

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

Budget 2014 Priorities:

**Women's Economic Equality:
Expand Child Care and Employment Insurance, and
Cancel Parental Income Splitting**

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Insurance, and Cancel Parental Income Splitting**

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Women's Equality is Crucial to Canada's Longterm Economic Vitality and Stability ---

- < Women's paid work has been the 'mainstay' of per capita real income growth in Canada since 1998.¹
- < Women's paid employment is essential to meeting Canada's growing need for increased labour inputs and improved labour productivity in coming years.²
- < As economic recoveries from the 2008 global crisis continue to falter, the OECD has found that increasing levels of sex equality is 'key to economic growth.'³
- < Countries in which women have high levels of economic equality have less poverty and greater economic stability, even during economic crises.⁴
- < Increasing women's labour force participation contributes to improved business and institutional functioning, and enhances innovation, leadership, and accountability.⁵
- < When women and men share paid and unpaid work more equally, the health, wealth, and wellbeing of the entire population increases.⁶
- < Countries with high levels of economic equality have more stable and higher revenues, and can provide more efficient economic and social development programs.⁷

Unlike in other highly-developed countries in which women are responsible for nearly half of all paid work hours and still have heavy home responsibilities, women in Canada have less access to adequate child care resources than in any other OECD country except Greece⁸ – and also face high levels of inequality in pay, pensions, and standard employment, as well as in EI benefits.

Despite women's crucial role in Canada's economy and the proven economic benefits of adequate care resources, Canada spends more on outmoded care programs that *reduce* women's paid work and on tax/benefit policies that reward women for *not* working for pay – such as dependent spouse tax benefits, the UCCB, and pension income splitting – and is soon extending that income splitting to women in their prime working years.

Budget 2014 can fix these problems by taking three basic steps:

- #1 Stop paying women to *not* work for pay – and cancel parental income splitting

- #2 Expand effective child and other care resources across the country
- #3 Give women equal employment and unemployment rights

#1 Stop paying women to not work for pay – and cancel parental income splitting:

Canada offers many large tax and direct grants that either penalize couples when a spouse or partner’s earnings get too high, or that are intended to subsidize women’s unpaid work. For example, in 2012, if a second spouse earned less than \$10,822 that year, the supporting spouse could receive a federal tax credit worth up to \$1,623. But as the second spouse’s income increases, this tax credit is gradually reduced to zero. And low income couples cannot make any actual financial use of the second spouse’s credit at all. These credits provide financial rewards to spouses/partners, mostly women, who do not spend much or any time in paid work, and the UCCB is paid regardless of paid work. It is well established that repealing these measures will remove tax⁹ and benefit¹⁰ disincentives to women’s paid work.

In 2012, the total cost of the largest of these types of tax benefits and direct expenditures came to a total of \$6.2 billion.¹¹ When parental income splitting is added to the Income Tax Act in 2014 or 2015, that total will go up to a total of \$8.8 billion for that year, and every year thereafter:

Dependent spouse credit	\$1.5 bill.
Tax credits transferred from dependent spouse	\$0.9 bill.
Dependant caregiver credits	\$0.3 bill.
Pension income splitting	\$1.0 bill.
UCCB	\$2.5 bill.
Current total costs to federal government	\$6.2 bill.

Parental income splitting beginning in 2014/5	\$2.6 bill. ¹²
Total cost with new parental income splitting	\$8.8 bill.

The tax items on this list all work the same way – they give the smallest financial benefits to those who need them most, and the largest benefits to the richest Canadians. For example, when parental income splitting comes into effect federally and provincially, the richest 1% will receive average tax savings of \$4,781 per couple, but the lowest income parents struggling to lift their children from poverty will only receive \$39 per couple.

