

November 20, 2006

# GROWING GAP, GROWING CONCERNS

## Canadian Attitudes Toward Income Inequality

How close am I to being poor?  
What will happen to the country if the gap keeps growing?  
How big is the gap between  
the rich and the rest of us?  
How close am I to being poor? How close am I to being poor? How close am I to being poor?

**Growing Gap** .ca

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# Introduction

**In the past 20 years,** Canada has undergone profound changes. The Federal Government negotiated and implemented a free trade agreement with the United States and Mexico.

Canada's fiscal situation has improved from one of the weakest in the OECD in the 1980s to one of the strongest today.

The rate of unemployment in Canada is lower than it has been in more than a generation.

Despite these changes — all of which were supposed to ensure greater prosperity for every Canadian — the reports continue to come in indicating the gap between the rich and the poor is greater than it was 20 years ago

It's widening despite the fact that Canada's economy is firing on all cylinders.

It's widening despite the fact that the federal government has yielded nine fiscal surpluses in a row.

It's stubbornly resistant to the factors that would normally improve it — like more Canadians working, and more Canadians working harder.

In short, the rising tide has not lifted all boats. In the memorable image painted by U.S. Senator Edward Kennedy in his speech to the 1992 Democratic Party Convention, the rising tide has lifted the yachts, leaving the rowboats stuck on the bottom.

Over the next year, the Canadian Centre for Policy Alternatives will be releasing a series of reports examining the depth, breadth, and nature of the gap between Canada's wealthiest and the rest of us.

We begin with the results of focus groups and a national poll conducted for the CCPA by Environics Research Group in late Summer and Fall of 2006.

We initiated this research into perceptions of income inequality because we wanted to know whether the majority of Canadians feel the nation's thriving economy is hitting home.

We wanted to know whether Canadians worry about the economic insecurity that characterizes much of the global marketplace. We wanted to know if Canadians were aware of a growing gap and we wanted to know what they thought the consequences of leaving the growing gap unchecked might be.

This document represents findings from our public opinion research. Environics interviewed 2,021 adult Canadians by telephone for this national poll. A survey

of this magnitude yields results that can be considered accurate to within plus or minus 2.2 percentage points.

The results of the poll — supplemented by findings from focus groups conducted by Environics in Toronto and Halifax in Summer 2006 — tell a story of worry.

The majority of Canadians believe the gap between the rich and the poor is, indeed, growing. Many of them feel the pressure on their own household budgets. Many worry about the broader societal repercussions of a growing gap. If we continue to allow the gap to grow, they worry that the Canada we know and love will undergo considerable changes — such as more crime and a shift toward an Americanized way of life.

The growing gap is clearly an issue that's flying under the radar screen of Canadian political life. It is our hope that the results of this public opinion research — combined with the series of reports the CCPA will be releasing in the next year — will help pull the issue of income inequality out of the dark corners of Canadian society and set it right where it belongs: front and centre in Canadian public discourse.

*Growing Gap, Growing Concern* is organized into four themes:

**1. The gap between the rich and the rest of us:** This section tells the story of an expanding number of Canadians who report they believe the gap is growing.

**2. Who benefits from economic growth:** This section tells the story of a majority of Canadians who believe most of the wealth generated from Canada's recent economic growth has gone to the richest of Canadians rather than to most Canadians.

**3. Income gap — security and mobility:** This section tells the story of hope and fear. While many Canadians believe upward economic mobility is possible, half fear that poverty is as close as a few missed paycheques.

**4. Conclusion — consequences of a growing gap:** This section tells the story of concern for our future. Most Canadians believe a growing gap between the rich and poor will lead to more crime and that Canada will end up being more like the United States. We draw on some of our observations from the focus groups in this section in order to contextualize what Canadians told us they mean when they talk about fears of rising crime and the Americanization of Canada.

## The Gap Between the Rich and the Rest of us

*Three-quarters of Canadians believe the income gap between rich and poor has grown over the past 10 years; this proportion has increased since 2003.*

**On four occasions over** the past 16 years, Environics has asked Canadians about their perceptions of the gap between rich and poor. Consistently, large majorities of Canadians have expressed the belief that the gap between rich and poor in Canada is growing.

