

INEQUALITY MATTERS IN CANADA

Are We Ready For The Next Financial Crisis?

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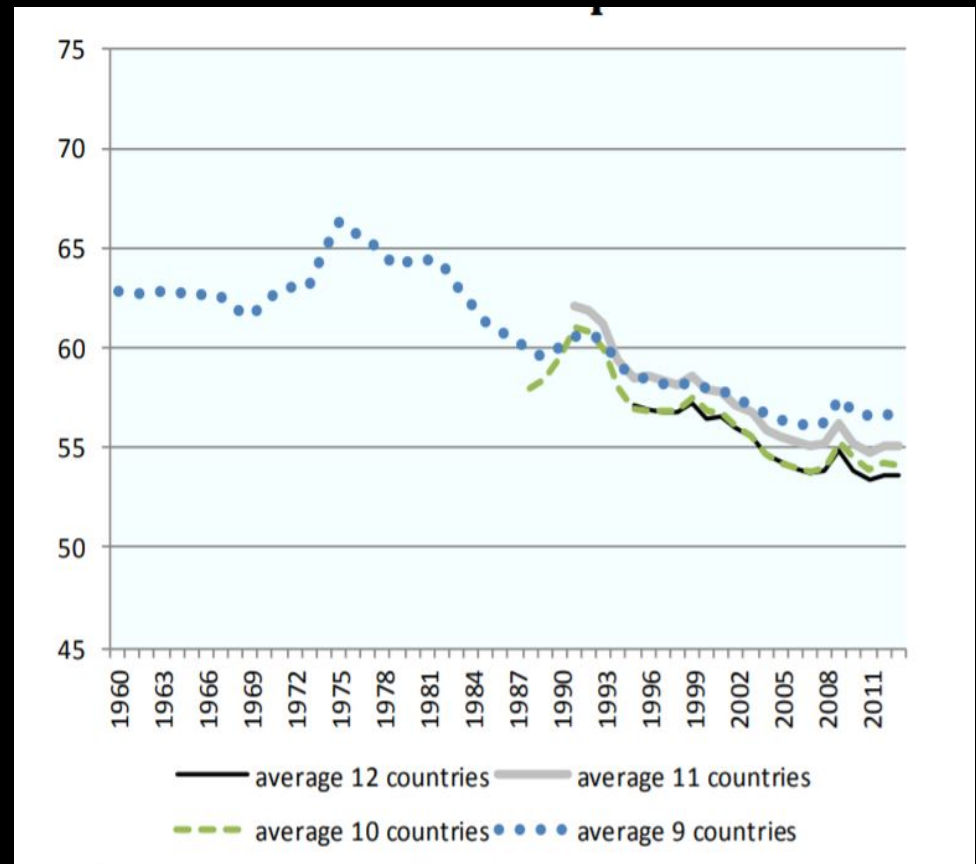
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Overview

- **Why inequality is an issue in Canada**
- **Future shock: strategies that worked in the past can't help as much in future**
- **Understanding what kinds of finance can mitigate growing inequality now**

Why Are We Talking About The Next Crisis? Not Just A Cyclical Story

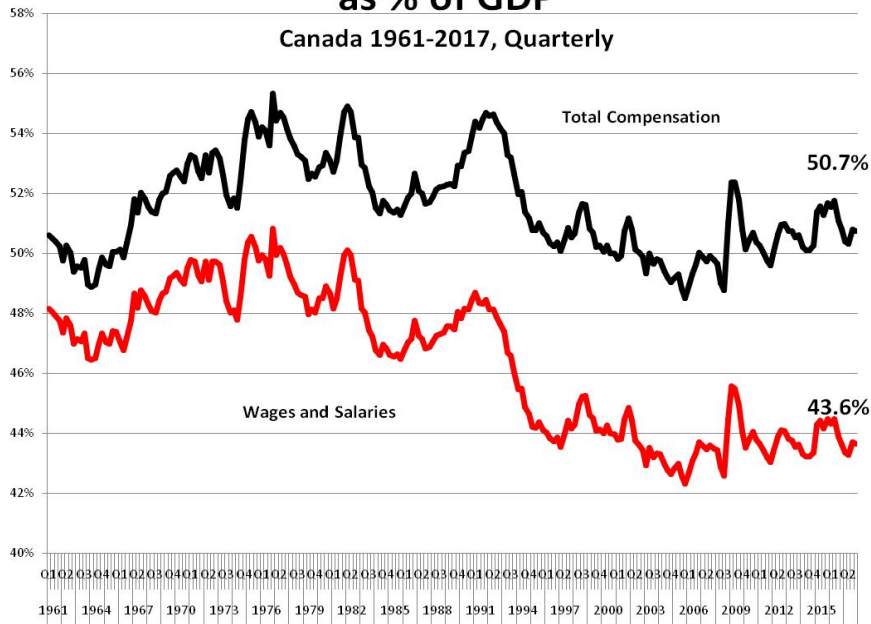
- **Falling Labour Share of GDP**
- **“The Game Is Rigged”**
Trump Brexit
- **Is Canada**
“exceptional”?



