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# The Opportunity Equation

Building opportunity in the face of growing income inequality

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Executive summary





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# The Opportunity Equation

Building opportunity in the face of growing income inequality

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## Foreword

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Toronto is facing a big problem. As access to opportunity is increasingly out of reach for too many that live here, the reputation of “Toronto the Good” is being compromised. Because of the concentration of poverty, declining job quality and rising income inequality, we are seeing that Toronto can be a city of opportunity, but only for some. This is cause for concern.

As an evidence-based organization committed to raising awareness and promoting understanding of issues affecting our city, United Way Toronto decided to do something about it. For over a decade we’ve looked at issues affecting people, families and communities in Toronto. Our research has called attention to areas of increasing concern like the widening gap between low- and high-income neighborhoods; the growing concentration of poverty; and the significant rise in precarious employment and income inequality. This research has also informed our own strategies in response to these issues.

In *The Opportunity Equation*, we present new findings that focus specifically on income inequality in Toronto and its effect on our access to opportunity, and argue that the opportunity equation—hard work plus access to opportunity leads to success—is under threat.

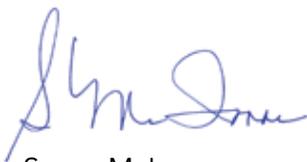
*The Opportunity Equation* is the first in a series of United Way Toronto research that examines income inequality in Canada’s largest city. We know that no individual or group is untouched by this issue. And in order to mitigate its far-reaching effects we need to focus our efforts on creating well-being for all of us.

That's why we present the findings of *The Opportunity Equation* in the spirit of sparking debate around what needs to be done. We've also included a Blueprint for Action to encourage all sectors to step up, work together and contribute to developing policies and initiatives that can limit and mitigate the impact of income inequality.

United Way is committed to doing our part to address this challenge. In the spring, we will be launching a new Youth Success Strategy focused on ensuring that young people have opportunities to build a good future. We will also be working with Metrolinx, labour, community groups, the Ministry of Training, Colleges and Universities, the City of Toronto and other foundations on a Community Benefits Framework that creates local jobs for residents—helping to promote jobs as a pathway to stability and security. We are also renewing our Building Strong Neighbourhoods Strategy to ensure that residents in every neighbourhood have the opportunity to succeed, no matter where they live.

With a new Mayor and Council in place and commitments to reduce poverty at the municipal and provincial levels, the timing is right—there is positive momentum for change. It is our hope that this new research will guide our collective actions and help develop new policies by promoting shared goals.

It is up to each of us to help ensure that a future of opportunity is available to everyone—the time to act is now.



Susan McIsaac  
President and CEO  
United Way Toronto



## Executive summary

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One of Toronto's greatest strengths is that it is a world-class city known for its access to opportunity. But this reputation is in jeopardy. The very structure of opportunity is changing in our city. Factors like the concentration of poverty, deteriorating job quality and income inequality are driving a fundamental shift in how our city works. Income inequality, in particular, is creating a divide in Toronto and among Torontonians—not everyone is benefiting from the same opportunities. Our city's economic progress, health and social fabric are being undermined. The gap between the rich and the poor is widening.

While income inequality as a topic is not new—in fact it has emerged as a central challenge of our times—what we haven't talked much about is how it is impacting cities. Although there have been studies that look at income inequality on a global, national and provincial scale, there hasn't been as much of an empirical base to better understand income inequality at a city-level. That's why United Way Toronto decided to take a closer look at how this growing issue is impacting people and the neighbourhoods where they live, right here in Toronto.

*The Opportunity Equation* is the first in a series of reports that are part of United Way's Building Opportunity research. It leverages new and existing data to provide a new perspective on income inequality by focusing on cities. The goal is to establish an understanding of the challenges income inequality poses to access to opportunity; what impact it is having on Torontonians; and what can be done to mitigate its effects. It is our hope that *The Opportunity Equation* drives a city-wide conversation about how this issue affects us all and what we need to do to address this together.

At a high-level, this type of work is not new to United Way Toronto. In fact, a key part of our mission is to examine wide-ranging challenges, provide a Toronto lens and develop local solutions. Back in 2002, we released *Decade of Decline* which called attention to the increasing income gaps between Toronto families and neighbourhoods.

This was followed by *Poverty by Postal Code* which revealed a divide between neighbourhoods doing well and those that were falling behind. Most recently we published *It's More than Poverty*

that looked at the social consequences of precarious employment on people's lives and the link to growing income inequality. All of these cases revealed Toronto-specific dimensions to wider problems—they also allowed us to develop tailored solutions that target action where it is needed most.

