

Income Inequality as a Determinant of Health

This summary is primarily based on papers and presentations by Katherine Scott, Senior Policy Analyst, Canadian Council on Social Development, and Richard Lessard, Directeur de la santé publique, Régie régionale de la santé et des services sociaux de Montréal-Centre. The presentations were prepared for The Social Determinants of Health Across the Life-Span Conference, held in Toronto in November 2002.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of Health Canada.

The relationship between socioeconomic status and health outcomes is one of the most persistent themes in the epidemiological literature. The strong and growing evidence that higher social and economic status, and small gaps in income equality are associated with better health has led most researchers to conclude that these factors are fundamental determinants of health (Scott, 2002).

Poverty data explains what is going on at the bottom of the income ladder. But it is also important to understand the distribution of income, particularly as it relates to its effect on health and well-being.

Current Situation

- Between 1997 and 2000, Canadians enjoyed increases in personal incomes as a result of higher levels of employment (particularly among full-time workers) and wage growth. As a result, the incidence of poverty declined throughout the last half of the 1990s. However, the poverty rate among all Canadians—with the notable exception of seniors—is still higher than it was in pre-recession 1989. This suggests a “structural” increase in the number of poor individuals and families in Canada and that the country is not growing its way out of poverty (Scott, 2002).
- The failure to reduce poverty levels to at least 1989 levels points to the trend of growing income inequality in Canada. The poverty gap—the gap between the poverty line and the average income of poor families or persons below the line—increased over the last decade, even as the economy boomed.
- Growing income inequality is evident when one compares the average incomes of families at the top and bottom of the income ladder. Market incomes have become more polarized. Taxes and transfers have helped to offset this growing inequity. For example, the income share of the bottom 20% of families in 2000 from earnings and investments was

2.8%, compared to 45.1% among top quintile families – that is, 16.1 to 1. After

- transfers and taxes, the income share of the bottom quintile was 7.3%, compared to 38.8% – a ratio of 5.3 to 1. Yet, the pattern of growing disparity is still evident when looking at after-tax income (Scott, 2002).
- As the gap in income has gradually widened, so too has the social distance between individuals and families within communities. For example, a recent study in Toronto found that the gap between poor and affluent communities has also been growing in terms of “social space” (CCSD and UWGT, 2002). Many neighbourhoods are still very mixed in terms of income, and low income is still widely dispersed throughout the city, but there are disturbing signs of the residential segregation of the very poor. A Statistics Canada study also found that rising economic segregation contributed to increases in neighbourhood inequality in five of eight cities studied from 1990 to 1995. These included Quebec City, Montreal, Winnipeg, Calgary and Edmonton (Myles, Picot and Pyper 2000).

Factors that Affect the Issue

The growth of income and wealth at the top of the income ladder is a principle reason

behind the growth of income inequalities (Morissette, Zhang and Drolet, 2002). At the same time, the erosion of key income support programs, particularly those that support the working age population, are key to understanding the stagnation of incomes at the bottom of the income ladder. The introduction of the new employment insurance program in 1996 has effectively curtailed access to this key income support for many groups of workers, including women and young people. Reforms of social assistance programs across the country have also restricted eligibility and reduced benefit levels. As the incomes of Canadians with secure employment started to rise through the mid-1990s, those reliant on social assistance were further marginalized through the actions of governments that slashed benefit levels. Similarly, key support for employment such as child care have been systematically eroded in many provinces (Scott, 2002).

The pattern of growing disparity despite income redistribution suggests that governments have not been successful in mediating growing market inequality. Indeed, cuts to key income transfers have exacerbated the problem for people with incomes in the bottom two quintiles (Scott, 2002).

Effects of Income Inequalities on Health

In his presentation, Richard Lessard used the Montreal experience to examine the relationships among neighbourhood income, place of residence on the island of Montreal and health status. This perspective was based on the 2002 annual report on the health of the population of Montreal entitled *Urban Health: A Vital Factor in Montreal's Development* (Direction de santé publique, 2002). This report also makes comparisons between Montreal and other Canadian cities, based on data published by Statistics Canada and the Canadian Institute for Health Information. Here are some of the key findings:

- Compared to Ottawa, Toronto, Winnipeg, Calgary and Vancouver, in 2001 Montreal had the highest proportion of seniors (15.3%) and lone-parent families (33%), as well as the highest unemployment rate (10%) and poverty index (Canada =100;

Montreal =177). Montreal had the lowest proportion of owner-occupied dwellings (35.8%) in 2001, and the lowest proportion of income earned by the poorest half of households in 1995 (18%).

- Montreal ranks worse than many of these other cities on almost all indicators of health. For example, Montreal has double the percentage of smokers compared to Vancouver. Thirty-nine percent of Montrealers who smoke have a low income, compared to 30% of smokers with a high income.
- In 2002, 12.9% of Montrealers were welfare recipients. The majority of these citizens lived in six CLSC regions (mostly in East Central and Southwest Montreal).
- Residents of these neighbourhoods were more likely to consider their neighbourhoods to be unsafe. They had significantly lower life expectancies, higher rates of adolescent pregnancy, and higher rates of avoidable hospitalization and mortality rates than other neighbourhoods in Montreal.
- Improvement in the health of Montrealers requires a reduction in and the eventual elimination of the health inequalities related to income status faced by residents of certain neighbourhoods in the region.

Implications for Policy, Practice and Research

Addressing poverty and income inequality are key to improving the health status of all Canadians and establishing the context of successful health care reform. The objective is to reduce inequality through better regulation of the labour market, in conjunction with enhanced income benefits and social supports. As the experience of many European countries demonstrates, this formula can and does work for all, including society's most vulnerable groups (Scott, 2002).

No amount of money or reform within the health care system will effectively reduce inequalities in health status until geographically-based income and social disparities are addressed. This requires partnerships with other sectors including municipal governments, the education sector,

labour, the private sector and community organizations (Lessard, 2002).

Policies and programs must seek to:

- ensure an adequate income for health for all citizens through employment wages and income transfers
- provide opportunities for education and training (including child care) and meaningful opportunities for work for low-income families, especially for lone parents
- provide accessible social and primary health care services to all residents and affordable recreation and sport opportunities for all
- support mixed neighbourhoods that include affordable housing and avoid creating ghettos of poor people in specific neighbourhoods
- address regional and geographic inequalities in income and health.

Some analysts suggest that more research is needed on the ways in which low income and income inequalities affect individual and community health. Others suggest a stronger focus on understanding the role of various policies and programs in ameliorating the negative effects of income inequalities. All research must be sensitive to differences related to gender, race, ethnicity, age and geographic location.

Should the focus be on poverty or on reducing income inequality more broadly? What policy levers hold out the greatest hope of reducing disparities in health? Are these levers in the health system at all? The answers to these and other questions will help policy-makers and practitioners better

understand income inequality as a determinant of health.

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