

**Why Have Poorer Neighbourhoods Stagnated Economically, While the Richer Have Flourished?**  
**Neighbourhood Income Inequality in Canadian Cities**

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**Abstract**

Higher income neighbourhoods in Canada's eight largest cities flourished economically during the past quarter century, while lower income communities stagnated. This paper identifies some of the underlying processes that led to this outcome. Increasing *family* income inequality drove much of the rise in *neighbourhood* inequality. Increased spatial economic segregation, the increasing tendency of "like to live nearby like", also played a role. In the end, the differential economic outcomes between richer and poorer neighbourhoods originated in the labour market, or in family formation patterns. Changes in investment, pension income, or government transfers played a very minor role. But it was not unemployment that differentiated the richer from poorer neighbourhoods. Rather, it was the type of job found, particularly the annual earnings generated. The end result has been little improvement in economic resources in poor neighbourhoods during a period of substantial economic growth, and a rise in neighbourhood income inequality.

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