

FEDERAL BUDGET OVERVIEW:

Not a Budget for Women

Prepared by the Canadian Alliance for
International Action (FAFIA)
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The opinions expressed in this document do not necessarily represent the official policy of Status of Women Canada.

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Overview

The Canadian Feminist Alliance for International Action (FAFIA) is a pan-Canadian alliance of over 80 women's and human rights groups. FAFIA monitors Canada's fulfillment of its international obligations.

FAFIA hosted a de-briefing session immediately after the release of the 2007 federal budget.

Member groups identified the following areas as having a particular gendered impact on women in their communities across Canada:

- Poverty Measures
- Tax Breaks
- Social Programs
- Values
- Equalization and the Canadian Social Transfer

Analyses of changes to the equalization formula, the new Registered Disability Savings Plan, Registered Education Savings Plans (RESPs) or the announcement of \$1.26 billion in infrastructure spending for unspecified Public-Private Partnerships are not yet included in this document, while important, were not addressed in detail.

We welcome your comments, contributions and corrections. Please email FAFIA at info@fafia-afai.org or call us at 613-232-9505, x222.

General Note

Women in Canada are affected differently than men by tax and spending policies of governments. Women in Canada still have different labour market opportunities, family and community responsibilities, and levels of economic security. This budget demonstrates how little these facts are acknowledged. Some of the measures in this budget continue a trend that was documented in FAFIA's ten year retrospective budget analysis (1995-2004) authored by Armine Yalnizyan. This report can still be accessed at: <http://www.fafia-afai.org/en/node/150>

FAFIA has compiled a list of quick facts based upon Statistics Canada report, Women in Canada 2005. It is attached. CRIAW has also produced several fact sheets on women's poverty available at www.criaw-icref.ca

The Alternative Federal Budget project of the Canadian Centre for Policy Alternatives produces an annual federal budget using the same numbers as the federal government's but with remarkably different results.

See: <http://www.policyalternatives.ca/>

Poverty

Aboriginal Women

According to the Beverley Jacobs, President of the Native Women's Association of Canada's, this federal budget was « extremely disappointing ». There was absolutely no funding announced for Aboriginal specific initiatives and organizations that provide vital support programs for Aboriginal women and children. « What about those who are struggling to find jobs and who are living below the poverty level? There's no help for them. There's no specific focus on Aboriginal women and children. There's no support for those who continue to struggle, » said Jacobs.

Plus, there are no initiatives to improve health care for Aboriginal women and children. The only Aboriginal specific item is limited to skills training assistance for large mining, oil and gas corporations which will do little to address the growing crisis facing Aboriginal women and children. The Conservative's 2006 campaign promised to fund Aboriginal women's organizations. However, this is the second budget for this government that contains no financial commitments to Aboriginal women's organizations.

For more info: www.nwac-hq.org

Immigrant Women

While this year's federal budget invests an additional \$342 million per year for language instruction and employment-related support, the federal government has backed away from its commitment to establish a federal agency to assess and to recognize credentials at the federal level. It has instead directed resources to providing immigrants with path-finding and referral services to identify and connect with the appropriate assessment bodies. However, the difficult question of how foreign credentials will be assessed has yet to be resolved.¹

Without concerted measures, the National Organization of Immigrant and Visible Minority Women of Canada and FAFIA regret that the problem of the impoverishment and poverty of immigrant and refugee women and their families respectively has not been meaningfully addressed in this budget. While women who immigrate to Canada often possess higher levels of education than Canadian-born women, they experience tremendous difficulty integrating into the work-force because their credentials and work experience from abroad are rarely recognized. Resources need to be directed to ensuring that immigrant professionals, women and men, are able to at minimum re-qualify to do the work

¹ The location of the agency in Citizenship and Immigration Canada is a positive step since the department has a better understanding of the problems that immigrant women and men face when seeking employment commensurate with their skills and qualifications.

for which they are trained, and that resources should also be allocated to provinces for the creation of internships and medical residencies². Further, it has been long recognized that in order to attain equality and facilitate the full integration of immigrant women into Canada's economy, the federal government must ensure that women have sufficient access to profession-specific language training, skills upgrading and back to work mentoring and bridging programs.

