

Canadian Inequality: Recent Developments and Policy Options*

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Abstract

Considerable concern has recently been expressed about growing income inequality. Much of the discussion, though, has been in general terms and focused on the U.S. experience. To understand whether and how Canada ought to respond to this development, we need to be clear on the facts. This paper documents Canadian patterns in income inequality and investigates the top 1% of earners – the group receiving much attention. We summarize what is known about the causes of growing income inequality, including the role of gender wage differences. Finally we outline policy options for reducing -- or slowing the growth of -- inequality.

Keywords: income inequality, polarization, technical change, tax and transfer system, minimum wages, gender wage gap, unions, globalization

JEL codes: I24, I30, J24, J31, J51

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