

Taking Action on Economic Inequality

This proposal was created after much consultation by the group Economic Inequality

Three steps to reducing economic inequality

1. Leaders and governments must agree in principle to reduce economic inequality.
2. Public discussion, conducted in a timely fashion, of the exact programs to be implemented, the funding involved, and the sequencing
3. Implement the changes resulting from this discussion

The problem

Growing economic inequality in Canada is now part of public consciousness, but government action addressing inequality is hard to find.

Total taxation rates in Canada have been steadily declining since the 1970s in parallel with reductions in the funding of social programs.

The damage that this inequality causes, not only to individuals but to the economy as a whole, is a subject that the public are not only aware of, but are actively worried about and, as the Broadbent institute notes, in wide support for taking action for change.

There is significant data from around the world demonstrating that countries with less economic inequality can appreciate benefits such as:

- lower crime rates,
- improved individual health
- higher rates of education
- less social unrest
- lower rates of drug and alcohol abuse
- greater rates of personal happiness

Taking action

It is critical that government leaders take immediate action to reduce the trend of growing economic inequality. Governments must use all the tools within their reach - fiscal, social and labour market policy - to reduce inequality. There is wide scope for action. Here are some of the changes needed:

Changes to fiscal policy

- Increase tax rates on higher incomes
- Review, limit and/or eliminate tax expenditures:
 - i.e. foregone tax revenue resulting from tax deductions and credits, many of which disproportionately benefit the wealthy
- Tax income from capital (including capital gains) at the same rates as employment income:
 - including limiting or eliminating tax free savings accounts which disproportionately benefit the wealthy. Alternatively, consider some form of inheritance tax.
- Eliminate tax minimization approaches such as offshore tax plans, family trusts, income splitting strategies, etc., which benefit primarily the wealthy.

Changes to social policy

- Increase Ontario Child Benefit
- Increase accessible, affordable child care
- Expand affordable housing
- Reform Ontario Works and Ontario Disability Special Program, and increase payments
- Support for human rights, legal aid, youth justice and programs
- Strengthen the public education system
- Introduce a living wage for full time employment
- Implement an Ontario Housing Benefit

Changes to labour market policy

- Increase minimum wages
- Encourage good living wage jobs
- Enhance employment insurance
- Strengthen strategic skills training, apprenticeship, school-to-work transition programs
- Increase the Working Income Tax Benefit
- Reinforce fair working conditions, enforcement of labour standards and support for employment equity.

There are good opportunities for all politicians to take positive action. We must demand commitments from elected leaders to agree in principle to reduce economic inequality, then press for changes implementing that commitment.

December, 2012.