In addition, many groups have called for the elimination of the live-in requirement of the Live-In Care-Giver and Domestic Program, which attracts skilled and almost exclusively female professionals to work as full time care-givers while residing in their employer's home. Groups have also demanded that these workers be granted landed status upon arrival.

For more info: <http://www.noivmwc.org> or <http://www.intercedetoronto.org/>

Working Income Tax Benefit

Women in Canada have high levels of poverty, and their poverty causes their children to be poor. But the only anti-poverty strategy in this budget is the working income tax benefit, a refundable tax credit intended to help low income women and men move from social assistance to work by lessening the "welfare wall." It provides a maximum of \$500 to singles and \$1,000 to families. This is a tiny amount, not sufficient or effective enough to move an individual woman or a woman and her children from the entirely inadequate rates of social assistance currently being provided to affording a safe, decent place to live and to enough to eat.

Also, although the federal government has committed to negotiations with the provinces and territories regarding the administration of this refundable tax credit, there is some risk that it could be clawed back from social assistance recipients by provinces and territories in the same way that they have clawed back the National Child Benefit Supplement from the poorest families.

For more info: www.criaw-icref.ca / www.growinggap.ca

² In particular, NOIVMWC has proposed that the money allocated for the new agency would have been better spent if it were held as a **soft loan facility** for immigrant professionals, women and men, who wish to re-qualify or allocated to provinces for the creation of internships and medical residencies

Tax Breaks

The tax breaks offered in this budget also mainly do not help women. Women's pre-tax average income is approximately \$24,400 per year (Statistics Canada's 2006 report, Women in Canada). In 2002, 39% of women tax filers in Canada compared to 25% of men had no tax liability, i.e. they do not pay tax because they do not earn enough money. This means that non-refundable tax credits are of no use to them because if a person has zero tax liability they cannot claim additional credits. In this federal budget, a number of tax breaks have been introduced which will mainly help upper middle income and high income earners, who do pay more taxes and can benefit from the full value of the tax credits.

The New Child Tax Credit

For example, the New Child Tax Credit, which is available to everyone with children and not subject to income-testing, delivers nothing to those with non-taxable incomes, and with incomes of below 30,000 (because the tax liability, i.e. the amount of taxes owing, for a family at this income level is quite low). Single parents, who are mostly women, who have incomes at or near the poverty line will see no benefit from this credit. The tax credit's maximum value will be up to \$310/per child. Further, because the credit will be granted to all families that pay federal income tax, even those with the highest incomes, it is very expensive in terms of the cost to the government. The amount to be spent on this credit is almost three times the amount to be spent on the Working Tax Income Benefit intended specifically for low income earners.

The New Child Tax Credit will be calculated based upon the amount of \$2,000 (indexed) for each child under the age of 18 years at the end of a taxation year and calculated by reference to the lowest personal income tax rate for the taxation year, i.e. 15.5 per cent in 2007.

For more info: www.campaign2000.ca

Spousal Credit

Some provisions, such as a raise in the spousal credit (\$7,581 to \$8,929) appear to be intended to acknowledge the contributions of unpaid caregivers to their families and the economy by allowing one earner families to claim the non-earner spouse as a tax credit (Single parent families can also avail of this tax credit but claiming their child). But this raise in the spousal credit will allow for a maximum of \$209 in additional tax relief, most of which will go to higher earner families who can claim the full value of the tax credit.

