



# **The Alberta Disadvantage:**

Gender, Taxation, and Income Inequality

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# Contents

## The Alberta Disadvantage: Gender, Taxation, and Income Inequality

Kathleen A. Lahey

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## About the Parkland Institute

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- conduct research on economic, social, cultural, and political issues facing Albertans and Canadians.
- publish research and provide informed comment on current policy issues to the media and the public.
- sponsor conferences and public forums on issues facing Albertans.
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## Executive Summary

In 1995, Canada made historic commitments to implement gender equality in all policies, programs, and laws when it adopted the United Nations Platform for Action at the Fourth World Conference on Women in Beijing. That same year saw the adoption in Canada of The Federal Plan for Gender Equality to secure gender equality in all aspects of social, political, legal, and economic life in Canada.

Women in Alberta, who had been early leaders in moving toward greater sex equality, had already begun losing ground relative to men for some years by the time these commitments were made in the mid-1990s. Gender income gaps in Alberta are the largest in Canada, and women in Alberta perform an average of 35 hours of unpaid work each week – a disproportionate responsibility both compared to men in Alberta and to women in other provinces. This unpaid work burden compels many women in Alberta to seek part-time, flexible work arrangements, and a lack of affordable childcare spaces in the province is an additional barrier to women's participation in the paid workforce.

A shift in taxation policy at both the federal and provincial levels from “taxing for equity” to “taxing for growth” began in the late 1980s. A series of cuts and other changes to taxation resulted in a flattening of the progressive system of taxes in Canada, and shifted the tax burden to those who could least afford to pay: at both the federal and provincial levels, low-income taxpayers experienced significantly large tax increases, while high-income taxpayers received tax cuts.

The Alberta government restructured its entire tax regime beginning in 2000, replacing graduated personal and corporate income taxes with a single 10% rate for all but small business corporations. This policy of “detaxation” – a type of tax cut designed to permanently restructure the provincial revenue system – made the provincial treasury more dependent on volatile non-renewable resource revenues.

Detaxation in Alberta has especially adversely affected women, shifting disproportionate amounts of the province's annual tax share to women and low-income men in order to fund tax breaks for corporations and high-income individuals. In the process Alberta has significantly reduced the level of progressivity in its taxation system, and as a result, women in Alberta have continued to lose economic ground to men.



There are numerous alternative tax systems that could be implemented – especially in light of the current budgetary concerns resulting from the low price of oil – to reverse these trends and bring greater progressivity and gender equity to the tax system in Alberta. The report analyzes the impacts on both revenue and equity of adding additional personal income tax rates ranging from 8% to 16% to the current single 10% rate, and proposes a number of changes to the system of tax credits to make them more gender equitable. Such changes could add as much as \$1.6 billion in annual revenues to provincial coffers.

Cuts in corporate income tax rates to 10% for general businesses and 3% for small businesses have resulted in a loss of provincial revenue from corporate taxation of over \$28 billion since 2001. Because of the corporate ownership structure in Alberta, the benefits of these corporate tax cuts have disproportionately benefitted men in Alberta. Increasing the corporate tax rate would add \$1 billion in revenue for each percentage point increase, and would provide the resources necessary to implement programs which could begin to reverse the deterioration of women's economic position in Alberta.

The option of increased sales, commodity, and services taxes would exacerbate the inequities of the Alberta taxation system because these taxes are all regressive in varying degrees, and are less gender equitable than other available options. In a province that has seen the economic status of women deteriorate more severely than in any other jurisdiction in the country, the report argues that introducing a new provincial sales tax would be a step in the wrong direction.

The report also finds that budgetary reliance on the ongoing sale of non-renewable resource assets to compensate for the lack of adequate provincial tax revenues has left crucial social programs underfunded and vulnerable to market swings in volatile oil prices.

The report concludes with a series of recommendations to stabilize annual provincial revenues and to reverse the trend of greater gender inequality in Alberta, including the addition of new multi-bracket graduated personal income tax rates, enhancing low-income supports for women's paid work, increasing corporate tax rates for general business corporations, increasing resource royalty rates, use of the Alberta Heritage Savings Trust Fund to collect and manage non-renewable resource revenues, and the establishment of an effective provincial ministry charged with eliminating all forms of gender discrimination in Alberta.



# 1. Alberta's Gender Equality Commitments

Women in Western Canada have played key roles over the last century in establishing women's equality rights. Nellie McClung was elected to the Alberta Legislature in 1921, and led campaigns for women's legal rights, birth control, safe working conditions, and old age pensions, as well as joining the Famous Five to bring the historic 1928 Persons Case in which women were held to be "persons" in the Constitution of Canada. Alberta was an early leader in government-supported health care,<sup>1</sup> and, in the post-war period, women in Alberta were instrumental in gaining increased legal recognition for married women's family property rights.<sup>2</sup> During the 1970s and 1980s, women in Alberta made rapid progress in closing male-female income gaps, and, until the late 1990s, had some of the highest levels of education and labour force participation rates in Canada.<sup>3</sup>

While these changes were occurring, Canadian governments took important formal steps both domestically and in international treaties to develop legal, constitutional, and international frameworks to secure the attainment of full gender equality between women and men. The Canadian Charter of Rights and Freedoms and the Constitution Act, 1982 give express constitutional status to the fundamental declaration of women's equality in the 1928 Persons Case, and applied those constitutional protections to all levels of government as well as to Aboriginal relations.

In the 1980s and 1990s, Canada joined with countries around the world to expand sex equality guarantees. The Convention to Eliminate All Forms of Discrimination Against Women (CEDAW),<sup>4</sup> ratified in 1982, and the Beijing Declaration and Platform for Action,<sup>5</sup> adopted at the United Nations Fourth World Conference on Women in 1995, set out international gender equality norms and actions to be taken by all signatory governments to eliminate all forms of sex discrimination. At the same time, Canada adopted its 1995 Federal Plan for Gender Equality<sup>6</sup> to secure gender equality in all aspects of social, political, legal, and economic life at the domestic level.<sup>7</sup>

This report uses the detailed framework of analysis established in the Beijing Platform for Action to examine the gender impact of Alberta's many tax and other fiscal regime changes since 1995, and to evaluate alternative policies that will provide more effective support for the attainment of sex equality guaranteed to women in Alberta by existing laws, treaties, and policy commitments.

Taking such a detailed and wide-ranging approach to fiscal policy is called for in the context of Alberta because, despite the strong successes in moving toward sex equality over the course of the 20th century, the cumulative effects of the long-term shift in Alberta politics toward fiscal and development policies based on the premises of market fundamentalism have significantly undermined women's economic status. While many factors have affected the status of women in Alberta, the shift from equity-based tax policies to flat-rate and low-rate taxation implemented at the turn of the century have coincided with a marked downturn in women's status and life chances.

There has been considerable resistance since the Beijing Platform was adopted in 1995 to applying it to fiscal policies, including to tax laws.<sup>8</sup> Nonetheless, it is clear that the Platform and the gender-based analysis it calls for encompass all aspects of economic and development governance, no matter how remote they may seem from women's lives. This becomes evident from even a cursory review of the text of the Beijing Declaration and Platform. The Platform for Action itself consists of over a hundred pages of extremely detailed actions to be taken by all levels of government to implement genuine sex equality in all areas touched upon by the CEDAW.

As repeated over and over again in the Declaration and the Platform, however, three key actions lie at the heart of the entire framework. All these key actions are to be taken by all levels of government and in all policy areas at all times, and under all social, economic, and political circumstances:

- A. Establish and adequately fund an effective institutional mechanism located at the highest level of government authority to implement the Platform;
- B. Charge this government entity with "mainstreaming" gender equality in all new and existing laws, policies, and programs using substantive concepts of equality and contextualized gender-based analysis to identify inequalities; and
- C. Maintain detailed sex-disaggregated data capable of supporting gender-specific and individualized gender impact analysis in gender mainstreaming.

The steps taken by the Alberta government since 1995 to implement these three key aspects of the Platform are reviewed here briefly to situate this report in the context of what is expected of such governments in light of the Beijing Platform in relation to domestic fiscal gender equality issues, including all types of tax laws.

## A. Institutional Mechanisms

The Alberta government has never created a separate overarching ministry for gender equality. Instead, it appears to have taken an “integrative” approach that is designed to include women more equally in all aspects of social, economic, and political life. This responsibility has been assigned to two different ministries: Human Services is charged with fostering “secure and resilient” families, employment, and other general social services, and the Ministry of Jobs, Skills, Training and Labour produces an annual profile of women’s paid work. Neither of these ministries, nor any other government agencies in Alberta, appear to have made any concerted efforts to improve the status of women.

