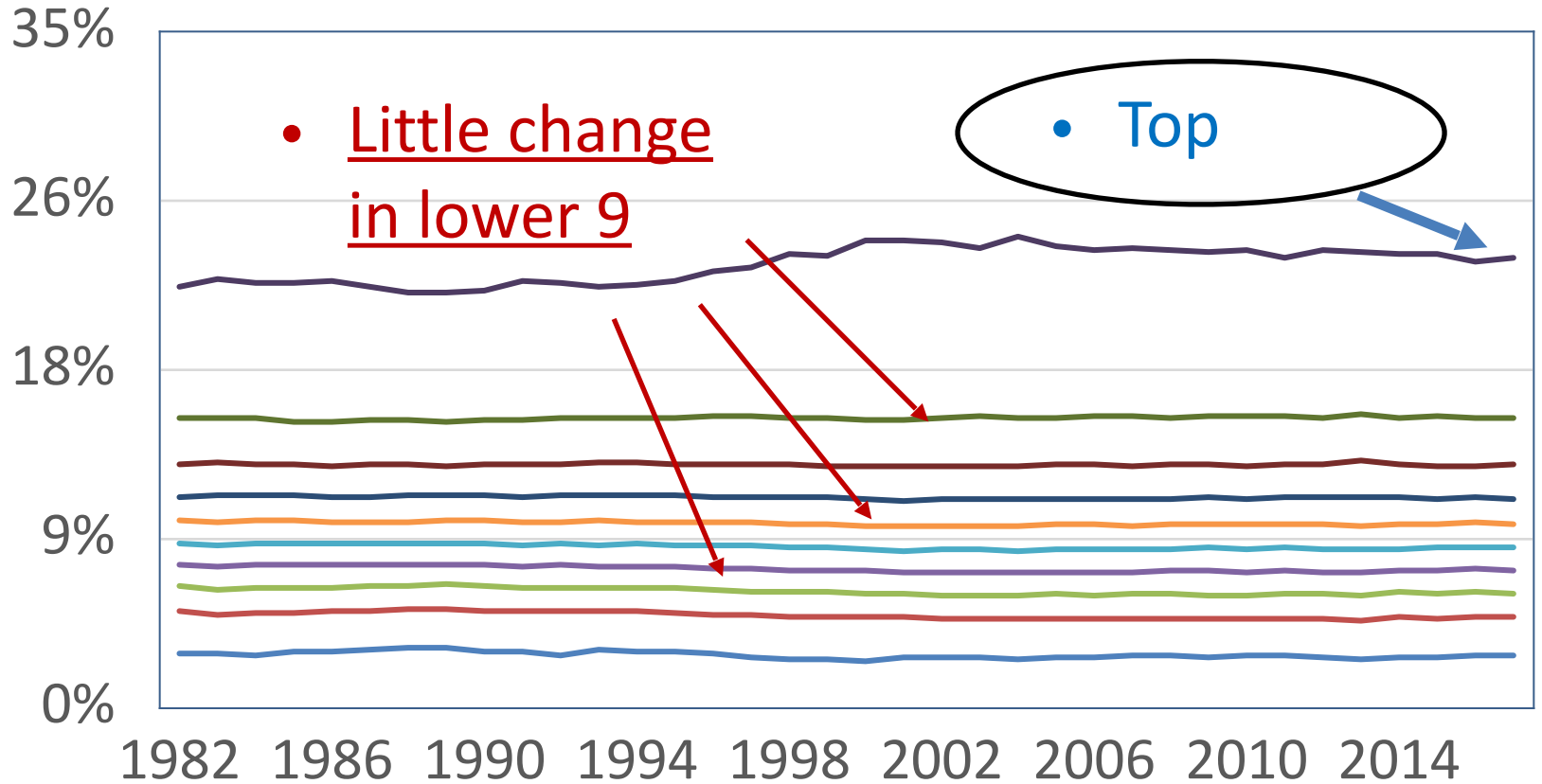
After-Tax/Transfer Income Shares by Decile, Canada, 1982 to 2017
Statistics Canada: Canadian Income Survey



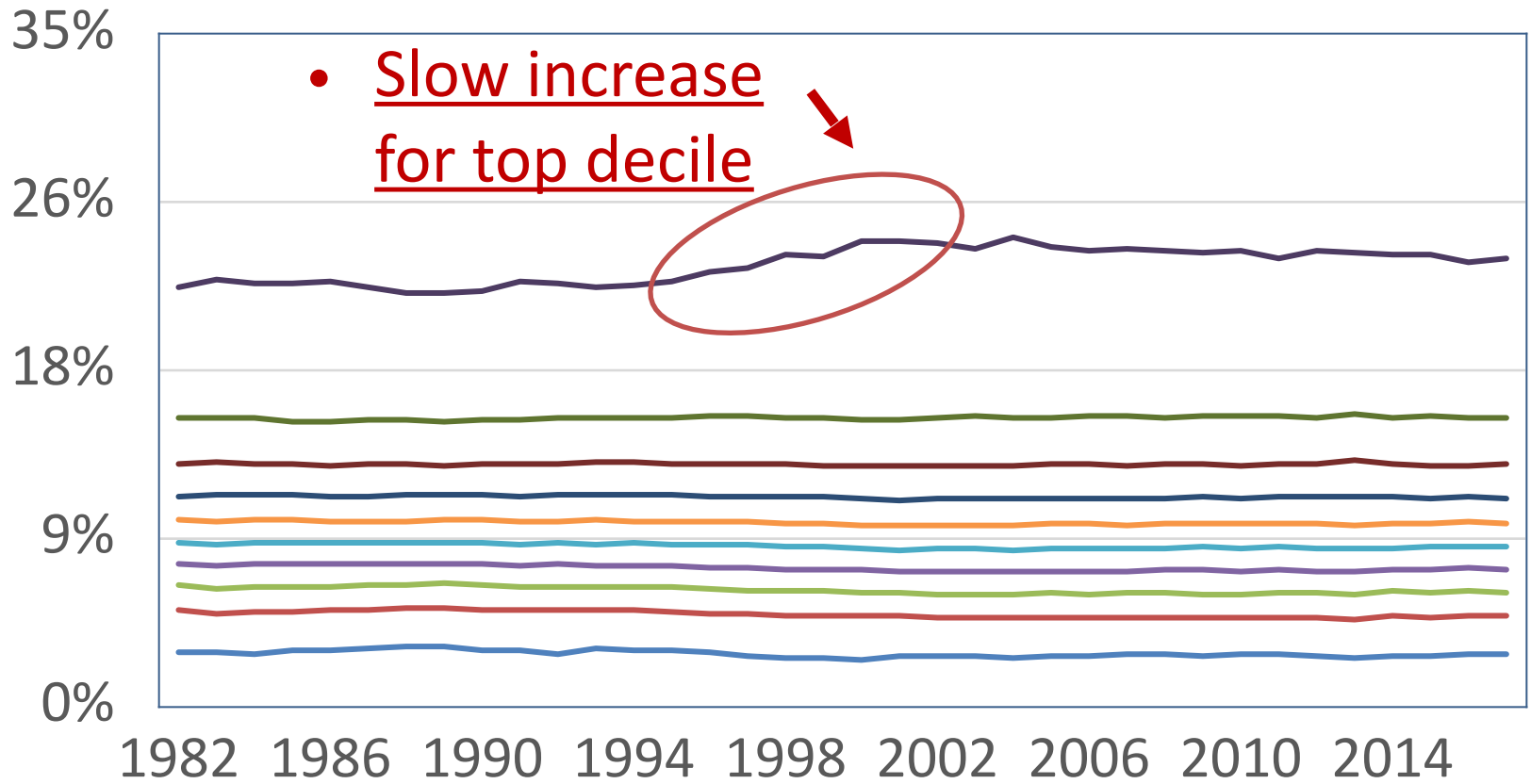
After Tax/Transfer Income Shares by Decile, Canada, 1982 to 2017
Statistics Canada: Canadian Income Survey



After Tax/Transfer Income Shares by Decile, Canada, 1982 to 2017
Statistics Canada: Canadian Income Survey



