

Consumption Inequality in Canada, 1997 to 2009

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Abstract

We assess the evolution of consumption inequality in Canada over the years 1997 to 2009. We correct the imputation of shelter consumption for owner-occupiers to allow for unobserved differences in housing quality correlated with selection into rental tenure, and we account for measurement error in this imputation. Using the Surveys of Household Spending 1997-2009, we find that household-level consumption inequality measured by the Gini coefficient has increased from 0.251 to 0.275 over 1997 to 2006, and then declined to 0.264 by 2009. Individual level inequality similarly increased from 0.199 in 1997 to 0.216 in 2006, but fell to 0.207 in 2009. Income inequality followed a similar hump-shaped pattern, but the post-2006 decline was large enough to entirely wipe out pre-2006 gains. We also explore a possible correction for tail non-response bias in inequality measurement, and find that the increase in measured consumption inequality is robust to this correction.

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