None of the services listed in the government directory for Human Services mention women, gender equality, or human rights specifically. Gender-specific issues are either described in gender-neutral terms or have very low visibility in program documents. For example, violence is addressed as a “family” issue, not specifically as a systemic issue faced more often by women than by men, and responsibility for “women’s issues” is nested inside family and community programs and services generally offered by Human Services.<sup>9</sup>

Some work has gone into providing information and resources on “family” violence,<sup>10</sup> but most of this content consists of reports and events developed by other governments or by nongovernmental research organizations. The Ministry of Jobs, Skills, Training and Labour’s profile of women in paid work does not address equality issues directly. Although this ministry does provide sex-disaggregated data and analysis of quite a few relevant aspects of women’s paid work in Alberta over time, there is no evidence that this data has been used to develop labour market programs that can eliminate the many dimensions of women’s economic inequalities in Alberta.

Human Services is described as being responsible for women’s issues, but the outcomes expected of this ministry do not appear to go beyond promoting “awareness of issues of concern to women.” There is no evidence that either ministry is mandated to carry out systematic policy research, evaluation, or development activities, nor to monitor women’s equality generally or make recommendations responsive to areas of gender discrimination. On the positive side, there is some attention to the particular needs of Aboriginal women, although they are also addressed in fairly decontextualized and isolated fashion, for example in relation to trafficking but not in relation to economic equality generally.

In 1996, Dr. Barbara Roberts, an Athabasca University professor of political science, attempted to ascertain how the Alberta government intended to implement the Beijing Platform. According to her published report on these efforts, this produced nothing but a few uninformative telephone conversations. In comparison with other provinces, Alberta appears to be stalled at the point of having yet to establish effective governmental mechanisms empowered to take responsibility for implementing the Platform for Action.<sup>11</sup> Not surprisingly, there is thus no evidence of any investigation by the Alberta government of the gender impact of its tax or other fiscal policies on women.

## B. Gender Mainstreaming and Gender-based Policy Analysis

“Gender mainstreaming” is defined as actively monitoring and evaluating all policies, practices, laws, programs, and other government activities, as well as activities in civil society or the social spheres in which government may have some scope for regulation or leadership:

Gender mainstreaming is the process of assessing the implications for women and men of any planned action, including legislation, policies and programmes, in all areas and at all levels, and as a strategy for making women’s as well as men’s concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and social spheres so that women and men benefit equally and inequality is not perpetuated. The ultimate goal is to achieve gender equality.<sup>12</sup>

Particularly as applied to tax law and fiscal policy, gender mainstreaming calls for gender-based analysis of all macroeconomic, spending, and revenue decisions, gender budgeting of all fiscal planning documents, and substantive consultation with women in the governance processes surrounding all budgetary, economic, and development initiatives – including all revenue and expenditure provisions.

Paragraph 58 of the Platform makes it clear that gender mainstreaming requires “full and equal participation of women” in all macroeconomic, social spending, taxation, investment, employment, and other fiscal decisions for the purpose of reducing gender-based inequalities. It calls on all levels of governments to take these concrete steps in relation to all such issues:

- (a) Review and modify, with the full and equal participation of women, macroeconomic and social policies with a view to achieving the objectives of the Platform for Action;

- (b) Analyse, from a gender perspective, policies and programmes
  - including those related to macroeconomic stability, structural adjustment, external debt problems, taxation, investments, employment, markets and all relevant sectors of the economy
  - with respect to their impact on poverty, on inequality and particularly on women; assess their impact on family well-being and conditions and adjust them, as appropriate, to promote more equitable distribution of productive assets, wealth, opportunities, income and services;
- (c) Pursue and implement sound and stable macroeconomic and sectoral policies that are designed and monitored with the full and equal participation of women, encourage broad-based sustained economic growth, address the structural causes of poverty and are towards eradicating poverty and reducing gender-based inequality within the overall framework of achieving people-centred development;
- (d) Restructure and target the allocation of public expenditures to promote women's economic opportunities and equal access productive resources and to address the basic social, educational and health needs of women, particularly those living in poverty.

Paragraph 58 contains an additional 13 subparagraphs, each outlining additional strategies to address the differential economic status of women, and particularly the impact of income inequalities and poverty on women as compared with men. Numerous other provisions of the Platform reinforce and spell out the steps to be taken to secure these commitments to other specific contexts encompassed by the CEDAW.<sup>13</sup>

## C. Sex-disaggregated Data and Contextualized Gender Analysis

The Beijing Declaration and Platform for Action calls on governments to develop and make available sex-disaggregated data to carry out gender impact analysis of policies. It emphasizes that this is essential to the effective operation of government sex-equality machinery, along with providing adequate funding for policy development and research, auditing gender policy initiatives for their gender outcomes, and conducting ongoing consultations in the process of mainstreaming gender analysis.

The remaining sections of this report apply these principles to the specific question of how tax regime changes have affected women in Alberta, beginning with an examination of the gendered contexts of women's lives in Alberta that affect the impact of tax and other fiscal policies on women as compared with men.

## 2. The Economic Status of Women in Alberta

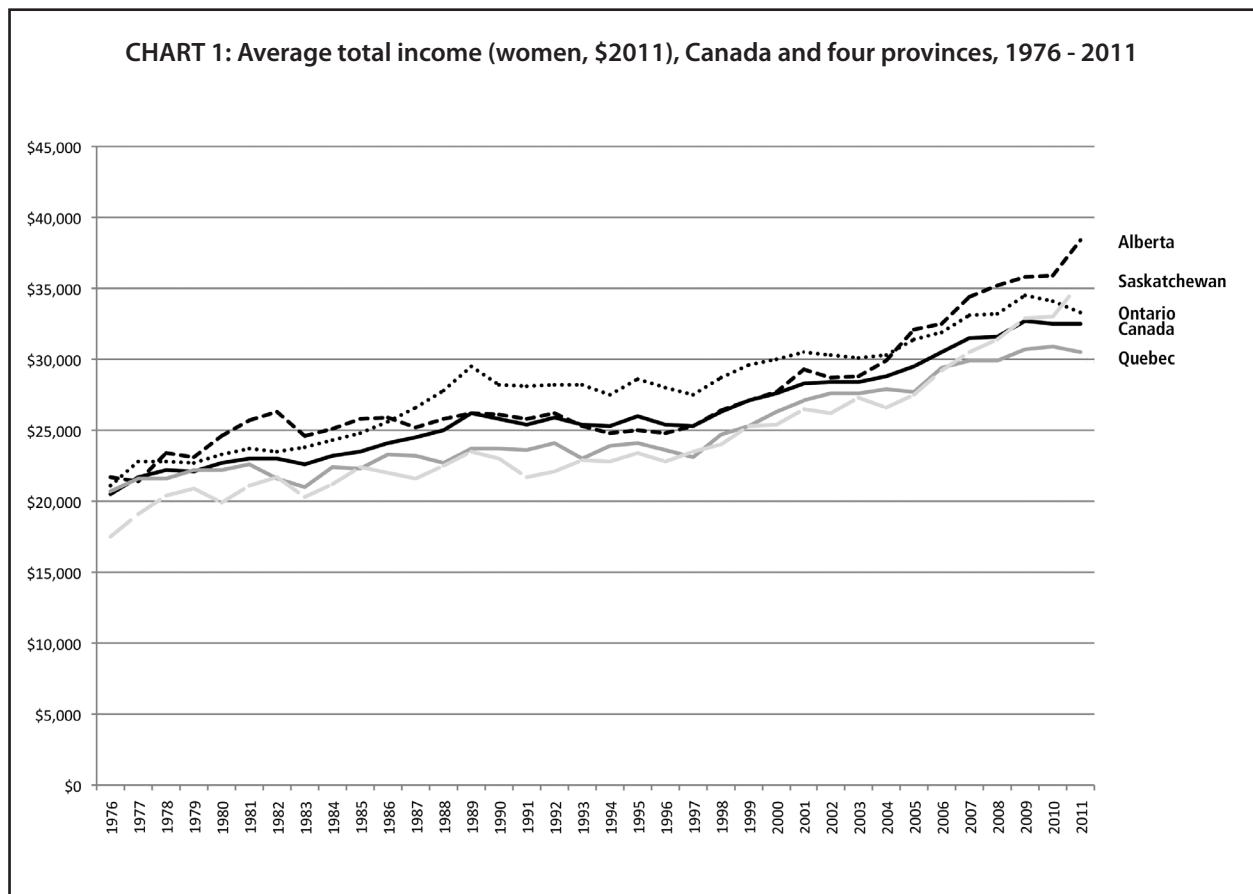
Most tax and other fiscal measures will affect individuals differently depending on their own financial and personal situations. However, gender relations frame life options and outcomes that structure the gender impact of tax measures on women as compared with men. This project focuses on how the Alberta tax regime changes implemented in the late 1990s and 2000s have affected women as compared with men. This report contextualizes the political economy of gender by comparing chronological overviews of the economic status of women in Alberta as compared with men in Alberta, with women in the rest of Canada, and with women and men in selected provinces, mainly Saskatchewan, Ontario, and Québec, on a range of issues.

