

Divided Landscapes of Economic Opportunity

The Canadian Geography of Intergenerational Mobility

Miles Corak

Graduate School of Public and International Affairs

University of Ottawa, Ottawa Canada

MilesCorak.com @MilesCorak

Presentation to

Centre for the Study of Living Standards

Ottawa, June 29th, 2017

'Inclusive growth' is economic and social development of relatively more advantage to the relatively disadvantaged

Equality of economic opportunities is an aspect of inclusive growth

1. For instrumental reasons

- ▶ equal opportunity means greater efficiency and productivity

2. For intrinsic reasons

- ▶ equal opportunity might be seen as being 'fair,' leading to less concern about resulting inequality of outcomes

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Equality of economic opportunities is an aspect of inclusive growth

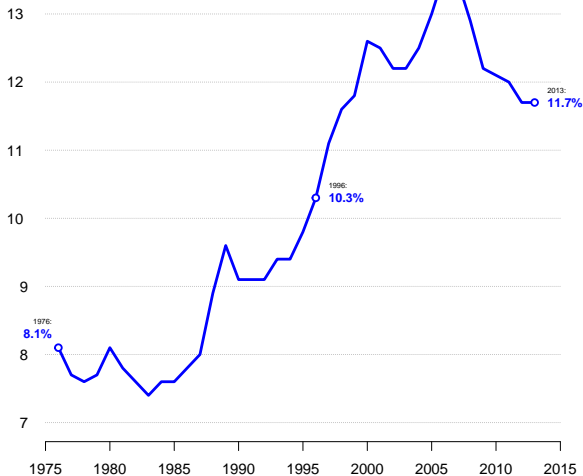
Bottom line for public policy

don't let inequality increase in the bottom half of the income distribution, indeed strive to reduce it in a way that encourages labour market and social engagement

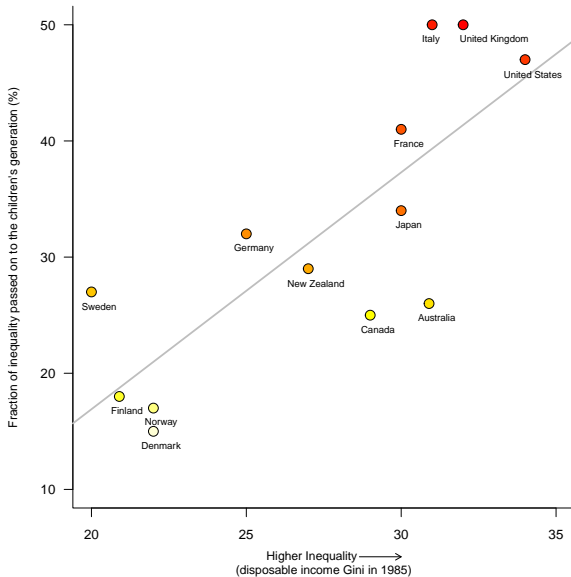
Three motivating pictures: Inequality is higher

Top income shares rising

14% of total market income
accrues to the top one per cent

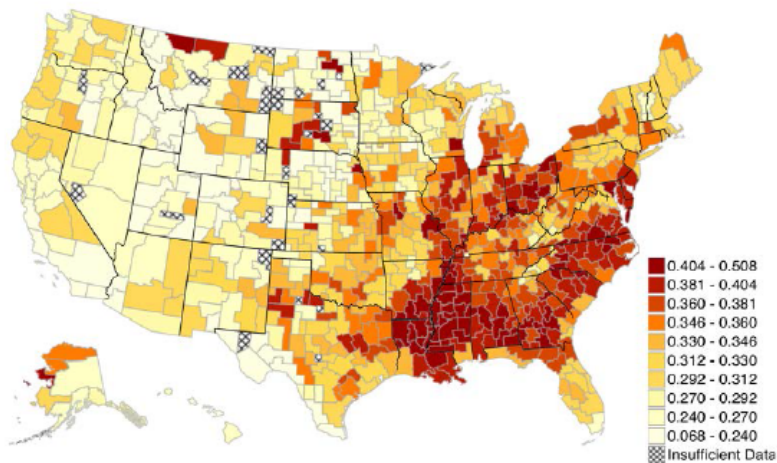


Three motivating pictures: The Great Gatsby Curve



Three motivating pictures: Mobility varies within the US

B. Relative Mobility: Rank-Rank Slopes $(\bar{r}_{100} - \bar{r}_0)/100$ by CZ



Corr. with baseline $\bar{r}_{25} = -0.68$ (unweighted), -0.61 (pop-weighted)