After Tax/Transfer Income Shares by Decile, Canada, 1982 to 2017
Statistics Canada: Canadian Income Survey



Tax data: top 1% avg. income (2020\$) and share, 1993, 2007 and 2018

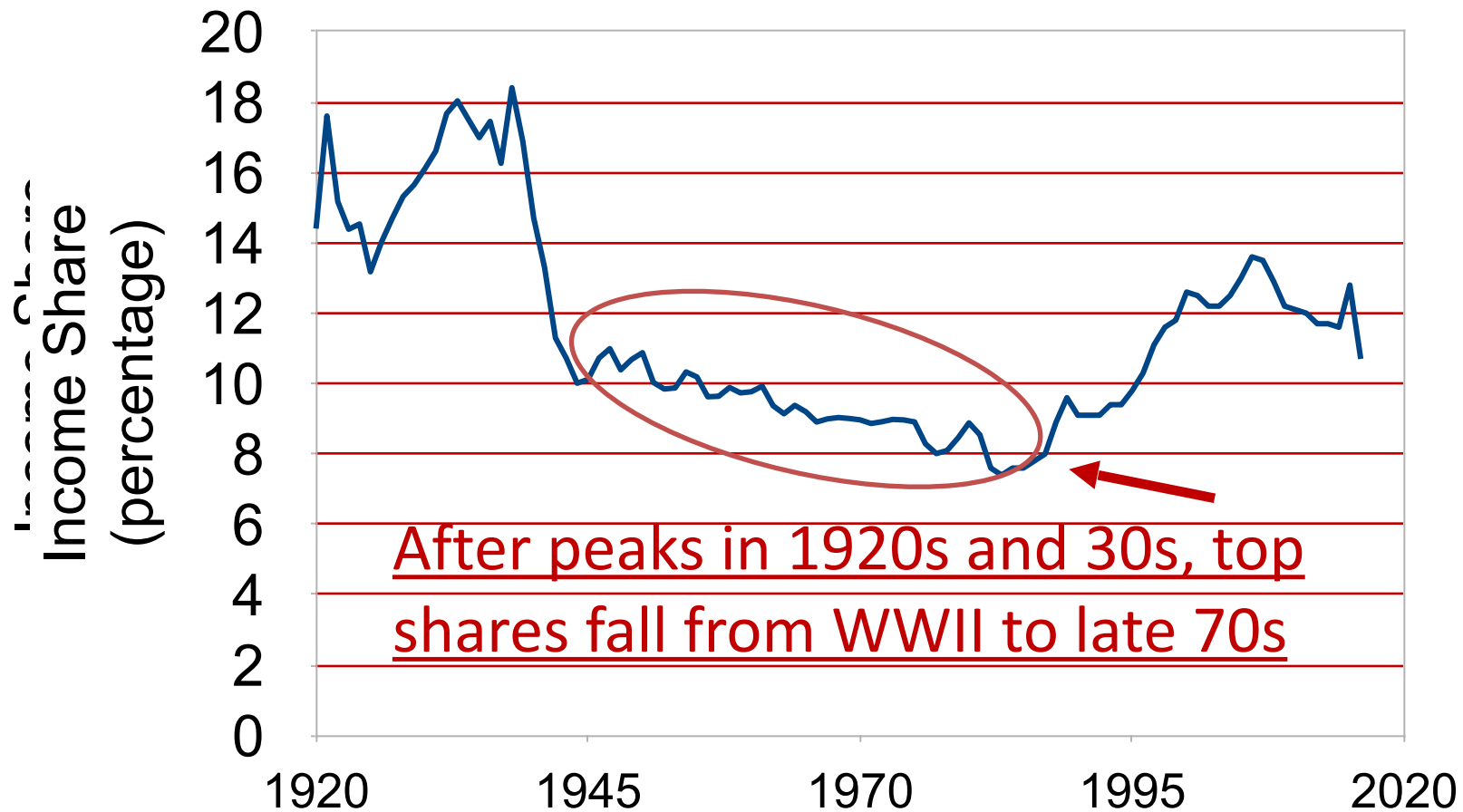
	1993 avg.	1993 share	2007 avg.	2007 share	2018 avg.	2018 share
After-tax and transfer	\$275K	8.3%	\$486K	11.7%	\$431K	9.8%
Before- tax	\$388K	9.5%	\$687K	13.7%	\$618K	11.7%
Before- tax and capital gains	\$315K	9.4%	\$571K	13.5%	\$503K	11.5%

Top Pre-tax incomes

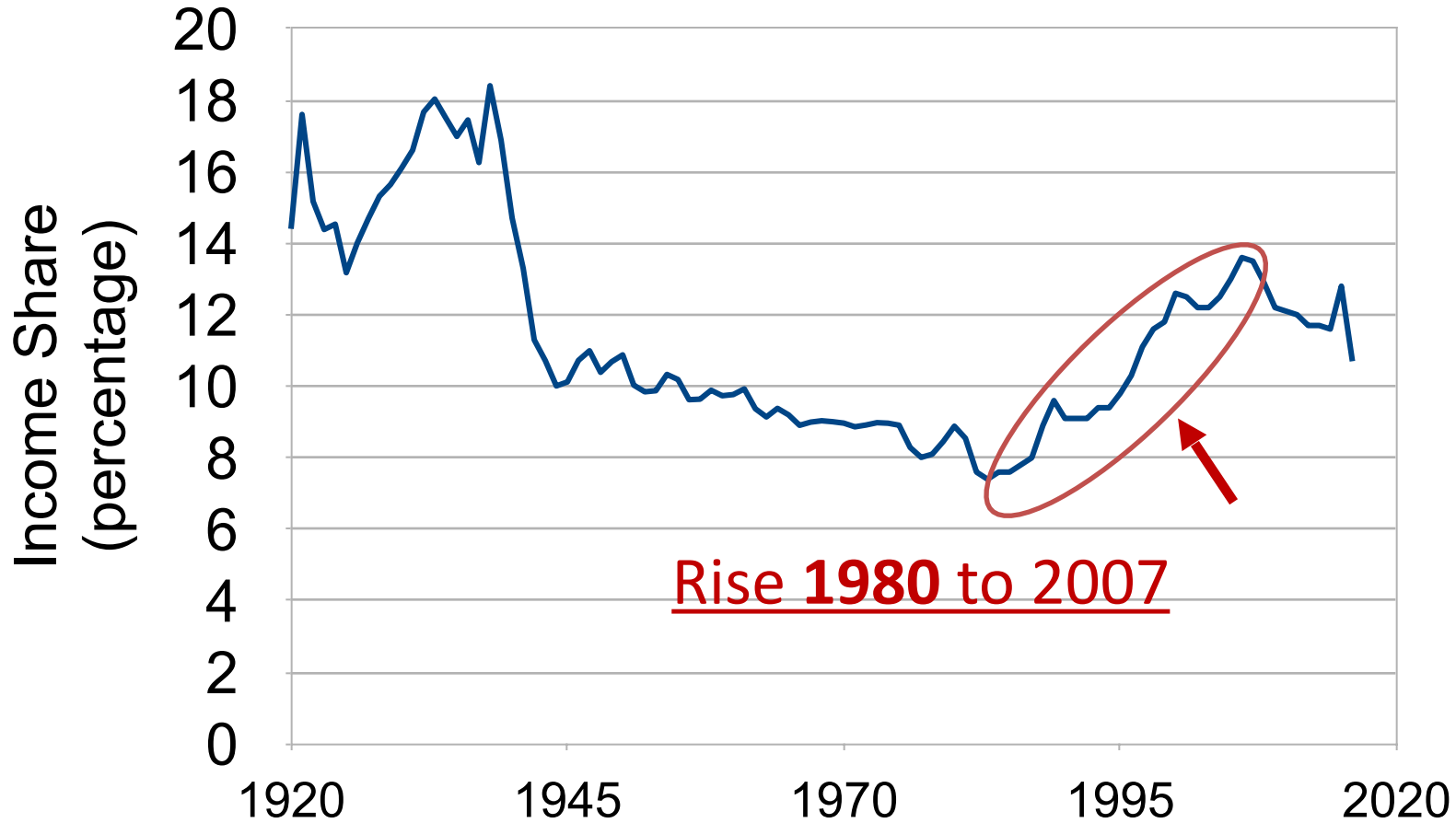
Canada, taxfiler basis, 2018 (2020\$)