The broadest overviews, which cover the period since 1976, provide historical perspectives on how changes in the status of women in Alberta compare with those of women elsewhere in Canada. The rest of this section focuses on the period beginning in 2000, and examines how incomes, unpaid and paid work hours, family structures, and presence of children relate to women's economic status. This time frame is of particular interest because in 2000 and 2001, Alberta replaced its graduated personal and corporate income tax rate structures with a single 10% tax rate for all individuals and for general corporations. These changes have had disproportionately negative effects on women in terms of after-tax incomes and the adequacy of provincial revenues available to implement gender-equal social and development policies.

## A. Women's Employment and Incomes, 1976-2011

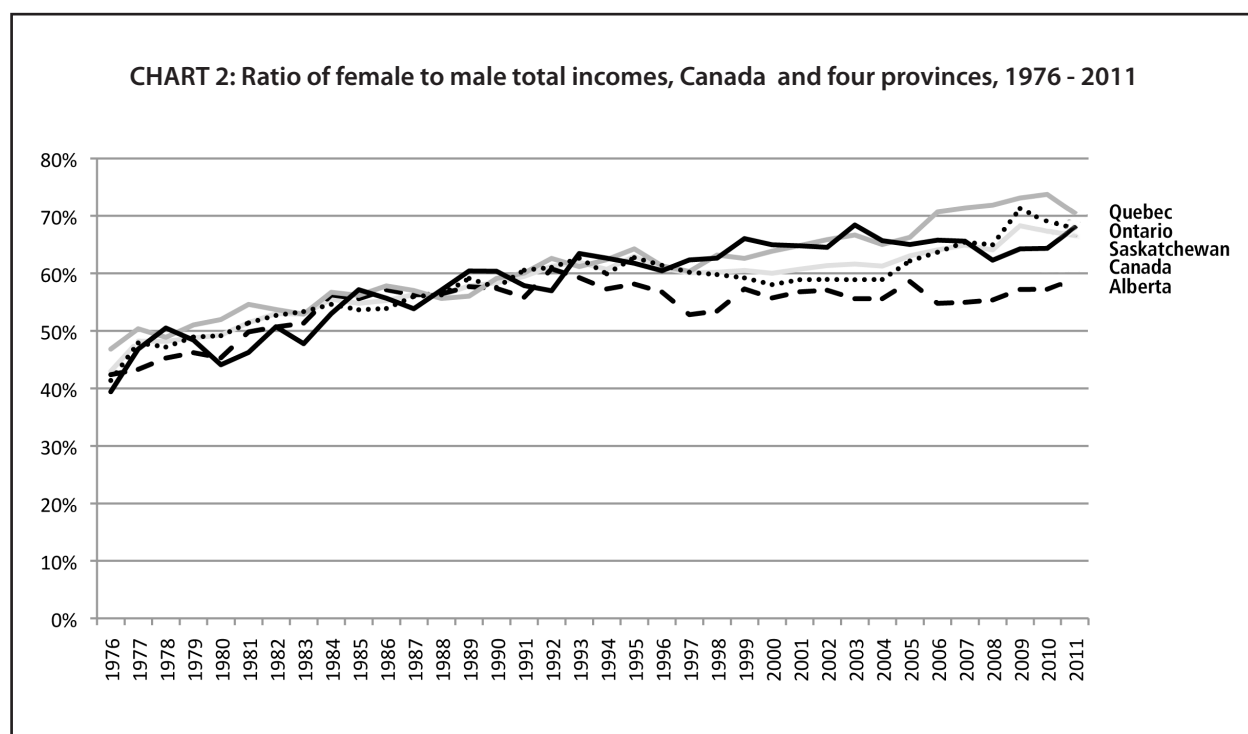
During the 1960s and 1970s, women in Canada increasingly entered paid work as demand for their labour grew and legislation prohibiting the most obvious forms of employment and pay discrimination became more effective. Since the mid-1970s, Alberta women have had consistently high levels of employment, and, in the 1970s and 1980s, also had the highest average incomes compared with women in the rest of Canada.<sup>14</sup>

Women's incomes in Alberta did not remain at these high levels throughout the intervening decades, however. As Chart 1 shows, Alberta women's average incomes dropped to average national levels from the 1980s until the early 2000s. Beginning in 2004, they rose again above the other regions. Notably, their income levels continued to rise between 2008 and 2011 despite the labour market effects of the global financial crisis and recession in Canada. In contrast, women's incomes fell dramatically in Ontario and remained fairly flat in the rest of the country throughout the rest of the period reported in Chart 1.





This information suggests that women in Alberta have made greater strides in closing gender income gaps than elsewhere in Canada. Indeed, given that Alberta's per capita GDP is the highest in North America and one of the highest in the entire world,<sup>15</sup> it might be expected that women in Alberta would have the best chance of women anywhere to close male-female income gaps quickly, particularly because Alberta has a wealth of oil and gas resources. However, Chart 2 reveals that women's income equality reached its highest level in Alberta in 1993, and has deteriorated rapidly since then.



At the present time, gender income gaps in Alberta remain the largest in Canada. In fact, Alberta women have still not regained the level of income equality they had attained over two decades ago, in 1993.<sup>16</sup> In contrast, women's income ratios in the rest of Canada, and, in recent years, in Québec, have risen well above Alberta's high 1993 levels. These figures demonstrate that despite the burgeoning wealth in the province, Alberta women's shares of incomes have fallen behind whether compared with men in Alberta or with women elsewhere in Canada. Neither trend shows signs of changing.

Within Alberta, there are distinctive regional differences in how these trends have unfolded. Table 1 demonstrates that regional economic development has affected women's average total incomes and gender income gaps differently in Calgary and Edmonton. In general, women tend to have access to more lucrative economic opportunities in urban areas than in rural areas.

In Alberta, however, both absolute income levels by gender and gendered income ratios in Calgary are quite different from those in Edmonton. These differences reflect the way in which the province's oil and gas sector has affected these two cities over time.

**TABLE 1: Average total income of individuals, by gender  
Alberta, Calgary, and Edmonton 1976 - 2011  
2011 constant dollars**

	1976	1981	1986	1991	1996	2001	2006	2011
<b>Alberta:</b>								
Males	\$50,900	\$50,900	\$43,800	\$44,300	\$42,500	\$50,500	\$58,700	\$64,500
Females	\$22,100	\$25,000	\$24,700	\$24,000	\$23,600	\$27,700	\$30,500	\$37,300
Ratio females/males	43%	49%	56%	54%	56%	55%	52%	58%
<b>Calgary:</b>								
Males	\$57,100	\$55,800	\$50,400	\$50,700	\$47,400	\$55,000	\$63,400	\$73,700
Females	\$22,900	\$27,300	\$28,200	\$24,700	\$26,100	\$32,100	\$34,800	\$42,700
Ratio females/males	40%	49%	56%	49%	55%	58%	55%	58%
<b>Edmonton:</b>								
Males	\$50,800	\$51,900	\$42,400	\$43,500	\$41,700	\$49,600	\$53,500	\$55,400
Females	\$24,000	\$27,000	\$26,200	\$25,900	\$24,000	\$27,000	\$29,400	\$36,000
Ratio females/males	47%	52%	62%	60%	58%	54%	55%	65%

Source: Statistics Canada, CANSIM, Table 202-0407, accessed September 11, 2014.

Resource extraction is the biggest industrial sector in Alberta, and, as this sector has developed, income levels in Calgary – which is more integrated into this industry than Edmonton – have been much higher than in the rest of the province. Throughout the period from 1976 to 2011, men in Calgary have consistently had the highest incomes in the province, and, with the exception of two years, women in Calgary have had the highest women's incomes in the province.

However, living in a region in which average incomes are quite high does not necessarily mean that women will be more equal. In fact, gender income gaps in Calgary have always been much larger than those in Edmonton, even though both women's and men's incomes in Edmonton are significantly lower than in Calgary. Women's incomes in Edmonton started out in 1976 at 47% of men's and by 2011 had risen to 65% of men's. During the same period of time, women's incomes in Calgary started out much lower – at 40% of men's incomes – and by 2011 had only risen to 58%.

The complex differences in men's and women's incomes in these two urban areas reflect the influence of Alberta's large resource sector, which plays a bigger economic role in Calgary than in Edmonton. Resource extraction industries hire far more men than women, and employ large numbers of highly paid executives, managers, technical employees, and skilled labourers – all occupations in which women are markedly under-represented.<sup>17</sup> By

2011, men's average incomes in Calgary were nearly \$20,000 higher than men's incomes in Edmonton. At the same time, women's incomes in Calgary were \$5,000 higher than women's incomes in Edmonton, but men in Calgary earned an average of \$30,000 more per year than women in Calgary.

