

Labour Market Matters



Special points of interest:

- Rising inequality at both the municipality and neighbourhood levels found to increase levels of charitable giving.
- Immigration found to have little impact on poverty and income inequality in Canada during the 2000s, with the major exception being Vancouver.

“The researchers found that the average donation increased by 76% over the sample period, while the fraction of households reporting donations declined by 15%. The core results suggest that increases in CD or FSA inequality results in an overall increase in charitable giving.”



Justin Smith
(Wilfrid Laurier University)

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Rising Income Inequality found to be associated with increased Charitable Giving

Income inequality has risen significantly since the 1980s, with the share of income among the top 1% increasing by 27% between 1980 and 2005. While the widening gap between the rich and poor is concerning, CLSRN affiliates Abigail Payne (McMaster University) and Justin Smith (Wilfrid Laurier University) examine whether the rate of charitable giving may increase as income inequality rises in a new study entitled **“Does Income Inequality Increase Charitable Giving?”** ([CLSRN Working Paper no. 150](#)). The study finds that rising income inequality results in overall increases in charitable giving.

Using data from Statistics Canada’s Financial and Charitable Donors Databank, as well as Census Profiles at the Census Division (CD) and Forward Sortation Area (FSA) levels, the researchers analyze the impact that rising income inequality has had on charitable giving in Canada, by studying how increases in local income inequality has affected Canadian tax-receipted donations reported between 1991 and 2006. The study found that for the period examined, the average levels of the inequality measures at the FSA and CD levels across Canada in each year had increased. The Gini coefficient (a measurement of inequality) for the average FSA was found to have increased by approximately 11%. The Theil index, an inequality measure also focused on the whole income distribution, found a growth inequality over the same period of closer to 27%. Comparing households near the top of the distribution to those near the bottom, the researchers found the

share of income held by the top 1% went from 5.78% in 1991 to 7.53% in 2006.

A CD typically covers a city or municipality (e.g. Toronto) or groups of municipalities (e.g. Kitchener-Waterloo-Cambridge) that are joined together for the purposes of regional planning and managing common services. An FSA is a geography defined by Canada Post that contains about 7000 households, and roughly reflects the natural and artificial boundaries of neighbourhoods. The researchers found that the average donation increased by 76% over the sample period, while the fraction of households reporting donations declined by 15%. The core results suggest that increases in CD or FSA inequality results in an overall increase in charitable giving.

The researchers note however, that in areas where both the CD and the FSA inequalities increase, the effect of the interaction of these measures results in less of an increase in donations compared to areas where, for instance, the CD (city and municipality) inequality increases but the FSA (neighbourhood) inequality remains relatively constant (as would be observed in communities where there is neighbourhood segregation of households based on income). The results also suggest that increasing inequality appears to lead to a decline in the fraction of households that donate, but the magnitude of the effect is relatively small.

This study shows that charitable giving rises with inequality both at the neighbourhood and municipality



A. Abigail Payne
(McMaster University)

levels. When inequality rises unequally between neighbourhoods and their municipalities, the rise in charitable giving is smaller. This suggests that donations respond less to municipality-level inequality if the municipality is comprised of a set of similarly unequal neighbourhoods. The results highlight the interplay between the immediate neighbourhood characteristics and the broader geography in which a located is located. While the study found no measureable difference in the effect on donations of growth in neighbourhood-level giving across neighbourhoods that differ in education or income levels, the effect at the CD level occurs most strongly in high income high education areas.

While it is not known precisely what types of charities have seen increased donations with the rise in income inequality; if individuals donate to charities that counteract the effect of local poverty and inequality such as food banks, then rising income inequality would be at least partly counteracted by the redistributive impact of charitable giving that accords a local impact.