The Issue: growth in labour share of GDP < consumption share = more household debt

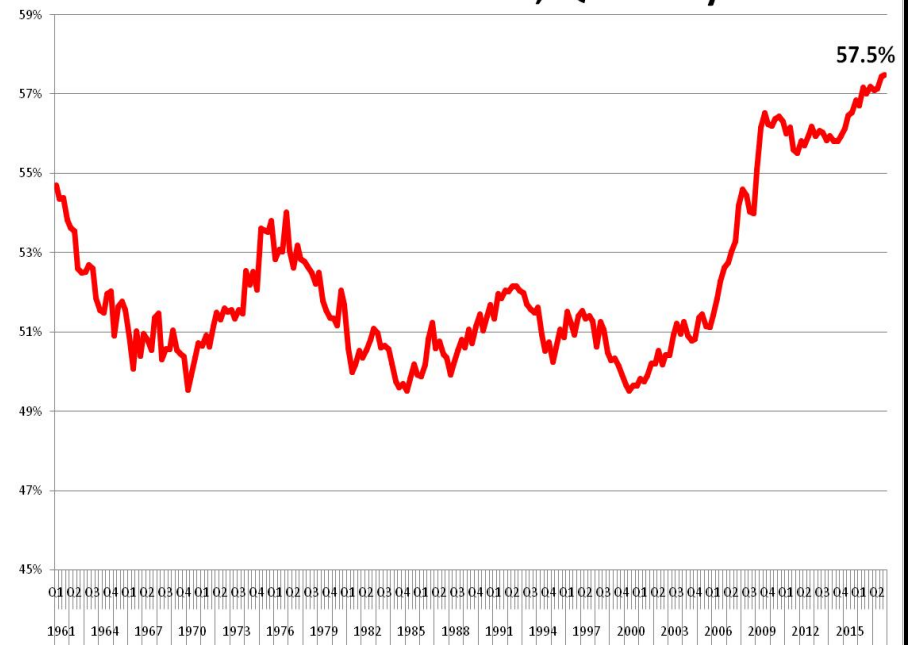
Total Compensation of Employees (Wages and Salaries + Employers' Social Contributions) as % of GDP

Canada 1961-2017, Quarterly



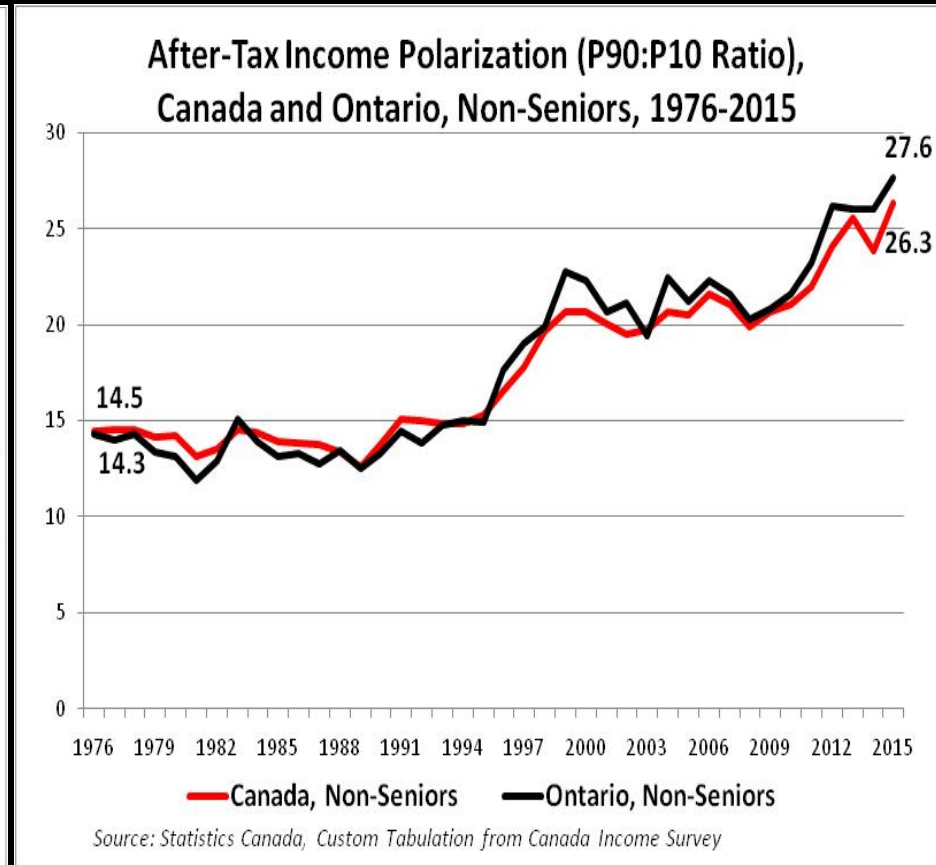
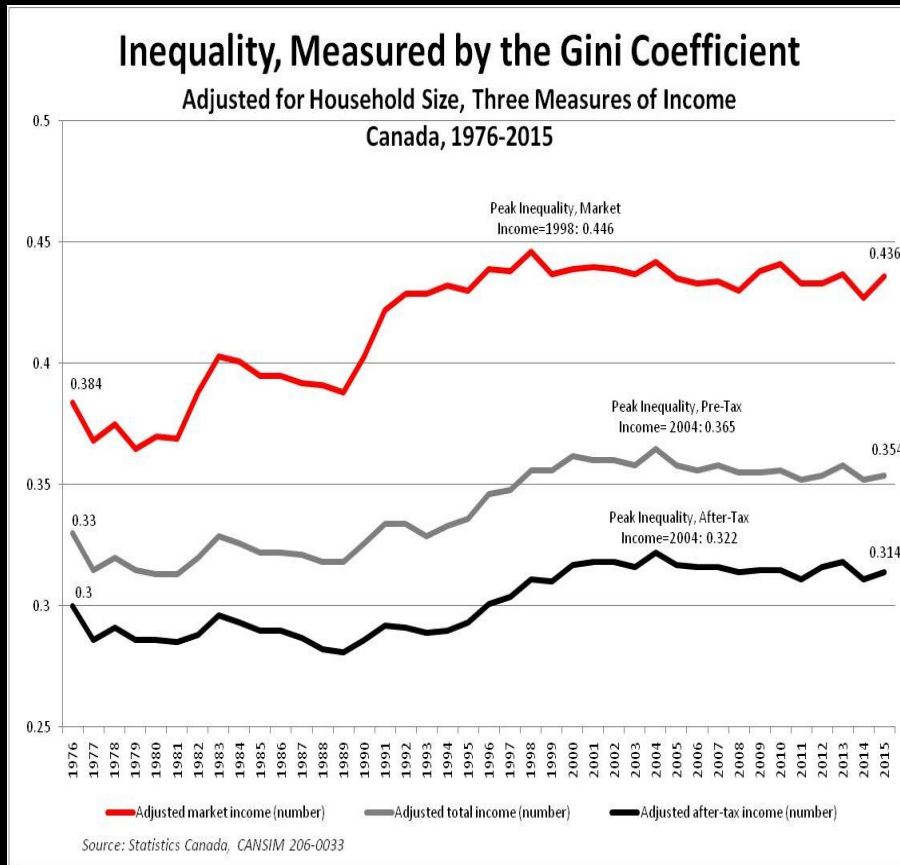
Source: Statistics Canada CANSIM Table 380-0063