When these comparisons are restricted to full-time, full-year earnings, the gender gaps are even bigger. As shown in Table 2, in 2011, average men's earnings were \$25,000 higher than women's in Edmonton. In Calgary, average male earnings from full-time, full-year work were nearly \$35,000 higher than women's. Even as averaged out at the provincial level, women's full-time, full-year earnings in Alberta are dramatically lower than in other provinces. In 2011, women's full-time, full-year earnings were only 63% of men's in Alberta, while they were 80% of men's in Saskatchewan, 75% in Québec, and 74% in Ontario.<sup>18</sup>

**TABLE 2: Female and males earnings and female/male earnings ratio, full-time, full-year workers (\$2011)  
Alberta, Calgary, and Edmonton, 1976 - 2011**

	1976	1981	1986	1991	1996	2001	2006	2011
<b>Alberta:</b>								
Females	\$36,500	\$36,800	\$36,600	\$37,200	\$37,100	\$41,500	\$46,500	\$53,300
Males	\$61,300	\$60,500	\$56,500	\$57,600	\$55,400	\$66,200	\$78,800	\$84,400
Ratio: female/male	60%	61%	65%	65%	67%	63%	59%	63%
<b>Calgary:</b>								
Females	\$38,100	\$38,500	\$40,000	\$38,900	\$40,600	\$47,000	\$54,600	\$60,300
Males	\$70,000	\$67,100	\$65,300	\$66,300	\$61,600	\$73,700	\$86,300	\$94,900
Ratio: female/male	54%	57%	61%	59%	66%	64%	63%	64%
<b>Edmonton:</b>								
Females	\$37,400	\$38,400	\$38,000	\$38,700	\$38,300	\$42,400	\$44,300	\$51,200
Males	\$64,100	\$63,300	\$56,000	\$58,800	\$55,400	\$65,300	\$74,200	\$76,300
Ratio: female/male	58%	61%	68%	66%	69%	65%	60%	67%

Source: Statistics Canada, CANSIM, Table 202-0102, accessed September 11, 2014.

The gender differences associated with proximity to industrial extractive sites in Alberta somewhat mask the existence of further gender differences. Aboriginal peoples and racialized/ethnic groups in Alberta have, on average, lower incomes than non-Aboriginal or racialized individuals – sometimes much lower incomes. But, because all male incomes in all Aboriginal and racialized/ethnic groups are lower than province-wide average men's incomes, Aboriginal and racialized women's incomes can look relatively more equal when compared with provincial averages of Aboriginal and racialized men's incomes.

For example, as illustrated in Table 3, Black men's average incomes were \$17,000 less than the provincial average male incomes, and Black women's incomes were \$6,000 lower than average women's incomes in Alberta. However, when Black women's average incomes are expressed as a percentage of Black men's incomes, they seem quite "equal" – the figure is 85.1% – much higher than the 58.3% ratio for all women in Alberta.

**TABLE 3: Average incomes by sex and Indigenous or race/ethnic group, Alberta, 2011**

NHS identity category	Men's average incomes (\$)	Women's average incomes (\$)	Women's incomes as % of men's
All NHS identity groups in Alberta	64,260	37,439	58.3
Black	47,138	30,926	85.1
Filipino	44,470	34,211	77
Registered or Treaty Indian	33,443	24,842	74.3
Chinese	52,261	36,172	69.2
Southeast Asian	47,589	29,626	62.3
Korean	41,306	25,618	62
Latin American	52,473	31,123	59.3
Metis single identity	52,314	30,517	58.3
Japanese	62,895	35,859	57
Arab	46,841	26,560	56.7
Inuit single identity	51,853	27,710	53.4
All visible minority groups in Alberta	49,773	32,507	65.3

Source: Statistics Canada, National Household Survey, 2011.

In fact, what is happening to varying degrees among women and men of racialized/ethnic and Aboriginal groups is that all visible minority men's average incomes are lower than provincial male averages, and virtually all visible minority women's incomes are on average lower than provincial women's averages. But with race-based suppression of male wages, women have little option but to contribute as much as they can to household incomes. Even then, there are differences among visible minority groups. Inuit women have fewer opportunities to earn monetary incomes compared with women in other groups, while both Inuit and Métis men have relatively greater income-earning opportunities than status Indian men or women. Status Indian women's and men's incomes are, on average, the lowest of all groups in Alberta, but, like Black women, status women are under greater financial pressure to help make ends meet.

Gender income gaps measure one fundamental dimension of economic equality; incomes relative to the absolute costs of living form another important dimension. From this perspective, the existence of large income gaps between women and men in all regions of Alberta means that significantly more women live close to poverty than men. In

addition, because of the economic realities structuring women's financial opportunities, women face gender-specific barriers to achieving economic sustainability not typically faced by men in the same ways. Thus on average, events such as separation, divorce, unemployment, partner disability, or bereavement create much higher risks of poverty for women in Alberta than for men.

## B. Barriers to Economic Equality: Unpaid, Part-time, and Precarious Work

Full-time, full-year earnings by gender are used to measure progress toward gender equality because gender earnings gaps reflect the extent to which discrimination in employment and pay rates is present. Permanent full-time work is often used as a standard because there is some expectation that adults working full-time in permanent or continuing positions will be able to earn enough in wages and various contributory and employment benefits to support themselves without assistance from the state or other individuals.

In reality, this is an unrealistic expectation for women, because even minimum wage laws can create barriers to women's economic equality. Most minimum wage rates are not high enough to ensure that even women in full-time, full-year paid work will be able to maintain themselves above poverty levels. Such laws often contain exceptions for domestic work, or, as in Alberta, for those employed serving alcohol. Being employed at the minimum legal rate also does not necessarily ensure that the terms of employment will provide adequate access to income security programs like unemployment insurance, paid sick leave, the Canada Pension Plan, or contributory employer-sponsored benefit plans, all of which exclude many in part-time or intermittent paid work.

An even more serious concern is that women's socially assigned responsibilities for significant amounts of unpaid work prevent them from gaining equal access to full-time, full-year paid work at a decent liveable wage. Simply put, if women cannot get out the door to engage in paid work because of heavy care or other unpaid work responsibilities, they will not be able to spend enough time in full-time, full-year work of any kind, whether at minimum or higher wages, to gain a sustainable livelihood income.

Women with disproportionate responsibilities for unpaid work are often able to find ways to engage in part-time, temporary, seasonal, intermittent, or ad hoc paid work. However, such fragile attachment to the paid work force is very likely to be too discontinuous to produce a livelihood income or adequate access to income security programs.

The 1971 report of the Royal Commission on the Status of Women grasped this central challenge quite clearly. One of its core recommendations to all levels of government in Canada was that social reproduction, provisioning, and unpaid work have to be shared not just equally between women and men in private households, but among all members of society generally.<sup>19</sup> Only then will women be able to participate as fully as men in education, training, paid work, leisure, and other aspects of life without incurring undue personal costs. Unpaid work hours have therefore been used along with full-time, full-year income ratios and shares of market incomes to measure the extent to which women have attained full economic equality, and to identify barriers to further progress.<sup>20</sup>

Table 4 indicates that despite extremely high per capita GDP in Alberta, women in the province continue to be disproportionately responsible for large amounts of unpaid work both as compared with men in Alberta and as compared with women in other provinces. In 2010, Alberta women performed an average of 31 hours of unpaid work in their own homes each week, plus another four hours per week in other households, for a total of 35 hours of unpaid work per week.

**TABLE 4: Total duration (hours) spent in unpaid work\*, previous week  
Canada, provinces, by sex 2010**

Province	Unpaid household work - own household				Unpaid household work - other household			
	Males estimate	Females estimate	Difference	Average, male and female	Males	Females	Difference	Average, male and female
Newfoundland and Labrador	17.2	33.0	15.8	25.3	4.1	5.0	0.9	4.6
Prince Edward Island	20.4	32.1	11.7	26.4	3.2	5.1	1.9	4.2
Nova Scotia	16.7	28.5	11.8	22.8	3.9	5.2	1.3	4.5
New Brunswick	18.8	31.1	12.3	25.1	3.3	6.4	3.1	4.9
Quebec	13.2	21.8	8.6	17.6	2.3	4.0	1.7	3.1
Ontario	15.5	29.7	14.2	22.7	3.0	3.9	0.9	3.4
Manitoba	13.9	31.9	18.0	23.0	2.8	4.6	1.8	3.7
Saskatchewan	15.7	28.3	12.6	22.1	2.8	3.8	1.0	3.3
Alberta	15.0	31.4	16.4	23.0	2.1	4.2	2.1	3.1
British Columbia	15.5	30.1	14.6	22.9	2.7	3.6	0.9	3.2
Canada	15.0	28.2	13.2	21.7	2.7	4.0	1.3	3.4

Source: Statistics Canada, General Social Survey, cycle 24.

\* Unpaid work includes caring for children; housework; yard work or home maintenances; and care or assistance to seniors.