*The Opportunity Equation* builds on this existing work and provides a clearer picture of how income inequality is taking shape in the city. We draw data from two main sources. The first is new analysis of Statistics Canada data on how income inequality is affecting Toronto—done in collaboration with the University of Toronto. The second is a specially commissioned, in-depth survey developed in partnership with EKOS Research Associates that includes 2,684 participants. The survey examines individual perceptions about how the income gap is affecting people, and the city as a whole.

Overall, we find that fairness is being undermined in our city—growing income inequality is creating an uneven playing field for opportunity. Hard work and determination are not a guarantee for success—a person's background and circumstances have a far greater influence on their future. As a result, income inequality is creating barriers for people to access the opportunities they need to build a good life—quality jobs, affordable housing or meaningful social networks. In effect, the opportunity equation—hard work plus access to opportunity leads to success—is breaking down.

We also find that the problem is getting worse, as income inequality increases in Toronto it is growing at a faster rate than our provincial or national averages. Left unaddressed, Toronto is at risk of becoming the income inequality capital of Canada.

We know this is a serious issue with far-reaching consequences—affecting not only those who are living in poverty, but impacting us all: our productivity and economic prosperity, downstream costs to health care and other remedial services, as well as the liveability of our city—a distinct advantage that makes Toronto a destination of choice. It is clear that we need to do something about it.

Our Blueprint for Action lays out three goals and eight priority areas to rally all sectors to drive an opportunity agenda for Toronto and Torontonians. Working together we can restore hope, fairness and opportunity in our city.

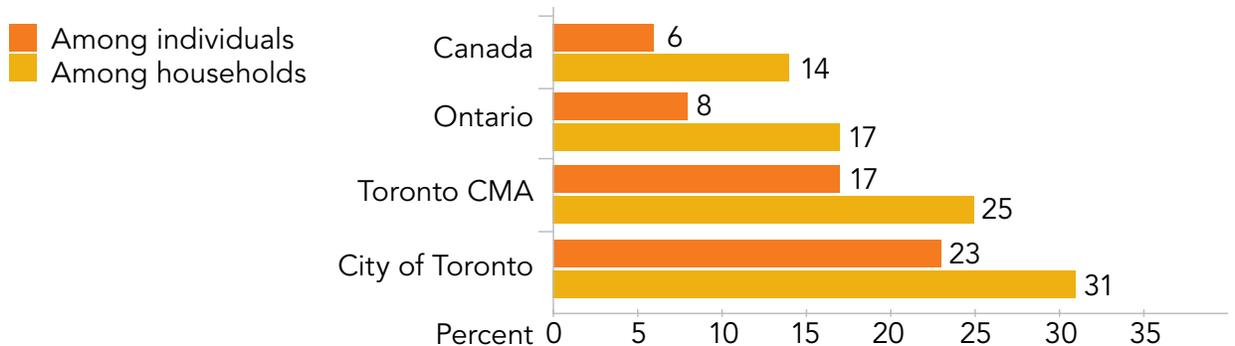
In the following pages, we explore these findings in more detail.

## Key Findings

### 1. Income inequality is growing faster in Toronto than in other major Canadian cities—and outpacing provincial and national averages.

Before diving directly into how income inequality is affecting Toronto, we wanted to take a step back and get a better sense of what is happening in other parts of Canada. We looked at how fast income inequality is growing in other major Canadian cities, in Ontario and in Canada overall. We find that income inequality is widespread across the country, but in Toronto it is growing at a rate that significantly outpaces many others—double the national rate of 14%.

Over the last 25 years, income inequality in Toronto has grown by 31%.



Percentage change in income inequality among households and among individuals between 1980-2005.

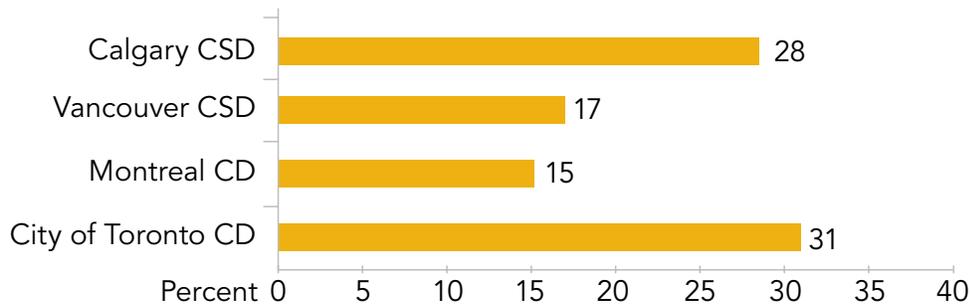
Inequality measured by Gini coefficients (based on total income – before tax and after transfers);

Data source: Statistics Canada, Research Data Centre Toronto, Census 1980-2005.