In 1990, on the heels of the heady days of economic growth in the late 1980s, 68% of Canadians believed the gap between the rich and the poor in Canada had widened.

In 1999, the next time Environics polled Canadians about the growing gap, the number of Canadians who believed the gap between the rich and the poor had widened swelled to 75%. The rise in concern may have been a reflection of the stubbornly difficult economic conditions of the 1990s, which were marked by major recession coupled with drastic funding cuts at both federal and provincial government levels.

Research into income inequality shows that the gap between the rich and the poor widened over the 1990s — confirming the perception held by three-quarters of Canadians that it was getting worse.

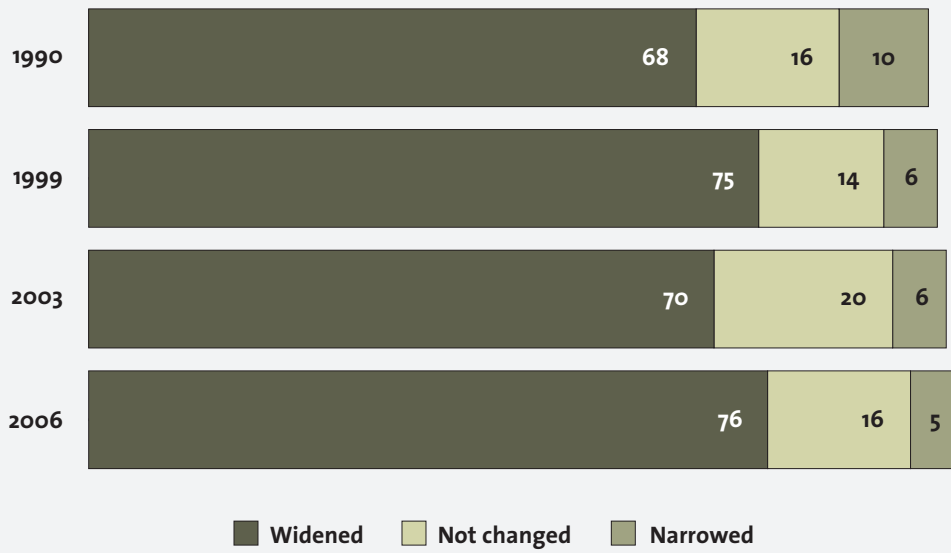
Environics went back to Canadians in 2003, asking whether they thought the gap had widened. By 2003, the number of Canadians who believed the gap had widened dropped down to 70%.

Three years later, in the fall of 2006, the number of Canadians who believe the gap between the rich and the poor widened over the past 10 years has reached a record-high level: 76% say the gap has widened.

This percentage is similar to the 75% who believed in 1999 that the gap had widened over the recessionary years, but it must be noted that by 2006 Canada had recorded nine back-to-back federal fiscal surpluses. No other G-7 nation has enjoyed the sustained level of economic expansion that Canada has experienced over the past 10 years.

The nation's economy has been on a winning streak. More people are working. Unemployment is comparatively low. These are the conditions under which, tra-

CHART 1 **Change in gap between rich and poor, 1990–2006**



ditionally, the gap between rich and poor should be getting smaller. And yet the majority of Canadians believe the gap between the rich and the poor has gotten worse.

The belief in a widening gap between rich and poor is held by a clear majority from every group across the country, but is most evident among residents of Saskatchewan and British Columbia, university graduates, and Canadians 45 years of age and over. Interestingly, there is no significant variation on this question across income groups.

## Who Benefits from Economic Growth?

*A large majority of Canadians believe that most of the wealth generated from recent growth in the economy has gone to the richest Canadians.*

**A majority of Canadians (65%)** believe that most of the benefit from Canada's recent economic growth has gone to the richest Canadians and hasn't benefited most Canadians. Only one-third (33%) think this growth has benefited almost all Canadians.

The belief that economic growth primarily benefits the rich is more prevalent in Atlantic Canada and Quebec. It is least prevalent in Manitoba and Alberta.