This 35 hour unpaid workweek is exceptionally high; it is the same number of hours typically spent by full-time, full-year paid workers in their workplaces each week. While many women do in fact work this “double shift” of full-time paid work plus their average shares of unpaid work, the key effect that is so damaging to women’s economic equality is that it puts women at a disadvantage compared with men.

Men in Alberta in paid work spend just half the time women spend performing unpaid work – just 17 hours per week. Plus, many men live with women who are likely to perform a high level of unpaid work. For women,

these social facts make it more difficult to sustain full-time, full-year paid work than for men in the workplace. And it is very likely that men – with whom women compete for continued employment, wage increases, and promotions – have partners or spouses who provide the bulk of unpaid work in those men's homes, while women in paid work do not.

Women in the Atlantic provinces have even heavier unpaid workloads than Alberta women, but there are two differences between them and women in Alberta. First, gender income gaps in the Atlantic provinces are much smaller than in Alberta, suggesting that men and women share paid work time more equally in the Atlantic provinces. Second, men in the Atlantic provinces contribute more unpaid work hours per week than do men in Alberta, equalizing the sharing of that part of the work week as well.

Care work is one of the most difficult forms of unpaid work to minimize or replace. Women who are responsible for young children either have to pay for substitute care, which reduces their effective take-home pay from paid work, or have to rely on other adults or government programs to provide care so they can devote more of their own time to paid work.

Because women face employment and wage discrimination in the labour market, as evidenced by the large gender gaps in full-time, full-year earnings, discussed in Part A above, couples will often conclude that it makes more economic sense for the spouse/partner with the lower earning potential to provide unpaid work. Despite many couples' intentions to share paid work opportunities and unpaid work responsibilities equally, gender-based income differentials often make it hard to resist encouraging women to shift into intermittent part-time work. The options are even more limited for single parents, who have no one to bargain with, and who face little choice but to live on smaller incomes or pay out significant portions of their earnings to pay for substitute care.

In Alberta, full-time substitute care will cost roughly 25% of an average woman's earnings.<sup>21</sup> This cost places two kinds of pressure on women who face the need for care resources in order to increase paid work time. The biggest pressure is financial: the cost of full-time childcare may make it impossible to meet household bills relative to net paid work earnings.



The other pressure is work intensification: the “transaction costs” associated with taking advantage of paid care resources are usually paid in kind – in the form of other unpaid work. Often the start-up costs of locating affordable and suitable childcare can take significant time and effort by itself. Then on a daily basis there is considerable additional time involved in preparing children and the household for equipment, departure, transportation, and communication around childcare arrangements, as well as the care involved in supporting children through the process. Parents often have to find alternative care when their children are ill, often with little advance warning. Social expectations predominantly assign all these cash and in-kind costs of care to women, not to men, reinforcing the tendency to leave it to women to work out these difficult balances.

Under such conditions, the resulting “work-life balance” choices for women thus end up looking very different from men’s. Men engaged in full-time, full-year employment spend significant amounts of non-work time in leisure, active sports, and social activities. Women have less personal time of that quality, and instead often reach the point at which it is not physically or financially possible to maintain full-time, full-year work schedules and meet unpaid work responsibilities.

When those unpaid work responsibilities involve children, the result is that women more often than men resolve this imbalance by moving to more flexible paid work. Thus women more often find themselves involved in part-time, seasonal, temporary, intermittent, contract, or other under-benefitted and precarious forms of paid work.

Table 5 provides an overview of women’s involvement in part-time work in Canada and selected provinces from 1976 through 2013. Nationally, men have doubled their engagement in part-time work, but the national breakdown of gender shares of part-time work are still quite closest to the 30%-70% division between men and women respectively. It has taken 37 years for just 3% of all part-time work to shift from women to men in Canada overall.

**TABLE 5: Part-time employment, shares of all employment, Canada and selected provinces 1976 - 2013**

	1976	1981	1986	1991	1996	2001	2006	2011	2012	2013
<b>Canada</b>										
Share of employment that is part-time:										
Males	5.5%	6.8%	8.4%	9.6%	10.3%	10.0%	10.3%	11.3%	10.9%	11.1%
Females	23.4%	25.8%	27.4%	27.6%	28.7%	26.7%	25.9%	26.2%	25.8%	25.6%
Share of all part-time employment:										
Males	28.3%	27.8%	29.0%	29.5%	30.0%	30.2%	30.8%	32.0%	31.5%	31.9%
Females	71.7%	72.2%	71.0%	70.5%	70.0%	69.8%	69.2%	68.0%	68.5%	68.1%
<b>Alberta</b>										
Share of employment that is part-time:										
Males	6.2%	5.6%	8.3%	8.2%	9.3%	9.2%	7.8%	8.4%	7.6%	8.1%
Females	27.9%	25.4%	27.6%	28.0%	29.3%	27.8%	25.2%	26.0%	25.0%	23.6%
Share of all part-time employment:										
Males	26.7%	24.9%	28.0%	26.5%	27.7%	28.3%	27.2%	28.3%	27.0%	29.2%
Females	73.3%	75.1%	72.1%	73.5%	72.3%	71.7%	72.8%	71.7%	73.0%	70.8%
<b>Québec</b>										
Share of employment that is part-time:										
Males	13.4%	20.7%	26.5%	29.8%	31.8%	31.2%	33.7%	35.9%	35.1%	35.5%
Females	17.1%	22.2%	25.4%	25.6%	26.8%	25.3%	25.7%	25.6%	25.3%	25.4%
Share of all part-time employment:										
Males	30.0%	30.7%	31.1%	31.9%	31.5%	31.9%	32.7%	33.9%	33.1%	33.5%
Females	70.0%	69.3%	68.9%	68.1%	68.5%	68.1%	67.3%	66.1%	66.9%	66.5%
<b>Ontario</b>										
Share of employment that is part-time:										
Males	6.0%	7.3%	8.1%	9.6%	10.6%	9.9%	10.3%	11.5%	11.4%	11.7%
Females	24.5%	26.0%	26.6%	27.1%	28.4%	25.9%	25.1%	25.4%	25.4%	25.3%
Share of all part-time employment:										
Males	27.8%	28.0%	28.1%	29.4%	30.4%	30.4%	31.2%	32.8%	32.6%	32.9%
Females	72.2%	72.0%	71.9%	70.6%	69.6%	69.6%	68.8%	67.2%	67.4%	67.1%
<b>Saskatchewan</b>										
Share of employment that is part-time:										
Males	7.0%	8.7%	10.1%	11.7%	10.6%	10.0%	10.4%	8.9%	8.9%	9.0%
Females	28.9%	33.3%	34.7%	35.1%	33.1%	29.6%	27.0%	25.7%	25.3%	25.3%
Share of all part-time employment:										
Males	30.2%	29.6%	27.8%	28.8%	27.5%	28.1%	29.9%	28.5%	29.0%	29.3%
Females	69.8%	70.4%	72.2%	71.2%	72.5%	71.9%	70.1%	71.5%	71.1%	70.8%

Source: Statistics Canada, Labour Force Survey, CANSIM table 282-0002, accessed September 12, 2014.

However, there are two different patterns in the gender shares that have shifted during that time. In Ontario and Québec, the gender shares are closer to 33%-67%, with marked increases in men's involvement in part-time work. In the West, however, the percentage of men in part-time work has remained firmly in the single-digit range, with the vast majority of employed men in full-time paid work and nearly two-thirds of employed women in part-time work.

Most striking of all, women in Alberta had the largest shares of part-time work in 1976, and still have the largest shares in 2013 (note, however, that Alberta women were tied with Saskatchewan women in 2013). Even though more women in these two provinces are now employed full-time instead of part-time, their shares of part-time work remain the highest because men in those two provinces still predominantly work full-time. This suggests that women in Alberta remain under heavier pressure than women in

Ontario and Québec, where men now hold nearly one-third of all part-time positions, to take responsibility for significant shares of unpaid work. And as the figures in Table 4 (page 15) demonstrate, Alberta women do continue to have heavy unpaid work hours.

## C. Gender, Children, and Employment Status

Table 6 focuses on the relationship between having children and women's employment status for women in Canada generally as compared with women in Alberta. Among women who are family heads or spouses/partners, women with children tend to have higher levels of employment than women with no children. Over the 10-year period between 2001 and 2011, these employment levels actually increased significantly. Compared with national averages, Alberta women maintained higher levels of paid work, full-year work, and annual hours of work.

However, Alberta women appear to be less able to maintain their paid work hours and status as the number of children increases. In both 2001 and 2011, Alberta women with one child had higher levels of labour force participation, particularly in full-year employment, than nationally. However, those levels fell faster than national averages when women had two or more children. Similarly, Alberta women worked more annual hours in both years, but their hours fell faster than national averages as they had two or more children.