	Threshold	Average
Top 1%	\$250K	\$505K
Top 0.1%	\$792K	\$1.71M
Top 0.01%	\$2.82M	\$5.70M
Median income: \$36K, Average Income: \$50K		

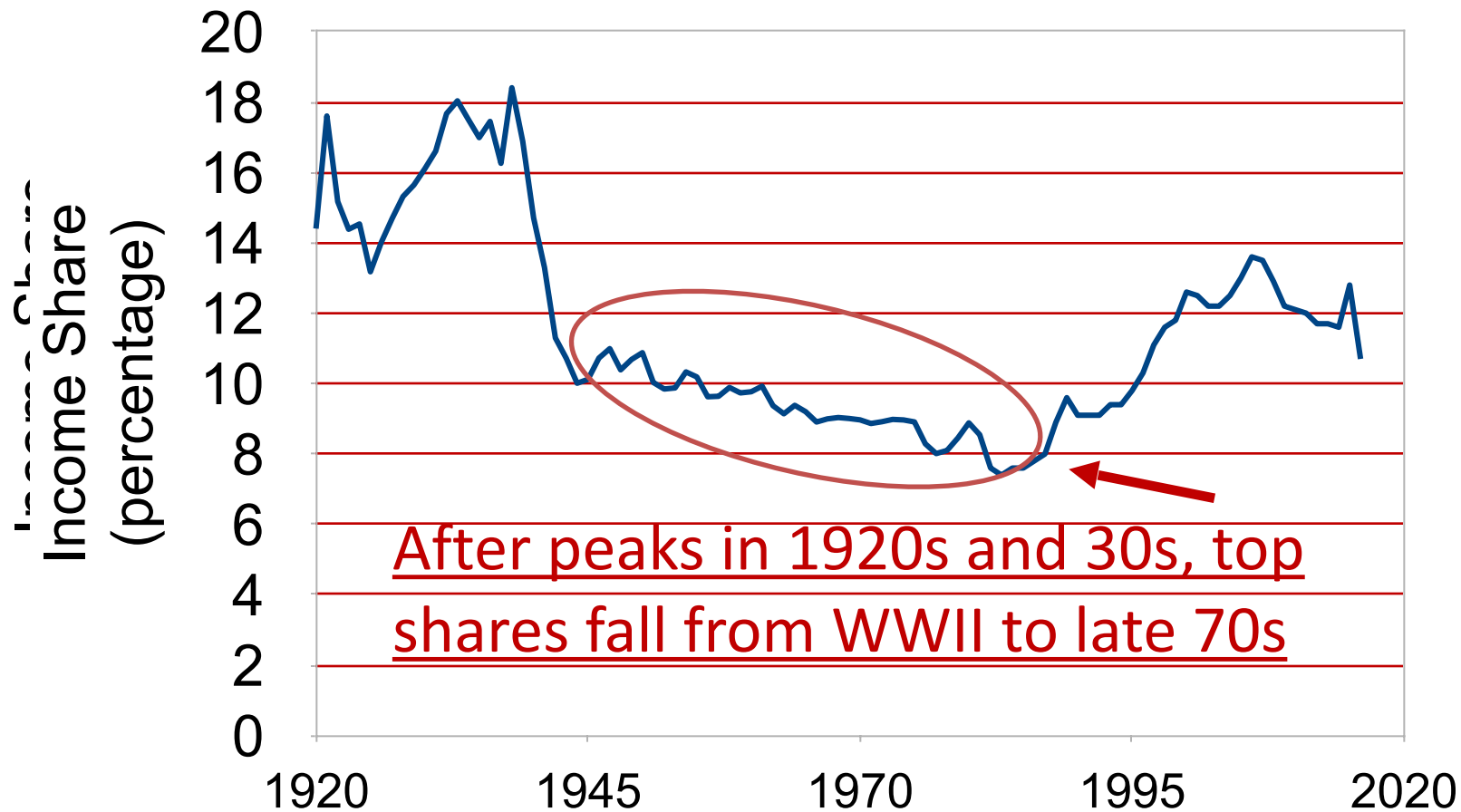
Top 1% Pre-tax/Transfer Income Share, Canada 1929 to 2016 (Saez/Veall, 2005; Veall, 2012 + updates, aggregated/anonymized tax data)



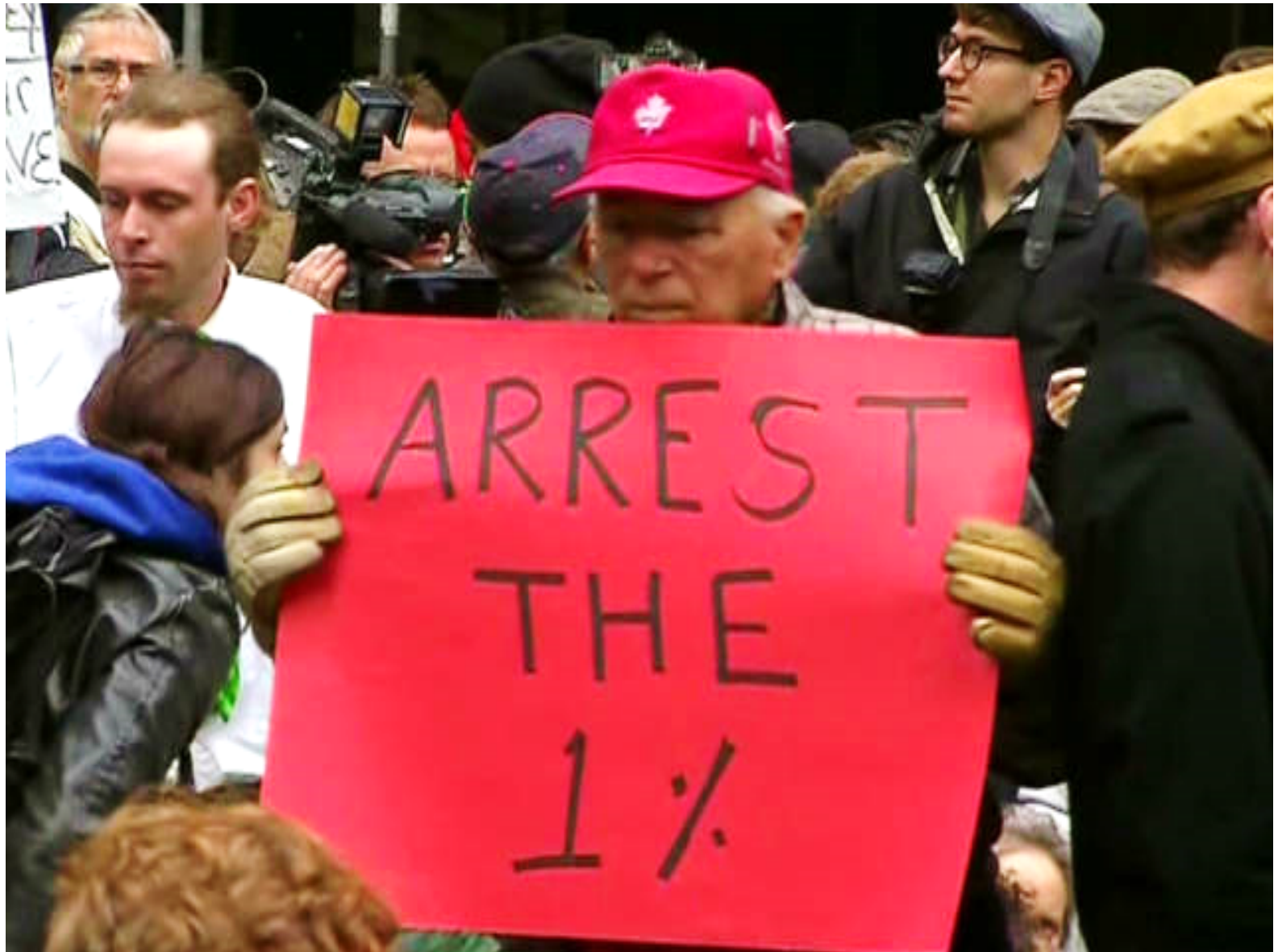
Top 1% Pre-Tax/Transfer Income Share, Canada 1929 to 2016



Top 1% Pre-tax/Transfer Income Share, Canada 1929 to 2016 (Saez/Veall, 2005; Veall, 2012 + updates, aggregated/anonymized tax data)



Did
Canadians
notice the rise
of the
top one per cent?

















