

## FEDERAL ELECTION MATERIALS

### ARTICLES

#### **Who benefits? A gender and distributional impact analysis of election income tax promises**

[Canadian Centre for Policy Alternatives](#)

June 22, 2004

Conservative income tax proposals disproportionately benefit men, upper-income families--report

OTTAWA--Families with incomes over \$150,000 are the big winners in the Conservative Party's proposed income tax package, according to "Who benefits? A gender and distributional impact analysis of election income tax promises." Furthermore, low-income and even middle-income Canadian families benefit very little from the Conservative income tax promises.

The study, released today by the Canadian Centre for Policy Alternatives, also found that men received the lion's share--73%--of the value of the tax reductions under the Conservative's proposal.

Under the NDP tax promise, families with incomes below \$60,000 receive almost two-thirds of the tax reduction package. Men would see their total income tax payable increase an average of \$106 while women would see an average decrease of \$439.

The Liberals have no income tax proposals in their platform.

The report, written by economists Sheila Block and Ellen Russell, used Statistics Canada's Social Policy Simulation Database and Model to analyze the personal income tax proposals of the three major national political parties.

Conservative key findings include:

- The 64% of Canadian families with family incomes of \$70,000 and less receive only 11.6% of the total decrease in taxes. Of these, the 32% of families with the lowest family incomes (under \$30,000) receive less than one per cent.
- The 36% of families with incomes of \$70,000 or more receive 88% of the total decrease in taxes. And of these, the 7% of families with incomes of \$150,000 or more receive almost one-third of the total value of this tax cut.
- Men would see their total income tax payable decline by \$559 on average, while women would see an average decrease of only \$201.

NDP key findings include:

- Families with incomes between \$60,000 and \$90,000 experience the largest average decrease--between \$794 and \$803.
- Families with incomes above \$150,000 have an average increase in taxes payable of \$1,752. These increases account for 33% of the net reduction in total personal income taxes.

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### **Child Tax Deception: The Proposed Child Tax Deduction**

Ken Battle, [Caledon Institute of Social Policy](#)

"This report argues that the federal Conservatives' proposal for a \$2,000 child tax deduction "is a retrograde and regressive idea...resurrected from the graveyard of Canadian public policy." It would pay its highest benefit to high-income families. It would divert precious resources to wealthy families, for whom child benefits are a drop in the bucket – money that is desperately needed to improve child benefits for poor and modest-income families. It would re-introduce horizontal inequity into the child benefits system. And it would hit the provinces and territories with reduced revenues from their own income tax systems and health premiums, along with increased costs for their child benefit programs and refundable tax credits. "

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**Dear Candidates: Don't forget Canada's children**

Globe & Mail, June 17, 2004

Opinion Editorial, Campaign Against Child Poverty

It's crunch time for Canada's kids. The Campaign Against Child Poverty believes that the outcome of the June election is critical to the needs of Canada's children. Never has an informed vote been more important; never has it been more important to insist on the absolute clarity of the commitments made by the parties wishing to govern Canada.

The CACP was delighted at the ground-breaking news that the Liberal Party was prepared to invest five billion dollars in a national child care program and would work closely with the provinces on its implementation.

We, and child advocacy organizations across the country, applaud this dramatic initiative that reverses years of inaction and which we see as one of the critical steps to ensure the equitable treatment of Canada's children. But we are dismayed that not all parties have platforms that support this and other essential social policies that have a direct impact on the well-being of our children and their families.

Comparing the parties' platforms is both instructive and troubling:

The Liberal Party and the NDP both favour a national child care program, the strengthening of the Canada Child Tax Benefit and the provision of affordable housing. In addition, the NDP has advocated the restoration of a federal fiscal role to ensure that federally transferred funds intended for social assistance meet specific, Canada-wide goals, and pledged significant improvements to maternity/parental leave and to unemployment insurance eligibility. The Bloc Québécois, while hesitant about endorsing federally sponsored national programs, has strong platform commitments on affordable day-care, affordable housing, increase of federal transfers to targeted programs, and improvements to maternal/parental leave and unemployment insurance. The Green Party has similarly strong platform planks.

Our major concern, however, is that the Conservative Party, seemingly poised to make major electoral breakthroughs, has remained largely silent on issues related to children's needs. Indeed, the Conservatives oppose a national child care program and have made no commitment about affordable housing.

Far more worrisome is their refusal to clarify their view of the fiscally progressive child tax benefit (which to us has been a key fiscally responsible instrument to

help families meet their children's needs). When asked whether they would support the Canada Child Tax Benefit, Conservative headquarters said only that: "There is no child tax benefit promise in the platform."