Demographic analysis indicated that the greatest variance in opinion is found across income groups: among Canadians in the lowest income group, three-quarters say that economic growth primarily benefits the rich, compared to just over half of those in the highest income group. Women, older Canadians, and those

CHART 2 **Benefited most from recent economic growth,**  
by household income, October 2006

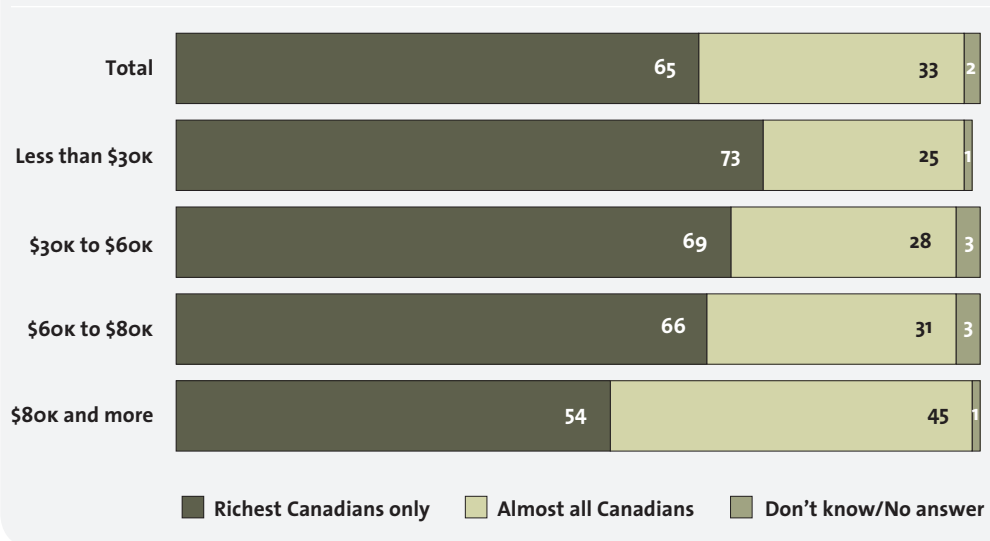
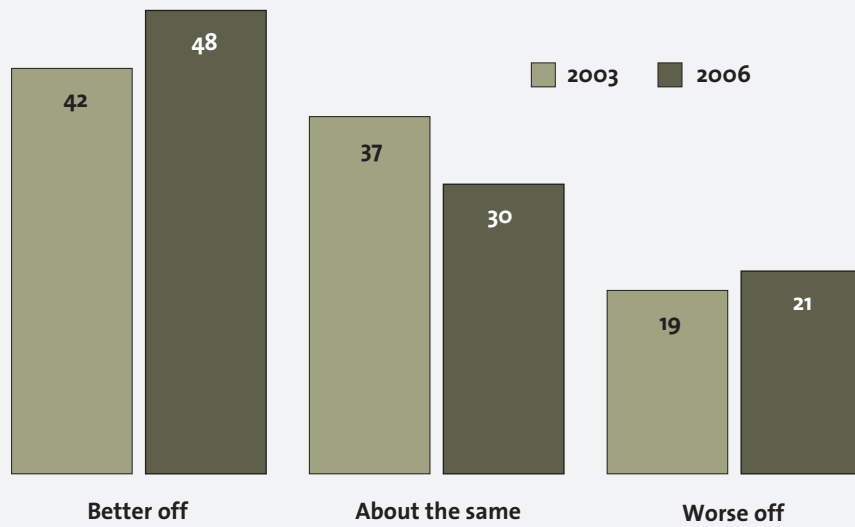


CHART 3 Satisfaction with standard of living, 2003–2006



with lower levels of education are also more likely to say that most of the wealth generated by economic growth has gone to the richest Canadians.

Half (48%) of Canadians feel their standard of living has improved over the past 10 years, 30% say their circumstances are about the same, and 21% say they are now worse off.

Whether they are worse off or not, most Canadians tend to see themselves as middle class. Looking at another measure of individuals' perceptions of their economic situation, three-quarters of Canadians believe that their personal income is either about average (44%) or higher than that of the average Canadian (31%); only one-quarter (23%) think it is lower than average.