Equality of economic opportunities is an aspect of inclusive growth, but it is challenging to measure

Children should have the capacity to become all that they can be, without regard to family income background

1. equality of opportunity is a challenge to measure
2. intergenerational income mobility is one dimension, but it in turn has many dimensions about which we might care
 - ▶ incomes
 - ▶ positions (or rank mobility)
 - ▶ directions (particularly upward mobility)

Three measures of intergenerational mobility we care about

1. incomes

average incomes of children from different communities vary for at least three statistical reasons related to differences in:

- ▶ **average community income**
- ▶ **absolute income mobility**: the overall change in average adult income of all children compared to the average of their parents
- ▶ **relative income mobility**: how much the gap between parent incomes is closed in the next generation

Table 1: Average child and parent 'family' incomes by province

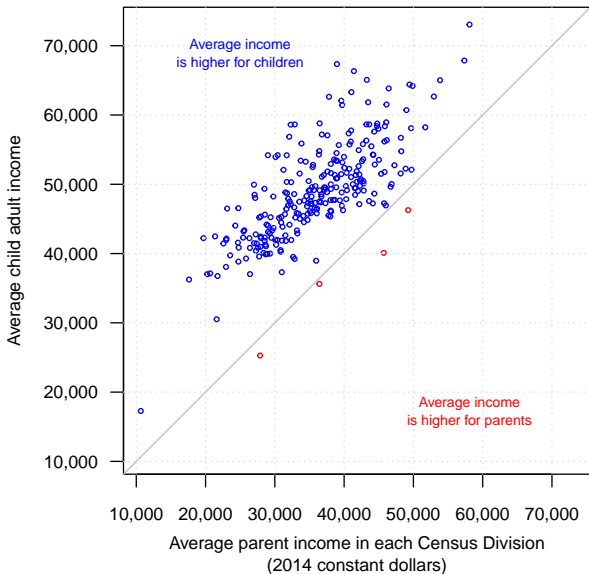
Province/Territory	Number of Children	Child Income	Parent Income
Newfoundland and Labrador	84,050	45,900	29,400
Prince Edward Island	16,750	45,600	30,750
Nova Scotia	112,900	45,350	35,150
New Brunswick	91,500	44,200	32,850
Quebec	796,650	50,800	39,700
Ontario	1,057,550	57,950	44,250
Manitoba	122,150	48,550	36,500
Saskatchewan	122,500	56,550	39,750
Alberta	284,550	65,200	48,550
British Columbia	304,250	53,200	47,200
Yukon	2,950	50,700	42,450
Northwest Territories, Nunavut	7,150	46,100	29,050
Canada	3,002,950	54,500	42,050

Note: Numbers are weighted totals, incomes expressed in 2014 dollars, and everything rounded to the nearest 50.

Table 2: Intergenerational income mobility: absolute income mobility, relative income mobility, and average parental community income

Province/Territory	Absolute	Relative	Parent Income
Newfoundland and Labrador	8.69	0.180	29,400
Prince Edward Island	8.91	0.159	30,750
Nova Scotia	8.49	0.192	35,150
New Brunswick	8.54	0.189	32,850
Quebec	8.67	0.186	39,700
Ontario	8.67	0.191	44,250
Manitoba	6.98	0.341	36,500
Saskatchewan	8.19	0.238	39,750
Alberta	8.71	0.194	48,550
British Columbia	8.73	0.176	47,200
Yukon	8.62	0.187	42,450
Northwest Territories, Nunavut	8.67	0.175	29,050
Canada	8.52	0.201	42,050

Average adult income of children is higher than average parent income in almost every municipality



Three measures of intergenerational mobility we care about

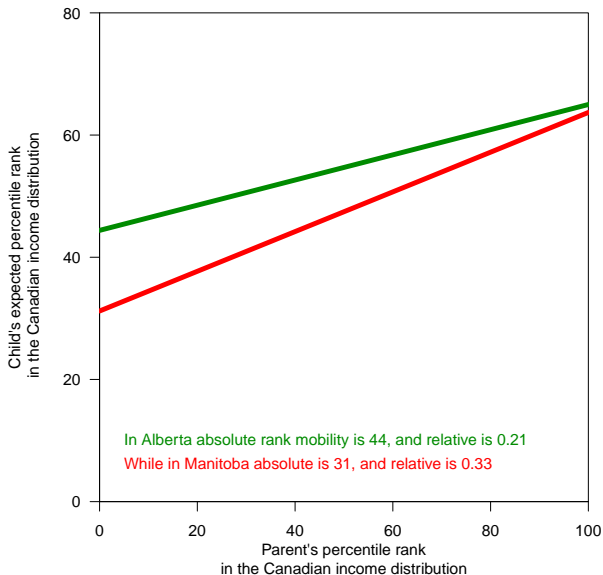
1. incomes

2. position

the average rank in the national income distribution of children from different communities depends upon:

- ▶ **absolute rank mobility**: how much a child born to bottom ranking parents rises
- ▶ **relative rank mobility**: how much the rank of a child increases for higher ranking parents

The children of middle ranked Manitobans barely surpass children of the lowest ranked Albertans



Three measures of intergenerational mobility we care about

1. incomes

2. position

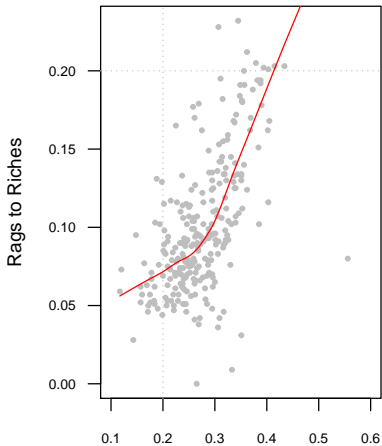
3. upward mobility, avoiding poverty

- ▶ **rags to riches**: moving to the top, given bottom income parents
- ▶ **the cycle of poverty**: staying in the bottom, given bottom income parents
- ▶ **the cycle of privilege**: staying in the top, given top income parents

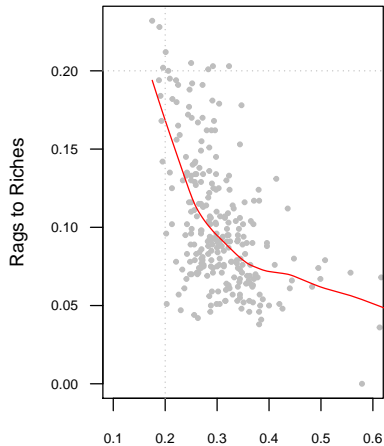
Table 3: Intergenerational directional mobility based on selected quintile transition probabilities

Province/Territory	Rags to riches	Cycle of poverty	Cycle of privilege
Newfoundland and Labrador	0.087	0.321	0.295
Prince Edward Island	0.077	0.278	0.279
Nova Scotia	0.071	0.350	0.256
New Brunswick	0.061	0.352	0.264
Quebec	0.091	0.290	0.298
Ontario	0.141	0.284	0.352
Manitoba	0.076	0.414	0.296
Saskatchewan	0.141	0.277	0.333
Alberta	0.185	0.259	0.375
British Columbia	0.120	0.298	0.256
Yukon	0.117	0.371	0.295
Northwest Territories, Nunavut	0.100	0.397	0.391
Canada	0.114	0.301	0.323

Cycles of privilege don't hamper rags to riches movement, but cycles of poverty do