**TABLE 6: Annual labour force status, female family heads or spouses, age 18 - 64, by number of children, Canada and Alberta, 2001 and 2011**

	2001					2011				
	None	One child	Two children	Three or more children	All	None	One child	Two children	Three or more children	All
<b>Canada:</b>										
Employed all year	53%	64%	66%	60%	59%	59%	68%	71%	62%	63%
Unemployed or not in the labour force all year	30%	21%	20%	27%	26%	27%	18%	18%	27%	23%
Mixed employment, unemployment and/or period not in labour force	17%	16%	14%	14%	16%	15%	13%	12%	12%	14%
Hours worked	1,148	1,290	1,256	1,104	1,195	1,274	1,426	1,406	1,116	1,314
Market income	\$21,501	\$22,303	\$23,507	\$19,615	\$21,915	\$30,587	\$34,997	\$34,783	\$29,237	\$32,081
<b>Alberta:</b>										
Employed all year	58%	69%	68%	60%	62%	68%	74%	70%	57%	68%
Unemployed or not in the labour force all year	21%	13%	17%	28%	19%	17%	11%	20%	34%	18%
Mixed employment, unemployment and/or period not in labour force	21%	17%	15%	12%	18%	15%	15%	10%	10%	14%
Hours worked	1,342	1,395	1,242	1,086	1,302	1,545	1,563	1,367	1,062	1,471
Market income	\$23,317	\$25,014	\$24,104	\$17,837	\$23,209	\$39,447	\$44,909	\$36,380	\$22,473	\$38,354

Source: Statistics Canada Survey of Labour and Income Dynamics, public use micro-data files 2001 and 2011.

**“ Alberta men’s consistently high levels of full-time, full-year employment makes it clear that their childcare needs are being met quite adequately – not by provincial childcare funding, but by having access to large amounts of unpaid work provided by women.**

The impact of having increased numbers of children on women’s numbers of hours worked, degree of participation in full-year employment, and earnings levels in Alberta is directly affected by two factors: women’s persistently high levels of unpaid work responsibilities in Alberta as compared with the men in their households, and persistently low levels of public investment in regulated childcare spaces as compared with other provinces. The price of childcare increases with the number of children, so even having two children instead of one makes a big difference in women’s net take-home pay. Having three children is an even bigger drain on net pay.

In 2012, Alberta spent the third smallest amount on regulated childcare spaces as compared with all other provinces and territories.<sup>22</sup> When it is remembered that Alberta has led highly developed economies in per capita GDP for some time, and keeping in mind the relatively high cost of living that high per capita GDP generates, being ranked so low reveals political opposition to funding adequate levels of childcare, and perhaps reflects a growing preference on the part of men for larger families with in-home childcare.

Men in Alberta do not have nearly the same vulnerability to unemployment or under-employment as they have more children. Alberta men’s consistently high levels of full-time, full-year employment makes it clear that their childcare needs are being met quite adequately – not by provincial childcare funding, but by having access to large amounts of unpaid work provided by women.

## D. Warning Signs and Critical Needs

This is not the only study to link deterioration in women’s equality in Alberta with the growth of extractive industries in that province. Statistics Canada drew attention to this link nearly a decade ago, finding that women in Eastern Canada had increasing education levels, lower birth rates, greater access to affordable childcare, and income equality, while all these indicators were going in the opposite direction in the West even as the demand for more workers grew in Alberta. While men were hired in ever-increasing numbers in Alberta, women’s employment rates fell at rates not seen since the 1950s.<sup>23</sup>

At the time that study was conducted in 2005, two interlinked factors had already been identified in this dynamic. The first related to the changes in the labour market accompanying expansion of the resource sector, which has resulted in high levels of employment for men because of the nature of the jobs being filled and the particular working conditions involved in extractive industries. The second related to the fact that unemployed women in Alberta

**“ Canadian governments have rejected suggestions that expansion of extractive industries might generate second-order labour market and development problems at all, and appear to be indifferent to the extractive industry’s gendered impact on women’s economic equality.**

had already begun to seek out more part-time employment even though the labour market was seeking increased numbers of full-time workers.

Canadian governments have rejected suggestions that expansion of extractive industries might generate second-order labour market and development problems at all, and appear to be indifferent to the extractive industry’s gendered impact on women’s economic equality. Nonetheless, as the section on women in corporate culture discusses (see Section 6), women in Alberta have clearly lost workplace and political influence. The gender impact of rapid growth of the resource sector in Alberta is considered in detail in Section 7. The warning sign being noted here is that women’s growing economic inequalities did not emerge overnight in Alberta, but have become more pronounced as the tax regime changes discussed in the rest of this report were put into place.

The critical point that needs to be kept in mind in relation to the fiscal policy issues discussed in the remainder of this report is that unless the overall direction of economic development in Alberta changes soon, and women’s economic rights and needs are addressed as part of that change, the negative effects of oil price volatility and unexpected declines in oil prices will result in far more economic damage to women than to men. Potential budgetary cuts to existing programs will join with higher levels of unemployment in male labour sectors to place pressure on women to find extra income – but with limited care resources and entrenched gendered wage differentials. Gender impact analysis needs to be focused on every component of every policy change in this complex area of fiscal and economic policy in order to counter these effects.

### 3. Tax Policy, Income Inequality, and Gender

Contemporary tax systems touch virtually all monetary, in-kind, and unpaid work relations. The networks of tax laws include personal and corporate income taxes, income security taxes such as unemployment and Canada Pension Plan levies, as well as more specialized property taxes, consumption taxes such as the GST, HST, sales taxes, commodity taxes, import/export duties, and growing numbers of user fees and special charges, including transportation and fuel taxes, fiscal transparency levies, dog tags, carbon taxes, and lunchtime schoolyard supervision fees.

**“The gender impact of all aspects of macroeconomic policies, including the effects of revenue laws as well as government expenditures, need to be examined in order to eliminate all visible and covert fiscal barriers to gender equality.”**

The tax issues usually considered to be relevant to gender relations have been narrowly focused on culturally gendered life events such as motherhood, marriage, pregnancy and childrearing, divorce, and extreme precarity issues such as single-parent poverty levels. The tax treatment of business activities, capital investments, retirement savings, EI and CPP contributions, alcohol and tobacco purchases, cross-border transactions, and telecommunication fees all have unique gender footprints, but because they do not obviously relate to overtly gendered relations or activities, many people assume that these types of tax and benefit provisions are gender neutral in the sense that they treat men and women alike.

This report takes the wider view reflected in the Beijing Declaration and Platform for Action that the gender impact of all aspects of macroeconomic policies, including the effects of revenue laws as well as government expenditures, need to be examined in order to eliminate all visible and covert fiscal barriers to gender equality.

This approach is crucial because labour market regulations, constitutional and human rights non-discrimination laws, and income security programs alone cannot eliminate the many dimensions of gender inequality discussed in Section 2 of this report. So long as tax laws overtax women as compared with men, or provide tax subsidies for women's unpaid work in ways that actually make it more expensive for women to enter paid work, or tax men's sources of income more lightly than women's, advances made in gender equality and human rights laws will be undercut continually by existing inequalities in revenue and other fiscal laws.

This section focuses on three aspects of the gender analysis of complex tax-transfer systems. Part A outlines how the longstanding debate over “tax cuts for growth” versus “taxing for equality” has affected the basic structures of Canadian and provincial tax systems over time, and their role in undercutting women’s equality in Canada. Part B outlines the mechanics of Alberta’s shift from graduated personal and corporate income tax rates to low single-rate taxes (this can be skipped by those not so interested in the history of these changes). Part C outlines how changes in provincial tax rates have affected the adequacy and stability of Alberta’s budgetary revenues, which is one channel through which tax cuts affect the status of women.