What is in the Conservative platform is a fiscally regressive \$2,000 child deduction regardless of family income. The present Canada Child Tax Benefit will provide low-income families \$3,240 by 2007; the NDP pledges to raise that amount to \$4,900. The deduction proposed by the Conservatives, however, would transfer benefits from low to high earners, and raises serious questions about the future of a national, fiscally progressive, tax-based plan. By the time the \$2,000 child deduction is fully phased-in by 2008-09, the Globe and Mail reports that it will be worth between \$320 to \$580 per-child for "all Canadian families" depending on their incomes -- the higher the income, the bigger the deduction.

So there is a story here, and like all stories, it contains a message and a cautionary note. The story goes like this: Canada's children are not nearly as well off as they should be, and with more than a million living in poverty, the goal of the all party resolution of 1989 to end child poverty by the year 2000 seems depressingly distant. Canadians were hit with deep cuts to social programs in the mid-90's. Economic slowdowns and the focus on deficits saw the end, for example, of the Canada Assistance Program with its accountability for federal transfers to the provinces for social services.

But as in all good stories, there is hope. Sustained public concern has kept the issue of child poverty alive, and in response some encouraging tax and program initiatives have strengthened the mix of income assistance and community services required for progress on child poverty. We have begun to see the glimmers of a coherent, prudent and sustained national strategy. The message of the story is clear: compassionate public policy can work. The caution is also clear. One party has, according to its platform, little to say about Canada's most precious natural resource. A vote for that party, it seems to us, will do nothing to ensure the story has a happy ending.

Rabbi Arthur Bielfeld, June Callwood, C.C., O. Ont., Professor Roger Hyman, Gerald Vandezande, C.M.  
Members of the Steering Committee of Campaign Against Child Poverty

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### **What will the election mean for Canada's kids?**

By Dr. Clyde Hertzman

With a federal campaign on, promises are flying faster than the puck at a playoff game. Most recently, Paul Martin pledged several billion dollars for child care over the next five years. This isn't the first time federal Liberals have promised major action on child care. Canada's kids deserve a government that will deliver.

Over the last decade, the early childhood period (from birth to age 5) has gained a public profile and some government recognition. A National Children's Agenda was agreed to in the late 1990s, and since then there have been modest increases in federal-provincial transfer payments. While some important baby steps have been taken, we're still a long way from a comprehensive early childhood development strategy.

Yet there is now an impressive body of evidence showing that early childhood development affects health, wellbeing, academic achievement, and competence for the rest of a person's life. We know that a child's development is strongly

influenced by the day-to-day qualities of the environments where he or she grows up, lives, and learns. We also know that stark inequalities in child development emerge over the first five years of life. These inequalities are related to a range of factors, including family income and education, parenting style, neighbourhood safety and income level, and access to quality child care programs.

In other words, families do not operate on their own. Children who grow up in safe and close-knit communities do better, in general, than those from dangerous and socially fragmented neighbourhoods. Access to quality child care and developmental programs and services provides important benefits for all Canadian children. This means that society is involved in early child development, whether we want to address our role or not.

Publicly, we spend more than \$6,000 per child on K-12 education. But we spend less than one-sixth of this amount between birth and 5 years. This cutoff point makes no sense, and the lack of adequate public funding for early childhood development (ECD) should be a central election issue.

A recent initiative in Vancouver measured kindergarten children's readiness for school in three areas of child development that have a long-term impact on health, well-being and school success. The results of this study were mapped at the neighbourhood level, postal code-by-postal code.

What emerged is a comprehensive picture of Vancouver as an environment for early childhood development, rich in insights as to what we, as a community, should address in order to improve the life chances of our youngest citizens. The insights from Vancouver are relevant to communities across the country.

Although the study indicated that the highest developmental risk is found in the poorest neighbourhoods in town, the largest number of children at risk is found more thinly spread across Vancouver's middle class neighbourhoods. About 20% of Vancouver's vulnerable children live in the three 'high risk' neighbourhoods, while the other 80% were spread across the rest of the city.

If the purpose of an early childhood development strategy is to give all kids a better chance in life and reduce social inequality, then a strategy to provide universal access to the conditions that support healthy child development is crucial.

Vancouver has a variety of child care centres and child development programs, but funding levels are low, programs are unstable, neighbourhood accessibility varies and the mix of programs is ad hoc. Licensed child care is hard to find in areas where parents have the least education — where children would benefit from it the most. Equalizing access to quality care child is a vital part of an effective early child development strategy. It should be a top priority for those in control of the purse strings.