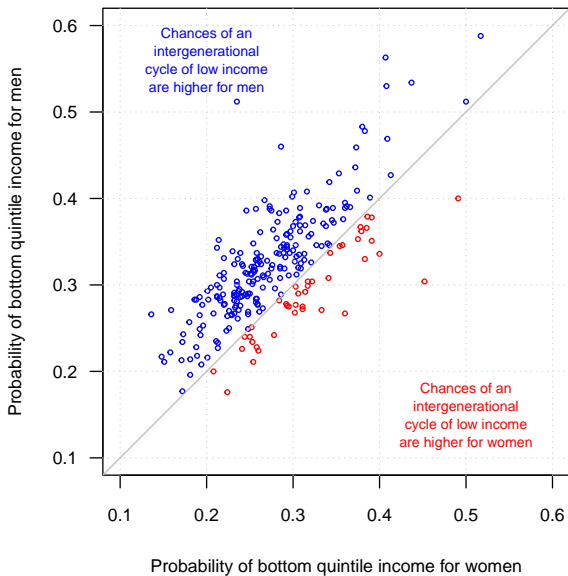


(a) Cycle of Privilege

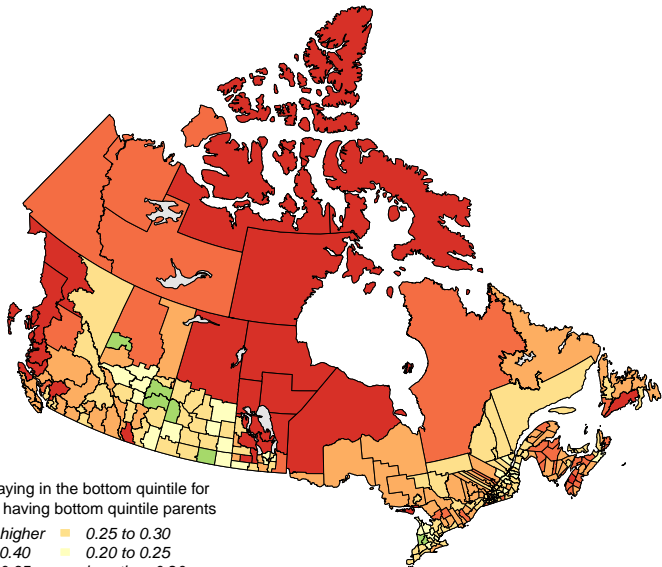


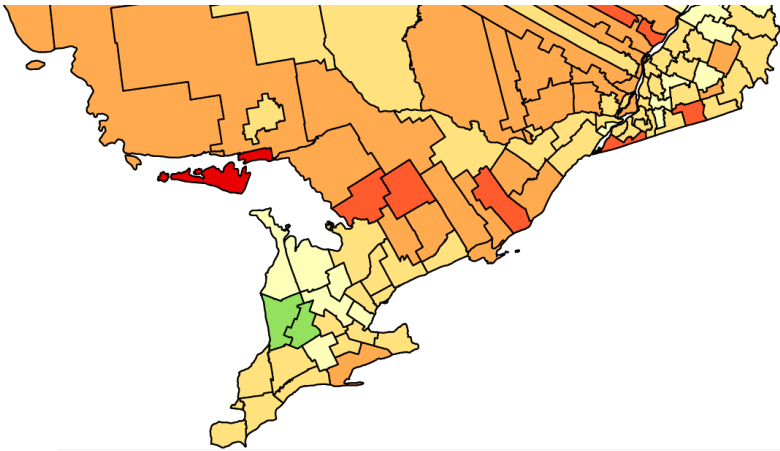
(b) Cycle of Poverty

Cycles of poverty are more likely for boys

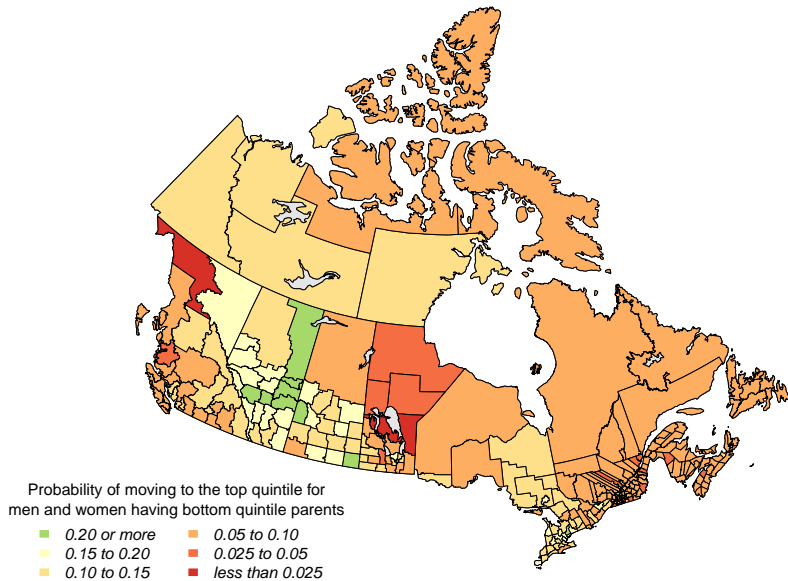


The intergenerational cycle of bottom income





Rags to riches mobility

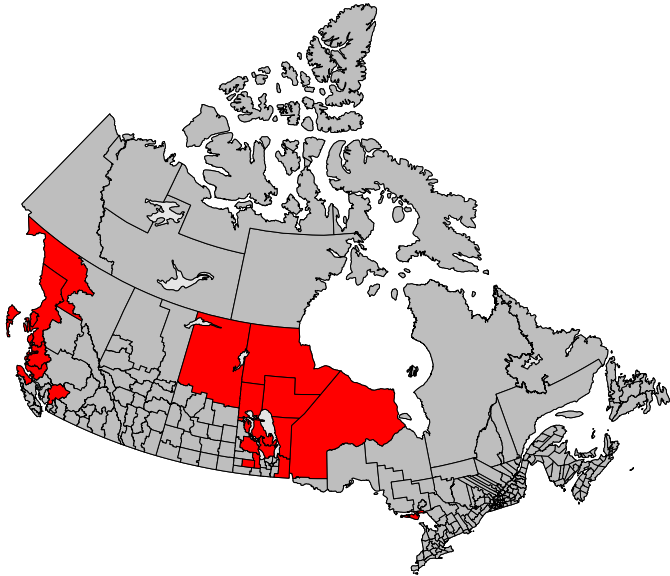


Clustering communities with unsupervised machine learning

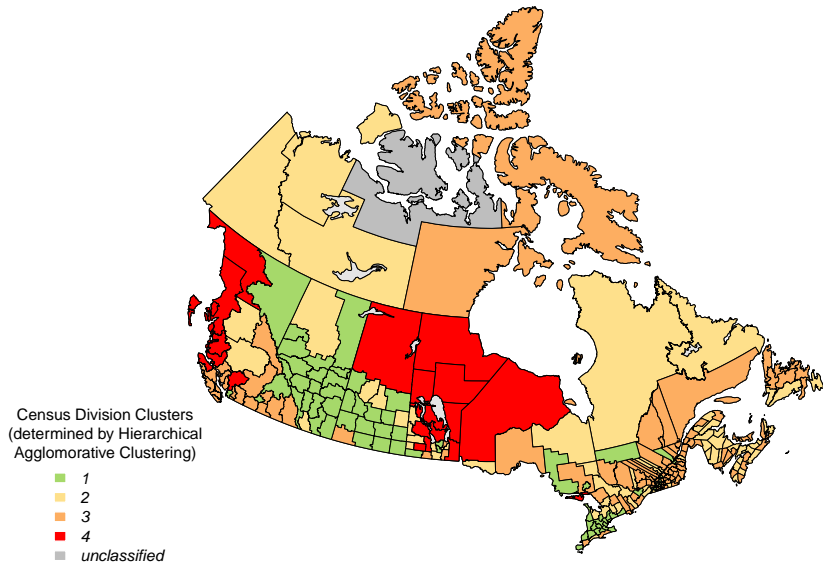
Eight parameters of three alternative measures

- ▶ absolute income mobility, relative income mobility, average parent incomes
- ▶ absolute rank mobility, relative rank mobility
- ▶ rags to riches, cycles of poverty, cycles of privilege