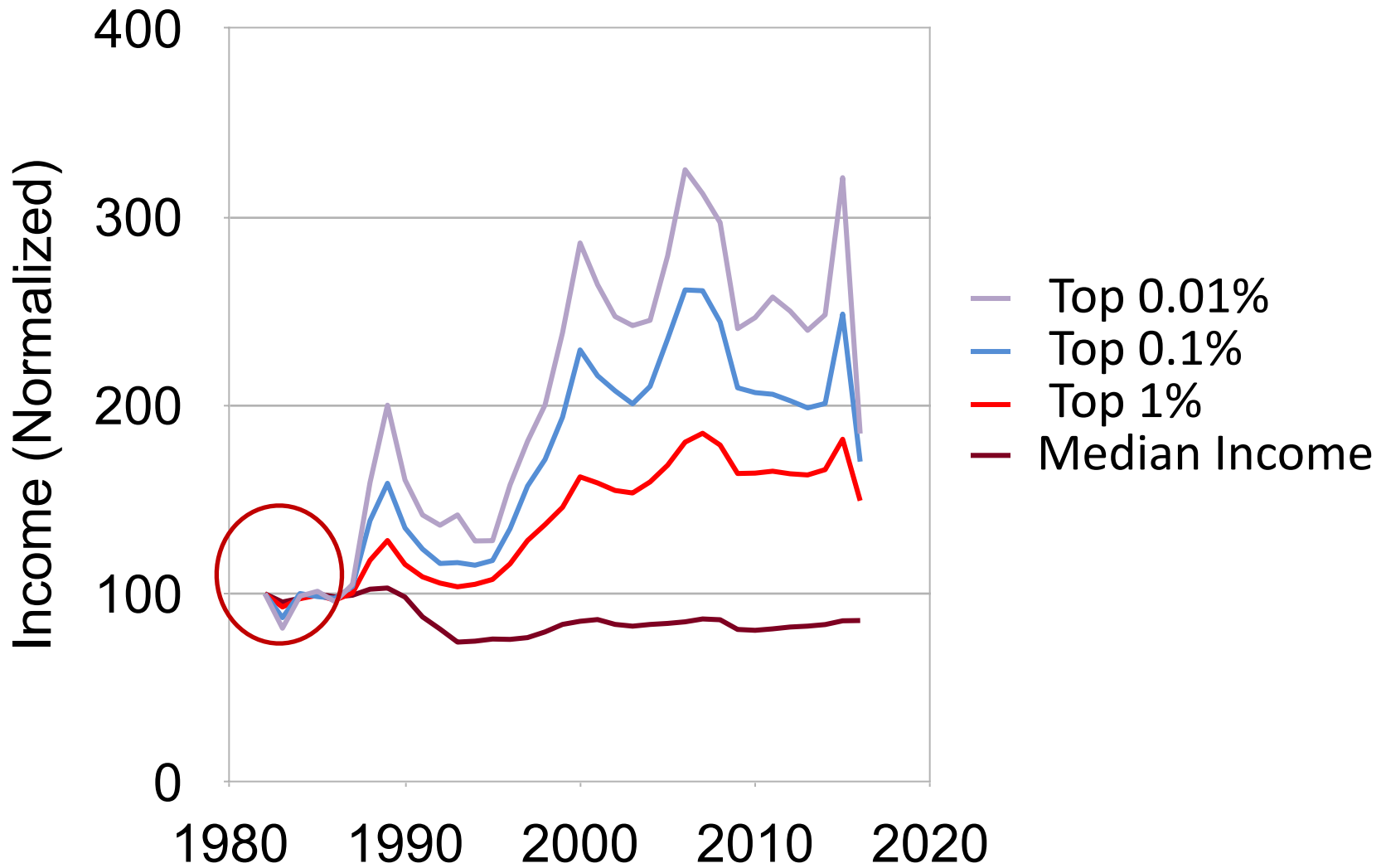




Remarks:

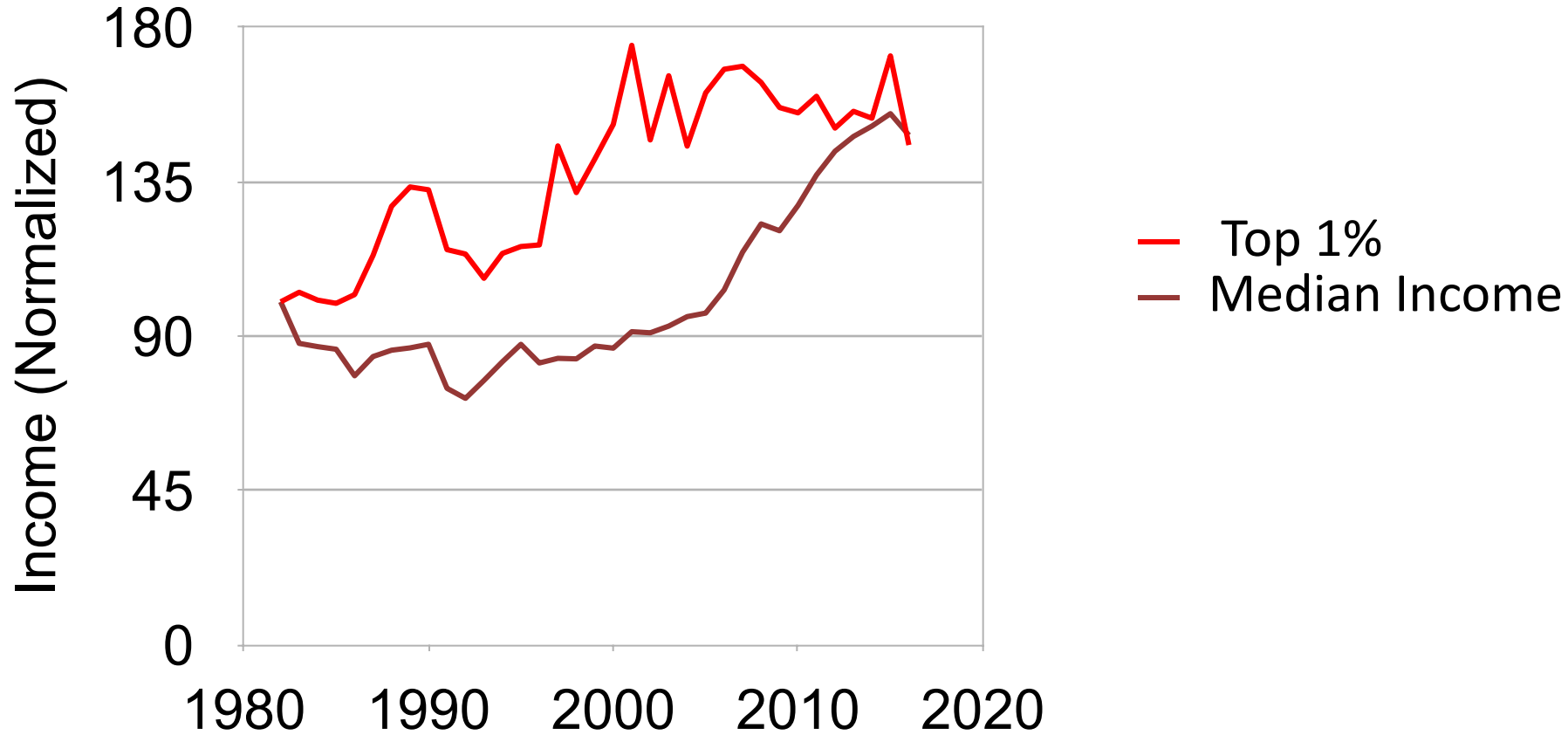
- Top 1% results robust
- Top 1% was 11% female in 1982; 24% by 2018
- Median age of top 1%: 50 in 1982; 53 by 2018
- Regional e.g. Calgary and GTA, provinces...

