

Brief to the House of Common Finance Committee
Hearing on Bill M-315
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Statistics Canada recently released new data¹ on high income trends in Canada. These data reveal that the Atlantic Provinces are all significantly less equal today than they were in 1982. The trends are troubling, but not surprising. It is true that Atlantic Canada is less unequal than the rest of Canada (meaning the gap between what the 1% receives versus the 90% is the smallest). However, while PEI might have the smallest gap increase, but the average income of the top 1% is still 8 times that of the bottom 90% of Islanders --the ratio was 7.6 times in 1982. Nova Scotia and New Brunswick saw modest income gains of 16% and 19% respectively for the bottom 90% of tax filers, while the top 1% in each province enjoyed an increase about twice as much.

In 1982, Nova Scotia's urban centre, Halifax, the average tax filer in the top 1% received 8.3 times as much as their bottom 90% counterpart. Now, the 1% tax filer makes about 10.5 times as much. Other Atlantic Canadian cities have followed suit. Over this period, the average St. John's (Newfoundland and Labrador) tax filer in the top 1% saw their income increase by 60%, while their counterpart in the bottom 90% only received an increase one-quarter the size at 23%. Similarly, the 15% earnings-increase enjoyed by the average bottom 90% of Saint John New Brunswick's tax filers is dwarfed by the average top 1% increase of 72%; that's almost five times greater! This increase leaves Saint John with a 12% gap between the 1% and the 90% -the highest gap in the region.

Clearly the top 1% of tax filers in Atlantic Canada has made massive strides in income, leaving the average Atlantic Canadian earner behind. This is not just an economic issue; it is a political one that affects our very nature as a society and our democracy. Economic resources bestow power on those who have control over them. To be in the 1% in Atlantic Canada you need to have an income of at least \$151,900 with an average income of \$259,300. The average income of the bottom 90% of tax filers in contrast is \$26,700. The average income of the bottom 50% is \$13,600 and accounted for 19% of region's total income. The 1% accounts for 7% of the region's total income.

When we look even closer at income data we find some troubling trends to do with wages and productivity. In the twenty-five years between 1981 and 2006, (including one of the most prosperous periods since the 1950s,) workers' wages across Canada fell sharply behind. While the national economy (measured in real GDP per capita) grew by 51%, average real weekly earnings did not increase. But, in Nova Scotia, the situation was even worse for workers. Between 1981 and 2006, while the provincial economy grew by 62%, average real weekly earnings actually fell by 4%. During those 25 years, productivity in Nova Scotia (measured in

real GDP per worker hour) increased by 16%. The big productivity-earnings gap was in the 15 years between 1991 and 2006, when both indicators took off in opposite directions.²

One manifestation of income inequality is poverty. While addressing poverty is never *just* about income, it is *always* about income. There is an urgency that exists to develop a plan not only to alleviate but to reduce and eventually to eliminate poverty, for which the federal government must take a lead and ensure is fully resourced to achieve its objectives. Indeed, investing in a comprehensive plan now to reduce poverty would cost half as much as the quantifiable costs of poverty.³ We have, for example, found that when the direct costs to government are added to broader costs of poverty including the loss of income for those living in poverty, this **total cost of poverty in Nova Scotia is \$2.4 billion (2010). This is equivalent to 7% of Nova Scotia's GDP.** This corresponds to as much as \$2,600 per person, per year. This is consistent with the cost of poverty in other Canadian provinces.⁴ Income assistance programs in Canada include many disincentives to employment and provide incomes that are totally inadequate to live on. Individuals and families receiving income assistance should be able to eat healthily, live in adequate housing, clothe themselves, and meet other basic needs such as access to transportation and basic communication tools. The stigmatizing system undermines human dignity and self-confidence, which is itself a barrier to finding employment.

Income inequality is bad for all Atlantic Canadians and for all Canadians. There are marked correlations between inequality and such phenomena as mental illness, life expectancy, drug use, obesity, teenage pregnancy, high school dropout rates, violent crime, youth crime, and imprisonment rates.⁵

A significant amount of research has tackled questions about what public policies would address inequality. Our governments need to address the troubling trends toward more precarious employment with few benefits and no job security. Pay equity for women is one obvious manifestation of gender inequality; In 2010, the average earnings of women in Atlantic Canada were 73% of men's earnings (for full-time full-year workers). Those societies that are the most equal have higher rates of unionization. Unions not only build the middle class by promoting good-paying, stable jobs, they also advocate for pro-worker policies even for the non-unionized, like minimum wages, health and safety standards and employees' rights. Strengthening and ensuring enforcement of labour standards is a critical part of the solution.

The more equal societies also have a range of public services that ensure a better quality of life for everyone. A public and universal, good quality system of early learning and child care is one example of a significant gap in our country. There is also a need to ensure that there is adequate, affordable housing available as well as programs including a national pharmacare program. These public resources can be paid for via a progressive tax system ensuring that our highest earners are paying their fair share, so that everyone can enjoy a better quality of life. Our Alternative Provincial Budget⁶ as well as the Alternative Federal Budget⁷ outlines key progressive tax measures to ensure that those who are able to do so pay their fair share. Unfortunately our tax system has lost its progressivity because of tax cuts and tax measures



including tax deductions that benefit the top more than the bottom, and men more than women. We know, for example, that taxes in Canada fell from 1990 to 2005 by two percentage points for people in the middle but by three percentage points for the top 5 percent. And taxes rose for the poorest 20 percent of Canadians by five percentage points so that they are paying roughly the same proportion of their income for taxes of all kinds as the wealthiest one percent.⁸

We all pay taxes in one form or another. The key question is whether the taxes are fair and whether the tax base is sufficient to ensure the quality of life that we all deserve. The provision of public services is a form of income and wealth redistribution in our society. We all benefit if we reduce income inequality and poverty as a community and because it costs more to help people manage to scrape by in poverty than to prevent poverty and lift people out of it.

¹ Statistics Canada, The Daily, January 28, 2013 <http://www.statcan.gc.ca/daily-quotidien/130128/dq130128a-eng.htm?HPA>

² Mathieu Dufour and Larry Haiven, *Hard-working province: is it enough?* (Halifax: CCPA-NS, 2008)

³ We can assume this based on evidence presented in the Cost of Poverty in BC report, where in author Ivanova estimates that a comprehensive poverty reduction plan would cost less than half of what poverty costs in BC per year right now.

⁴ Nathan Laurie, *The Cost of Poverty: An Analysis of the Economic Cost of Poverty in Ontario* (Toronto: Ontario Association of Food Banks, 2008) www.oafb.ca/assets/pdfs/CostofPoverty.pdf; Iglia Ivanova, *The Cost of Poverty in British Columbia*, (Vancouver: CCPA – BC Office, the Public Health Association of BC, and the Social Planning and Research Council of BC., 2011).

⁵ Richard Wilkinson and Kate Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better* (London: Allen Lane, 2009).

⁶ Canadian Centre for Policy Alternatives-NS, *Nova Scotia Alternative Provincial Budget 2013: Strengthening Connections, Connecting Communities* (Halifax: CCPA-NS, 2013).

⁷ Canadian Centre for Policy Alternatives, *Alternative Federal Budget 2013: Doing better together* (Ottawa: CCPA, 2013).

⁸ Marc Lee, *Eroding Tax Fairness: Tax Incidence in Canada, 1990 to 2005* (Ottawa: Canadian Centre for Policy Alternative, 2007). policyalternatives.ca/sites/default/files/uploads/publications/_Office_Pubs/2007/Eroding_Tax_Fairness_web.pdf