HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

○ **an organization** **Organization name:** _____

or

◉ **an individual** **Name:** Kathleen Lahey, Professor, Faculty of Law, Queen's Universit

Topic: Employment, labour markets and unions

*Recommendation 1: Please provide a short summary of your recommendation.

Reform federal tax measures to (1) fund essential employment supports including child care and job training, (2) remove tax barriers to women's employment, and (3) improve public services and employment, all of which will reduce inequality and support sustainable economic growth.

Women's continued entry into paid work has been the 'mainstay' of Canada's economic growth over the last decade (OECD), and reforming federal tax laws to provide key supports to paid work will safeguard women's, men's, and youths' labour market status and thus support sustainable growth in the future.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount: new revenue of $26.3 billior

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

$26.3 billion annually in increased federal revenues can be realized by taking four simple steps:

Restore corporate income tax rates to 2005 levels:	$13.1 billion/year going forward
Eliminate the federal dividend tax credit:	6.5 billion/year going forward
Eliminate pension income splitting:	2.0 billion/year thereafter
Eliminate transfer of tax credits between spouses:	4.7 billion/year going forward

Total increase in annual federal revenues: $26.3 billion/year

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Restoring corporate income taxes and eliminating dividend tax credits would create incentives for increased corporate investment and competition, while eliminating pension income splitting and transferable tax credits would remove tax penalties on second earners. The new $26.3 billion in revenue would enable the federal government to provide crucial employment and labour market supports:

(1) National child care program: $ 5 billion/year
(2) Job training programs: 5 billion/year
(3) Improve services and employment: 11 billion over three years

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Corporations would spend after-tax profits on new investment and innovation instead of using tax cuts to fund unsustainable dividend payments. Second-earner spouses/partners would not be penalized for paid work by loss of large supporting-spouse tax benefits or face unsustainable care costs when working for pay. Increased federal employment and labour market support programs, combined with private sector increases in capital investment and employment, would increase the overall level of sustainable economic activity and individual incomes.

Topic: Personal taxation

Recommendation 2: Please provide a short summary of your recommendation.

Eliminate joint personal income taxation:

Under existing federal tax and benefit rules, the federal government provides $8.1 billion/year in tax benefits to individuals with economically dependent spouses/partners. Some 74% to 88% of these benefits go to men. Women partners "fund" at least half of this $8.1 billion/year by incurring increased tax liabilities themselves. Not only does this system of joint taxation impoverish women by leaving them with substantially less after-tax income, but it also creates artificial financial barriers to women earning their own incomes.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount $4 billion/year increased rev

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

By eliminating the many joint tax and benefit items that produce this $8.1 billion tax bonus to primary income-earners, the federal government would same at least $4 billion each year.

In addition, second income-earners, who are overwhelmingly women, would realize some $4 billion more in after-tax income, and would thus pay much lower tax penalties for entering into paid work.

If this principle were extended to means-tested benefits, women's and families' after-tax incomes would be even higher -- as much as $2,000 more annual after-tax income per woman.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Women seeking paid work would be the main beneficiaries of these changes. To ensure that low-income women benefit equally from individualized income taxation, means-tested federal benefits should be changed to eliminate joint income tests as well.

This change would benefit households by equalizing each individual's ability to earn a liveable income, and would enable women to accumulate more CPP, EI, and private retirement savings as well, reducing their economic dependency on a spouse/partner.

The economy as a whole would benefit from women's freer and unpenalized access to paid work.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Removing all joint tax barriers to women's paid work would enable everyone to choose their level of employment based on preferences and abilities instead of on how their spouses/partners' after-tax incomes would be affected. OECD and IMF research has demonstrated that countries with higher levels of women's employment are more economically stable during crises, and that women's increased paid work would increase their access to safety nets including CPP, EI, job training, workplace standards, worker's compensation, and tax-assisted savings, and reduce the costs of poverty to governments.

Topic: Employment, labour markets and unions

Recommendation 3: Please provide a short summary of your recommendation.

Expand legislative and human rights protections against workplace and governmental discrimination on the basis of sex/gender, race, Aboriginal heritage, disability, poverty, and immigration status.

Over the last decade, part-time, temporary, and intermittent work with shrinking benefits has become more prevalent, and the most vulnerable members of the workforce are increasingly stratified in such work. Increased workplace standards, as well as stricter prohibitions on discrimination in hiring, retention, benefits, layoff, and termination, would equalize access to good paid at a livable wage.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$500,000-999,999

3 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Tax reforms outlined in submission #1, above, would generate sufficient budgetary flexibility to carry out the policy reform work needed to implement this recommendation, and to then carry out effective implementation and application of the resulting changes.

Over time, increased economic equality will offset these initial costs by enabling more individuals to obtain decent paid work. The Justice department has a large staff of experienced lawyers, and their activities would be more economically productive if devoted to defending employment rights instead of defending discrimination.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The range of vulnerable workers benefited by this recommendation is potentially quite large. Youth under- and unemployment is a new and growing problem; the skills of immigrant workers are often under-utilized because of various biases; discrimination against Aboriginal, disabled, and racialized individuals is a persistent problem; and women in each of those groups fare worse than men. This recommendation would enhance everyone's right to equal access to more secure paid work or enterprise.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The ultimate effect of reduced levels of discrimination in all aspects of employment -- public and private -- would be reduction in inequalities between groups, reduced government costs due to poverty, and increased access to sustainable economic activity. In turn, these effects would improve Canada's economic durability and functioning as a whole.

Please use this page if you wish to provide more explanation about your recommendation(s).

Continued sex discrimination in all forms of economic relations has artificially denied nearly half the population of Canada -- women -- from access to the pools of capital, from management, innovation, self-employment, and scientific areas from which innovation and thus productivity most often are generated, and from political decision-making positions that could help equalize access to productive resources. Youth, Aboriginal persons, immigrants, and the disabled also face ongoing workplace and program biases. It is now well known (OECD and UN) that the rate of poverty has been growing rapidly in Canada despite being one of the richest countries on the globe.

The OECD, World Bank, IMF, and EC have consistently identified a strong correlation between equality, economic growth, and economic stability. Sex equality is of particular importance in all these studies. Given that Canada provides less support than any of the other OECD countries for child care and early childhood education, and has been in the process of repealing or cancelling many other important supports for women's economic participation, the most growth-enhancing steps that could be taken at this point in time would be to fund an accessible and affordable national child care program and simultaneously enforce measures prohibiting employment and contracting discrimination against women. Women's economic viability is essential to individual and household economic stability, well-being, and national economic growth. To fail to take this crucial set of steps is to cut Canada off from growth rates and patterns it has enjoyed before, and can easily enjoy again.

Increasing economic equality cannot be left only to governments. As the result of large corporate income tax cuts, Canadian companies have been stockpiling cash since 2008 at unprecedented rates, and the rate of corporate investment has remained low despite supposed economic recovery. The reason is simply that so long as large after-tax retained earnings enable corporations to keep shareholders happy with gradually increasing dividend-tax-credit-bearing dividends, lack of innovative and growth-producing investments will not concern shareholders -- and thus will not concern Canadian corporations. This trend is reinforced by lack of sex-equal and diverse representation on corporate boards, in CEO appointments, and among line employees. Increased corporate income taxes will spur profit-seeking; employment tax credits will incentivize job creation; and strong workplace protections will secure job loyalty and employee development. Households also need to be relieved of the pressures of unbalanced tax rates and credits. Joint tax benefits to high-income individuals literally use up valuable government revenues to fund tax incentives for single-income households, even though dual-income households have greater economic depth and durability

*Please note that at least one recommendation must be provided