Couple income in each income decile	Average fed. tax benefit per couple in decile	% of \$2.6 bill. rec’d in decile
1: up to \$34,065	\$39	0.04%
2: up to \$45,338	\$169	0.3 %
3: up to \$57,062	\$352	1.3 %
4: up to \$69,067	\$764	4.1 %
5: up to \$82,002	\$1,249	8.2 %
6: up to \$95,682	\$1,322	11.0 %
7: up to \$112,848	\$1,563	15.8 %
8: up to \$134,427	\$1,680	15.3 %
9: up to \$173,181	\$1,637	14.6 %
10: over \$173,181	\$3,148	30.5 %
Top 1%: over \$465,220	\$4,781	6.8 %

#2 Expand effective child and other care programs across the country:

The second key to increasing women's freedom to choose to participate in paid work, and thus contribute to increasing Canada's labour supply and productivity, is to ensure that single parents and dual fulltime earner parents have access to affordable and high quality care resources. The focus of the research to date has been on securing adequate child care resources, but population aging has made it clear that other forms of care are equally crucial to supporting stable growth in the labour supply and in labour productivity.¹³

Canada's Universal Child Care Benefit (UCCB) provides parents with \$100 per month for each child under age 6, regardless of parental employment status, at the cost of \$2.5 billion per year. As a taxable demogrant, the monthly amount is not enough to pay for child care for more than a small number of hours per month. Thus it is completely inadequate to support low-income parents obtain sustainable paid work, even though they have the fewest care resources.¹⁴ The \$100 per month is also not large enough to make the difference between no paid work and fulltime sustained paid work for mothers with medium- to high-income spouses/partners, regardless of their educational levels.¹⁵ Nor does the childcare expense deduction provided by the Income Tax Act close the gap.

Tsounta of the IMF has demonstrated that Quebec's \$7/day child care program produced a 7% increase in maternal employment within just six years – a 'remarkable' increase by any standard. Similarly, she found that nearly 10% more two-parent families had both parents in fulltime employment – well above any of the highest levels in other countries.¹⁶ Also impressively, population growth in Quebec has been stable while poverty rates have fallen and the labour supply has expanded.

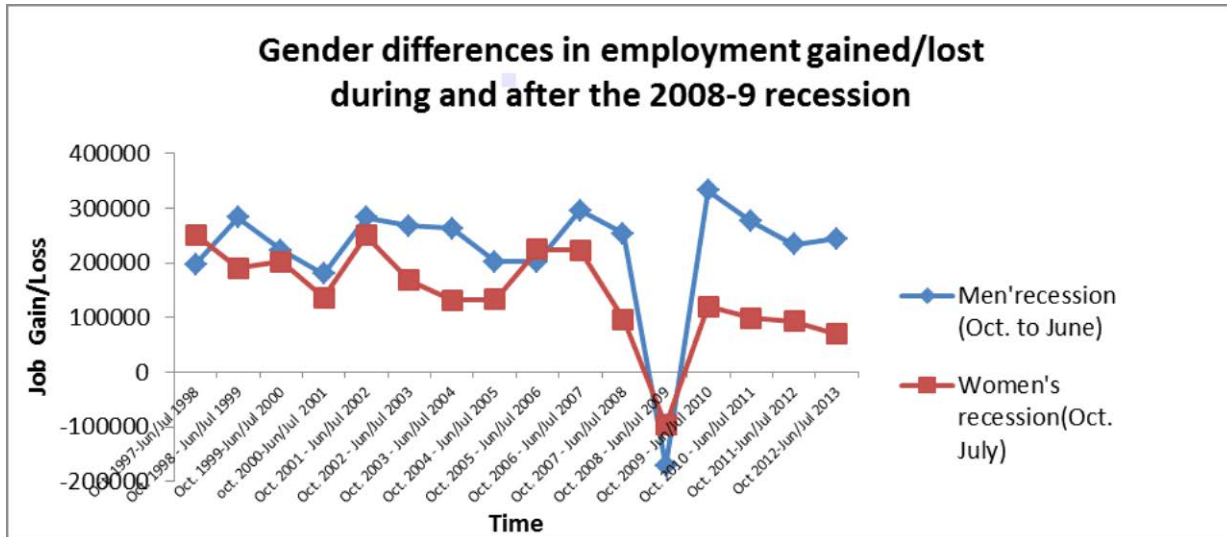
Canada can easily afford to make this change in economic focus possible across the country. Redirecting the \$8.8 billion in anti-employment funding outlined in section #1 of this brief would provide more than adequate funding for a national high-quality public child care system. The effects on family incomes and public revenues would make this an outstanding investment in Canada's economy and social development.

