

## CANADA

# Rights, budgets and building alternatives



Over the years the Government has produced strong rhetorical commitments to enhance the lives of the most vulnerable, while the budgetary process attempted to all but remove the public from public policy, precisely when there has been more capacity to improve the lives of all Canadians than at any time in 40 years. NGOs and extra-parliamentary processes have connected the dots between the stated commitments, what has actually been achieved, and what is possible, and this report shows how divergent the results can be, depending on how resources and political will are marshalled.

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The Government of Canada, as a signatory to several key UN treaties, including the Covenant on Economic Social and Cultural Rights and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), has committed to ensure that Canada respects its human rights commitments to all its citizens. These rights include but are not exclusive to access to justice, affordable housing, access to education and employment as well as the appropriate provisions to ensure women's equality and implement "appropriate measures" to fulfill Canada's obligations under CEDAW.<sup>1</sup>

Canadian federal budgets from the last decade have ignored these obligations and have, indeed, made things worse for women and vulnerable populations. While Canada does hold limited open pre-budget consultations with non-governmental organizations and claims to do a high level of gender budgeting, the focus of federal governments have moved away from sustained social and strategic investments towards an aggressive tax cut agenda. This agenda, while in place for over a decade, has accelerated since the 2006 election of the current minority Conservative government.

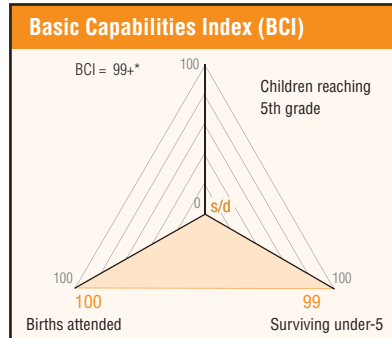
### The wealthy are benefiting most

According to the Organization for Economic Co-operation and Development (OECD), Canada is among a small group of nations that has reduced taxation levels in such a way as to most benefit those who are already the most affluent.

Among the 30 OECD countries, 13 have increased income taxes and 15 have cut them over the past decade. Of the tax-cutting nations, most have used tax reforms to redistribute more income to the poorest. In Canada, however, the opposite is true. The tax burden for those earning 150%-200% of the average wage dropped by 2.3%, whereas, those people who are earning one-third to two-

\* One of the BCI components was imputed based on data from countries of similar level.

1 Elson, D. "Budgeting for Women's Rights: Monitoring Government Budgets to Compliance with CEDAW", UNIFEM, May 2006.



thirds of the national wage only saw a tax reduction of 1.1%.<sup>2</sup>

Budget 2008 declares that by 2012-2013, the Government will have delivered CAD 200 billion (USD 196.45 billion) in tax cuts and at least CAD 50 billion (USD 49.11 billion) in debt reduction.<sup>3</sup> In 2004, 38% of female tax filers and 24% of men had incomes so low they did not pay taxes. Consequently they saw no benefit from the tax cut agenda.

Canada's economy doubled in size over the past 25 years. In the late 1970s, the bottom half of the families earned 27% of total earnings. Between 2001-2004, the bottom half's share dropped to 20.5% of total earnings, despite an increase in the hours worked per family, and rising educational attainment. The richest 20% increased their share of income with neither significant increases in education or work time. The top 10% saw the largest increase, 30% in inflation adjusted terms over the past 30 years.

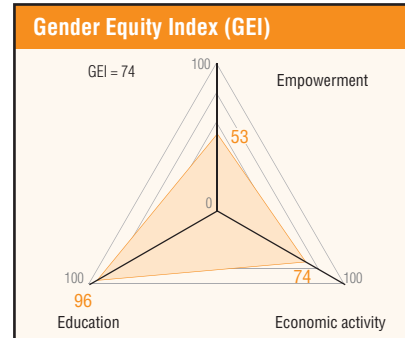
The after-tax income gap in Canada has accelerated more rapidly in the past decade than at any time in the past 30 years, under economic conditions which should have seen it decrease. The gender gap, too, is widening, after decades of contraction.<sup>4</sup> Since 1998, Canada's top 100 CEO's (exclusively men) saw a 247% increase in compensation, earning an average of CAD 8.5 million in 2006 compared to an average CAD 3.5 million earned in 1998.