# “Toronto is at risk of becoming the income inequality capital of Canada.”

In addition, when we compare Toronto to other major Canadian cities we rank number one in income inequality growth—not a distinction to be proud of. Toronto also continues to have the highest level of inequality overall.

## Toronto fares worse than other major Canadian cities.



Percentage change in income inequality among households between 1980-2005. Inequality measured by Gini coefficients (based on total income – before tax and after transfers); Data source: Statistics Canada, Research Data Centre Toronto, Census 1980-2005.

## How we measure income inequality

We use the Gini coefficient to measure income inequality in this report. The Gini coefficient measures how much the distribution of income—among individuals, families, households, or neighbourhoods within a region or country—deviates from an equal distribution. At a Gini of 0, every individual, family, household, or neighbourhood receives the same amount of income. At a Gini of 1, one individual, family, household, or neighbourhood receives all the income and everyone else receives no income at all. Therefore, the higher the Gini is, the more unequal the region or country. An intuitive way of understanding the Gini coefficient is that it represents the share of total income that would need to be redistributed to achieve perfect equality. For example, in 2010, the after-tax

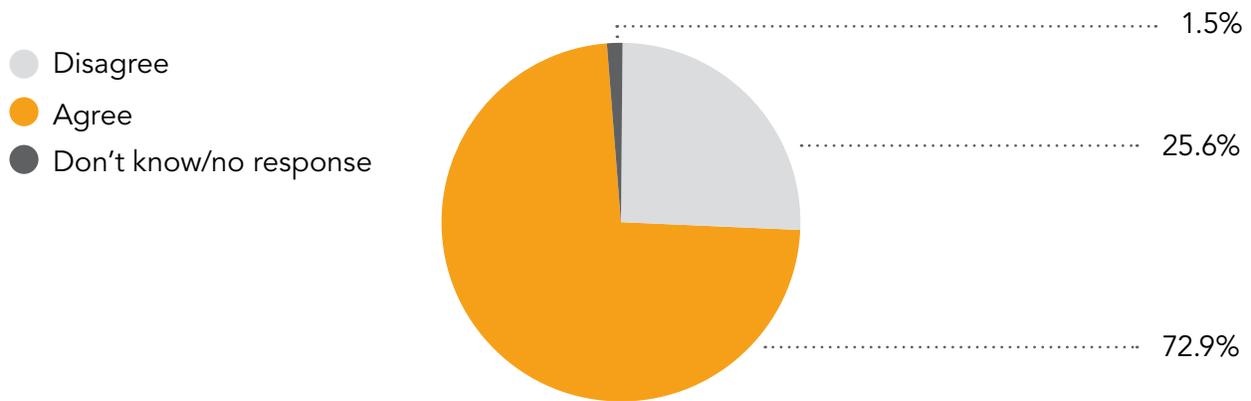
Gini coefficient for all families was 0.32, which means that 32 percent of Canada’s after-tax income would need to be redistributed among families to have each family end up with the same income (OECD Income Distribution Database). The Gini coefficient is more sensitive to changes in the middle range of the income distribution. The Gini coefficient in our report is calculated based on total income, also called before-tax (but after transfers) income, which includes market income (employment-related income, plus investment and private pension income) plus government transfers. We used this income measure because it is the only measure available in the census that allows for comparisons over time. Prior to 2006, the census did not collect information on taxes paid.

# *“Inequality is undermining fairness in Toronto.”*

## **2. Hard work is not seen as a guarantee for success.**

Income inequality is having a negative effect on people’s confidence in our city’s reputation as “Toronto the Good”—a place where you can get ahead through your own effort. People see a very clear gap in opportunity—individuals who work hard are not always successful.

