

**Pre-Budget Consultation Brief
To The House of Commons
Standing Committee on Finance**

**‘Shared Prosperity and a High Standard of Living for All’
Must Include All Women Equally**

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Executive summary:

This Committee is correct in saying that the true function of the federal government’s budget-making process is to enhance the prosperity and standard of living for all Canadians. However, the assumptions that are built into the Committee’s call for pre-budget submissions are too narrowly cast. ‘Shared prosperity’ and ‘a high standard of living for all’ cannot possibly be attained simply by focusing on promoting ‘high levels of job growth and business investment’ alone. And ‘sustained economic recovery’ and creating ‘quality sustainable jobs’ cannot possibly be achieved simply by keeping taxes low and prioritizing deficit reduction. Well-designed substantive programming is essential to ensuring that Canada’s prosperity is shared equally and that all people have a chance to flourish – or at least to survive.

These submissions emphasize that so long as the budgetary process continues to ignore the realities of sex/gender hierarchies in Canada, none of the Committee’s goals can be achieved ‘for all.’ Women make up over half the population of Canada, yet are still the majority of those living in poverty in every demographic category. Women’s economic, social, and political inequalities have grown over the last decade as the result of federal policies that consistently over-tax and under-benefit women as compared with men. At the same time, equality laws, policies, and practices have been systematically dismantled or ignored, despite increasing criticism from the OECD, the UN, and other international treaty bodies.

Recommendations:

The growing gender gaps that pervade women’s economic, social, and political existence in Canada reflect systemic inequalities, and require systemic budgetary initiatives:

- 1 Federal anti-discrimination legislation, policies, programs, and gender impact analysis must be expanded and linked with binding enforcement mechanisms that can be invoked by individuals, civil society groups, and an independent sex equality commission.
Minimum guaranteed annual budget: \$800 mill.
- 2 Federal tax rate and tax benefit formulas that differentially benefit men and penalize women must be redesigned to eliminate this discriminatory impact.
Rebalance personal and corporate tax rates (cost): \$1 bill.
- 3 Federal spending programs must be revised to give women the equal benefit of direct benefits, grants, institutional funding, contracts, and other spending.
Equalize employment insurance benefits (cost): \$800 mill.

Women’s Inequality in Canada Continues to Grow:

In the period leading up to 1997, strong emphasis on pro-equality policies resulted in Canada being ranked number one for four consecutive years in the leading UN equality index.ⁱ However, the consistent withdrawal of equality measures over the last decade has taken Canada from first to eighteenth in the UN index in just over a decade, and even lower in other indices.ⁱⁱ The SocialWatch Gender Equity Index trend analysis for the years 2005-2008 ranked Canada 136 out of 157, which reflects the accelerating rate at which sex equality policies, programs, and laws have been dismantled in Canada since 2006.ⁱⁱⁱ In March 2011, Canada was further downgraded by the UN as the result of increasing rates of maternal mortality.

Women’s overall inequality is reflected in women’s shares of market incomes. Since 1997, women’s share of total market incomes has remained stalled at 36 percent even though their rates of labour force participation have continued to increase. While women had finally begun to receive slightly larger shares of market incomes in 2008 – by 0.2 percent – the 2008 recession and subsequent labour market responses have brought that slow improvement to a halt.

Women’s growing inequality is starkly revealed in growing gender gaps at various levels of educational attainment. The table below reveals that although women have increasingly taken advantage of higher and further education since the 1970s, their ‘payback’ has been shrinking when measured as a percentage of men’s incomes at comparable educational levels. Indeed, women had closed the gender gap at the university degree level back in the late 1980s, but have lost all that ground since the early 2000s.

Women’s average fulltime fullyear incomes as percentage of men’s, by educational level, 1971-2008^{iv}

Level of educational attainment	1971/ 1971*	1982/ 1985	1987/ 1990	1993/ 1995	1997/ 2000	2003/ 2005	2008/ 2010
Less than grade 9	55.5	58.8	59.2	68.7	69.6	69.4	51.5
HS degree received	56.8	61.8	n.a.	71.7	73.0	71.0	70.4
Some postsecondary educ.	59.3	67.2	64.7	64.4	75.0	75.6	72.6
Postsecondary certificate	66.9	67.4	68.8	73.8	70.6	68.6	71.2
University degree received	61.2	67.2	69.6	75.1	73.6	68.0	68.3
Average across all levels	59.7	64.0	65.9	72.0	72.5	70.5	71.3

Recommendation #1: Expand federal anti-discrimination legislation, policies, programs, and gender impact analysis, and link them with binding enforcement mechanisms that can

be invoked by individuals, civil society groups, and an independent sex equality commission.

The core cause of women's growing inequality in Canada is under-enforcement of equality provisions, defunding and even closure of women's parliamentary and advisory committees, disregard of international gender equality obligations, and a sense in political circles that it is relatively safe to ignore women's issues. The cumulative effects of this disregard are seen in Canada's sex equality rankings internationally as well as in basic economic indicators.