Household Spending as % of GDP Canada 1961 - 2017, Quarterly



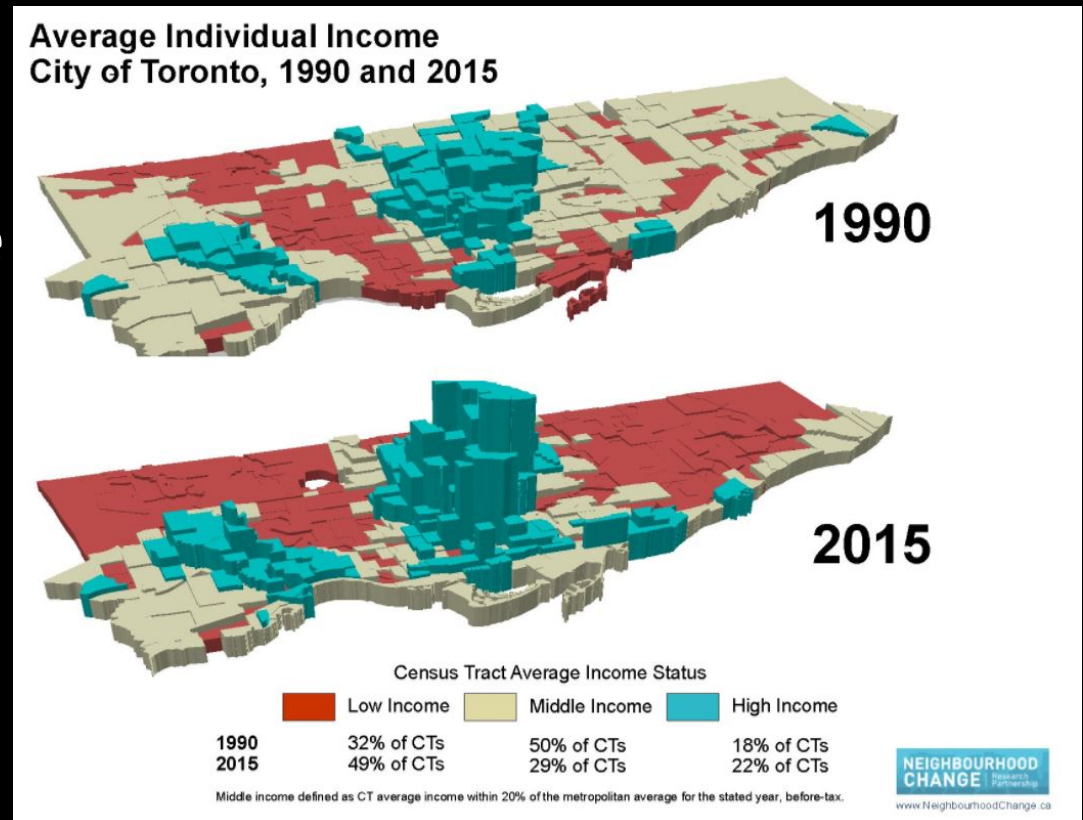
Source: Statistics Canada, CANSIM Table 380-0064