Further, these provisions primarily help the earning spouse of the caregiver because they provide the tax break to the earning spouse. The unpaid care-

givers, who are mainly women, do not get any direct benefit. They also increase the tax cost of having a second parent enter or re-enter paid work, thereby raising labour market barriers that women have long struggled to bring down. They also benefit only selected care-givers, that is those who have a spouse or a child, excluding individuals who provide primary care to another relative, friend or community member. Refundable (i.e. cashable) tax credits paid directly to the un-earning spouse would be a better and more direct way to acknowledge the unpaid care provided by women, rather than indirectly through a spousal tax credit. Women would also be better acknowledged for their unpaid labour through improved provisions for maternity and parental leave, better drop-out provisions in the CPP/QPP for care-giving, and better supports for women returning to the labour force after periods away.

For more info: www.nawl.ca

Tax Free Scholarships for Elementary and Secondary School

This budget proposes to eliminate all tax on scholarships for children who attend private elementary and secondary schools. It offers as an example a young man who receives a \$30,000 scholarship to attend a private high school in Ontario, stating that the exemption will save his family over \$3,000 in federal income tax. FAFIA notes that the exemption applies regardless of the family's income level. This is a tax subsidy for private education at a time when governments claim they cannot find the resources to ensure that public education is properly funded, a critical public service to ensure equal opportunities for children from all socio-economic backgrounds. It is also important to note that by the government's own example, this tax subsidy is worth more than three times what a low-income single parent or couple could receive from the Working Income Tax Benefit.

Pension Income Splitting

The budget includes new details about how senior couples will be permitted to split pension income received from employer-sponsored pension plans or private retirement savings plans. When this proposal was first announced last fall, the government provided little concrete information about how it would work. The budget confirms that "income splitting" will be merely a fictional averaging of pension earnings between members of a couple. This will take place entirely on paper, and will not require that any pension income actually be transferred to the spouse or partner with the smaller pension, who is almost always a woman. Instead it will permit the spouse with the higher pension to report up to half of their income on the other spouse's tax return. In effect, the higher paid spouse will receive a tax cut, while the other spouse's tax liability will be increased. It is true that the total taxes on the pension income can be reduced in this manner. However, FAFIA is concerned that this proposal calls only for sharing of tax liability with the lower-paid spouse, not for sharing ownership of the pension income itself. Women generally have lower pensions because they have less

access to jobs with higher incomes or retirement benefits, often because they are primary caregivers who have moderated their labour market activities. These women deserve equal security in retirement, and equal access to retirement savings of the couple. Pension income splitting, especially the artificial variety proposed in the budget, does not achieve these goals.

Capital Gains

The budget proposes to reduce the tax payable on some individuals who earn capital gains, including a complete tax holiday on capital gains up to \$750,000 for certain business owners (increased from \$500,000). Capital gains are the profits realized by those who sell property which has increased in value. It is well known that this form of income is received very disproportionately by the highest earners, and by men. In 2004, two-thirds (66%) of capital gains were received by individuals earning \$100,000 or more. Women received only 36% of all capital gains. This exemption has been justified on the basis that it will stimulate investment and economic growth, and on the assumption this will benefit all. However an expert panel appointed by a former federal government recommended in 1997 that this capital gains exemption be abolished, due to the lack of evidence that it “has had any measurable positive impact on investment and risk-taking” (Report of the Technical Committee on Business Taxation, Chaired by Mr. Jack Mintz, p.7-18). The government’s decision instead to increase this tax exemption means that some of the wealthiest Canadians will pay a lot less tax, reducing the public funds available to help those with less, and without any guarantee of benefits to the wider economy or society.

Social Programs

Child Care

Social programs are of particular importance to women, and women need more money put into social programs and social services. In this regard, the budget is also a startling disappointment. When Canada is so wealthy, the Conservatives have cut 1 billion dollars out of Canada's fledgling child care program, and have reduced the federal contribution to child care so drastically (\$250 million per year) that women and families face a future of searching frantically for safe, affordable places for their children. This demonstrates a bias against working women that is unrealistic and out of date. The majority of women with children are in the workforce full-time; they work to help support their families, and need good quality and affordable care for their children.