**73% of people say that hard work is not enough to get ahead.**



Data source: EKOS-UWT Survey 2014. Survey question: In Toronto, hard work and determination are no guarantee that a person will be successful. N=2684

## **3. Background and circumstances are barriers to a good future.**

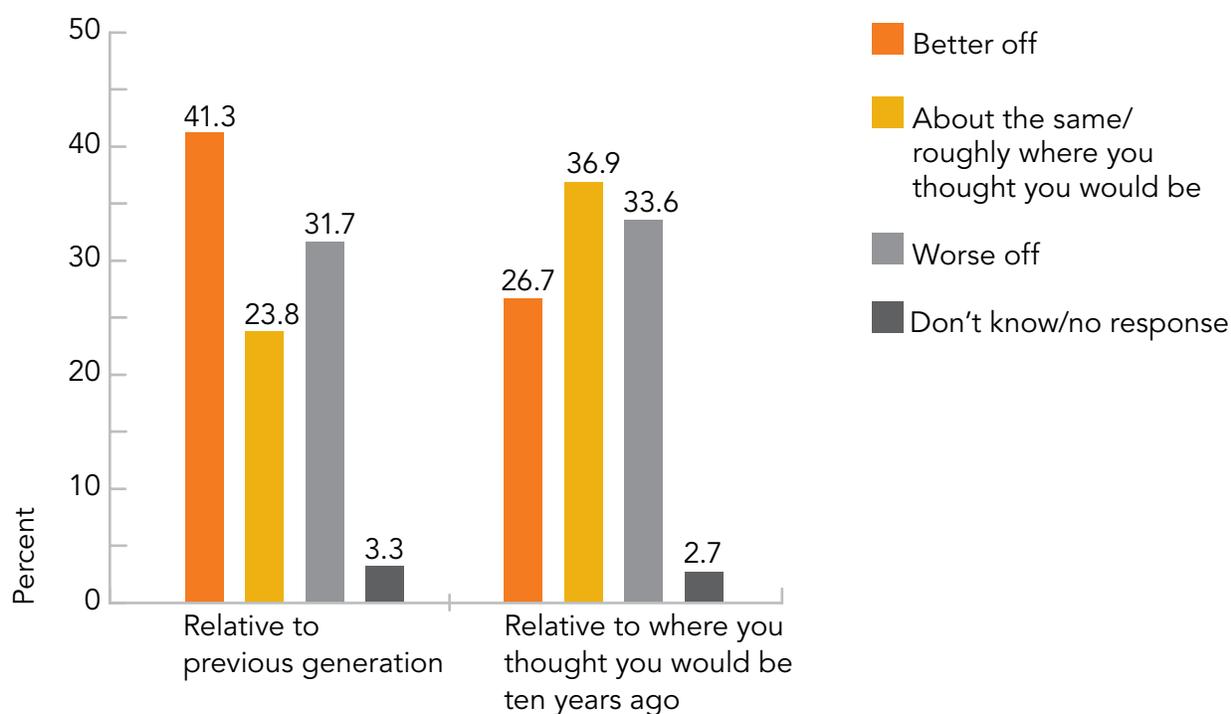
This rising pessimism is further reinforced by the fact that not everyone in the city has the same access to opportunities to build a good life—there is a divide between Torontonians. Background and life circumstances, things we cannot control like race, gender, and household income growing up, have a real impact on our life chances. Where you come from and who your family is has a strong influence on what opportunities are available to you.

Although some people are getting the tools they need to succeed, many are not. In fact, 38% of people believe that good opportunities are not available to everyone. The reality is that

*“There are Torontonians that are being shut out of our region’s prosperity”*

Toronto’s labour market is separated by high-income jobs and low-income service jobs. In addition, we’ve seen that only half of the people employed in the Greater Toronto and Hamilton Area are in permanent, full-time jobs—jobs with benefits and security. This is troubling.

### One-third of people feel worse off.



Data source: EKOS-UWT Survey 2014. Survey questions: Thinking about your overall quality of life, would you say that you are better off, worse off, or about the same as the previous generation was 25 years ago? Thinking about your overall quality of life today and how you imagined things would turn out for you ten years ago, would you say you are better off, worse off, or roughly where you thought you would be? N = 2684 (NB: Values may not add up to 100 due to rounding.)