Income, Ontario, 1982 to 2016



but in contrast

Real Pre-Tax/Transfer Income, Newfoundland and Labrador, 1982 to 2016

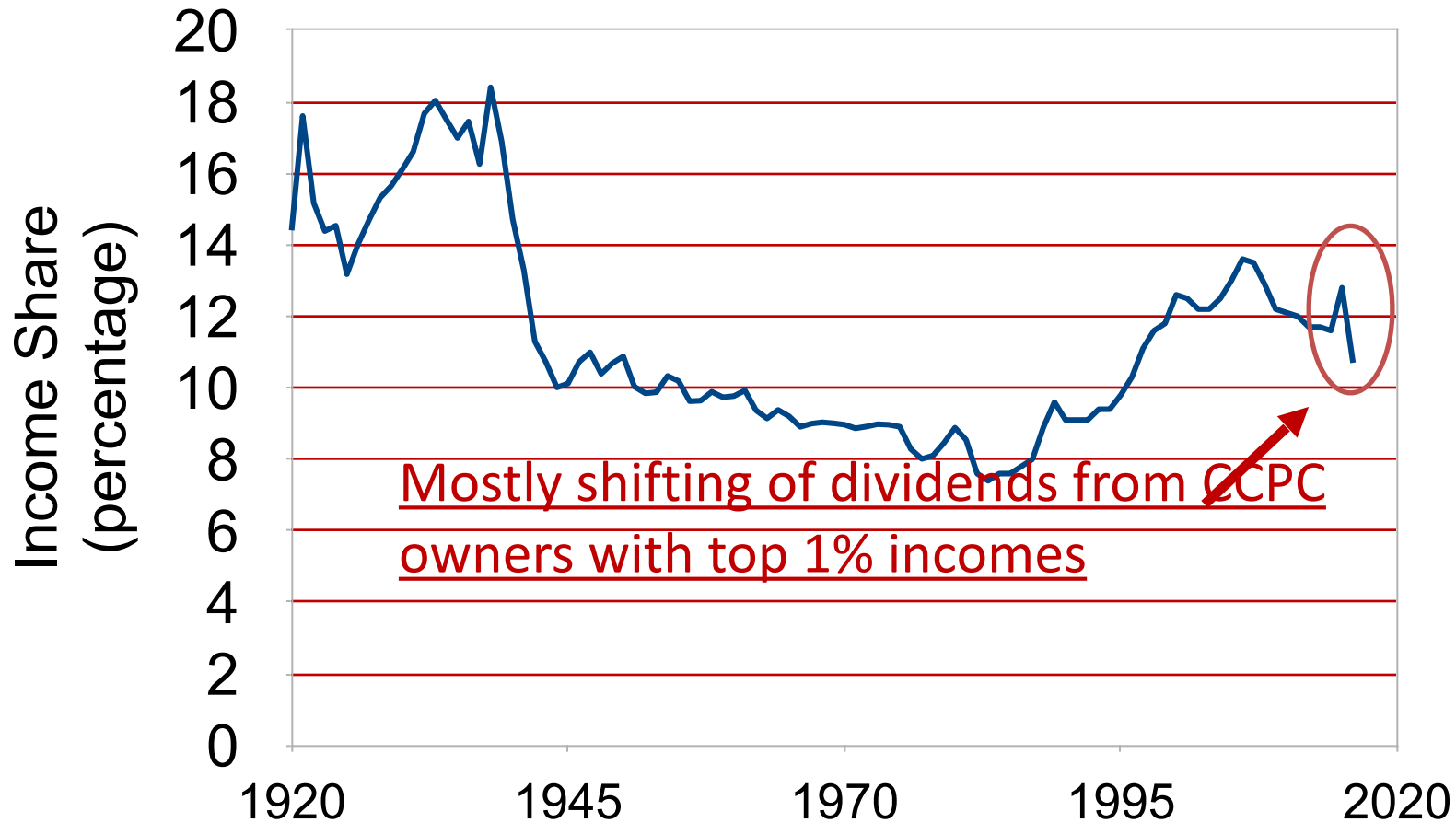


- Still mostly, median income increases not keeping up with productivity increases
- Variation across provinces (and countries) makes it hard to specify a single cause

- Data shortcomings: tax avoidance, tax havens
- Canadian Controlled Private Corporations (CCPCs)
- Wolfson, Brooks, Murphy and Veall, *Canadian Tax Journal*, 2016:
 - about 40% of top 1%, 60% of top 0.1% and 70% of top 0.01% have direct ownership in a private corporation
 - if income attributed: top shares ↑ a fifth to a third (with a little more recent rise)
 - lots of Canadian corporations

Top 1% After-Tax/Transfer Income Share, Canada 1929 to 2016

(Saez/Veall, AER, 2005; Veall, CJE, 2012 + updates, tax data)



Other types of
inequality
(besides income
inequality)

Other types of inequality (1)

- Wealth

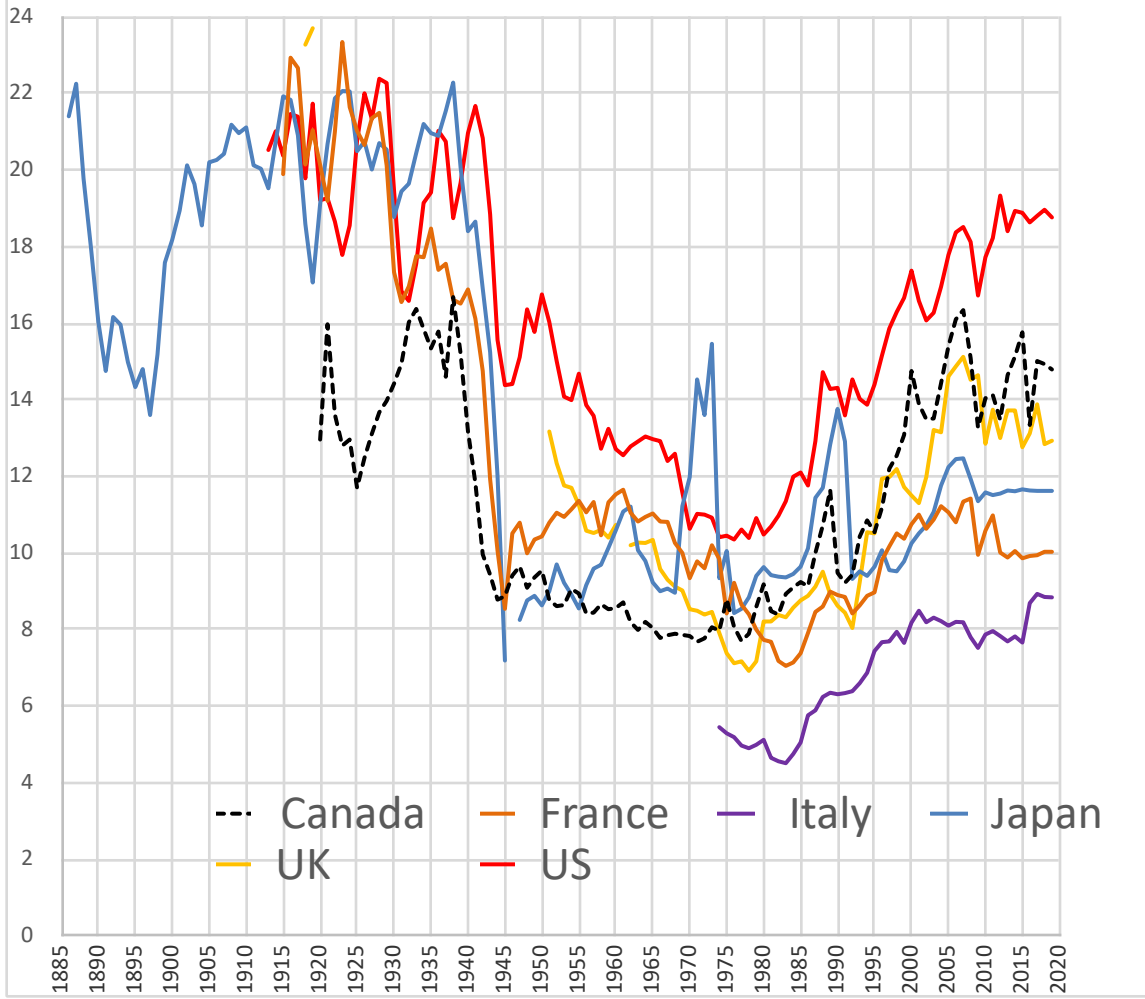
Other types of inequality (2)