## A. ‘Tax Cuts for Growth’ vs. ‘Taxing for Equality’

The basic purpose of tax and other revenue laws is to fund government operations and programs. However, the belief that taxes should be kept as low as possible in order to free markets to pursue maximum economic growth is deeply rooted in tax policy discourse, has been resilient in changing conditions, and is not easily dislodged.<sup>24</sup> In 1966, the famous report of the Royal Commission on Taxation in Canada grappled directly with claims that capital gains should continue to be tax exempt lest economic growth be endangered. The Carter Commission rejected the claim that low taxes can improve the rate of economic growth on empirical grounds and on the grounds of tax fairness and equity. Instead, the Commission concluded after years of detailed deliberation that broad-based and progressive income taxation would enhance economic growth and productivity more effectively than cutting tax rates on capital gains and corporate incomes could ever do.<sup>25</sup>

The Carter Commission report has easily been ignored on that point. In Canada, the Mulroney government took the first major step toward adopting UK Thatcher- and US Reagan-style tax cut policies in 1988 by flattening the federal graduated income tax rate structures and dramatically reducing the top tax rates paid by those with the highest incomes while raising the tax rates paid by those with the lowest incomes.<sup>26</sup> The combined effects of these tax cuts, along with spending cuts said to be necessitated by recessionary deficits and reflecting waning government commitments to sex equality, quickly took their toll on women’s progress toward economic equality in Canada.<sup>27</sup>



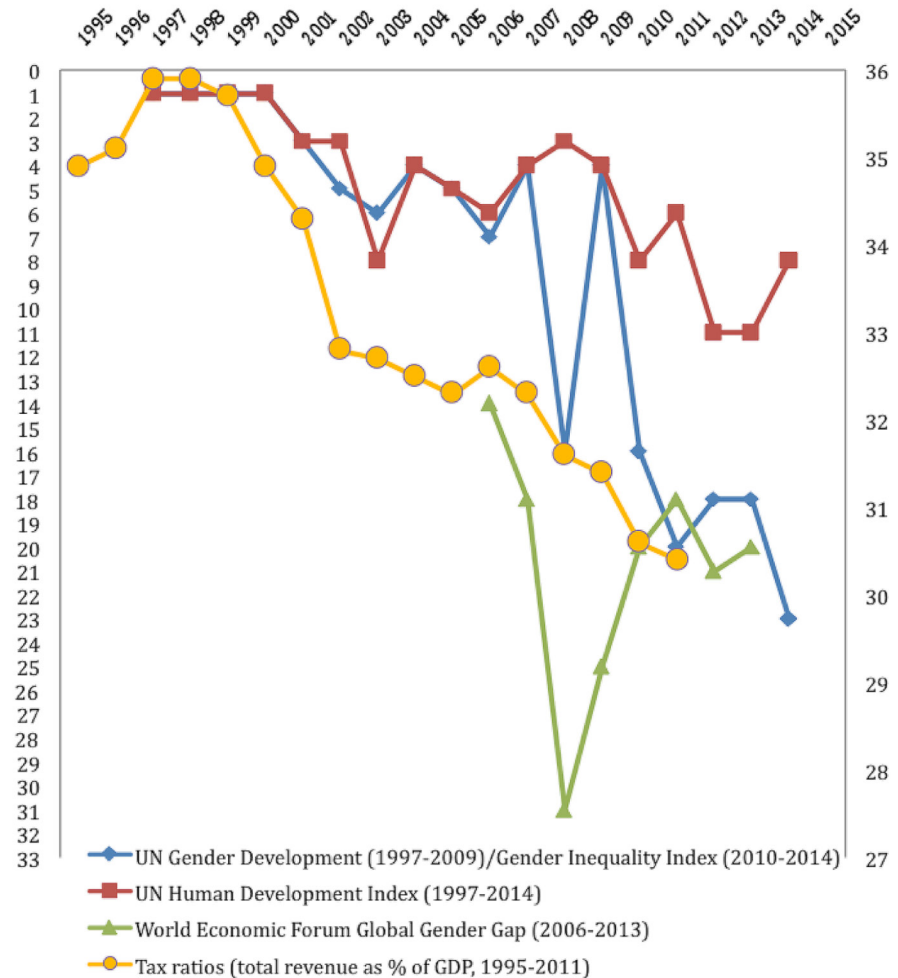
In 1995, the federal government presented Canada's commitment to implement the Beijing Platform for Action in Setting the Stage for the Next Century: The Federal Plan for Gender Equality.<sup>28</sup> This plan offered new hope that market fundamentalism and tax cut ideologies would be rejected. Indeed, by that time, Canada's total tax ratio had reached historic highs. (Tax ratios are total revenues received in the year expressed as a percentage of GDP.)

During that same period of time, however, the federal government had already begun to implement further major cuts to federal-provincial social transfers, federal gender equality programming and funding, and federal unemployment benefits as it focused attention on bringing deficits under control. In 1998, the Chretien-era "tax advantage" program led to tax cuts that continued throughout the next two decades.

Canada has not been alone in adopting the mantra of "tax cuts for growth." In 2005, the Organization for Economic Cooperation and Development, or OECD, began publishing *Going for Growth*, an influential annual analysis of recommended growth-enhancing tax and other fiscal policies echoed in the policies of international financial organizations such as the World Bank and IMF. The taxing for growth formula recommends that domestic tax systems be restructured around consumption-based taxes to anchor shrinking revenue systems in domestic economies, while reducing reliance on progressive taxation of corporations and high-income individuals in order to attract – and keep – mobile foreign investment.<sup>29</sup>

As can be seen in Chart 3, in the years leading up to 2011, as aggressive tax cuts like these were made all across Canada in both federal and provincial tax laws, Canada's total tax ratio quickly fell by 5.5% – the biggest such cuts made by any of the OECD countries during that period. The cumulative effects of these cuts reduced Canada's total country revenues by 15% of previous revenues. On very conservative estimates, this cost the country \$100 billion in revenues in 2011 alone.

**CHART 3: Tax ratios, human development, and sex equality rankings, Canada, 1995 - present**



As Chart 3 also shows, these tax cuts coincided with rapid deterioration in sex equality in Canada. From 1995 through 1998, Canada ranked first in the world in both human development and gender-related development. Beginning in 1999, Canada's sex equality rankings began to fall rapidly – from 1st to 23rd by 2014 in the UN sex equality rankings, and to as low as 31st in the World Economic Forum (WEF) global gender gaps rankings. Canada's UN human development rankings also fell significantly during this period, but, because they represent changes in men's status averaged with changes in women's status, they have remained much higher when compared with the changes in the UN and WEF sex equality rankings.

As discussed in the previous section of this report, the marked deterioration in women's incomes in Alberta also coincided with the timing of these events, particularly since 1995. In Alberta, the ratio of women's total incomes

**“The negative effects of Alberta’s new 10% tax on all incomes are also reflected in other economic equality measures, including women’s high levels of unpaid, part-time, and precarious work, and vulnerability to reduced paid work hours and incomes due to lack of accessible care resources in Alberta.**

to men’s had already fallen rapidly to below national averages in the early 1990s, and fell even lower as cumulative post-1995 tax cut policies gained momentum (see Chart 2 on page 10).

In Alberta, however, women’s income ratios have remained stubbornly low and flat since the government replaced its graduated personal and corporate income taxes with a single 10% rate for all but small business corporations. The negative effects of Alberta’s new 10% tax on all incomes are also reflected in other economic equality measures, including women’s high levels of unpaid, part-time, and precarious work, and vulnerability to reduced paid work hours and incomes due to lack of accessible care resources in Alberta. On all of these indicators, the situation of women has become more extreme in Alberta than in other provinces.

Taken together, these provincial income tax changes illustrate the two most basic consequences of single low-rate tax regimes for women. First, replacing multiple income tax rates with just one statutory rate increases the tax loads on those with low incomes, and thus violates the principle of allocating tax burdens based on taxpayers’ ability to pay those taxes. Second, such tax changes will inevitably reduce budgetary revenues available to fund gender equality mainstreaming programs.

In recent years, the OECD and other international fiscal and financial organizations have begun to realize that single-minded focus on tax cuts for growth cannot solve fundamental problems of revenue adequacy and stability, nor secure human wellbeing. Tentative new discourses on “taxing for equality” emphasize that progressive tax structures are key in countering growing concentrations of income in the hands of the wealthy.<sup>30</sup>

However, where women are the ones being overtaxed by regressive rate structures, more than just progressive tax rates are needed to rectify the situation. Even women who are being taxed fairly based on incomes have unequal care responsibilities and unequal access to equal opportunities, earnings, and wealth.

International financial organizations continue to look for ways to justify continued prioritizing tax cuts for growth, although there is growing interest in identifying taxing for equality policies that will synergistically also enhance economic growth.<sup>31</sup> Most recently, the OECD itself, which had given the mantra of taxing for growth official legitimacy in 2005, has now refocused its most recent annual *Going for Growth* report (2015) around the impact of pro-growth structural reforms on income inequality. However, the core recommendations being made to promote both economic growth and reduce income inequalities remain very similar to the earlier pro-growth recommendations. For example, the 2015 report recommends eliminating both government spending and fiscal barriers such as tax subsidies for

unpaid work in order to increase women's labour force participation rates, but at the same time it continues to ignore deteriorating levels of economic equality between women and men in its member countries.<sup>32</sup>

In contrast, work that focuses directly on taxing for gender equality takes a contextualized approach that calls for measures that simultaneously enhance women's equality in all social, economic, and political spheres and eliminate gender imbalances in all tax laws, both in the revenue-raising process and when being used to distribute "tax expenditures" for favoured groups of taxpayers. In this approach, no fiscal measures are considered to be irrelevant to the ultimate goal of genuine economic equality between women and men.

## B. Federal-Provincial Tax Cuts and Increasing Income Inequalities

Alberta's current 10% provincial income tax and corporate income tax rates represent the current end point of a long process of interacting tax cuts at both the federal and provincial levels that began with the massive 1972 revision of the federal Income Tax Act. These series of tax cuts have exacerbated after-tax income inequalities between those with high and low incomes.