Within Labour's Falling Share of GDP: higher inequality, more polarization

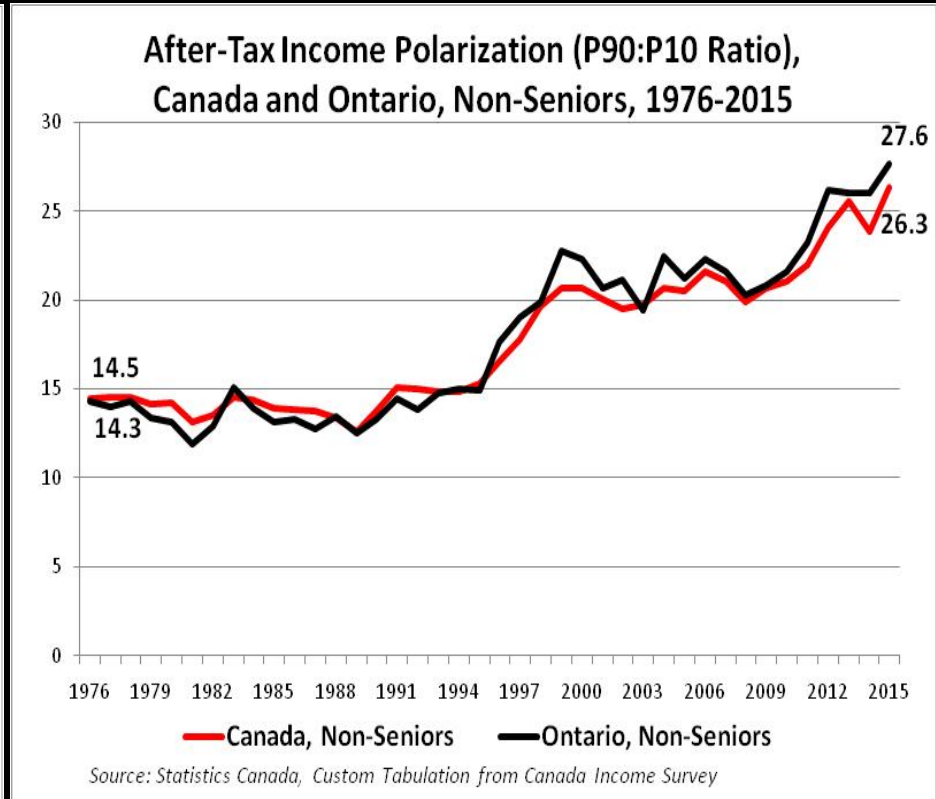
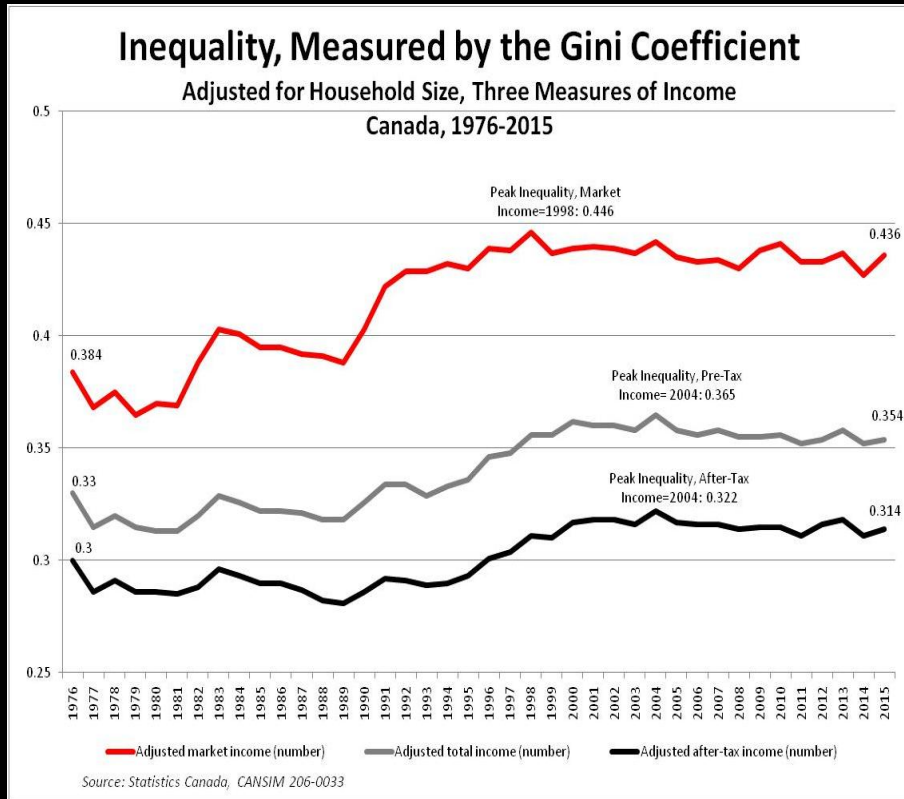