*“Inequality is deflating our hope for today, and for the future.”*

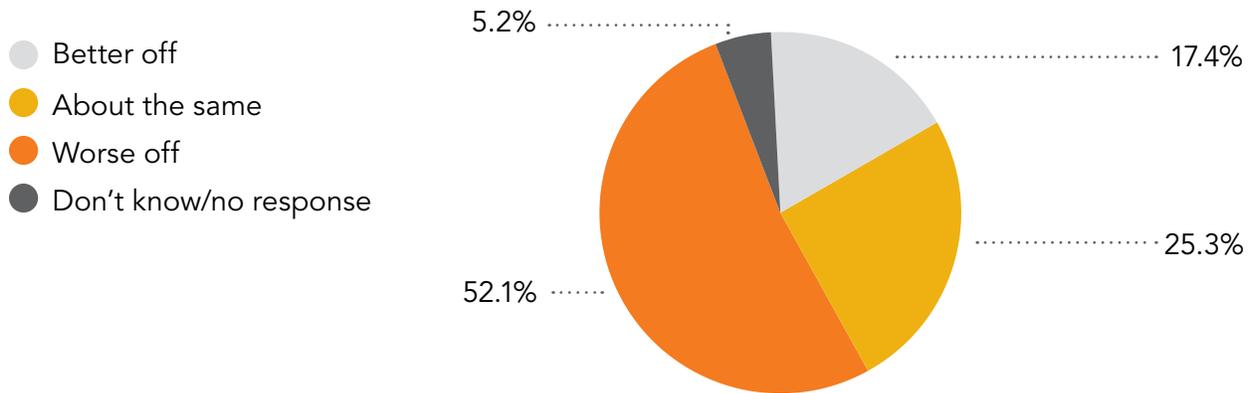
**4. The outlook for the next generation is bleak.**

This divide is generating doubt about our current situation and also creating uncertainty about our future. One-third of people report that they are worse off than their parents—this despite the fact that they have higher education levels. And although we tend to believe that things get better with time, this does not seem to be the case. In fact, over 50% of people are not optimistic about what lies ahead.

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**Only 17% of people say the next generation will be better off.**

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Data source: EKOS-UWT Survey 2014. Survey question: Thinking about your overall quality of life, do you think the next generation will be better off, worse off, or about the same as you are, 25 years from now? N=2684

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This pessimism for tomorrow is particularly troubling for young people today with youth unemployment in Toronto sitting at 22%—significantly higher than the national rate.

The reality is that young people in Toronto are graduating but they are doing so with high levels of student debt. These young graduates are also struggling to find jobs—often ending up in short-term, contract positions that are not a pathway to success. They don't seem to be able to access the opportunities they need to build a better life for themselves.

*“Income inequality among neighbourhoods doubled.”*

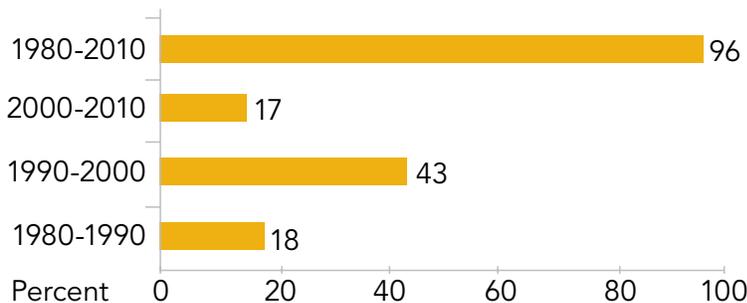
### 5. Where you live matters—inequality is dividing neighbourhoods.

While the trends we are seeing hurt our entire city, the income divide between neighbourhoods is even more acute. As rich neighbourhoods have become richer, poor neighbourhoods have either stagnated or become poorer. From 1980–2005, average household income in the poorest 10% of neighbourhoods increased by only 2%—compared to incomes in the richest 10% of neighbourhoods that rose by 80%.

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**The income divide between neighbourhoods has grown by 96%.**

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Percentage change in income inequality between neighbourhoods in Toronto between 1980-2010. Inequality measured by Gini coefficients (based on neighbourhood total income—before tax and after transfers—with individuals as the income reporting unit); Data source: Statistics Canada, Custom Tabulations, Neighbourhood Change Research Partnership.

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This geographical divide is alarming. Low-income neighbourhoods face lower educational attainment, higher unemployment rates and greater poverty. They also lack access to community services and programs—supports people need to thrive.

Toronto is becoming a city where it does matter where you live—your postal code can define the opportunities that are available to you and the services and programs you can access.

## 6. A growing gap is putting our long-term health and prosperity at risk. The social fabric that ties the city together is being undermined.

