

## **PHABC Statement on Poverty and Inequity**

May, 2014

While the poverty rate in Canada remains at 10-15%<sup>1</sup>, a recent OECD study<sup>2</sup> shows that the very rich are taking an ever greater share of income. Why is this?

For decades Canadian governments have followed an 'austerity' agenda: lowering taxes and cutting social programs to balance budgets with a focus on economic growth and 'trickle down'. In fact, 'trickle down' does not work. Corporate taxes (combining federal and provincial rates) declined by half between 1970 and 2012 (from over 50% to 25%).<sup>3</sup> In British Columbia, top income earners saw their taxes decrease from 82.4% in 1970 to 43% by 2010<sup>4</sup>. This has meant less government revenue, leading to fewer income supports for the poor and inadequate investments in social housing, early child development, education, healthcare and infrastructure development. (An exception was the federal stimulus program in response to the 2008 recession).

Businesses have kept wages low to maximize profits, contributing to poverty. Except, of course, for their senior staff. In 2009, at the height of the recent recession, the highest paid 100 CEOs in Canada made 155 times more than the average worker, and 330 times more than those earning minimum wage<sup>5</sup>. Globalisation led to massive increases in corporate executive compensation, often in the form of untaxed stock options.

High rates of returns on capital investments, tax breaks for capital gains and untaxed offshore banking and estates<sup>6</sup> have aided ongoing accumulations of wealth. Eighty-six families now hold more wealth than the poorest 11.4 million Canadians<sup>7</sup>.

The effects of poverty and inequities are well known: poorer health, more chronic disease, more avoidable deaths, social injustice, increasing demand and costs for healthcare services, reduced productivity of the workforce, a slower economy and the erosion of democracy and political and social instability<sup>8,9</sup>.

Child poverty means poorer health, poorer school performance, dropout, unemployment and street involvement. Hence poverty continues through generations.

A NASA-funded study<sup>10, 11</sup> shows that growing inequities and the depletion of natural resources can lead to economic decline and societal failure. Acemoglu and Robinson<sup>12</sup> show that over the centuries, nations characterized by rich elites and resource depletion have often failed.

The current inequitable situation in Canada is the result of the free market economic system with 'hands off' government policies. As Piketty<sup>13</sup> points out, this is not a reason to abandon our economic system which has led to abundant innovation and wealth creation. The solution is rather to moderate the excesses of the system through redistribution so that prosperity is more equitably shared by the entire population.

Stuckler and Robinson<sup>14</sup> show that countries in the last decade that have invested in social programs like health and education in response to recession have made better recoveries than those that followed an 'austerity' agenda. The International Monetary Fund (IMF) that pushed 'austerity' for decades, recently showed<sup>15</sup> that growing inequity is bad for economies and the judicious redistribution of wealth benefits economic growth.

Economists and the business community agree that a judicious redistributive approach is needed<sup>6, 7, 9, 13,14,15,16</sup>. Revenues can be raised by taxes on the wealthy (income, estates, capital gains), regulating offshore tax havens, taxing externalities<sup>17</sup> (pollution, tobacco, alcohol, sugar) and revenues from natural resources. These revenues should be used for social investments such as income supports (welfare, EI and child and disability payments), good jobs, social housing, early child development, education, improved healthcare services, environmental protection and infrastructure.

There is a key role for the business community. Businesses that produce and market useful products and employ workers in healthy environments are the engine of our economy. Businesses that pay a living wage, have co-ownership and profit sharing policies, have a triple bottom line (people, planet and profits) and pay their fair share of corporate taxes all contribute to reducing poverty and inequities. The Business Council of British Columbia and the BC Chamber of Commerce recommend the funding of new and expanded (social) programs 'primarily via economic growth... (and) a modest degree of incremental re-distribution.'<sup>16</sup>

There is widespread indifference to these issues among the wealthy who are simply too preoccupied with accumulating ever more wealth to care<sup>18, 19</sup>. Moreover, the abuse of public funds (for example by Senator Mike Duffy, Toronto Mayor Rob Ford, and ex-premier of Alberta Alison Redford) erodes public confidence in government intervention. Clearly better accountability is needed.

But measures by governments and businesses are needed **now** to reduce poverty and inequities. We are paying dearly for inaction. The costs to taxpayers for poverty-related policing, corrections, housing and healthcare far exceed what it would cost to eradicate poverty<sup>20</sup>. And the costs in the future of declining democracy and social and political instability will be borne by subsequent generations.

It is time for concerned citizens to push for action by governments and the business community. The following advocacy agenda is provided to support PHABC membership and partners in this effort:

- The public health community has been very successful in controlling communicable diseases (CDs) particularly through immunization programs. Smallpox has been eradicated and most other life-threatening CDs have been controlled. We now need to advocate for social investments that can similarly vaccinate our society<sup>21</sup> against the disease-causing effects of poverty and inequity.
- Political representatives and the business community should embrace a new policy agenda that stimulates sustainable economic growth and shared prosperity through judicious redistribution (and abandon the long-standing 'austerity' agenda)
- Political representatives should be urged to pursue a program of social investments to drive equitable, sustainable economic growth, including:

- A poverty reduction agenda with measurable goal and targets
  - Better income supports for poor families, the disabled, and other disadvantaged groups
  - Social housing
  - Infrastructure (transportation, recreation facilities, power)
  - Job creation
  - Education and skills training
  - Early childhood development
  - Improved healthcare services
  - Environmental protection and rehabilitation
- Political representatives should further be urged to raise revenues for this social investment agenda in such a way that inequities will be reduced and sustainable economic growth will be stimulated:
    - Restoring high marginal income tax rates on the very wealthy
    - Taxing large inheritances and capital gains
    - Closing tax loopholes and offshore tax evasion
    - Taxing externalities (pollution, tobacco, alcohol, sugar/processed foods)
    - Increasing royalties from natural resources
- Business leaders should be urged to pursue a triple bottom line: people, planet and profits(PPP)
    - Pay a Living Wage; control extreme executive compensation (including share buybacks<sup>22</sup>)
    - Pay fair share of taxes (stop offshore evasion) particularly on externalities
    - Healthy workplace policies
    - Green environmental policies
    - B-corp legislation (permits incorporation for PPP)

It is time for all sectors of society to come together to eliminate poverty and reduce inequities.

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