## Income Gap: Security and Mobility

*Canadians are strongly positive about the importance and the possibility of reducing the income gap. They are concerned that, if this is not achieved, there will be negative consequences. While many believe that upward economic mobility is possible in Canada, half fear that—for them personally—poverty is as close as a few missed pay-cheques.*

**In terms of their sense** of income mobility, while many Canadians think that the “rags to riches” story is possible to achieve in Canada, half say that they themselves are only one or two missed pay-cheques away from economic disaster.

Two-thirds of Canadians (67%) agree strongly (29%) or somewhat (38%) that you can go from rags to riches in Canada. Support for this statement is pretty uniform across the country, with the exception of Quebeckers, who are less likely to strongly or somewhat agree that you can go from rags to riches in Canada.

However, 49% agree — 27% strongly, 22% somewhat — that they are always just one or two missed pay-cheques away from being poor themselves.

Albertans, men, older Canadians, and the most affluent are most likely to strongly agree that it is possible to go “from rags to riches,” while Atlantic Canadians, women, the least affluent, and non-European immigrants are most inclined to strongly agree that they are only a pay-cheque or two away from poverty. Those with the lowest levels of education are more likely to strongly agree with both statements.

## Conclusion: Consequences of a Growing Gap

*The majority of Canadians believe a growing gap between the rich and the poor will lead to more crime and that Canada will end up being more like the United States.*

**Three-quarters of Canadians (76%)** agree strongly (47%) or somewhat (29%) that a growing gap between the rich and the poor in Canada will lead to more crime. A similar proportion (76%) believe strongly (50%) or somewhat (26%) that if the rich keep getting richer and the poor keep getting poorer, Canada will end up being more like the United States.

Atlantic Canadians, Torontonians and Vancouverites, those with lower income levels, and those who think their income is below average are more likely to strongly agree that an increasing income gap will result in more crime.

Atlantic Canadians, Quebeckers, Ontarians, and those from Saskatchewan are more likely to believe a growing gap will lead to Canada becoming more like the U.S. Those with lower levels of education and those who think their standard of living has declined are also more likely to strongly agree that a greater gap between rich and poor will make Canada more like the U.S.

What does this finding mean? We turn to results from our focus group research to help contextualize these results. Canadian anxiety about increased crime and the Americanization of Canada emerged unprompted in focus group research conducted by Environics Research for the Canadian Centre for Policy Alternatives in the summer of 2006.

Many focus group participants saw the growing gap as a symptom of a moral breakdown, where people are getting greedier and are more obsessed with materialism and running credit card debts in order to keep up with each other. There was some lamenting of how there seems to be less community spirit than was once the case and how the wealthy seem to feel less of an obligation than they once did to help those with less. This was sometimes seen as being part and parcel of a loss of a way of life and of our society getting more Americanized.

The fact that the past decade was marked by boom and bust in the stock markets and the perceived growing bubble in real estate was cited as another example of how we were turning into a society of winners and losers.

In some focus groups, the discussion of the growing gap was characterized by a perception that there are now more stressed single parents and less stability in the workforce. The lack of affordable housing was also mentioned as an example of how things are getting worse.

Almost all focus group participants acknowledged that growing extremes of poverty and wealth do affect them in some way. Many expressed worry that this could lead to a breakdown of the social fabric and increases in crime and social problems.

The most commonly identified consequence was a big increase in crime. It was considered inevitable that, when a society breaks down into “winners” and “losers,” there will be more resentment on the part of the “losers” — some even predicting “civil war” or “civil unrest” if the gap keeps growing significantly. Participants expressed the belief that crime rates are higher in places where there is greater income disparity.

Some participants also spoke of fears for their own future financial security and that of their children. There was a fear that they would not live as well as their parents did, and fear that their children would have a harder time than they did. As the income gap grows, there is more anxiety about making sure that they and their children are on the right side of the gap. Some older participants also worried about how they would survive in retirement.

Many of the consequences of a growing gap that participants identified were more moral than materialistic. They felt that people would lose their sense of community and instead become increasingly greedy and obsessed with keeping up with their neighbours. People would have to work harder to keep a foot in the middle class and, in many cases, would run up a lot of credit card debt.

