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How should Canada solve income inequality?

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Its history is rooted in equal opportunity for all – something that long set Canada apart from other nations. Yet early signs of erosion are emerging that warrant attention.

The gulf between the rich and the rest is widening, with sluggish wage growth for many in the lower half of the income distribution. Mobility, or the ability to climb the economic ladder, is also becoming more limited.

Globalization and technological change have disrupted economies everywhere, resulting in both winners and losers and making the need to mitigate their effect more pressing. As Kevin Lynch, former clerk of the Privy Council, notes, this is not a time for complacency. Nor should this be a partisan discussion: strengthening the social fabric of the country is better for everyone.

Mending some of the fault lines won't be easy. Just as the drivers of inequality are complex and varied, so too are ways to reduce it. There's no single, easy solution. But there are plenty of good ideas, ones that deserve debate and consideration, that could bolster the Canadian dream: that everyone, regardless of where they start, has equal access to opportunity and can aspire for a better life.

The populist answer is a seemingly simple one: hike taxes on the rich. After all, they have benefited most from shifts in the economy in recent decades. Polls show popular support for it. Provinces such as Ontario and Nova Scotia are doing just that. And it sends a signal that fairness ought to be a policy priority.

But it's not the magic bullet. As Kevin Milligan at the University of British Columbia and others have argued, in many cases the rich respond to tax hikes by simply hiring better financial advisers. It also wouldn't generate sufficient revenue to put substantial investment in other areas. Another approach is to crack down on tax cheats and close loopholes – something the federal government has vowed to do. The effort is becoming a global one, with G20 leaders vowing to crack down on multinationals and individual taxpayers who are avoiding the tax man.

For Canada, a reasonable place to start is to have better data pinpointing what the trends are in the first place. The latest statistics on wealth inequality – showing the richest 20 per cent of families control 70 per cent of the country's wealth – comes from 2005, well before the recession. Taxfiler data is three years old. And the richest source of who's poor, who's rich and the gap between – the mandatory long-form census – has been cancelled. The new national household survey is a poor replacement. Wiser decisions could be made with better and more timely data.

The Globe compiled a list of dozen ideas from experts across the country, from hiking minimum wage (a move recently endorsed by the Ontario Chamber of Commerce) to bolstering affordable, high-quality early childhood education (see this newspaper's Daycare Project). Other options included studying Sweden's tax structure, bolstering labour standards and introducing guaranteed incomes for Canadians below the poverty line.

Policies could be targeted to those groups at most risk of falling behind – the Aboriginal population, young people, displaced workers and recent immigrants. Or broad efforts could bolster the bottom half of income earners. In the end, we settled on four to kick-start the conversation. Read them below – and vote on which you prefer¹.

Restore fairness in our tax system: Lindsay Tedds²

Enhance skills training: Kevin Lynch³

Create a new social contract: Jamison Steeve⁴

Boost support for the working poor: Miles Corak⁵

Create opportunity: Finn Poschmann⁶

References

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