Despite these trends, it is important for this Committee to recognize both the important role that women play in Canada's economy and the fact that women's equality is a basic human right that has been affirmed repeatedly over the last 50 years in Canada and globally.^v

The 'business case' for sex equality perhaps needs to be better understood in Canada. It is simply this: Any economy that artificially limits the number and identity of the people who are allowed to participate fully in economic relations is an economy that cannot grow and expand to its full capacity. In the Canadian context, this means that forcing women to get more and more expensive education to counter the effects of growing gender income gaps produces misallocations of productive labour resources. Permitting women to be paid less than their male counterparts risks discouraging them from making their full contributions in their working lives, and deprives the Canadian economy of the benefit of their energy, education, and enthusiasm.

Canada has had longstanding problems in achieving competitive levels of labour productivity. Gender is an important factor in this. As women have been increasingly pushed into part-time work, multiple jobs, intermittent employment, lack of adequate employment insurance benefits, and fair pay in Canada, their labour productivity has necessarily been impaired. And to the extent that any policies or practices continue to permit women to be pushed to the margins of paid work, overall productivity will continue to be impaired.

For Canada, under-rewarding women in paid work should be seen as a serious problem. Since 2008, the OECD has noted that women have been the 'mainstay' of per capita real income growth since the late 1990s, and has expressed concern about lack of basic supports for women's stable labour force participation.^{vi} As confirmed by the Parliamentary Budget Office, Canada has limited potential for increased labour inputs and labour productivity.^{vii} In Canada, it is clear that withholding basic social infrastructure from working parents directly undercuts women's potential labour productivity. As Statistics Canada found in 2006, '[t]he increase in [women's] participation rates in the East appears associated with the greater use of day care...in Quebec,' while young women's rates of participation in post-secondary education and paid work fell in Alberta as the number of childcare spaces remained inadequate and their birth rates increased.^{viii}

Recommendation #2: Federal tax rate and tax benefit formulas that differentially benefit men and penalize women must be redesigned to eliminate this discriminatory impact. A key area of focus should be rebalancing corporate and personal income tax rates.

When the federal government ushered in new ‘lower taxes’ for individuals, women gained the least from those rate cuts because so many women (over 40 percent) have incomes so low that they have no income tax liability. No steps were taken at that time to balance lack of access to personal income tax rate cuts denied to women with any type of countervailing cut in, for example, contribution rates for the EI or CPP, or increases in PST/HST refundable credits.

This has left the average woman, whose income will be well under \$30,000 per year, bearing a combined federal, provincial, and PST/HST tax burden in Ontario of 33.05 percent. In contrast, corporate income tax rate cuts have sent the total of all regular income taxes down to 26 percent for 2012, and for small business corporations, as low as 15.5-16.5 percent for 2010, and certainly much lower by 2012.

At its simplest, this means that those who can afford to arrange their economic lives around corporate structures will have access to significantly reduced tax rates – for two reasons: first, the radical reduction in corporate income tax rates since 2007; and second, the simultaneous increase in the dividend tax credit mechanism, which enables shareholders to remove large amounts of lightly-taxed corporate income from corporations in the form of dividends with little or no additional tax liability.

Overall, this means that women with average incomes will pay a combined tax rate of 33.05 percent on their incomes up to about the \$42,000 level – but *shareholders of corporations that pay taxes at the regular corporate rate can receive as much as \$50,000 in dividends per year without paying a penny of federal income or payroll taxes (EI and CPP). (Those limited to the small business dividend tax credit have been paying about \$2000 on \$50,000 in dividends.) In contrast, women with higher incomes in the \$50,000 range in the form of wages or salaries will pay income-based taxes of some \$11,000, and have only \$39,000 in after-tax income to live on. Not surprisingly, women receive only 31 percent of all dividend income, and thus a much smaller share of dividend tax credits than men.*

Huge amounts of potential revenue are involved in setting up this

imbalance. Taking the 2009 tax year as an example, the corporate income tax rate reduction that came into effect in 2009 alone cost the federal government \$6.3 billion. Behind the scenes, another \$6.75 billion was paid out to shareholders claiming federal dividend tax credits in their returns – more than doubling the total cost of lower corporate-sector taxes to \$13.05 billion for 2009.

At the same time, delivering tax reductions to the corporate sector via rate cuts instead of via targeted investment incentives has resulted in mushrooming cash reserves that are now being used to funnel dividends to shareholders instead of using them to expand business activities.

Recommendation #3: Federal spending programs must be revised to give women the equal benefit of direct benefits, grants, institutional funding, contracts, and other spending.

Because so many federal programs are tied to income, and because women are historically and socio-economically disadvantaged in gaining access to equal incomes, women invariably receive smaller shares of any benefits that are not directly linked with care of young children.