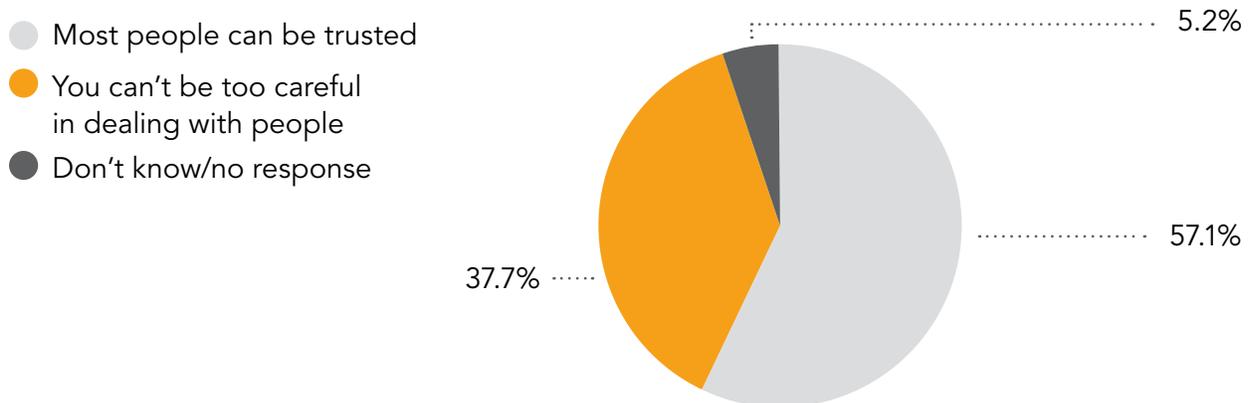
Trends like the ones we are seeing in Toronto reflect what is happening in the United States—large cities growing increasingly unequal at a faster rate than the national average. We’ve also seen that this growth is having a very real and negative impact—resulting in lower levels of trust, social mobility, education outcomes, life expectancy, as well as higher rates of teen pregnancy, violence, mental illness, addiction and obesity.

It begs to reason that if we continue on this path Torontonians could face the cruel realities of cities across the United States—marginalized neighbourhoods, growing rates of unemployment and high-levels of crime.

## 7. Working together we can restore hope, fairness and opportunity for everyone in the city.

Although we’ve seen some troubling trends there is still good news. In a city as diverse and multicultural as Toronto, with over 140 languages and dialects spoken, levels of trust remain high.

### Despite high levels of income inequality, trust among Torontonians remains strong.



Data source: EKOS-UWT Survey 2014. Survey question: Generally speaking, would you say that most people in this city can be trusted, or that you cannot be too careful in dealing with people? N=2684

*“Income inequality has far-reaching consequences— affecting not only those who are living in poverty, but impacting us all.”*

In fact, 57% of people still trust one another. This gives us some hope, particularly because levels of trust are generally lower in larger cities like Toronto.

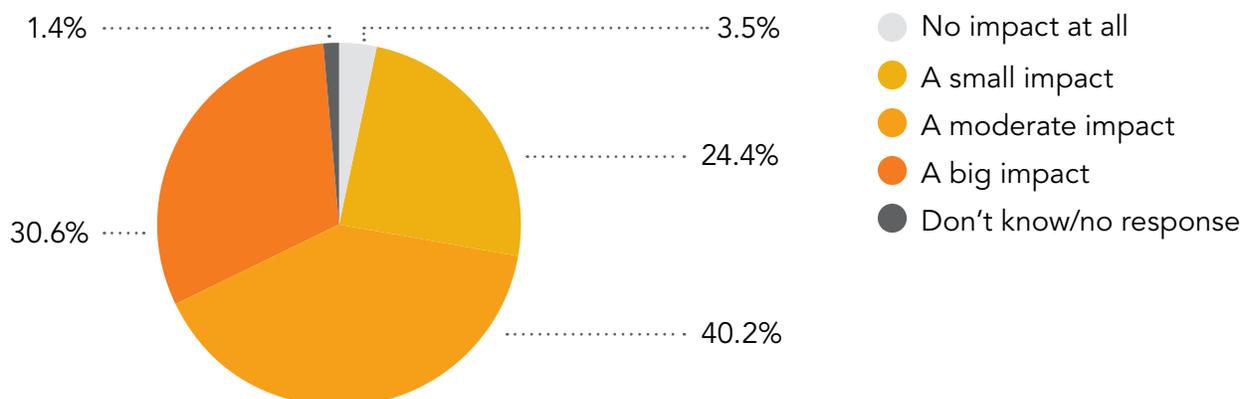
We also see that there is a widespread belief that people can have a positive impact in their communities. In fact, 95% believe that they can make a small, moderate or big difference where they live—showing that self-efficacy is still alive and well.

