



Time for a Federal Budget that Fights Inequality
Oxfam Canada's Recommendations for Budget 2017

Introduction

The global inequality crisis has reached new extremes. In 2015, the 62 richest people on the planet had the same wealth as the poorest half of humanity (3.6 billion people). Five years ago, the same amount of wealth was held by 388 people. The richest 1% now has more wealth than the rest of the world combined.¹

The same pattern of growing inequality has been evident in Canada over the past several decades. Today, the top 1% of the population owns a quarter of the country's wealth – an amount greater than the total wealth held by the bottom 70% of the population, over 24.5 million Canadians.²

Extreme inequality corrupts politics and hinders economic growth. It stifles social mobility, keeping some families poor for generations, while others enjoy year after year of privilege. It fuels fear, mistrust, crime, and even violent conflict. These corrosive consequences affect us all and run contrary to the vision that this government has for Canada. Our Prime Minister has repeatedly said that a strong economy starts with a strong middle class, and that economic equality is central to our unity as a nation. He has also asserted that, while supporting economic equality is an important domestic objective, there is a critical role for Canada to play in sharing its success with the world through its foreign affairs and international assistance.

Canada has traditionally had lower levels of inequality than many other nations, thanks to strong social protections, progressive taxation, and a vibrant labour movement. But the trend over the past 25 years is worrisome: global inequality is rising at unprecedented speed, and Canada is following suit.

Of particular concern to Oxfam Canada is the fact that economic inequality and gender inequality are closely linked. Economic inequality compounds inequalities between women and men. For example, studies show that in more economically unequal societies, fewer women complete higher education, fewer women are represented in the legislature, and the pay gap between women and men is wider.³

Women in Canada have made tremendous strides in educational attainment and have broken down many glass ceilings. We now have a gender-equal Cabinet, something all Canadians can be proud of. And yet women still account for only a quarter of seats in the House of Commons, and the gender wage gap is stubbornly stuck at 72%. At a time when so much is left to fight for, growing economic inequality threatens many of the hard-won gains that women have achieved.

Analysts at international financial institutions are paying increasing attention to the contribution women make to economic growth. However, unless the causes of extreme economic inequality are urgently addressed, the majority of the benefits of women-driven growth will accrue to those already at the top of the economy.

Led by a feminist Prime Minister, who campaigned on inclusive growth and women's rights, Canada is well placed to become a global leader in tackling the twin struggles of gender and economic inequality. Oxfam welcomes the government's stated commitment to these issues, in particular its strong stance on women's rights and feminist leadership. However, to make this vision a reality, the government will have to take bold action and ensure that its financial commitments match its rhetoric and level of ambition. Budget 2017 is a perfect opportunity for Canada to cement its leadership on these issues by allocating money to areas that are proven to reduce gender and economic inequality.

Cross country evidence shows that strong progressive action by governments in the areas of taxation, social spending and labour have played a key part in reducing the gap between rich and poor and between men and women. While this is not the only thing governments can do to help reduce inequality in their countries, no country in history has managed to become significantly more equal without sustained government action in each of these three areas. Oxfam's priority recommendations for how Canada can tackle inequality in Federal Budget 2017 therefore fall into these three categories.

These recommendations are based on Oxfam's global policy analysis, and build on the work of our allies here in Canada, including the Canadian Centre for Policy Alternatives, Canadians for Tax Fairness, the Child Care Advocacy Association of Canada, and the Assembly of First Nations.

Overview of Oxfam Canada's Recommendations

1. Prioritize progressive taxation and ensure that tax policies recognize unequal gender roles and work to transform them, not entrench them.

- **Domestic Recommendations**

- ✓ Cancel the tax rate reduction for individuals in the second tax bracket and use the \$3.6 billion savings to boost social supports for those in need.
- ✓ Gradually increase the federal corporate income tax rate from 15% to 21%.
- ✓ Ensure that the burden of value-added taxes on low-income Canadians is offset through tax credits, and that revenues generated are used for progressive purposes.
- ✓ Continue investing in CRA's capacity to tackle tax havens and reinvest the money retrieved into gender-sensitive social spending that improves equality.
- ✓ Make gender-based analysis mandatory across all government departments and agencies through federal legislation requiring a gender lens in all proposals to cabinet, the Privy Council Office, Treasury Board and the Finance Department.

- **International Recommendations**

- ✓ Support a second generation of global tax reforms which includes all countries on an equal footing and tackles the key problems that are not adequately addressed by the BEPS project: tax havens, unproductive tax incentives and harmful tax competition.
- ✓ Implement, and support other countries in implementing, the OECD BEPS measures.
- ✓ Strengthen governance and fight corruption in developing countries, to ensure that better domestic resource mobilization benefits the poorest and most vulnerable.
- ✓ Support developing countries who wish to reform their tax systems in a way that shifts the tax burden from labour and consumption to capital and wealth.
- ✓ Support organizations doing gender-based analysis work in developing countries.

2. Increase the proportion of total government spending on public services and social protection to lift people out of poverty.

- **Domestic Recommendations**

- ✓ Scale up child care funding to \$1 billion for 2017-18 and for each remaining year of the government's mandate, through a dedicated and sustained social infrastructure stream.

- ✓ Increase access to home support and community care services for seniors.
 - ✓ Continue to scale up funding for public services for Aboriginal communities, to meet all of the needs and negative consequences that have accumulated through decades of underfunding and neglect.
 - ✓ Invest \$100 million per year to support Status of Women Canada.
- **International Recommendations**
 - ✓ Prioritize public spending on health and education services Canada's aid and development policies.
 - ✓ Announce a ten year timetable of predictable increases to the International Assistance Envelope, so as to meet the UN aid target of 0.7 percent of GNI going to official development assistance.
 - ✓ Announce year-on-year increases to the aid budget over the next three years of: \$862 million in 2017-18, \$1.17 billion in 2018-19, and \$1.37 billion in 2019-20.
 - ✓ Ensure that 20 percent of all aid investments have as their principal focus advancing women's rights, women's empowerment and gender equality.
 - ✓ Dedicate \$100 million per year to women's rights organizations, feminist networks, and women's movements.

3. Improve labour standards and legislation to provide workers with more power.

- **Domestic Recommendations**
 - ✓ Establish a federal minimum wage of \$15 per hour, indexed to inflation and covering all workers under federal jurisdiction, and commit that federal government contracts will only go to living-wage employers.
 - ✓ Repeal the Public Service Equitable Compensation Act, and establish proactive pay equity legislation.
- **International Recommendations**
 - ✓ Regulate Canadian companies operating abroad and hold them to Canadian standards.

¹ "An Economy for the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped." *Oxfam Briefing Paper 210*. Oxford: Oxfam International, 2016.

² Wealth of the richest individuals as extracted from the Global 2014 Forbes Rich List, share of national wealth held by the rest of the population from the Credit Suisse Global Wealth Databook.

³ R. Wilkinson and K. Pickett (2010) *The Spirit Level: Why Equality is Better for Everyone*, London: Penguin, p.59.