

# Eighteen ways to shrink inequality <sup>[1]</sup>

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## EXCERPTS:

The first thing to know about addressing inequality is that how it's done matters less than that it is done. The second is that there are many, many public policy options that would make our societies more equal if there was the political will to put them in place.

As the authors of *The Spirit Level: Why More Equal Societies Almost Always do Better* point out, countries like Japan where incomes before taxes are relatively close do as well on health and social outcomes as places like Sweden or Norway where incomes are redistributed through taxes that support public programs.

"There are many different ways of reaching the same destination," wrote Richard Wilkinson and Kate Pickett. "What matters is the level of inequality you finish up with, not how you get it."

Addressing inequality does not necessarily mean growing the public sector, they wrote, and they warned that even tax cutters might unintentionally force an expansion on the government. "If you fail to avoid high inequality, you will need more prisons and more police," they said. "You will have to deal with higher rates of mental illness, drug abuse and every other kind of problem."

Policy makers have any number of options. And while some will tell you tackling inequality is complicated, the basics are simple: anything that constrains incomes at the top or raises them at the bottom will make people more equal.

## Setting a course

In many cases, as Iglia Ivanova in the B.C. office of the Canadian Centre for Policy Alternatives points out, the solutions are the flip side of the causes of inequality. If lower taxes, stagnant low-income wages, escalating top incomes and weakened unions got us where we are, it's self-evident what's needed to change direction.

When Nobel prize winner Joseph Stiglitz published on the subject in *The Price of Inequality*, he argued for taking several approaches at once. "Addressing inequality is of necessity multifaceted," he wrote. "We have to rein in the excesses at the top, strengthen the middle, and help those at the bottom. Each goal requires a program of its own."

That may mean developing a labour market where people at the top no longer make salaries so many times greater than people receive at the bottom. Or it may mean a need for public policy that takes from the rich through taxes and gives to those in need through income supports or other programs.

Drawn from research and numerous interviews gathered in the course of reporting this series, here are suggestions that would narrow the income gap:

1. **Create well-paying jobs:** This is the number one solution proposed by the Organization for Economic Cooperation and Development, the B.C. Business Council and B.C. Premier Christy Clark. It is a key place to start, but given the number of people needed in low-paid service jobs and the number left out of the labour force, it is not the end.
2. **Cheaper housing:** Anything that brings down the major expense for most B.C. households will leave money in people's pockets. Solutions include building more subsidized or non-market housing, controlling rents and adopting policies that reduce home prices or borrowing costs.
3. **Child care:** UBC's Paul Kershaw points out that a year of daycare costs some 50 per cent more than a year of university tuition. Getting the cost down to \$10 a day would help households at a time when they're cash crunched and would help women's wages keep pace with men's. This would be far short of Quebec's \$7-a-day program, but would be a significant improvement for B.C.
4. **Increase child tax benefits:** Sometimes described as the "baby bonus," these are a joint federal and provincial transfer aimed at preventing or eliminating child poverty. Monthly payments for a family's first two children are \$119.41 per child with amounts reduced when family net income exceeds \$43,561. They could be raised.
5. **Raise the minimum wage:** In B.C. the amount going to the lowest paid workers stayed frozen for a decade after 2001. It was last raised in May 2012, and is now \$10.25 an hour. Regular increases tied to inflation would be fair to workers and predictable for employers.
6. **Expand living wages:** Figures for 2013 put the living wage, which is matched to the actual cost of living for a city, in B.C.'s capital at \$18.07 and in Vancouver at \$19.62. Some municipalities and employers started paying living wages in the last few years and the idea could spread. You know there's something wrong when people who work are relying on charity to eat.

7. Raise welfare rates: "People on welfare are the poorest of the poor," said Bill Hopwood, an organizer of the Raise the Rates Coalition. "A first clear action would be to raise welfare." Payments for single people in B.C. who are considered employable are \$610 a month. After rent this leaves little for food, job search expenses or anything else.

8. Provide a guaranteed liveable income: Going by various names, the idea is to pay every citizen a base amount regardless of what they do. Advocates argue it would keep people from falling below a certain point while eliminating the need for large government bureaucracies that administer social programs. Some anti-poverty activists are cool to the idea, saying much depends on the rate being set high enough to allow people a comfortable existence. The idea has been getting attention lately from publications including the New York Times and Business Week as Switzerland holds a referendum on providing such an income to its citizens.