These findings give us something to be optimistic about. However, we cannot stand idle. While levels of trust are high, there is no guarantee that they will remain this way. We must remember that these findings are based on a snapshot in time and that the onus is on us to leverage this good will. We must motivate one another to take action now in order for us to move forward.

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#### 95% of people believe they can make a difference where they live.

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Data source: EKOS-UWT Survey 2014. Survey question: Overall, how much impact do you think people like you can have in making your community a better place to live? N=2684 (NB: Values may not add up to 100 due to rounding.)

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## A Blueprint for Action

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*“Every sector has a role to play in promoting pathways to long-term security and stability.”*

The growth of income inequality is a concern because it affects access to opportunities for residents in our city. Our research reveals that Torontonians are anxious about the future and fear the next generation will be worse off. While opportunities to succeed do exist in Toronto, most people think a person’s background—like their gender, race and family income growing up—influence who can access these opportunities.

But a grim future where opportunity is out of reach for many is not inevitable. With *The Opportunity Equation* United Way Toronto is issuing a call to action. We want to mobilize every sector to work together in contributing to policies and initiatives that can reduce and mitigate the impact of income inequality. We all have a stake in this issue.

As a starting point, United Way Toronto is introducing a Blueprint for Action to help shape partnerships and build momentum to address this issue. It is a way to make progress on access to opportunity in our city. The blueprint outlines three goals along with eight priorities for action that will help motivate changes. In all priority areas, success will depend on the willingness of all sectors to play a role, outline a case for action, and rally support.

United Way Toronto is committed to doing its part and will work with key stakeholders on each goal to help implement this blueprint. Working together we can build a city of hope, opportunity, and fairness for everyone.

## **Goal 1: Ensuring young people have the opportunities they need to build a good future.**

Almost 80% of people in Toronto believe the next generation will not be better off than the current generation. That may be due in part to the fact that the youth unemployment rate in our city is currently at a very troubling 22%. Many young people who do find work become stuck in a cycle of short-term jobs with no future. The labour market must be rebalanced so that opportunities pay off—especially for young people.

### **a) Mobilize partnerships for youth success:**

Rebalancing the labour market requires partnerships between sectors to enable youth success in education and employment, especially youth facing multiple barriers. There are a growing number of examples of these partnerships occurring across the city, province and the community sector. United Way Toronto will be doing its part by launching a Youth Success Strategy this spring focused on achieving four outcomes that can mobilize our partners for concrete action: increasing applications to post secondary education among under-represented youth; developing access to work-relevant networks for these youth; increasing access to experiences that build employer-recognized soft skills; and, increasing access to meaningful career opportunities for high school graduates.

### **b) Open doors to opportunity through education and training throughout the life cycle:**

A fast changing economy requires a highly educated labour force that has all the necessary soft skills, including leadership, team work and resilience. However, many people do not have access to high quality education and training throughout life due to cost and eligibility, among other factors. A natural place to begin improving access is during the early stages of life by providing quality, accessible, affordable, and flexible early learning and child care that give children a head start. Schools and post-secondary institutions need to build on this foundation by ensuring that all people can get an education that sets them up for success. Finally, employers and policymakers need to reinvest in training through a more coordinated and responsive workforce development strategy.

## **Goal 2: Promoting jobs as a pathway to stability and security.**

Nearly 75% of people in Toronto believe hard work and determination do not guarantee success. Perhaps that is not surprising at a time when the labour market is separating into high-income jobs and low-income service jobs—while middle-income jobs are declining. And today's reality is that having a job—even a well-paying one—is not sufficient to build a pathway to success and stability. This has to change. To address the negative effects of income inequality, we need to ensure that a person's effort and determination can help them build a better life.

### **a) Leverage economic development for community benefit:**

Infrastructure is being built in Toronto that cuts across some of our most disadvantaged neighbourhoods. Leveraging these major investments to deliver not only significant financial and economic gains, but also community benefits, should be top of mind among all partners. One example of leveraging this kind of public investment is United Way Toronto's recently established partnership with Metrolinx, labour, community groups, the Ministry of Training, Colleges and Universities, the City of Toronto and other foundations, which has led to Canada's first-ever Community Benefits Framework. This project is working to connect residents from Toronto's priority neighbourhoods to good job opportunities emerging out of the Eglinton Crosstown construction and maintenance. This framework is a key example of how multiple sectors can scale up and expand effective policies.

