

Income Inequality and Proportional Representation: A Summary of the Research

Income inequality in Canada is growing at an alarming rate. The gap between the richest 1% of Canadians and the rest is at its highest level since the 1920's.¹ In recent decades, the richest 20% of Canadians are the only group to have increased their share of the national income - the shares of middle and low income earners have declined.² No longer can the next generation be assured that their opportunities or standard of living will match those enjoyed by their parents.²

Although inequality is increasing in almost every OECD country, in the past two decades inequality has grown faster in Canada than in any other OECD country except the United States.³

A growing inequality gap has serious consequences for a society. Countries with greater inequality have been found to have higher rates of health and social problems such as [obesity](#), [mental illness](#), [homicides](#), [teenage births](#), [incarceration](#), drug use, lower rates of [life expectancy](#), educational performance, [trust among strangers](#), [women's status](#) and [social mobility](#).⁴ **The UNICEF report “An overview of child well being in rich countries” published in the *British Medical Journal*, showed that child well-being was not related to average living standards, but was strongly related to the level of inequality.**⁵

There are many [possible](#) solutions to income inequality, and no shortage of policy options focused on preventing excessively high incomes at the top and pulling up incomes at the bottom. **All solutions require political will.** This is where proportional representation fits in.

Proportional representation, by making our votes count, produces Parliaments which better represent our values. Governments elected by PR, through the process of negotiation, cooperation and compromise, do a better job of producing policies which reflect the values of the median voter. In other words, if Canadians care about growing inequality, with a more proportional system, we're more likely to see government policies designed to address the issue.

Political will to address inequality is also easier to achieve when people are able to use their democracy as a tool for change. Our current First Past the Post system is an ineffective tool for change. Votes which count are a more accurate and effective way of making our voices heard, and holding our representatives accountable.

Arend Lijphart, in his landmark book, "Patterns of Democracy" (2nd edition, 2012), compared 36 countries to find the differences between those using winner-take-all ("majoritarian") systems like ours, and proportional representation systems. Lijphart found a *very strong and statistical highly significant relationship between inequality and electoral systems*, with a smaller income gap between the richest and poorest ten and twenty percent of citizens, and a 9 point lower score on the [Gini index](#) of inequality in countries using proportional systems.

In their study of 18 OECD countries, Birchfield and Crepaz found **the more proportional the system, the lower the income inequality**. "Our findings strongly support the hypothesis that consensual political institutions tend to reduce income inequalities whereas majoritarian institutions have the opposite effect." (p.192)

What accounted for the lower inequality in PR countries? In short, according to Birchfield and Crepaz, proportional systems give people more power to influence policy for the common good.

"The more widespread the access to political institutions, and the more representative the political system, the more citizens will take part in the political process to change it in their favor which will manifest itself, among other things, in lower income inequality. Such consensual political institutions make the government more responsive to the demands of a wider range of citizens." (p.191)

"The more accessible and representative the political institutions, mostly through proportional electoral systems and multi-party legislatures and multi-party coalition cabinets, the more citizens will take advantage of these institutional incentives and press for group specific policy outcomes. Such coalitions are closer to the median voter than in single party, bare-majority cabinets. The policies produced as a result of such coalitions are often the result of hard bargaining and compromise, generally leading to policy outputs which satisfy a wider group of parties, and by extension, their constituents. In more cases than not, redistributive policies will be favored, which tend to reduce income inequalities." (p.193)

Building on Crepaz's research, Vincenzo Verardi (2005) looked at 28 countries, confirming and reinforcing the results. "Using high-quality data coming from the [LIS database](#) and some simple panel methods, we have found that **when the degree of proportionality of a system increases, inequality decreases.**" (p.11)

In addition to making our votes count and delivering fair election results, proportional representation is strongly correlated with lower income inequality, higher scores on the

United Nations Index of Human Development, better representation of women, better environmental performance, stable government, and higher economic growth.

This research summary was compiled by Wilfrid Laurier Professor Brian Tanguay, and Fair Vote Canada Action Coordinator Anita Nickerson

1. http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office%2C%20Ontario%20Office/2013/11/Income_Inequality_Fact_Sheet.pdf
2. <http://www.conferenceboard.ca/hcp/details/society/income-inequality.aspx>
3. <http://www.theglobeandmail.com/news/national/time-to-lead/our-time-to-lead-income-inequality/article15316231/>
4. <http://www.equalitytrust.org.uk/about-inequality/effects>
5. http://www.unicef-irc.org/publications/pdf/rc7_eng.pdf

References

1. Birchfield, Vicki and Crepaz, Markus. (1998). The impact of constitutional structures and collective and competitive veto points on income inequality in industrialized democracies. *European Journal of Political Research* **34**, 175–200. Retrieved from: <http://www.people.fas.harvard.edu/~iversen/PDFfiles/Birchfield&Crepaz1998.pdf>
2. Lijphart, Arend. (2012) *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*. 2nd ed. London: Yale University Press.
2. Verardi, Vincenzo. (2005). Electoral Systems and Income Inequality. *Economics Letters*, Volume 86, Issue 1, (January) 2005, Pages 7-12.