Inequality becomes hardwired as income polarization turns into spatial polarization

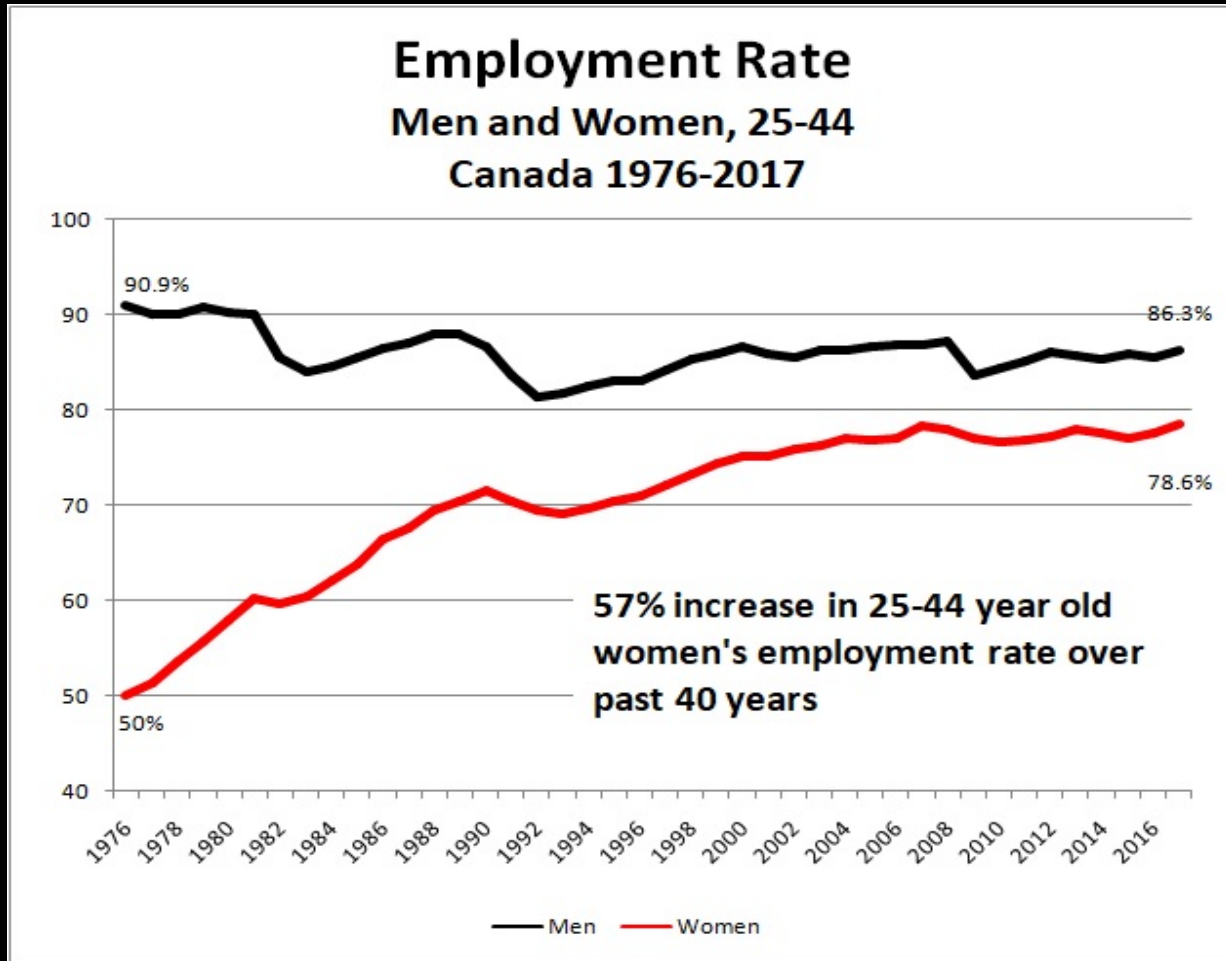
- 1990: 50% of census tracts were middle income
- 2015: 49% of census tracts were low income
- Inequality of opportunity shaped by inequality of outcome



In the past, even robust GDP growth was not enough to lessen inequality. What does the future hold?