In contrast, the average worker earned almost

2 Beauchesne, E., "Canada's wealthy benefit most from tax cuts, OECD finds", *Financial Post*, Canwest News Service, 24 March 2008.

3 Yalnizyan, A., "Budget 2008: What's in it for Women?", Canadian Centre for Policy Alternatives, March 2008.

4 Statistics Canada, "2006 Census, Earnings, Incomes and Shelter Costs", *The Daily*, 1 May 2008.



CAD 39,000 in 2007, a 20% increase from the 1998 average of just over CAD 32,000. But inflation of 19.8% over this period wiped out any improvement in purchasing power for the average worker. Average earnings over this period of remarkable economic growth remained, essentially, flat.

In 1998, Canada's top executives were paid roughly 106 times as much as the average worker. By 2005, they were paid 218 times as much.<sup>5</sup>

### The majority left behind

Canada has an unparalleled economic and fiscal record, producing 11 back-to-back surplus budgets. When the current minority government took power in 2006, it inherited a surplus of over CAD 13 billion from the previous government, and surpluses were poised to increase for the foreseeable future.

In just 25 months, however, the surplus was spent, primarily on tax cuts and debt reduction. New spending was not for social programmes but for defence and security and infrastructure for border-crossings and trade. Re-arranged fiscal relations with the provinces did entail marginal increases in transfers through a bizarrely complex new system of financing, but its essential purpose was to devolve responsibilities for social services off the agenda of the federal government.

If Canada is to be fully compliant with its UN human rights obligations, we must have a coherent national plan for providing such necessities as affordable housing, child care, post-secondary education, and for alleviating the dire situation of Aboriginal Canadians, to name just a few areas of critical investment.

5 Mackenzie, H., "The Great CEO Pay Race", Canadian Centre for Policy Alternatives, December 2007.

A 10 year overview of federal budgets from 1995-2005 by economist Armine Yalnizyan concluded that government spending and tax initiatives actually led to growing inequality and an increased income gap.<sup>6</sup> Budgetary measures were considered not for their human rights impacts but for their deficit-trimming capabilities.

This focus on spending less than taxes received began through a major budgetary initiative brought in under the Liberal government in 1995. The deficit-fighting strategy has not been reversed, though Canada has enjoyed more than a decade of surplus budgets. In the mid 1990s, reductions worth billions of dollars in supports to the provinces and territories for health, education and social services resulted in dramatically increased financial stress on lower levels of government; loss of national standards in public services; reduced access to public programmes, and significant erosion in eligibility for and the purchasing power of unemployment insurance and welfare benefits. Legislative protections for the most vulnerable were lost when the Canada Assistance Plan (the programme which the Government had previously claimed embodied its implementation of Covenant rights commitments) was ended.

Most of the budgetary cuts of the mid 1990s have not yet been reversed (with the exception of health spending). This has had a profound impact on low income Canadians, primarily women, Aboriginals, immigrants and persons with disabilities. Inequalities have accelerated, between the rich and everyone else, between regions of Canada, between men and women, and between older and younger generations.

### Tax cuts vs. strategic social investments

In 2003, the UN CEDAW Committee reviewed Canada's compliance to the Convention and issued 23 recommendations to the Government of Canada to better comply with it. These recommendations encouraged the federal government to meet these human rights and equality obligations by investing in many of the social programmes on which women rely, programmes that were cut in the mid 1990s. Given the federal government's history of consecutive surpluses, the UN Committee was convinced of the Canadian government's capacity to act in a variety of areas, namely: social assistance rates that exceed the poverty line; eligibility rules that do not exclude women in need; creation of an affordable and accessible national childcare programme; increased investments in housing; addressing the extreme living standard gap between Aboriginal and non-Aboriginal Canadians; and improving access to justice by investing in legal aid services.

There has been no action taken to address any of these recommendations.

Instead, the federal Government has increasingly used the tax system to deliver social policy, primarily by cutting taxes. Particularly since 2006, tax reforms have favoured those who can save, and those with non-earned income such as investment income and capital gains.

6 Yalnizyan, A. "Canada's Commitment to Equality: A Gender Analysis of the last ten Federal Budgets (1995-2005)", Canadian Feminist Alliance for International Action, 2005.

