Income and wealth inequality reach record highs in Canada

Steven Fields
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A key finding contained in the latest household income report from Statistics Canada is that the income gap between high-earning and low-earning households has reached record levels. Related to this is the extraordinary pace at which wealth inequality is growing in Canada. In short, the rich are getting richer, middle-income people are getting poorer, and the already poor remain poor.

In its October 2024 report, Statistics Canada defined “income gap” as the gap in the share of disposable income between the top two quintiles (top 40 percent of households) and the bottom two quintiles (bottom 40 percent of households). In the second quarter of 2024, this gap stood at 47 percent, which is the largest ever recorded.

While low-income households experienced above-average growth in wages, this was offset by an increase in interest paid on mortgages and consumer credit. As a result, their share of disposable income remained mostly unchanged. For the bottom quintile, this share stood at a miserly 6.2 percent. While this is a slight increase compared to 2023, it means that a substantial portion of Canadian households remains one pay cheque away from crisis.

The middle-income (third quintile) households fared the worst. Their share of disposable income dropped from 17.4 percent in the second quarter of 2023 to 16.6 percent in 2024.

For high-income households (top quantile), the additional debt burden from higher interest rates was more than offset by higher yields on savings and investment accounts. This group saw its share of disposable income increase from 41.6 percent in 2023 to 42.4 percent today.

An even more striking feature of the report is the rapidly rising wealth gap. The Statistics Canada report blandly states that: “Most wealth is held by relatively few households in Canada.” The gap between the wealthiest and least wealthy grew by 1.1 percent in the first quarter of 2023 compared to the same period the previous year, the highest increase on record.

The wealthiest (i.e., the top 20 percent) Canadians held 67.7 percent of total net worth. The net worth of these households increased by 2.3 percent in the second quarter of 2024 compared to a year earlier, bringing the average worth of a household in this group to $3.4 million.

In contrast, the net worth of the least wealthy households decreased by 1.4 percent in the second quarter of 2024 compared with the year earlier. These households (i.e., the bottom 40 percent) accounted for only 2.8 percent of Canada’s total net worth.

The report notes that younger households (defined as those under 35 years of age) were the only group to continuously decrease their mortgage debt. There are different explanations for this but, for young low-income workers, the likely reason is that they are being gradually priced out of the housing market altogether by a combination of high housing prices and interest rates. A poll from Scotiabank revealed that 29 percent of respondents in this age group now live at home with their parents or family—a nine-point increase from three years ago.

Canada’s real gross domestic product (GDP) increased only 0.5 percent in the second quarter of 2024 after rising 0.4 percent in the first quarter. In other words, the widening wealth gap comes at the expense of the less affluent portion of society.

The impact of growing inequality can be observed in various aspects of daily life. The number of homeless people is rising, and tent encampments are an increasingly common sight in Canadian cities. Nearly 23 percent of the population reported some type of food insecurity in 2022. Low-income Canadians are often forced to rely on food banks due to prohibitive costs of housing and basic necessities. Food Banks Canada issued a report noting that in March 2024, more than two million people visited food banks—a new record. With such high demand, the food bank system itself is pushed to the brink. Low-income workers are often precariously employed in the so-called gig economy, often working multiple jobs to pay for rent and food.

After the release of the Statistics Canada report, Canadian politicians pledged to address the problem. Chrystia Freeland, Minister of Finance in the Trudeau Liberal government until her dramatic resignation Monday, mustered a typical pro forma statement: “We are working very, very hard to lean against this tendency in the global economy towards more inequality. We’re leaning against it with very specific policies designed to support middle class Canadians and people working hard to join the middle class.”

This is a pack of lies. The rapid growth in income inequality and the concentration of wealth in a few hands at the top of society is the product of four decades of ruthless austerity for public spending and attacks on worker rights, combined with massive subsidies and tax breaks for corporate Canada, implemented at every level by all of the establishment parties.

The nine years of Liberal Party rule under Justin Trudeau, backed to the hilt by the trade unions and New Democrats, has accelerated this process. At the beginning of the pandemic, the Trudeau government handed over $650 billion with no strings attached to the banking and corporate elite. Over recent years, the government used a combination of high interest rates and rampant inflation to impose real-wage costs on the working class, while the rich and wealthy profited handsomely.

This record, and the systematic efforts of the Liberals’ union and NDP allies to suppress the class struggle by sabotaging strikes, has enabled the far-right demagogue Pierre Poilievre to pose as a friend of working people. The leader of the official opposition Conservative Party of Canada, who appears poised to take over as Prime Minister when the next election is called, tried to preposterously pose as the defender of working-class Canadians following the release of the StatsCan report. He told reporters at a press conference: “Today, Stats Canada reported that the gap between rich and poor is at its highest level in recorded history, after NDP-Liberal money printing inflated the assets of the super-rich while inflating the cost of living for everyone else.”

The reality is that the Trudeau government picked up in its policies from where its Tory predecessor under Stephen Harper left off. All of the major parties, including those of the Quebec establishment, have imposed ruthless attacks on the living standards of the working class since the 1980s. In the 1990s, the Liberal government of Prime Minister Jean Chretien presided over the largest social spending cuts in Canadian history despite budgetary surpluses. By 1998-1999, under Finance Minister Paul Martin, Ottawa’s spending on social programs dropped to 12 percent of GDP, the lowest level in nearly half a century.

In the early 2000s, the Liberals embraced a new campaign spearheaded by big business which centered on corporate and personal income tax cuts. These cuts were sold to the populace as a boost to middle-income Canadians. But, together with the reduction in capital gains taxes, the effect was to skew wealth distribution in favour of the most privileged.

During the financial crisis of 2008, Canada’s largest banks received bailouts from the Harper Conservatives to the tune of tens of billions of dollars. The massive state aid was offered with no strings attached. During the two-year bailout period, the banks remained highly profitable, generously rewarding shareholders and leading executives.

More recently, during the heights of the COVID-19 pandemic crisis, Canada’s Liberal government funneled hundreds of billions of dollars to the largest banks and major corporations. While the wealth of the country’s richest was protected, most working-class Canadians had to settle for below-inflation pay raises, further impoverishing large sections of the population. The trade union bureaucracies played an important role in helping the government and businesses ram through capped salary increases.

While the unpopular Liberal government of Justin Trudeau is touting new token measures to combat the cost-of-living crisis, including a two-month GST holiday on selected items, such tinkering around the edges will not fix the living cost crisis or the widening wealth gap. Furthermore, Canada’s international economic standing is deteriorating. The global crisis of capitalism is increasing the pressure on all world governments to squeeze the working class to make their economies more competitive to transnational finance capital and subordinate all of society’s resources to the waging of world war. Developed economies are turning to protectionism and economic nationalism, a situation reminiscent of the period that preceded World War II.

Moreover, the global crisis of capitalism and the drive by the US, Canada and their other imperialist allies and proxies to “solve” this crisis by a redivision of the world through war in Eastern Europe, the Middle East and China in the Asia-Pacific, now threatens the world’s population with utter catastrophe. And to finance these wars, the imperialist governments will demand more “sacrifices” by the working class.

The working class must respond with the building of an international anti-war movement to put an end to capitalism, the source of inequality and war, and redistribute society’s vast resources to meet the basic social needs of the vast majority.