For example, during the recession, despite women’s continued strong attachment to the labour force, women received smaller and fewer employment benefits than did men. In fact, the deeper the labour market recession became, the relatively smaller women’s share of EI claims became:

Percentage of unemployed receiving employment benefits, by sex, 2008-2009^{ix}

	Women					Men				
	Oct. 2008	Dec. 2008	Feb. 2009	Apr. 2009	June 2009	Oct. 2008	Dec. 2008	Feb. 2009	Apr. 2009	June 2009
Number										

<i>of unemployed</i>	454. 7	458. 3	544. 9	563. 8	601. 8	56 9.4	681. 7	95 4.7	98 8	900. 5
<i>Number of beneficiaries</i>	163. 61	204. 24	244. 02	256. 5	236. 3	21 7.5	359. 97	56 1.1 3	57 0.8	434. 2
<i>Percent receiving EI</i>	35.9 8	44.5 6	44.7 8	45.4 9	39.2 6	38. 19	52.8 0	58. 78	57. 77	48.2 2

During the same time, women’s rates of self-employment soared while men’s rose only modestly.^x These dynamics demonstrate two things: first, that women who were unemployed were not looking for ‘handouts,’ and second, political concern for the well-being of men facing layoffs was not matched with comparable compassion for the condition of women facing layoffs – even though women’s incomes are always closer to the subsistence level than men’s.

Conclusion:

Women in Canada are clearly committed to productive paid and unpaid work. But simple steps like sharing the costs of social reproduction, ensuring that all working parents have access to affordable care resources, equalizing the benefits of low levels of taxation, and guaranteeing equal access to economic safety nets like employment insurance benefits have long been recognized as essential to making full and equal use of all human talents and energies.

Women need the support of this Committee in order to see that these resources are put into place and that the legal mechanisms for enforcing equality are established. The three policy changes recommended in these submission will go a long way toward strengthening women’s capacity to contribute fully in every domain in Canada in the future, and will immediately give them added protection from unfair exploitation of their present inequality.

Endnotes:

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- i. UN Human Development Report Gender-related Development Index: 1997-2000.
 - ii. E.g., World Economic Forum. 2009. *The Global Gender Gap Report 2009*. Geneva: World Economic Forum.
 - iii. SocialWatch. 2009. *Gender Equity Index 2009*. Montevideo: SocialWatch. <http://www.socialwatch.org/sites/default/files/GEI2009-VALUES.pdf>.
 - iv. Source: Statistics Canada, *Women in Canada*, 1985-2010 editions. The first year listed in the column headings is the year in which the data were collected; the second year is the year of publication of the relevant edition of *Women in Canada*. The gaps in years reflect the lag involved in collecting, analyzing, and publishing data. * Data for this year were reported in the first edition of *Women in Canada*, 1985.
 - v. See, for example: United Nations, Charter of the United Nations, 1 U.N.T.S. XVI (25 October 1945), UNHCR, <<http://www.unhcr.org/refworld/docid/3ae6b3930.html>>; UN General Assembly, Universal Declaration of Human Rights, 217 A (III) (10 December 1948), UNHCR, <<http://www.unhcr.org/refworld/docid/3ae6b3712c.html>>; Convention on the Political Rights of Women, 193 U.N.T.S. 135, entered into force 7 July 1954; Declaration on the Elimination of Discrimination against Women, proclaimed by GA Res. 2263 (XXII) (7 November 1967); Florence Bird, chair, Report of the Royal Commission on the Status of Women (Ottawa: Information Canada, 1970); Sandra Lovelace v. Canada, Communication no. R.6/24, UN Doc. Supp. No. 40 (A/36/40) at 166 (1981); Convention on the Elimination of All Forms of Discrimination against Women, GA Res. 34/180, 34 UN GAOR Supp. (No. 46) at 193, UN Doc. A/34/46; 1249 UNTS 13; 19 I.L.M. 33 (1980) [CEDAW]; CEDAW Platform for Action, in United Nations, Report of the Fourth World Conference on Women, UN Doc. A/CONF.177/20, reported as Annex II, chapter IV, WomenWatch, <<http://www.un.org/womenwatch/confer/beijing/reports/plateng.htm>>; Canadian Charter of Rights and Freedoms, Part 1 of the Constitution Act, 1982, being Schedule B to the Canada Act 1982 (U.K.), 1982, c. 11.
 - vi. Alexandra Bibbee, Tax Reform for Efficiency and Fairness in Canada (Paris: OECD, 2008) (EC Working Paper no. 631) at 22, referring to OECD, OECD Economic Surveys: Canada (Paris: OECD, 2008).
 - vii. Parliamentary Budget Office [PBO], Fiscal Sustainability Report (Ottawa: PBO, 2010) at 7–10, outlining Canada’s prospects for further increases in labour inputs and labour productivity.

viii. Statistics Canada, “Changing Patterns,” *The Daily* (15 June 2006); also see Bibbee, *supra* note 61 at 22.

ix. *Cansim Tables 276-0001 (Employment Insurance Statistics) and 282-0001 (Labour Force Survey)*.

x. Industry Canada, *Key Small Business Statistics* (July 2010).