**CHART 4 Will a growing gap lead to more crime?**

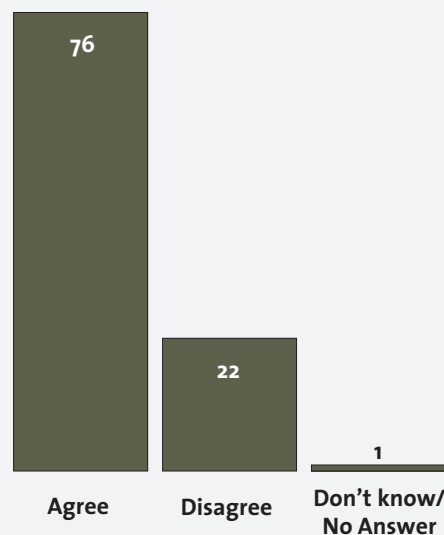
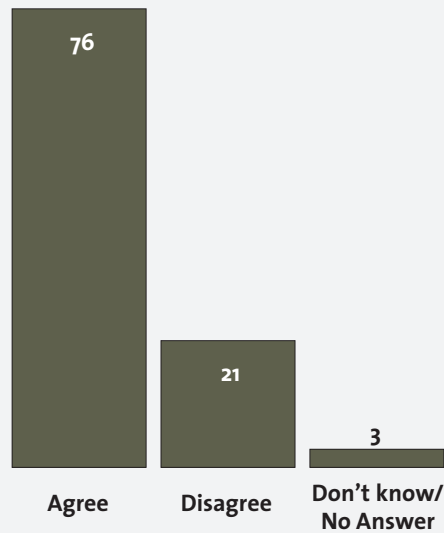


CHART 5 **Will Canada end up like the U.S.?**



It was also notable that the vast majority of participants were under the impression that Canada had much less of a gap between rich and poor than did the United States. Many had anecdotes of travels in the U.S. where they had seen poverty and crime and social problems that were apparently far worse than anything in Canada, coupled with even more ostentatious displays of wealth and materialism.

It was clear that most participants like to think of Canada as being a more fair and equal and humane society than the United States, with our health care system being a hallmark of this greater fairness.

## Methodology

**The poll results are based** on omnibus questions placed on Environics' FOCUS CANADA survey, conducted with a representative sample of adult Canadians between September 18 and October 12, 2006.

The questions were designed by Environics senior researchers in conjunction with representatives from the Canadian Centre for Policy Alternatives (CCPA). The questions were pre-tested as part of the overall survey, prior to being finalized.

The sampling method was designed to complete approximately 2,020 interviews within households randomly selected across Canada. The sample is drawn in such a way that it represents the Canadian population with the exception of those Canadians living in the Yukon, Northwest Territories or Nunavut, or in institutions (armed forces barracks, hospitals, prisons).

The sampling model relies on the stratification of the population by 10 regions (Atlantic Canada, Metropolitan Montreal, the rest of Quebec, the Greater Toronto Area, the rest of Ontario, Manitoba, Saskatchewan, Alberta, the Greater Vancouver Regional District and the rest of British Columbia) and by four community sizes (1,000,000 inhabitants or more, 100,000 to 1,000,000 inhabitants, 5,000 to 100,000 inhabitants, and under 5,000 inhabitants).

A total of 2,021 interviews were completed between September 18 and October 12, 2006. A sample of this size will produce a sampling error of plus or minus 2.2 percentage points, 19 times out of 20. The margin of error is greater for results pertaining to regional or socio-demographic subgroups of the total sample.

As part of the CCPA's research into Canadian perceptions of income inequality, Environics also conducted four focus groups, two sessions in each of Toronto and Halifax.

**> ABOUT THE CENTRE**

The Canadian Centre for Policy Alternatives is an independent, non-profit research institute funded primarily through organizational and individual membership. It was founded in 1980 to promote research on economic and social issues from a progressive point of view. The Centre produces reports, books and other publications, including a monthly magazine. It also sponsors lectures and conferences.

**> AU SUJET DU CENTRE**

Le Centre canadien de politiques alternatives est un institut de recherche indépendant et sans but lucratif, financé en majeure partie par ses membres individuels et institutionnels. Fondé en 1980, son objectif est de promouvoir les recherches progressistes dans le domaine de la politique économique et sociale. Le Centre publie des rapports et des livres, ainsi qu'une revue mensuelle. Il organise aussi des conférences et des colloques.



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