### **b) Ensure fairness for all workers:**

The number of precarious jobs is growing in our economy and impacting people's lives in and out of work. The Province has made a welcome commitment to review Ontario's system of employment and labour standards, including the impact of a changing economy on the growing number of precarious workers. Moving forward on this commitment early in 2015 would represent a major opportunity to engage workers, labour, employers, experts and policy makers to bring workplace regulations and policies in line with the rapidly changing realities of today's labour market.

c) **Build new tools to help promote quality jobs:**

There is a lack of available data that can tell us about the health of our labour market on an ongoing basis. This compromises the ability of governments, employers, educational institutions and community agencies to make good evidence-based policy decisions. The Federal and Provincial governments need to collaborate to build an effective Labour Market Information system. And municipal governments can play a constructive role as well. The development of a new Job Quality Index at the city level, which could help identify changes and inform policy and program decisions, would add a new dimension for actionable knowledge. Another step would be to continue the process of engaging employers, as United Way Toronto has done through partnerships with KPMG and the Toronto Region Board of Trade. This could help employers understand the impacts of their employment decisions and practices on both their bottom lines and their workforces.



### **Goal 3: Removing barriers to opportunity based on background and circumstances.**

Toronto is a prosperous place, but too many people are shut out of this prosperity because of circumstances beyond their control—like family income, their neighbourhood, or their background. Hard work alone is not enough to overcome these barriers. To ensure everyone has a fair chance to build a good future we need to create a truly level playing field. Effort and merit should matter more than circumstances. A person's background and postal code should not limit their ability to realize their full potential.

- a) **Ensure that every neighbourhood is strong and vibrant:**  
Working with the City, Province, donors and communities, United Way Toronto has made great progress on the Building Strong Neighbourhoods Strategy (BSNS) launched in 2006. United Way Toronto is currently renewing this strategy using new data, lessons learned, and emerging needs to chart the course to ensure every resident in every neighbourhood has the opportunity to succeed, no matter where they live. In addition, the City of Toronto has already made a commitment to keep investment and action in the inner suburbs through 2020. A cross-sectoral commitment to finding ways to ensure that transit is affordable and accessible for all neighbourhoods would strengthen these strategies even more.
- b) **Make poverty reduction a priority at all levels:**  
Poverty reduction strategies are critical in framing action on good jobs and investment in income security initiatives and community programs that build economic stability and security. The Province has just released its second five-year poverty reduction strategy with a comprehensive focus on reducing child and family poverty, promoting job opportunities and eliminating homelessness. The City of Toronto is currently developing its first-ever poverty reduction strategy. One of the strongest statements about our commitment to opportunity would be to ensure that every level of government—municipal, provincial, and federal—for the first time ever, jointly make poverty reduction their priority starting in 2015.

- c) **Make housing affordability a foundation for opportunity:** Securing a stable, safe place to live is a crucial springboard for building a better life. But it is widely acknowledged that the Toronto region suffers from a lack of affordable rental units and home-ownership options. The high cost of housing can be a significant financial strain for low- and middle-income families—it can mean that households have less money to spend on necessities such as food—and it exacerbates the effects of income inequality. Governments, working in tandem with the private sector, non profits and community organizations, must make affordable housing and neighbourhood revitalization a priority. A national housing strategy remains an urgent need.

In the weeks and months following the release of this report, we will be engaging every sector to take concrete actions. We believe that a commitment to these goals is shared across all sectors and therefore offers a solid foundation for joint action.

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### **Conclusion: The need to move forward together.**

The findings of *The Opportunity Equation* call for immediate action to address the growing issue of income inequality in Toronto. It is clear that if we do nothing we not only risk the long-term health and prosperity of the city, but also jeopardize the social fabric that ties Torontonians together.

Addressing income inequality is critical to our shared well-being. Equity, inclusion and access are basic building blocks for a strong, vibrant city. Working together we must ensure that everyone is at their best and can access the opportunities they need to have a successful life—for the sake of our city, and for all Torontonians.

Ensuring that this issue is a top priority and working together to fix the opportunity equation will ensure we have a united Toronto for today, and for the future.







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