For more info: www.ccaac.ca and www.buildchildcare.ca

Housing

The federal budget promised no new dollars for housing/homelessness and made no mention of the development of a national housing strategy. This budget does not recognize that there is a housing crisis/poverty in Canada and certainly does not recognize that it has gender dimensions.

- At least 1.5 million households (more than 4 million people) are officially classified as being in "core housing need".* Disproportionate numbers of Aboriginal people, older women, single mothers, and recent immigrants are in core housing need. For example, 25% of all households in core housing need are households headed by single mothers.

*A household that is unable to pay the median rent for housing which meets all standards – adequate, suitable, affordable – without spending more than 30% or more of pre-tax income on rent is said to be in core housing need.

- In 2003, 72% of single women over the age of 65 who rented were considered to have housing affordability problems.
- In the same year, 42% of renter families headed by single mothers had housing affordability problems.

For more info: <http://www.equalityrights.org/cera/>

Canada Social Transfer

It is also a problem for women that the increased transfers to the provinces carry with them no standards, no conditionality and no accountability. Social

assistance and civil legal aid, both ostensibly supported by the Canada Social Transfer, are in crisis but they are not addressed about in this budget. While the Canada Social Transfer has been increased by \$687 million, and an escalator clause (at 3%) has been included, provincial government's expenditures for many of the programs that women need most may simply remain at their current catastrophically inadequate levels. Women from the north and smaller provinces have also signalled their concern about the federal government's decision to switch to use exclusively a per capita formula for determining the amount of the transfer to each province and territory (which potentially may not address the high cost of delivering services in rural and remote regions).

For more info on the CST: <http://www.fafia-afai.org/en/research/socialtransfer>

Post Secondary Education

While more money (\$800 million for the 2008-09 fiscal year) for post-secondary education is obviously good (though overall funding will still be roughly \$1 billion short of 1992 levels), other components of the Canada Social Transfer, which are essential to determining social justice and equity for the most disadvantaged women and men, must also be addressed directly and quickly.

For more info: www.cfs-fcee.ca

(Un)Employment Insurance

There were no changes to the eligibility rules for EI in this budget, despite the long-standing recommendations of the Canadian Labour Congress, and the recent taskforce in Ontario on Modernizing Income Security for Working Age Adults. Today, only about 4 in every 10 unemployed workers collect regular EI benefits, down from 80% in 1990. Only one in three unemployed women collect benefits, down from 70% in 1990.

For more info: www.clc-ctc.ca

Pensions

Extending time for retrieving RRSPs seems to encourage workers to work longer. However, the workers who need to work longer are women because they have inadequate pensions. Instead of changing tax rules to accommodate their working longer, we should be improving their pension income.

For more info: www.cupe.ca

Values

Status of Women Canada

The 2007 budget also signals \$20 million over the next two years for Status of Women Canada (this includes the \$5 million for 2007-08 already announced by the Minister which was generated through significant cuts to the operating budget of Status of Women Canada, and that resulted in the closures of twelve of sixteen regional offices, and the reduction in staff from 131 to 70). What was not announced is that the rules (Terms and Conditions) for the Women's Program have changed significantly to disallow all (domestic) advocacy, and most research with these funds. Further, the mandate of the Women's Program has been changed from one of explicitly promoting women's equality, to one of facilitating women's full participation in social, economic and cultural life.

www.womensequality.ca or www.psac.com

One-Earner Families Will Benefit Most

The family model with the most to gain from this federal budget is a high-earning male with a stay-at-home partner/wife. This family model is simply not reflective of the realities of the overwhelming majority of women in Canada. A number of the budget provisions, like the drastic cut to child care and the increase in the amount that can be claimed as a deduction for a non-earning spouse, explicitly favour one-earner families.

Appendix: Equalization and the CST

Submitted by Stella Lord, a Nova Scotian researcher on social policy matters in Atlantic Canada.

