



United Way
Toronto

Income Inequality Brief: Building a stronger city for us all

Over a decade ago, United Way Toronto started asking questions about the relative vitality of our city. A question that could be asked of any Canadian city – how strong are our communities? We wanted a clearer understanding of what was happening across Toronto in order to effectively target investments and resources to ensure they reached those who needed it the most.

What we found was troubling. Poverty was not only growing, it was becoming more concentrated in inner suburban neighbourhoods that surround Toronto’s downtown core. That’s why we’ve worked hard to bring attention to this issue through innovative reports like, *Decade of Decline*, *Poverty by Postal Code*, *Losing Ground* and *Vertical Poverty* — a series of research that laid the groundwork for concentrated investment in under-served neighbourhoods in Toronto. And it is why we continue to take action to create opportunities for a better life for everyone.

The increasing concentration of poverty in our city remains an important issue for United Way. However there is also now a rising concern about the growth of income inequality. People are engaging us in conversation about what they see as the growing challenge of inequality in our community. To be clear, the difference between poverty and inequality is subtle but significant. Poverty focuses attention on one segment of the population — those living below a particular income threshold. In contrast, the various measures of income inequality describe the distribution of income across the entire population.

Looking at poverty through the lens of income inequality presents an opportunity to enable us to think about how our city works as a whole and how we can all contribute to making it a better place to live.

We already know that over time neighbourhoods in Toronto have grown further apart economically. From 1980 – 2005, the growth of income inequality among neighbourhoods was characterized by stagnating family income at the bottom of the income spectrum, while incomes in the richest neighbourhoods increased significantly. In addition, from 1970 – 2005, the number of middle-income areas shrank and the number of low-income areas rose substantially. As described by Professor David Hulchanski of the University of Toronto

Cities Centre the city is in effect splitting into 'three cities': an economically improving city based in already wealthy and gentrifying neighbourhoods, a stable city of middle incomes, and an economically declining city located in the outer reaches of the inner suburbs — a trend that is consistent from 1970 – 2005.

Why we believe income inequality matters

There is also mounting evidence from developed countries around the world that higher rates of income inequality result in poorer health outcomes and higher rates of social dysfunction — not just for the poor, but for all income levels. The correlation is laid out in the 2009 best-selling book, *The Spirit Level; Why Equality is Better for Everyone*, by Richard Wilkinson and Kate Pickett. *The Spirit Level* draws on international evidence to show that in countries with high levels of income inequality: levels of trust and social mobility are lower; rates of violence and imprisonment are higher; and rates of mental illness, substance abuse and obesity are higher.

Income inequality matters for the social and economic well-being of all Canadians. It dampens our economic growth, hinders our prosperity and challenges our social cohesion. As Nobel Prize-winning economist Joseph Stiglitz wrote, "Widely unequal societies do not function efficiently, and their economies are neither stable nor sustainable in the long term." Amongst these inefficiencies, widely unequal societies experience a reduction in the supply of skilled workers, higher tax burdens associated with poverty, and more social disorder — all of which combine to make jurisdictions less attractive for businesses to locate, invest, and expand.

In addition, when less income is located at the bottom and middle of society, spending by these individuals is constrained, reducing this group's overall purchasing power and the economic prospects of local communities. This results in increasing household debt, as those at the bottom and in the middle-class increasingly rely on credit to maintain a reasonable standard of living. University of Chicago economists found that communities with higher income inequality see higher spending, bankruptcy and self-reported financial distress, all of which act as building blocks for broader economic instability.

Income inequality hinders our prosperity because middle - and low-income individuals — whose share of the economic pie has not grown over time — have increasingly limited means to invest in their personal human capital through education and health, where costs continue to rise. This is an important point, as Canadian employers are finding it increasingly difficult to get the skilled employees they need.

Equally important is that income inequality can undermine social cohesion by creating isolation and social exclusion among people in our community. This can result in increased

resentment, disaffection, social conflict, violence and crime. And given the current environment of worldwide economic uncertainty it is critical, now more than ever, that we work together to support a strong and healthy community.

What is United Way Toronto already doing to address this issue

All this as we continue to invest in a strategy that commits to strengthening communities, because we know that providing support to people through our network of community agencies is one way we can act to address growing gaps in our city. However, we also know that we cannot address this challenge alone. That is why we are committed to better understanding this issue and engaging our whole community to be part of the solution.

Over the last few years, we have started to see results from this community engagement process. After engaging our agencies on the issue of precarious employment, we learned that precarious employment was increasingly being linked to the growth in family poverty in Toronto. This led to the development of a 5 year research project in partnership with McMaster University, called Poverty and Employment Precarity in Southern Ontario (PEPSO). The first PEPSO report on this issue, *It's More than Poverty*, illustrates how precarious employment is impacting individuals, families, and communities. This research found that precarious employment impacts people in all sectors and all income levels. This increasing employment instability found in our labour market has resulted in labour market polarization – an important contributor to income inequality.

Another result of our community engagement process has been our *Building Strong Neighbourhoods Strategy*, which has successfully brought services to communities where there were little to none before. Through resident engagement and grants we have been able to connect with residents and support them in leading change from within. In addition, we have made strides in bringing governments and the private sector to the table to address complex challenges facing our city.

We are making progress. We are building Community Hubs in eight neighbourhoods-- Crescent Town, Eglinton East/Kennedy Park, Victoria Village, Weston Mount Dennis, Rexdale, Dorset Park, Bathurst-Finch and Steeles – L'Amoreaux — to provide much-needed support to under-served neighbourhoods. We are also funding important initiatives aimed at youth leadership, such as the Youth Challenge Fund, and educational attainment, such as Bridge to Success and Pathways to Education. Working with our partners — member agencies, donors, labour, the private sector and government — we have been able to make strategic and targeted investments to areas where the need is greatest.

Next Steps

Together, we have been able to accomplish many things — but there is still more work ahead. The challenges of poverty and income inequality are complex and multi-faceted. They cannot be fixed overnight and require a shared recognition that this is an issue that impacts us all.

One of the powerful lessons that research has taught us about income inequality is that it isn't just vulnerable members of society who are negatively impacted – all of us are worse off. We need to act now. All of us must be engaged in finding solutions and if we work together we will build a stronger, healthier community.

For these reasons, we are delighted that the House of Commons is undertaking this important research. We would be happy to contribute our knowledge as expert witnesses on the issue and look forward to learning more about this research.

Who we are

Established in 1956, United Way Toronto is a charity dedicated to creating opportunities for a better life for everyone. Working in partnership with others, we mobilize people and resources to support a network of agencies that help people when they need it most. United Way also addresses the root causes of social problems, working to change community conditions for the better over the long term.