- Longevity: Milligan and Schirle, 2020: men in top two income deciles live 8 years longer than men in bottom two deciles (for women, 3.6 year difference).
- Stable difference over time
- Public Health Agency of Canada, 2018:
 - Areas with Inuit concentration: 12 years lower longevity, 3 x higher infant mortality
 - Areas with First Nations concentration, 11 years lower longevity, 2 x higher infant mortality

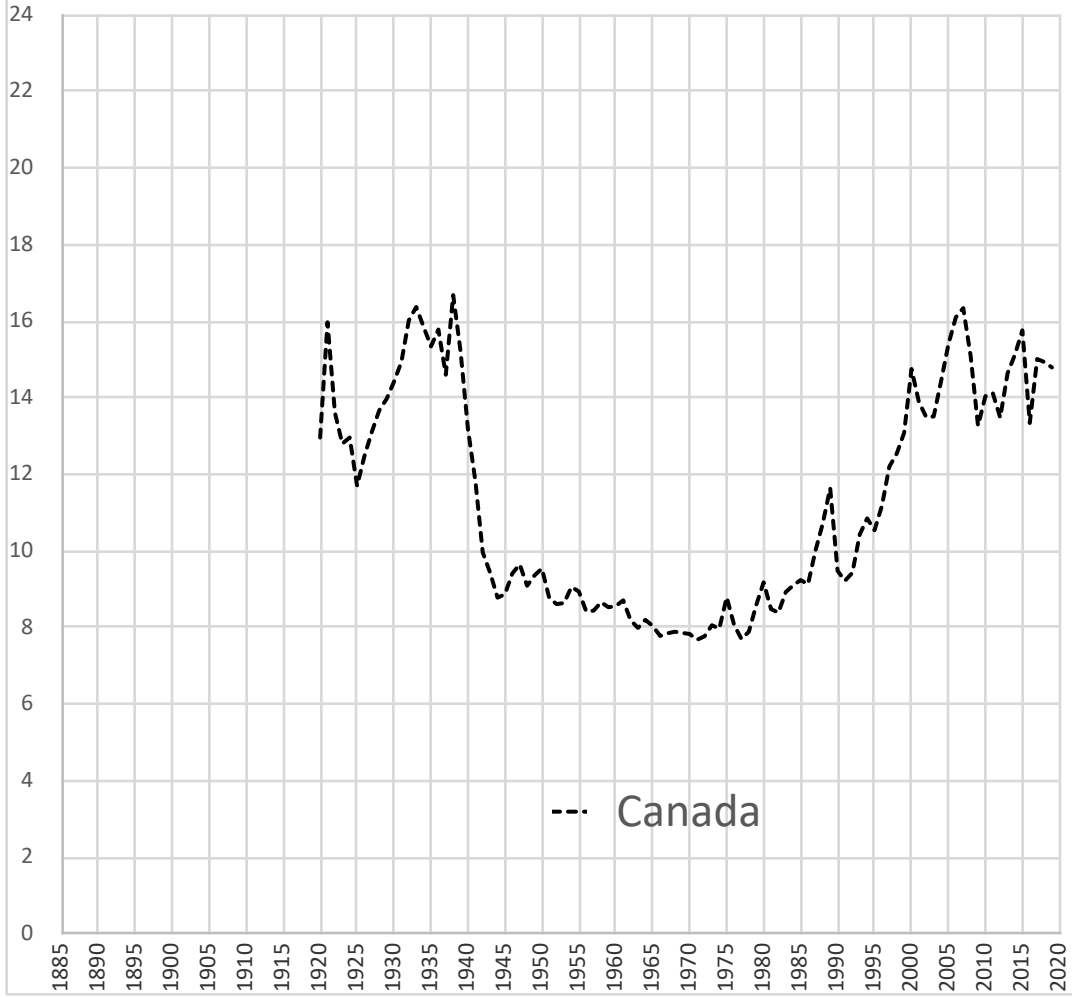
Other types of inequality (3)