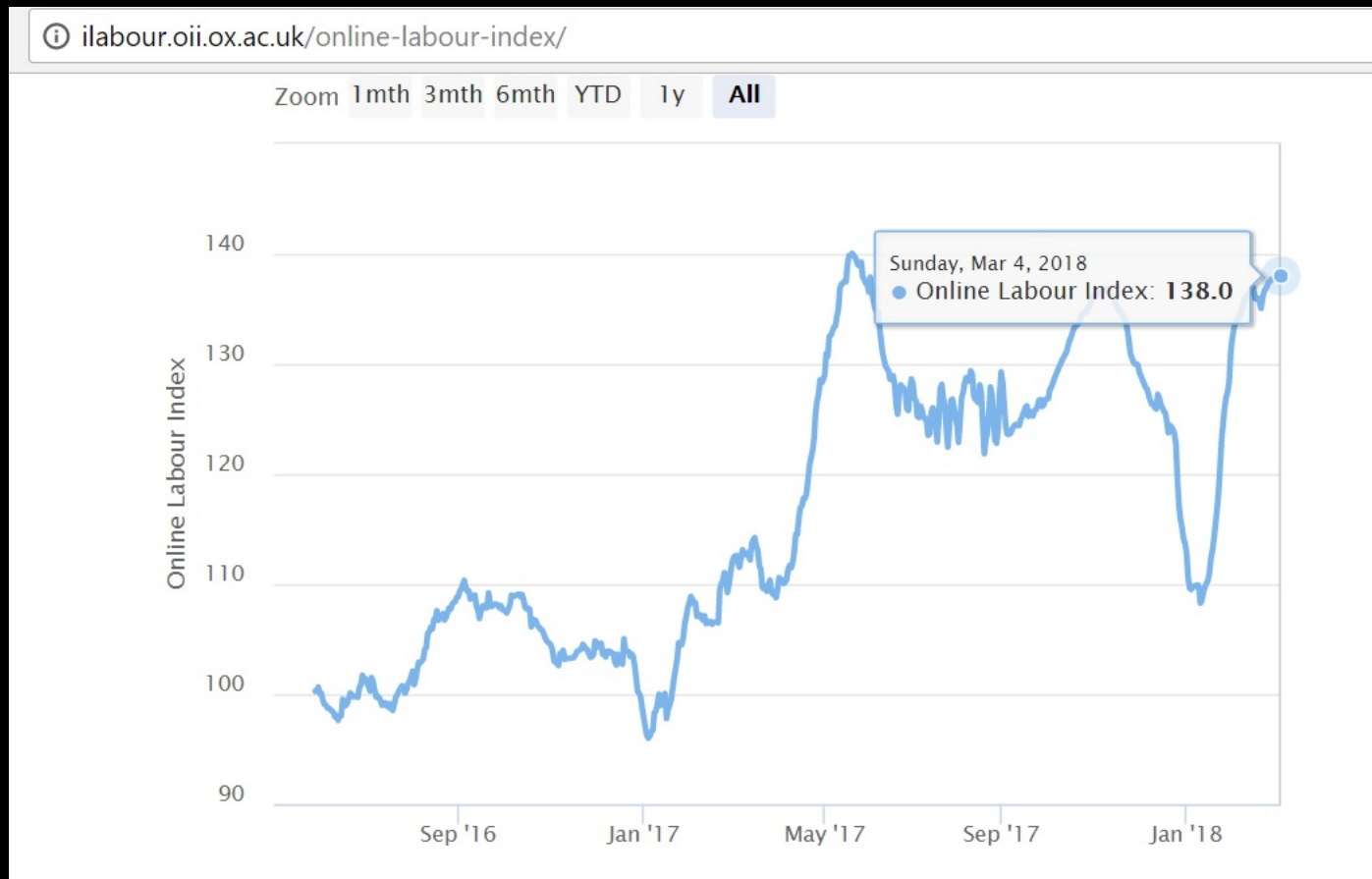


Future Tense: Running Out of Girl Power



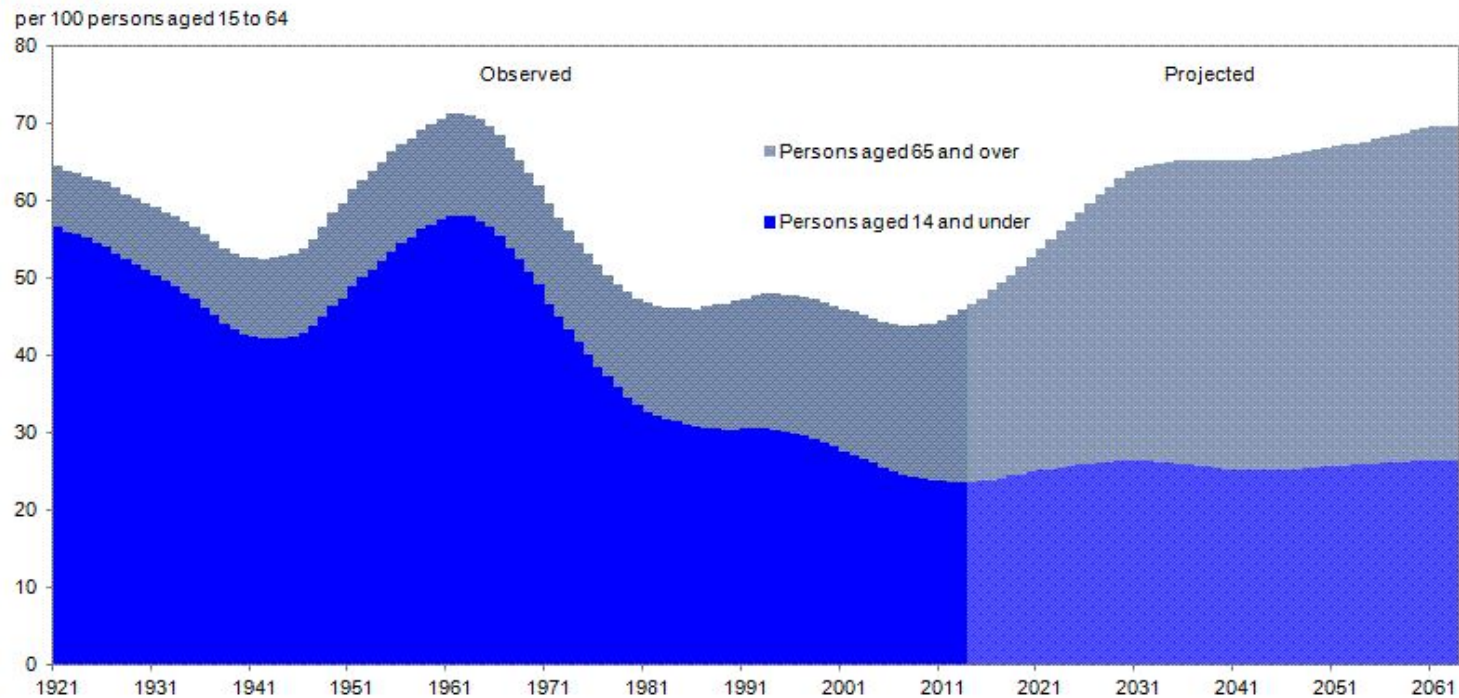
Future Tense: More Income Volatility

Online gig-work grew by 38% since June 2016
(English-speaking platforms)



Future Tense: More Slownth From Population Aging

Figure 2.7
Demographic dependency ratio, observed (1921 to 2013) and projected (2014 to 2063) according to the medium-growth (M1) scenario, Canada



Note: The demographic dependency ratio is the number of persons aged 14 and under or 65 and over per 100 persons aged 15 to 64 years.

Source: Statistics Canada, Demography Division.