#3 Equalize women's employment and unemployment rights:

The third big barrier to women's equal economic participation is deeply entrenched sex inequality in incomes, standard employment, and unemployment benefits. These inequalities mean that women cannot easily obtain the job security and survivable incomes that are needed to optimize their labour force participation and labour productivity during good times and bad.

During the 2008-9 recession, women workers actually lost 125% as many jobs as men. However, women could not take equal advantage of EI benefits, and thus had to turn to substandard forms of employment to survive the recession. In labour market terminology, women's movement into substandard survival jobs was counted as 'new jobs,' making it look like women had not actually lost as many jobs as men, and therefore did not need equal assistance. This intersecting set of

inequalities has impaired women’s overall labour market position for the foreseeable future. Four years after the official end of men’s and women’s labour market recessions, women’s employment has still not recovered to the same extent as men’s:



Three forms of inequality have kept women in this 'non-recovery' position: (a) inequality in EI eligibility, (b) income discrimination, and (c) recourse to substandard jobs during the recession:

(a) ***Inequality in EI eligibility rules:*** As these figures demonstrate, the deeper the recession, the bigger the gap between the percentages of women and men eligible for regular EI benefits:

Month	Oct. 2008	Dec. 2008	Feb. 2009	Apr. 2009	Jun. 2009 ¹⁷
Men	38.2%	52.8%	58.8%	57.7%	48.2%
Women	35.6%	44.6%	44.8%	45.5%	39.3%
Gender gap	2.6%	8.2%	14.0%	12.2%	8.9%

(b) ***Women’s average EI benefits are too small to live on:*** In 2008, men’s average incomes were virtually identical to the maximum EI contribution limit. This meant that on average, men received maximum extended EI benefits for 50 months of \$21,750. This is a sustainable income; it is well above the urban low income cutoff for a single person, and it is only slightly below the cutoff for a household of four in rural areas. Men participating in EI job sharing arrangements did even better -- they got half their regular salary plus half their regular EI benefit.

With so many women in parttime work to begin with, and with average incomes in \$30,100 in 2008, women’s average maximum EI benefit for 50 months during the recession was only

\$15,920 – far below the urban low income cutoff of \$18,373, and for most larger households.¹⁸ EI job sharing arrangements would have helped keep women’s recession incomes above the low income cutoffs in many areas, but only 30% of special EI job sharing arrangements involved women. Women who were in parttime jobs at the beginning of the recession received little EI.

(c) Women who became unemployed in 2008-9 were thus pushed into substandard jobs:

Large numbers of women who did not have enough EI eligibility or who did not qualify for maximum EI benefits turned to substandard types of employment during the recession to make ends meet. Age and marital status played a big role in where women could turn:

- < ***Married women*** lost the largest number of permanent fulltime and permanent parttime jobs during the recession than any group of men or women defined by marital status: While they were most likely of all groups of women to obtain EI, they were forced in large numbers into temporary work and the largest shares of self-employment.
- < ***Young, never married women*** also lost more permanent fulltime jobs than unattached men, and turned to temporary fulltime work.
- < ***Single mothers with young children*** lost jobs in all categories and ended up with temporary employment, while single fathers were net job gainers during the recession.
- < ***Women and men ages 55 and over*** turned heavily to self-employment.¹⁹

In terms of industrial sectors, it is clear that women lost heavily throughout the recession and during the recovery periods in education, services, and public services jobs.