- Inequality of opportunity

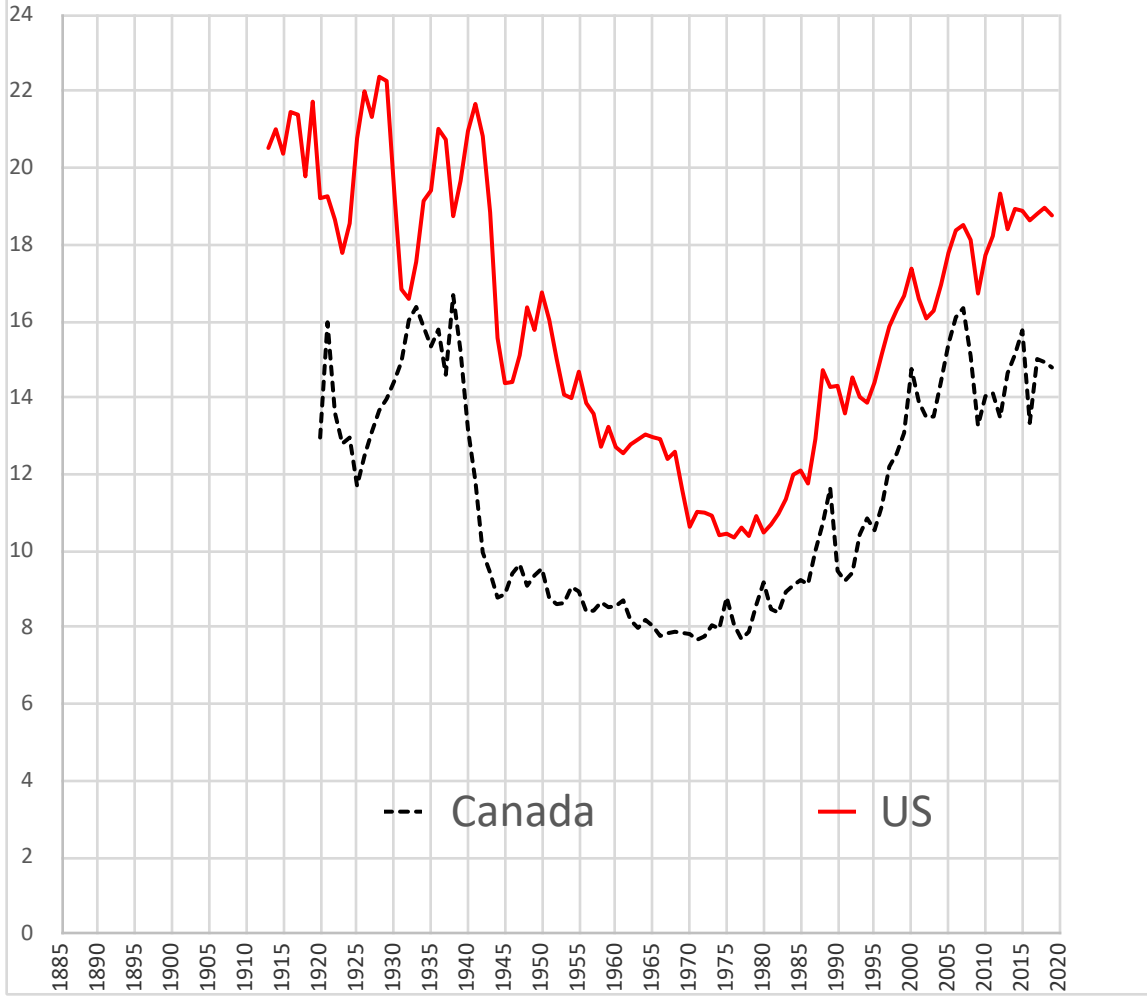
Top 1% income shares by Country



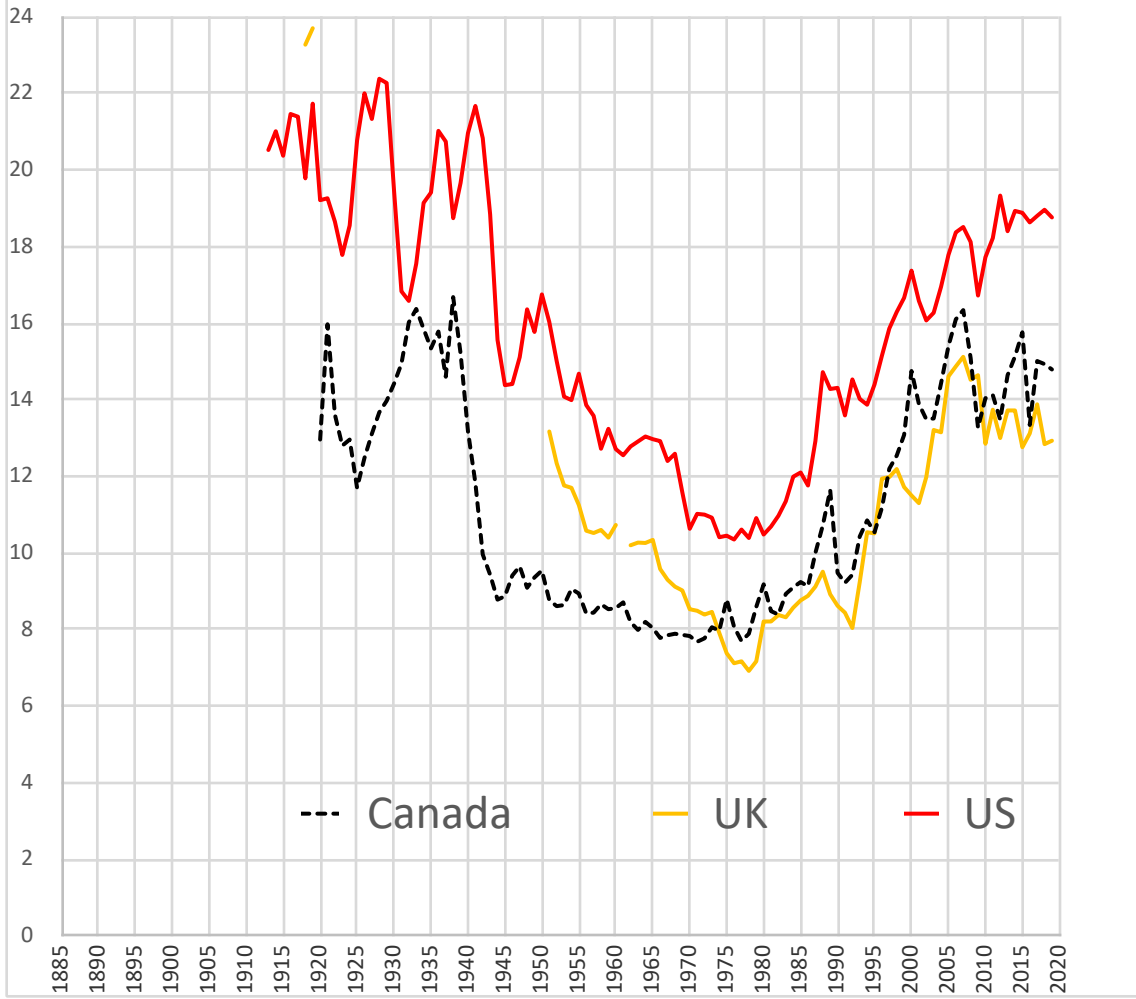
Top 1% income shares by Country



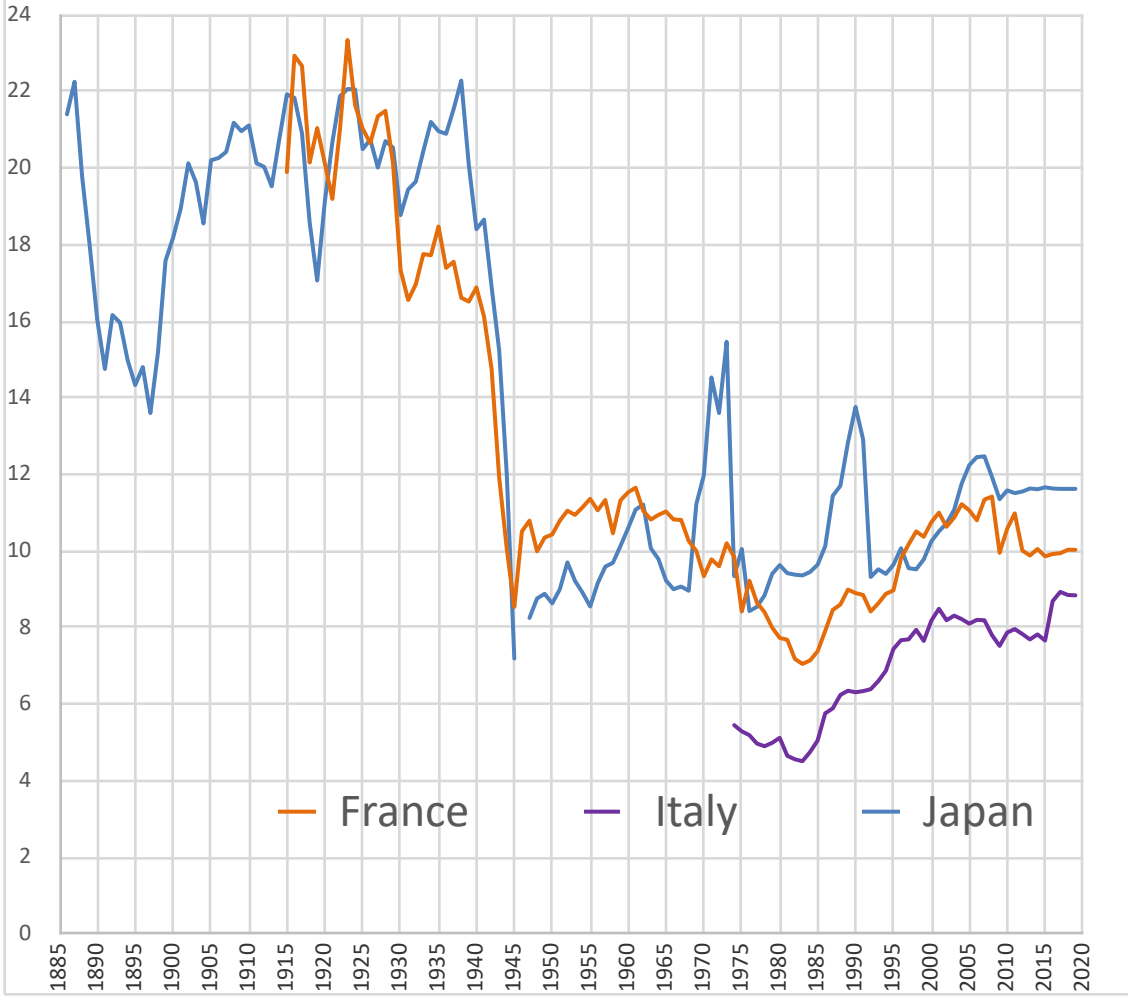
Top 1% income shares by Country



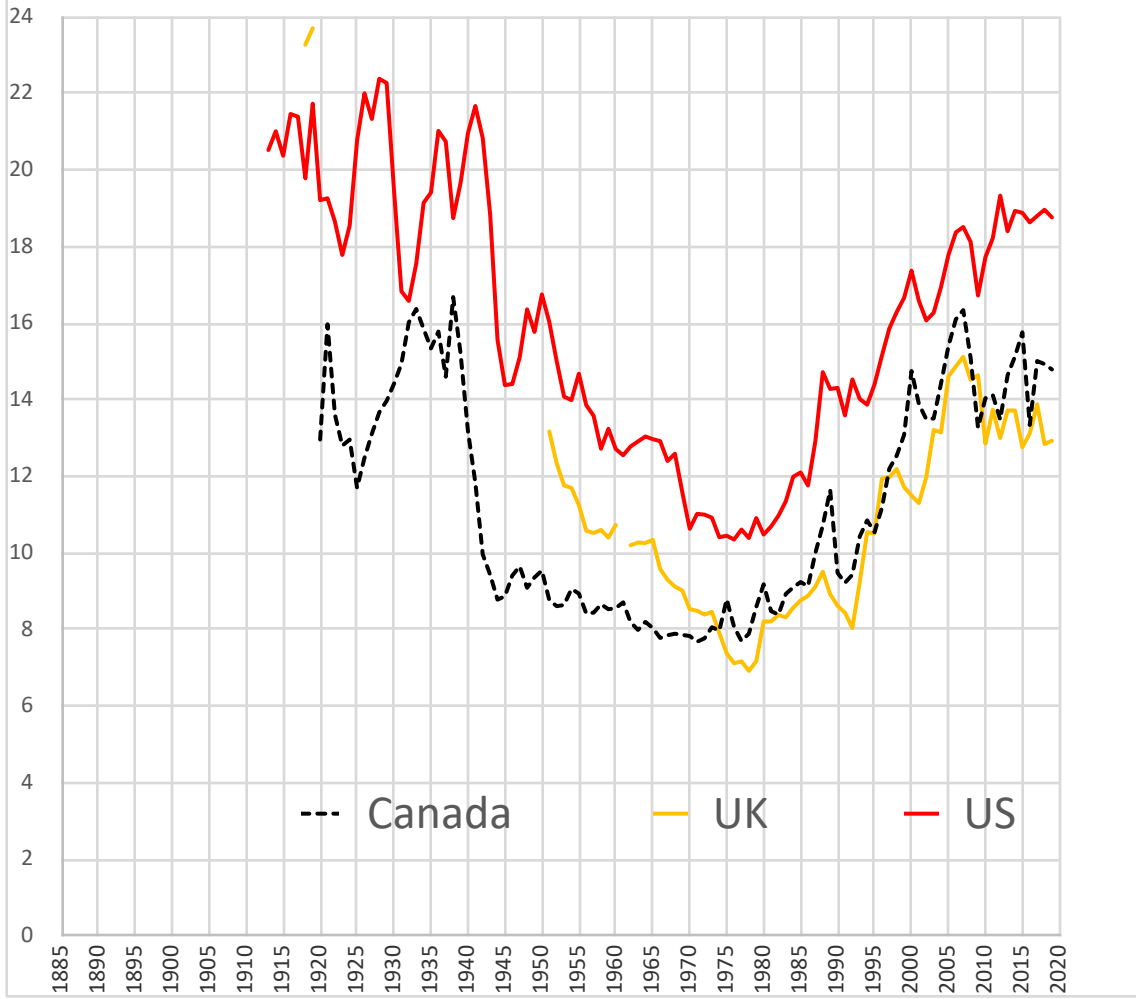
Top 1% income shares by Country



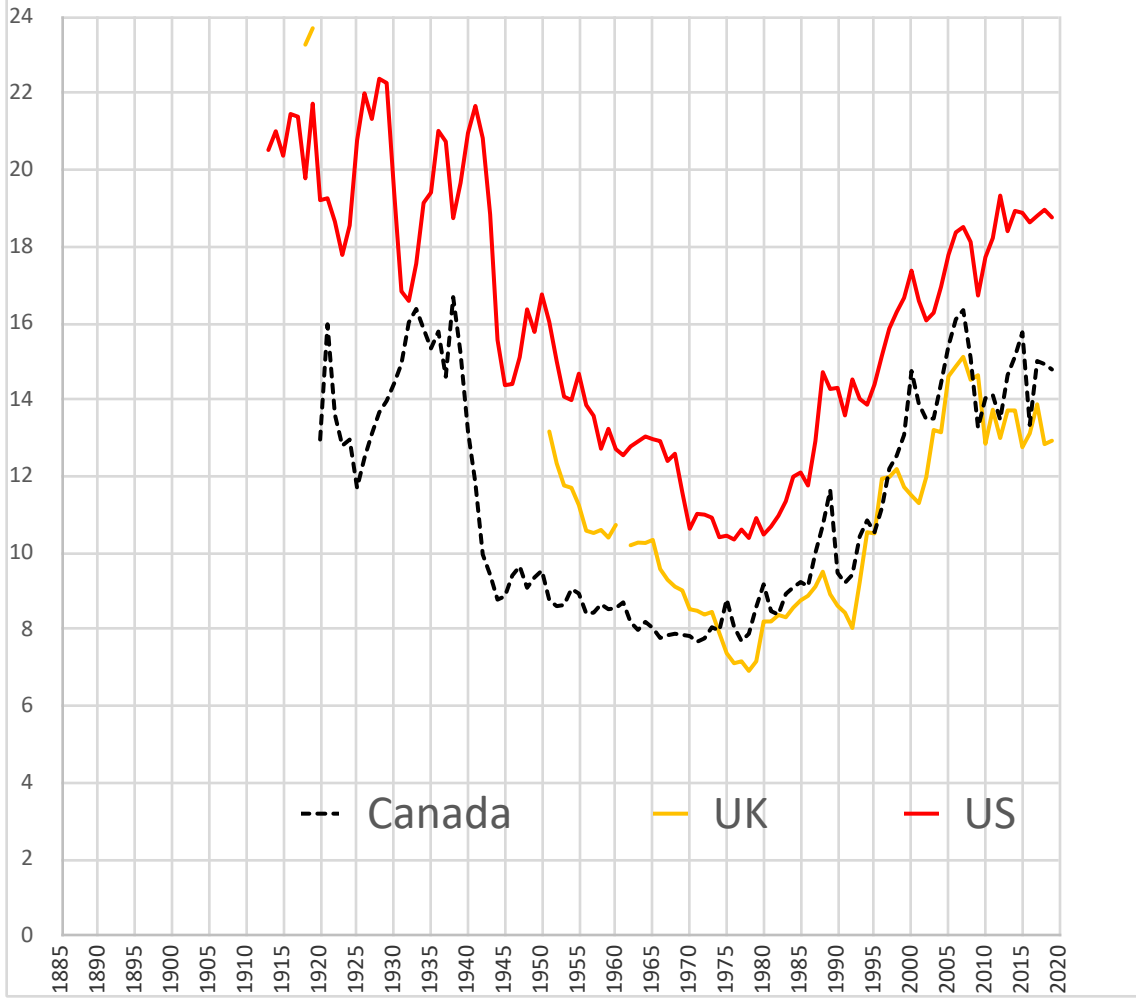
Top 1% income shares by Country



Top 1% income shares by Country



Top 1% income shares by Country



Related pieces

- World Inequality Database estimate of top 1% share in U.S. from 11% in 1980 to 20% in U.S. while bottom 50% share fell from 21% to 13%
- Meanwhile bottom 50% in Western Europe has maintained a share of about 22% with top 1% very slight rise
- Top 10% share highest in mid-East, India, lowest in Europe, China: but rapid increase in China and huge increases in India and Russia
- Worldwide: since 1980 a modest overall rise in the top 1% share that is still twice the income share of the bottom 50%

Related pieces (2)

- Our World in Data finds that world income inequality falling modestly, largely because of a drop in inequality between countries
- (*The Great Escape*, Deaton, 2013)
- Difference in methods, but both groups agree that inequality is large

Thank you!