Mitigating Greater Inequality

Early Childhood Learning

- Fortin et al.'s Quebec study shows “in 2008 each **\$100** of daycare subsidy paid out by the Quebec government generated a return of **\$104** for itself and a windfall of **\$43** for the federal government.”

Child care pays for itself

Investments and Returns from 4 Programs

Established Returns on Investment from Research-Based Early Childhood Programs for Every Dollar Invested



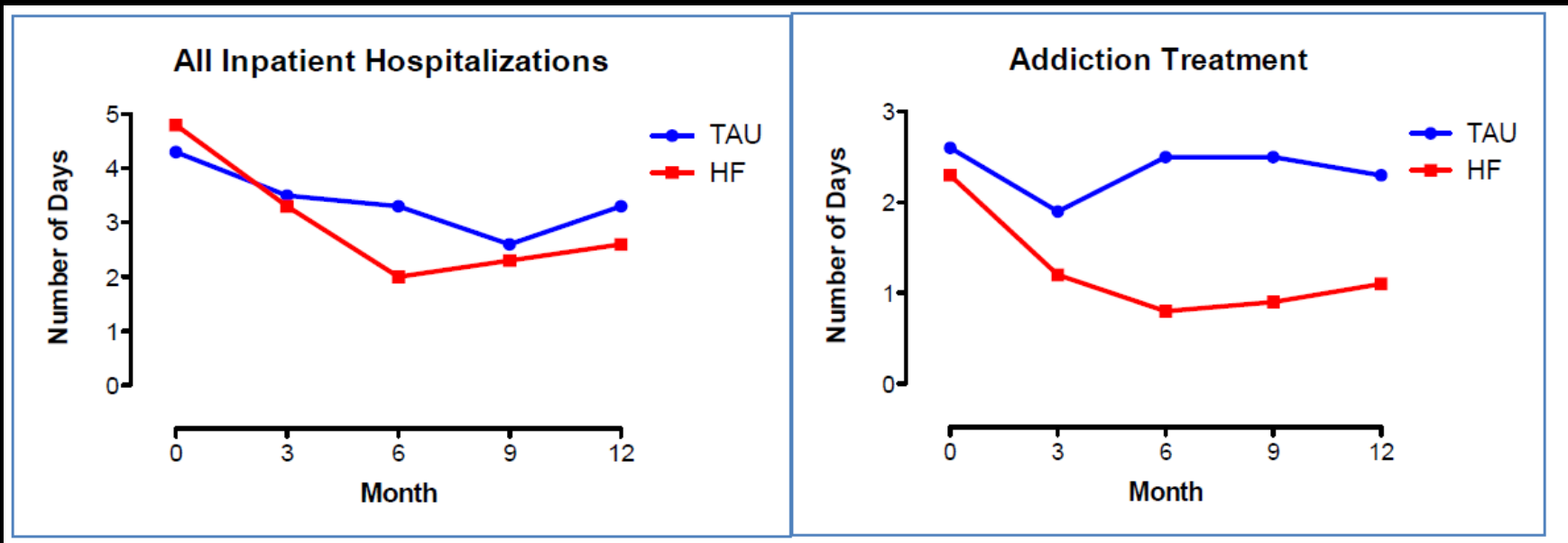
■ Perry Pre-School Project ■ Chicago Parent-Child Centers
■ Elmira PEIP ■ Abecedarian Project