9. Encourage unionization: Union jobs tend to pay more and come with better benefits. They've been in decline, particularly in British Columbia, where the level dropped from 43 per cent in 1981 to 30 per cent in 2012. Governments set the rules that make it easier or harder for unions to form and to negotiate. As Iglia Ivanova, an economist with the Canadian Centre for Policy Alternatives' B.C. office put it, "I think we have to do something to shift the power between the concerns of capital and labour." She described the perspective as "very old school."

10. Strengthen labour standards: The CCPA's Ivanova points out that European economies have done very well over the long term while raising employment standards. "A lot of things we need to do cost money, but things like strengthening employment standards don't cost anything to government," she said. Changes could include things like mandating more vacation time, regulating work hours and setting minimum lengths for shifts.

11. Support immigrants and refugees: Several sources noted it is taking longer for new Canadians to integrate into the country's economy than it did 15 years ago. Immigration policies and supports can help make those transitions smoother.

12. Broaden the EI system: The number of people who are self-employed has risen substantially over the last few decades, particularly in British Columbia. In the province in 2012 some 18.5 per cent of the work-force was self-employed, about three per cent above the national average. This is work, often on contract, that comes without benefits or eligibility for the Employment Insurance system that helps people during periods of temporary unemployment or after having babies.

13. Make post-secondary education cheaper: Tuition fees in B.C. have doubled over the past two decades and many students are graduating owing tens of thousands of dollars at a time when many are finding it hard to find solid jobs, get into the housing market and start families. If everyone's to have equal opportunity, making education available to all is key.

14. Invest in training: On one hand employers say there's a shortage of skilled labour, while on the other there are large numbers of people who are officially unemployed and even more who've given up on finding a job. There's a role for governments to help people get the skills they need to better participate in the economy.

15. Support micro-credit programs: Picking up on an idea that's been huge in Asia, the Community Micro Lending group has been providing small loans to people who would otherwise be unlikely to be able to get credit. Co-ordinator (and Victoria city councillor) Lisa Helps described some success stories: Bobby started a business with a snow shovel and a bus pass, then got a larger loan to buy a power washer and a truck; Chelsea needed six months rent to move her mortgage brokerage into a real estate agency; Gavin received about \$5,000 for a used pick-up truck and a couple wheelbarrows 18 months ago, and now his stone mason business employs four other people and he's making \$250,000 a year.

16. Increase financial literacy: Helps said that while programs that help people after inequalities already exist are essential, it would be wise to put more support into prevention. Education and financial literacy are key, she said. People get into deeper financial difficulty because they are already in financial difficulty, she observed. Empowering people around finances and helping them build knowledge of how the financial system works would help them avoid getting into that hole in the first place, she said.

17. Expand public health care: Universal health care already goes a long way to reduce inequality in Canada, but some important things are left out including eye care and prescription drugs. Providing dental care, particularly to people most in need, would also be an equalizer, said BC NDP leader Adrian Dix. The health of people's teeth affect their lives in all kinds of ways, including their employment and income prospects, he said.

18. Expand the CPP: The federal government has so far rejected calls from several provinces and labour leaders to grow or even double the Canadian Pension Plan, but doing so would help narrow the gap between the one per cent at the top and the many people in the middle, particularly workers making between \$50,000 and \$100,000 a year.

Some of the above ideas, such as improving employment standards or raising minimum wages, can be put in place by governments without directly affecting their own revenues. Others would require an investment of public dollars.

Raising that money would have the added benefit, from the point of view of narrowing inequality, of constraining incomes at the top.

"It's not just raising the poorest," said Hopwood at Raise the Rates. "It's reversing the differential between the very rich and the rest of us. It's reversing neoliberalism, really."

This article is part of a series for The Tyee Solutions Society looking at the causes, costs and potential solutions for wealth inequality in British Columbia, Canada's most unequal province by some measures.

-reprinted from the Tyee

**Region:** British Columbia <sup>[2]</sup>

**Tags:** inequality <sup>[3]</sup>

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