The Vancouver study also tells us that children whose family backgrounds might put them at risk, but who live in mixed-income neighbourhoods, tend to do better than their counterparts in low-income neighbourhoods. In other words, mixed neighbourhoods lead to lower levels of developmental vulnerability than economically segregated poor neighbourhoods. This confirms the need for policies that build diversity, such as more social housing spread across our cities.

Some progress has been made at the federal level. The recognition of child care by the federal government as a cornerstone of early childhood development and

promises of increased funding are a good start. But it is only a start. What we need is a long-term commitment, across all levels of government, to build a system of publicly-funded, universal access to opportunities for development, learning and care so that all Canadian children have a fair chance at school and life success. And we need to ensure that the politicians who make it to Ottawa this month are prepared to make that commitment.

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A summary of Dr. Hertzman's research is available at [www.policyalternatives.ca](http://www.policyalternatives.ca)*

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### **Will U.S.- style tax cuts work here? No**

LINDA MCQUAIG

Toronto Star

May 30, 2004

The buzz now is that Stephen Harper isn't scary after all. I guess it depends on what scares you. I wouldn't be scared to discover the Conservative leader walking behind me on a darkened street. On the other hand, I'd be very scared to find him managing the country's finances.

The problem is that he's not asking us to elect him to patrol our streets.

Harper has been advocating something that would be a significant departure for Canada — pushing Canadian taxes below U.S. levels. At an event in Brockville last week, he went even further, saying his party would strive to make this "not the highest-spending country in the world [it certainly isn't], but the lowest-taxing one."

So our goal should be not just to get below the U.S. but to get our taxes down to the level of — what? — Mexico?

Canada's overall taxes amount to 33 per cent of GDP, compared to 29 per cent in the U.S., 18 per cent in Mexico. (There are even lower tax levels in the Third World.)

So does Harper want us to have the kind of education, health care, pensions and public infrastructure that they have in Mexico or perhaps Bangladesh, where the adult literacy rate is 43 per cent?

I'm sure he doesn't — or if he does, he wouldn't admit it to the Canadian electorate. But it's a measure of how numbed we've become by the tax-cutting arguments of the right that this sort of ludicrous statement by a party leader in the midst of an election campaign passes almost without notice. When it comes to cutting taxes, nothing is considered too wacky or extreme.

This illustrates how successful the right has been in severing the connection in the public's mind between the taxes we pay and the public services we receive. It could be called the Great Disconnect.

Clearly, we can't have the kind of public services Canadians say they want without paying for them. Just as there's no free lunch, there's no free health care — or free garbage pickup. But this fundamental fact is omitted from the fantasy world presented to us by right-wing tax-cutters.

If we look around the real world, however, we see there's a clear connection.

People in Mexico pay very little tax and get very little back. While Mexico is a nice place to visit, one avoids drinking the water, getting sick or growing old there.

Meanwhile, the people of Europe and Scandinavia pay a lot more tax, but they get a lot more services — like national day care, extensive parental leaves, comprehensive home care and drug programs, free dental care for children, free university tuition — things that would be dismissed here as pie-in-the-sky dreaming.

We're told such indulgence would make us economically uncompetitive — even though Scandinavian countries routinely score near the top of the World Economic Forum's annual competitiveness index; indeed, Finland, where taxes amount to 46 per cent of GDP, currently ranks Number 1.

We're encouraged instead to be envious of low U.S. taxes. In fact, U.S. taxes are only really lower for the rich. Low-income Americans pay higher taxes than low-income Canadians, and receive fewer benefits.

In the middle range, Americans pay somewhat less tax than Canadians, but they don't get public health care, which can cost \$10,000 (U.S.) a year to buy privately. Middle-income Americans also suffer from the lack of a universal old age pension like the one we have.

The success of the right in perpetrating the Great Disconnect in public debate explains the outrage last week over NDP Leader Jack Layton's suggestion that Prime Minister Paul Martin bears some responsibility for the death of homeless people.

In the imaginary world of the Great Disconnect, one can cut spending — like cutting taxes — and nothing happens. But in the real world, spending cuts affect people, particularly the most vulnerable. In the mid-1990s, Martin ended Ottawa's role in social housing and significantly reduced funding for social programs at all levels of government. He wasn't trying to hurt people but his cuts likely contributed to homelessness; homeless people have higher death rates.

Fault also lies with Conservative leaders Mike Harris and Brian Mulroney — and with Canadians for electing them. But the point is that cutting spending isn't just a gentleman's parlour game; it has consequences.

Martin's attempt to present himself as the victim of a scurrilous attack doesn't wash. It seems the real victims — as practitioners of the Great Disconnect hope we'll forget — are dead.