Mitigating Greater Inequality

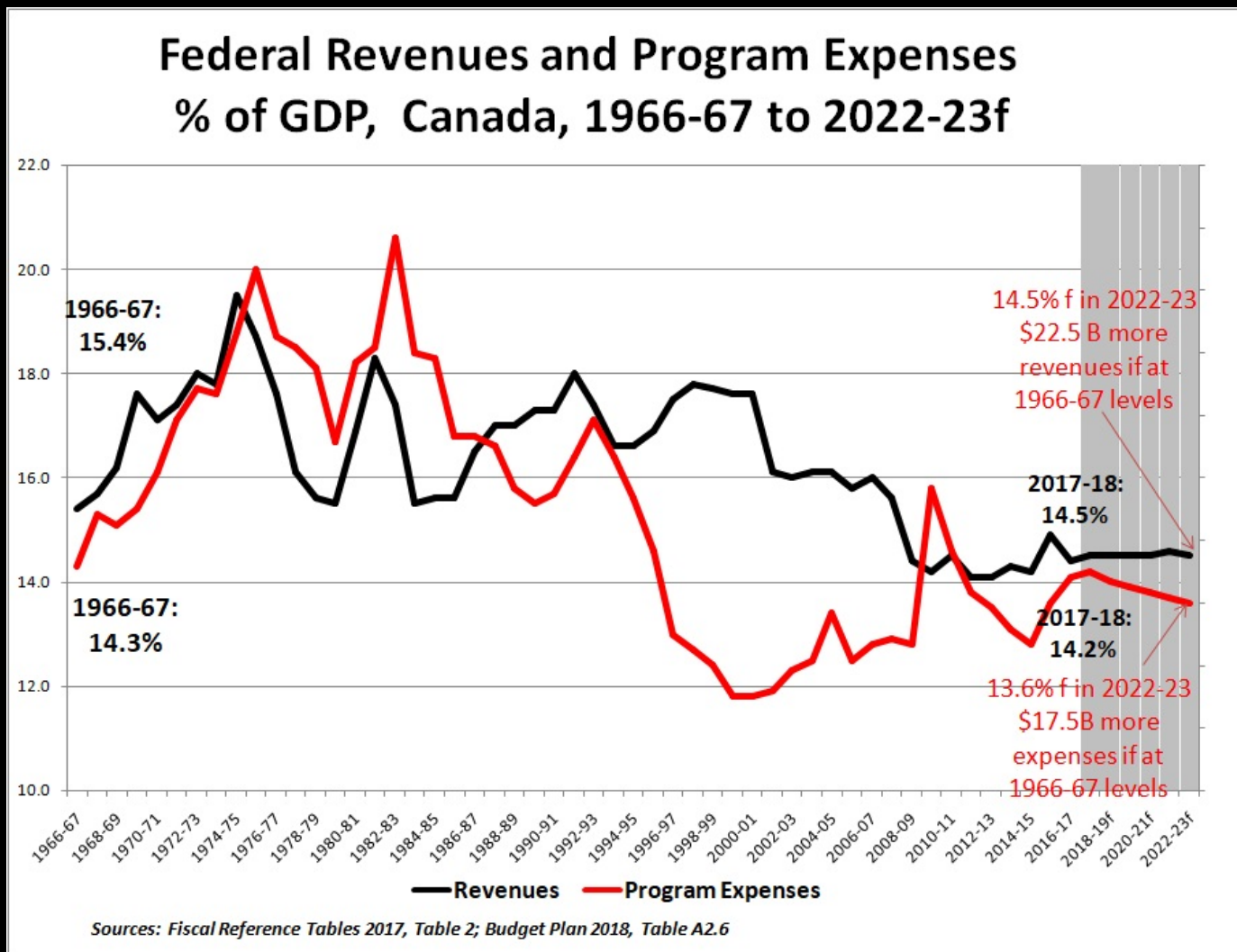
“Housing First”: Less Cost, Better Health

Treatment-as-usual (TAU) compared to those receiving Housing First interventions (HF) on health outcomes



“For every dollar that is spent on Housing First, 54 cents is saved through the reduction in other shelter and health care services.”

Can't Mitigate Inequality By Spending Less



Summary

- **Inequality affects macro-economic outcomes and can no longer be offset just by micro initiatives.**
- **How labour markets evolve is more critical to macro outcomes than how financial markets evolve.**
- **Public finance plays a bigger role in offsetting inequality-induced slowdowns than capital/credit markets. Fiscal policy > monetary policy?**

Thank you for your time.

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