The federal budget was intended to fix the fiscal imbalance. Amongst other things this was supposed to ensure horizontal equity so that all Canadians no matter where they live in Canada receive about the same level of services at about the same level of taxation. An important part of achieving horizontal equity is through equalization. Equalization is a transfer by the federal government to the so-called 'have not' or poorer provinces to compensate for differences in fiscal capacity to deliver services. Equalization is enshrined in the Constitution Act, Sec. 36–2.

The equalization proposal put forward by the Harper government will improve the financial situation of most have-not provinces but it will not achieve horizontal equity. This is because the federal government has given provinces two choices for equalization. Under both options Alberta's capacity (or at least its non-renewable resources) will be exempt from the equalization calculation. Under the first option, provinces can maintain the 1982 five-province standard for calculating equalization or they can choose the new ten-province standard. The first formula removes both the poorest and wealthiest provinces from the overall calculation of the standard, but maintains the Atlantic Accord whereby some of the revenues from non-renewable off-shore natural resources in Newfoundland/Labrador and Nova Scotia are not counted in calculating equalization payments to these provinces for the eight year duration of the accords.¹ The second option for calculating equalization is to move to a ten-province standard. The ten-province option still does not include revenue from non-renewable natural resources in Alberta (and other rich provinces) in calculating the standard, but under the Harper plan it would include all of these revenues for calculating equalization payments to equalization receiving provinces. If they chose this latter formula it means that Nova Scotia and Newfoundland/Labrador will be forced to give up the Atlantic Accord negotiated with the previous government and that Mr. Harper agreed to maintain before the election.²

Basically, Mr. Harper has abandoned leadership on the issue of horizontal equity on the grounds that the provinces could not agree amongst themselves on a fair course of action. In the process, he has reneged on election promises to respect the Atlantic Accord between the federal government and Nova Scotia and Newfoundland/Labrador and that provinces in receipt of equalization such as Saskatchewan would also have their non-renewable resources disregarded.³ In the meantime, Alberta is counted in the ten-province standard, but its non-

renewal natural resources aren't. For Newfoundland/Labrador, Saskatchewan and Nova Scotia, the new equalization plan will improve their capacity to deliver some services but may not significantly do so in the long run and it will certainly deepen horizontal inequity and do little to ameliorate regional inequalities. What Mr. Harper has chosen to do is to pass on huge amounts of money to provinces where he hopes to maintain or make gains in the next election (Alberta, Ontario and Quebec). He is playing politics with national unity at the expense of small, poor provinces that appear not to matter to his electoral plans.

The Population-Based CST and Equalization

The lack of attention to real horizontal equity through equalization payments is especially problematic for have not provinces with small populations but on top of this, the new per capita CST formula for post-secondary education and social assistance/social services means that these provinces will not benefit from "associated equalization". The per capita formula (only pressed for by Premier McGuinty of Ontario) abandons what is known as "associated equalization" on the CST next year and on health-care by 2014-15. This was embedded within the Established Programs Financing arrangement and was intended to compensate for the fact that transfers of tax points (which formed a portion of the CST) are not worth as much in provinces with small economies as they are in the large, richer provinces. If associated equalization had been taken out of the CST formula last year, it is estimated that Nova Scotia would have lost about \$45 million under the CST. This loss is only compensated for this year by the fact that there is now an increase in the CST cash transfer. Another problem with the CST that affects provinces such as Nova Scotia in particular is that while the amount received for post-secondary education has never reflected actual costs this will be made worse by the population based formula. This is because the federal CST transfer is not linked to the total number of students the province educates. In Nova Scotia, almost 13,000 post-secondary students who come from out-of-province are educated at Nova Scotia's expense. The cost to Nova Scotia is about \$25 million a year. Ideally, to ensure that the funding for services is adequate and that provinces can actually meet common standards for social services, the CST should be linked to both revenues (capacity) and expenditures (needs). This would mean that, as is the case in federations such as Australia, the real costs of delivering programs and services in each province would be calculated and factors such as the ratio of working age adults to seniors and children, the need to deliver services in rural and remote areas and the reduced economies of scale in smaller provinces would be taken into account.