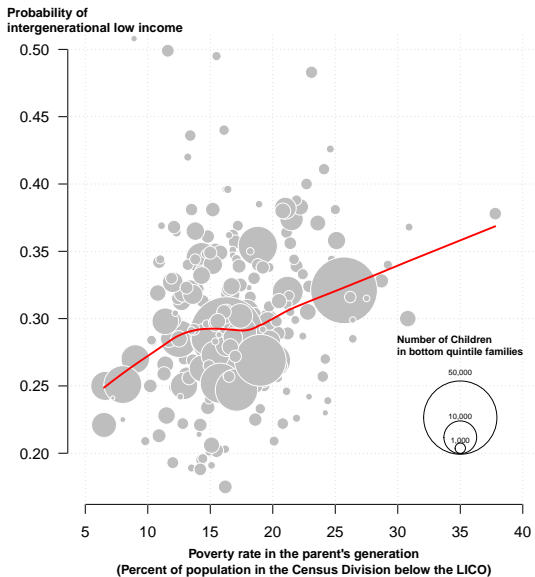
The landscape of “us and them”



Four divides in the landscape of economic opportunity



Correlates of economic opportunity



Public policy for 'Inclusive growth'

Demand side policy

1. The nature of growth and income security policy
2. Cities as poles of inclusive growth
 - ▶ Toronto, no more?
 - ▶ diversity of employment opportunities
 - ▶ public goods and non monetary aspects of well-being

Supply side policy

1. some First Nations communities
2. boys in lower income families
3. education
4. geographic mobility as human capital
5. immigration
 - ▶ age at arrival
 - ▶ access to jobs, implicit bias, TFW

Miles Corak

University of Ottawa

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