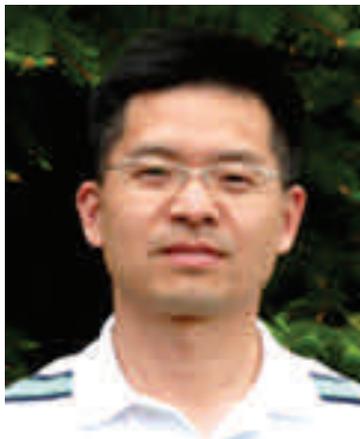
Immigration Found to have Little Effect on Canadian Poverty and Income Inequality during the 2000s

During the 1990s, an increase in the number of immigrants and their rising poverty rates (low-income rates) accounted for much of the increase in the overall Canadian poverty rate. However, this pattern changed in the 2000s, when little of the change in the Canadian poverty rates or income inequality was associated with immigration. A study entitled ***“Immigration, Low Income and Income Inequality in Canada: What’s New in the 2000s”*** (CLSRN Working Paper no. 148) by CLSRN affiliates Garnett Picot (Queen’s University, Citizenship and Immigration Canada) and Feng Hou (Statistics Canada), examines the direct effect of immigration on low income and family-income inequality. The study finds that overall, the rising immigrant population over the 2000s had little impact on Canadian economic indicators such as the low-income rate, high income rate, income inequality and earnings inequality. These results differ from those observed during the 1990s.

After rising through the 1980s and the early 1990s, poverty rates among immigrants in Canada declined significantly over the 2000s, although their *relative* (to the Canadian-born) low-income rates did not improve. There were regional exceptions to this general pattern. Notably, immigrant poverty rates did not fall in Toronto as in other regions during the 2000s, and rates among immigrants decreased the fastest in Manitoba and

Saskatchewan, where recent immigrants (in Canada five years or less) had poverty rates only 1.2 times those of the Canadian-born, outcomes not seen since the early 1980s.

Examining immigrants with 1 to 15 years of tenure in Canada, the researchers found that immigration accounted for only 7% of the decline in the national low-income rate over the 2000s, and for virtually none of the decline between 1995 and 2000. Likewise, immigration had little direct effect on low-income rates in most regions. The major exception was Vancouver, where three-quarters of the decline in the poverty rate over the 2000s was associated with both a decline in the immigrants’ share of the city’s population, and falling immigrant low-income rates. Montreal witnessed a similar but much-less dramatic pattern, with immigration accounting for about 15% of the 2.9-percentage-point decline in that city’s low-income rate.



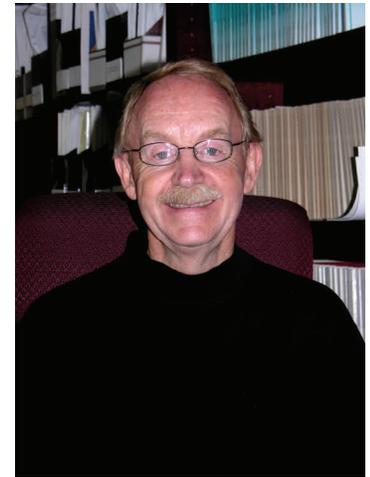
Feng Hou
(Statistics Canada)

Using Statistics Canada’s Longitudinal Administrative Data (LAD) covering 1995 – 2010, the researchers found that changes in immigrant characteristics – such as rising educational attainment, and changing source regions – accounted for about one-third of the decline in the poverty rate among recent immigrants for Canada as a whole during the 2000s. These results varied by region.

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While high-income rates (the share of the population earning more than twice the median income) rose between 1995 and 2010 among both immigrants and the Canadian-born, the rise in the high-income rates in Canada was driven primarily by improvements

in the Canadian-born population. Immigration played little role.



Garnett Picot
(Queen’s University, Citizenship and Immigration Canada)

Regarding income inequality, both family-income inequality and family-earnings inequality increased in Canada from 1990 to 2010, but the majority of the rise occurred during the late 1990s. The paper concludes that for Canada as a whole, immigration contributed little to the increase of the late 1990s in either income or earnings inequality. Family income and earnings inequality rose among the immigrant population during the late 1990s, as it did among the Canadian-born, but the immigrant population did not contribute disproportionately to the overall increase. There was little increase in overall Canadian income inequality in the 2000s.

Endnotes

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