To date, men have rapidly regained large numbers of permanent fulltime jobs -- including in sectors where women lost most of their permanent jobs. In effect, men returning to permanent jobs were able to scoop up standard employment openings in recovery while women remained in alternative forms of employment.

Of great concern is the fact that since about January 2010, women have been gradually losing more shares in fulltime permanent jobs. As men have returned to permanent employment, women’s shares of permanent employment have continued to fall. At the same time, women have also been losing shares in the temporary jobs they took to make ends meet during the recession.

As of November 2013, women face the future with less secure paid work and less EI eligibility than they had in the 2008-9 recession --- unless Budget 2014 --

- #1 Stops paying women to *not* work for pay – and cancels parental income splitting,**
- #2 Expands effective child and other care resources across the country, and**
- #3 Secures to all women equal employment and unemployment rights.**

References:

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2. Parliamentary Budget Office [PBO], *Fiscal Sustainability Report* (Ottawa: PBO, 2010), 7–10, at http://www.pbo-dpb.gc.ca/files/files/Publications/FSR_2010.pdf.
3. See OECD, *Closing the Gender Gap: Act Now* (OECD Publishing, 2012) [‘OECD, *Closing the Gap*’], 18, 24, at <http://dx.doi.org/10.1787/9789264179370-en>, a detailed 354-page study demonstrating why and how ‘embedding gender equality in public policy’ is ‘key to economic growth and social cohesion.’ The first chapter examines the interconnections between degrees of sex equality and potential GDP growth for each OECD country, and provides guidance on optimal public policies. For a detailed examination of the positive and negative gender effects of EU-level and national crisis policy responses, see Paola Villa and Mark Smith, *Gender Equality, Employment Policies and the Crisis in EU Member States* (Rome: Fondazione G. Brodolini, 2010), which concludes that gender-based economic analysis is ‘even more critical during an economic downturn since the risks...of gender-blind analyses are heightened’ (203). For a gender impact analysis specific to Canada, see Kathleen A. Lahey and Paloma deVillota, ‘Sex Equality, Politics, and Economic “Crisis” Responses: Spain and Canada,’ *Feminist Economics* (2013) 19:3, 82-107.
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6. Canadian Index of Wellbeing (2012), 42-44, 51-60; see also EGGE, ‘Economic Case,’ at 17-19.
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9. See Evridiki Tsounta, *Why are Women Working so much more in Canada? An International Perspective* (Paris: International Monetary Fund, 2006) (IMF Working paper no. WP/06/92) [‘Tsounta, *Canada*’], at 19, at <http://www.imf.org/external/pubs/ft/wp/2006/wp0692.pdf>.
10. See Tammy Schirle, *Effects of Universal Child Benefits on Labour Supply*. Canadian Labour

Market and Skills Researcher Network, Working paper no. 125 [‘Schirle, *UCCB and Labour Supply*’], at <http://www.clsrn.econ.ubc.ca/workingpapers/CLSRN%20Working%20Paper%20no.%20125%20-%20Schirle.pdf>.

11. These figures are derived from Canada, Department of Finance, *Tax Expenditures and Evaluations 2012* (Ottawa: Public Works Canada, 2013), table 1 [‘Canada, *Tax Expenditures*’], at 19 <http://www.fin.gc.ca/taxexp-depfisc/2012/taxexp12-eng.pdf>. Tsounta, *Canada*, found that the combined effect of removing tax disincentives to women’s paid work and increasing benefits designed to support that work resulted in a total of 1.2 percentage points of the 3.2 percentage points in actual increases in women’s labour force participation rates between 1995 and 2001. That study also collects references to other similar findings in Canadian studies.

12. This cost estimate and the decile breakdowns on the benefits to average couples were prepared using Statistics Canada, Social Policy Simulation Database and Model, version 20, estimated for 2012. The assumptions and calculations underlying the simulation results were prepared by the author and Val Kulkov, and responsibility for the use and interpretation of these data is entirely theirs.

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