## A DUBIOUS COMMEMORATION OF THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

Canada's well-known commitment to human rights internationally has taken a dubious turn in the year that marks the 60th anniversary of the Universal Declaration of Human Rights. In 2008 the Government of Canada voted against the UN Declaration on the Rights of Indigenous Peoples, and sought to organize others against it. A similar role is being played in inter-American debates on the same subject.

The Canadian Government's commitment to the Convention Against Torture also came under question over when it backed away from mention of United States and Israel as practicing torture. Its opposition to capital punishment has been questioned due to its unwillingness to negotiate the repatriation of Canadians facing that penalty in other jurisdictions. It leaves the only Western national, a Canadian, in Guantanamo. National implementation of protections were reduced when the current Government cut funding for the Charter Challenge programme which had been a resource for marginalized groups in clarifying human rights guarantees in the courts. Many outsiders are asking, "What's happened to Canada?".

In terms of spending, the new federal Government revoked a deal with the provinces for a national childcare plan, tabled at the 11th hour of the previous government's tenure in 2005, replacing it with a taxable CAD 100 monthly benefit to parents that used up the cash base for adding to the number of quality regulated childcare spaces and services. The new Government also rejected a long-awaited plan, finally agreed to in late 2005, to address Aboriginal peoples' need for investment in their communities.

### Official budget vs. participatory budget

The current Government's tax cut and debt reduction agenda has drained the budgetary surplus and depleted its capacity to meet its human rights obligations. Of CAD 17.8 billion in surplus revenues in 2007-2008 the Government allocated CAD 4.8 billion in tax cuts; CAD 10.2 billion for debt reduction; and only CAD 2.7 billion in new spending.<sup>7</sup>

This spending plan ignores the basic needs of the people of Canada. In 2005, at least 1.5 million households (over 4 million people) were classified as being in "in core housing need". Core housing need can be defined as those living in a dwelling requiring major repair, living in a dwelling lacking sufficient bedrooms for the size and structure of the household and paying 30% or more of the household's gross income on housing. Despite these shocking numbers, budget documents have been virtually silent on housing. While higher education is identified as a major pathway out of poverty, since 1990 tuitions have tripled in most provinces, increasing seven times faster than the rate of inflation.<sup>8</sup> The average student debt load is now almost CAD 25,000 upon graduation. There are boil water advisories in hundreds of aboriginal communities, imponderable in a nation so blessed with water. Meanwhile the federal government delivers CAD 200 billion in tax cuts.

7 Yalnizyan, A., "Submission to the Standing Committee on the Status of Women", Canadian Centre for Policy Alternatives, 13 March 2008.

8 Canadian Centre for Policy Alternatives, "Alternative Federal Budget 2008".

### A better world is possible

Every year the Canadian Centre for Policy Alternatives produces an Alternative Federal Budget (AFB) with input from dozens of civil society organizations. The process takes at face value the current economic situation as described by the Government in budget documents, but allocates available resources on spending initiatives to strengthen social security rather than tax cuts.

The AFB for 2008 laid out objectives for making progress on equality for women and improvements in all Canadians' quality of life, costing out platforms like action on climate change, rebuilding community infrastructure, pharmacare, addressing the needs of our First Nations communities, tackling a comprehensive poverty reduction strategy, and playing a progressive role on the world stage.

The bill came to a total of CAD 17 billion in new spending for the current fiscal year.

The affordability of this plan is notable. The federal Government's own Budget 2008 allocated CAD 43 billion to new spending, tax cuts and debt reduction over a three year horizon – more than CAD 17 billion a year.<sup>9</sup>

The AFB's total three year plan would cost CAD 76 billion over the three year horizon, but that amount also would have been affordable within available resources, since the federal Government had allocated almost CAD 200 billion in tax cuts alone over the past three budgets, and has just promised a staggering CAD billion in resources to Canada's military over the next 20 years. We do not accept that this scale of tax cuts, and this direction of investment in spending, represent the best way to utilize the economic prowess of our nation at this point in our history.

All budgets are political because all budgets represent choices. Participatory budgeting is a critical tool for the mobilization of civil society because it animates serious discussion about what is important and what is possible. Without such discourse, we would be waiting forever for governments to make good on their political rhetoric to create a better world. With it, we can see how a better world is, indeed, possible. ■

9 *Ibid.*