

WHY INCOME INEQUALITY IS HARMFUL TO COMMUNITIES

By Vibrant Communities Calgary

	Decile	Aggregate After-Tax Income (\$)	No. of persons with After-Tax Income	Average Earnings
Calgary CMA	Bottom 10%	\$1,182,645,000	100,040	\$11,822
	Top 10%	\$18,550,635,000	104,400	\$177,688
	Top 1%	\$7,197,050,000	10,710	\$671,993
Alberta	Bottom 10%	\$3,773,855,000	291,400	\$12,951
	Top 10%	\$43,109,355,000	312,540	\$137,932
	Top 1%	\$15,669,205,000	31,460	\$498,068

Source: Statistics Canada, Income Statistics Division, T1 Family Files 2015, Custom data provided through the Community Data Consortium

The table above looks at the average after-tax earnings within the bottom 10%, top 10% and top 1% of the population in Calgary and Area and across Alberta. Income inequality provides a lens through which we can better understand the depth of poverty in Calgary and Alberta, particularly as it highlights the startling contrast between those who fall at the highest and lowest deciles. Understanding the ways in which income inequality manifests requires a complex and multifaceted approach, as it is the product of an evolving interplay of economic forces, public policy and income dynamics over several decades (Green, et al. 2016). Importantly, income inequality also plays an integral role in the way poverty in our society is perpetuated. High inequality can undermine the foundations of market economies (Alexander, 2014), putting financial stress on municipal, provincial, and federal governments. Financial and business assets, particularly in the oil and gas industry, in the top centile underpin the disproportionate inequality that is present in Alberta. The ramifications of concentrated wealth among a very small portion of society, and the inequality that it represents, has a profound effect not only on the most vulnerable within our society, but also on entire communities. Inequality throughout the social fabric of the province impedes human capital, restricts productivity, and reduces social mobility.

In Calgary, the income of the top 1% is nearly 7 times the total income amounts of the bottom 10%, with average annual earnings per person approximately 57 times higher. This is significantly higher compared to other provincial differences in income. A slow economic recovery has reduced tax revenue through lower average salaries, leading to fewer resources for funding government transfers such as Alberta Works and Assured Income for the Severely Handicapped (AISH). Though the economy experienced a significant lag and many families struggled and continue to do so, consumption and cost of living remains high. As a result, low-income Calgarians become entrenched in a city that becomes increasingly more expensive to live in, stratifying this population and greatly impeding one's ability to thrive. Vulnerable populations such as Indigenous People, immigrants, lone-parent families, and people with disabilities face this stark reality. Throughout the general population, wages have grown very little and income mobility has steadily declined,

which reaffirms that income inequality does not just affect the most vulnerable Calgarians (Green, et al. 2016).

As wealth is concentrated, and continually increases within the top income earners, the social mobility of middle-class workers becomes restricted as earnings stagnate. As the income gap grows, many of the low-income earners throughout the province are increasingly put at a disadvantage.

Addressing income inequality is a challenge, and there are many unique and circumstantial reasons why it manifests to the degree in which it has in Calgary. Early childhood education plays a strong role in reducing the effects of income inequality but takes a long-term approach to successfully address. Higher incomes are directly tied to educational attainment, though for many low and middle-income earners, university represents an insurmountable financial burden. With fewer people accessing university and post-secondary education, there is less innovation, which further obstructs the potential of a meaningful portion of the population and, therefore, the economic base of the city and province.

With Alberta's economy recovering, economic growth needs to be recognized as an instrument that provides greater resources across income groups but can also undermine social inclusion and equality (Green, et al. 2016). Future technological improvements in the production of oil and gas making it easier for business to hire fewer workers with increased profits, further aggravating income inequality. With less labour in the market, the question then turns to corporations and their responsibility to the communities and the areas in which they operate. With the corporate tax revenue in Alberta significantly lower than that of personal income tax, we need to ask to what extent must communities demand businesses pay their fair share.

Sources

Alexander, C., & Fong, F. (2014). *The Case for Leaning against Income Inequality in Canada* (pp. 1-13, Rep.). Toronto, Ontario: TD Economics.

Green, D. A., Craig Riddle, W., & St-Hilaire, F. (2016). *The Art of the State: Income Inequality in Canada* (Vol. V). Montreal, Quebec: Institute for Research on Public Policy.