Before 2000, provincial/territorial personal income taxes were collected by piggybacking on the amounts of federal taxes payable. During that period, the federal government had its own graduated rate structure, ranging from lower rates on those with the smallest incomes and increasing at intervals to impose higher rates on higher income "brackets," or tranches of incomes.

Under this tax-on-tax system, taxpayers simply applied the provincial tax rate to their federal tax bill. This system made it look like each province had a single personal income tax rate, but when that single rate was applied to federal taxes, which were calculated on multiple rates, the system produced an implicit set of provincial tax rates.

For example, if a province had set its personal income tax rate at 44% of the federal tax payable, and if a taxpayer had a federal tax bill of \$10,000, then the provincial tax would be 44% of that \$10,000. Payment of both the \$10,000 tax and the \$4,400 provincial tax would be combined and sent to the federal government to cash the cheque. In essence, the federal government would keep its \$10,000 and send the remaining \$4,400 to the province.

By 1999, the federal personal income tax rate structure had undergone numerous changes. As revised in 1972, the federal personal income tax rate structure had 13 different tax rates that ranged from a low of 17% of taxable income to a high of 47%. By 1976, that 17% rate had been reduced in stages to 6%, and then the top rate was gradually reduced from 47% to 34% by 1982.

In 1988, the Mulroney government replaced all the existing federal income tax rates with just three rates: 17%, 26%, and 29%. This type of change is described as “flattening” a graduated rate structure, and can reduce the degree of progressivity produced by the tax system. This flattening was produced by raising the lowest federal tax rate from 6% to 17% for those with the lowest incomes, and by cutting the highest tax rate from 34% to 29%. Both were regressive changes.

These federal changes also had the effect of flattening the implicit range of provincial tax rates produced by the single provincial “tax on tax” system in effect at that time. For example, when the lowest federal rate was 6% and the highest was 34%, Alberta’s 44% tax rate on the federal tax payable produced an implicit low provincial income tax rate of 2.64%, and a top provincial rate of 14.96%. (By paying a 44% provincial income tax on the federal 6% tax on taxable income, the lowest provincial rate becomes 44% of 6%, or 2.64%. The highest provincial rate becomes 44% of 34%, or 14.96%.)

When federal personal income tax rates were flattened by raising the lowest federal rate from 6% to 17%, the lowest Alberta provincial personal income tax rate was also forced to increase. The same 44% provincial rate when applied to a federal tax of 17% of taxable income then produced a higher implicit low provincial income tax rate of 7.48% (44% of 17%). Through the same process, when the top federal rate was flattened by reducing it from 34% to 29%, the top Alberta rate fell because now it was calculated as 44% of 29%, not as 44% of 34%. So the top Alberta rate fell from 14.96% to 12.76% not because of any changes in the provincial income tax rate, but as the consequence of cuts to federal personal income tax rates.

When the federal and Alberta taxes are added together, the flattening effect generated by federal personal income tax (PIT) rate cuts becomes even more apparent:

**Pre-flattening range:**

Low combined rate: 8.64% (6% federal plus 2.64% provincial)  
High combined rate: 48.96% (34% federal plus 14.96% provincial)

**Post-flattening range:**

Low combined rate: 24.48% (17% federal plus 7.48% provincial)  
High combined rate: 41.76% (29% federal plus 12.76% provincial)

Effective in 2000, the federal government agreed with the provinces/territories to replace this tax-on-tax system with a direct provincial/territorial tax-on-income system. This meant that each province would define its own tax base, and would replace its single income tax rate with its own graduated rate structure. It is important to note that corporate income taxes had always been taxed on a tax-on-income basis, not on the tax-on-tax basis in personal income taxation. Hence this part of the discussion relates only to important changes in the personal income tax rate structures at the turn of the millennium.

It is also important to note that right during this transition, the federal government had begun its aggressive personal income tax rate cut program, which it called “Canada’s Tax Advantage.” By 2001, the federal rates were 16%, 22%, 26%, and 29%.

When the tax-on-tax system came to an end, Alberta decided that it would not set up its own set of graduated personal income tax rates like those developed by the other provinces and territories. It instead enacted a single 10% rate for all personal and eventually for general corporate income tax returns, no matter how high the income. This single 10% rate is often called a “flat tax,” but it does in fact still produce a slight degree of progressive taxation, in the sense that all taxpayers have a zero-rated exempt zone but some taxpayers will have higher average tax rates as more of their income is taxed at the 10% rate instead of exempt via the zero-rated zone. The 10% rate is only applied to income that is larger than the exempt amount, and is technically referred to as the top (and only) marginal rate payable under the statute.

After 2000, the combined federal-provincial tax load on Albertans looked like this:

**Post-2000 range:**

Low combined rate:	26% (16% federal plus 10% provincial)
High combined rate:	39% (29% federal plus 10% provincial)

The end result of this series of changes left low-income Alberta taxpayers paying a combined federal-provincial personal income tax rate of 17.36% more than they had paid before this entire series of tax cuts began. The same series of cuts reduced the total federal-provincial tax load on those paying at the top marginal tax rates in Alberta by 9.96%. At both the federal and provincial levels of government, low-income taxpayers experienced significantly large tax increases, while high-income taxpayers received generous tax cuts.

“ At both the federal and provincial levels of government, low-income taxpayers experienced significantly large tax increases, while high-income taxpayer received generous tax cuts.

In 2006, Alberta completed a series of reductions in the provincial corporate income tax rate from a high of 15.5% to its present level of 10% (and from 6% down to 3% for small business corporations). As of 2009, Alberta eliminated all provincial health care premiums payable by individuals and employers. And with the exception of a short period in the 1930s, Alberta has no provincial sales taxes, although the government collects a large amount of revenue from a variety of commodity, tourism, and fuel taxes (see Section 7 for details of this revenue).

The focus in this report is on how changes in Alberta tax regimes have affected the composition of provincial revenues, the economic status of women, and income inequalities more generally. However, there is no doubt that federal tax policies have also played an important role in creating the current situation of women in Alberta. In the end, the total tax mix borne by Albertans consists of their combined federal and provincial tax loads.



## C. Revenue Effects of Alberta's 'Tax Advantage' Regime

Focusing directly on how changes to Alberta's tax regime have affected provincial finances, it is clear that the revenue effects of the personal, corporate, and health premium tax cuts have been dramatic. Table 7 estimates the revenue losses flowing from the post-2000 changes in personal income, provincial health premium, and commodity tax rates in terms of their 2009 provincial revenue impact. This table shows what additional revenues could have been collected in 2009 if those three tax changes had not been made, and if the more progressive and diversified tax provisions that were in effect in 1999 had been continued.

**TABLE 7: Change in provincial taxes, by economic family income decile  
1999 tax/transfer system, 2009 population and incomes**

Economic family income decile (2009)	Dollars (millions)				Percent distribution, by decile			
	Provincial taxes	Provincial income tax payable	Provincial health premiums	Provincial commodity taxes	Provincial taxes	Provincial income tax payable	Provincial health premiums	Provincial commodity taxes
First (lowest) decile	\$70.0	\$18.8	\$46.4	\$4.7	1.5%	0.6%	4.0%	1.7%
Second decile	\$93.4	\$43.5	\$49.3	\$0.6	2.0%	1.4%	4.2%	0.2%
Third decile	\$156.9	\$73.9	\$77.9	\$5.2	3.4%	2.3%	6.7%	1.9%
Fourth decile	\$246.5	\$122.1	\$106.9	\$17.5	5.4%	3.9%	9.2%	6.4%
Fifth decile	\$314.5	\$169.6	\$129.5	\$15.4	6.8%	5.4%	11.1%	5.6%
Sixth decile	\$356.3	\$214.5	\$128.4	\$13.5	7.7%	6.8%	11.1%	4.9%
Seventh decile	\$410.5	\$243.1	\$132.9	\$34.5	8.9%	7.7%	11.4%	12.6%
Eighth decile	\$526.1	\$329.7	\$159.6	\$36.8	11.4%	10.4%	13.7%	13.4%
Ninth decile	\$664.2	\$442.7	\$162.5	\$58.9	14.4%	14.0%	14.0%	21.5%
Tenth (top) decile	\$1,759.1	\$1,504.1	\$168.1	\$86.9	38.3%	47.6%	14.5%	31.7%
All	\$4,597.5	\$3,162.0	\$1,161.5	\$274.0	100.0%	100.0%	100.0%	100.0%

Source: Social Policy Simulation Database and Model, v. 21.0.

**This total of \$5.7 billion in lost revenues is approximately the amount of the projected annual government revenue shortfall now predicted as the consequence of falling oil prices.**

If these three changes had not been made, Alberta would have had \$4.6 billion more revenue in 2009 than it actually received that year. This represents nearly 2% of Alberta's 2009 GDP.<sup>33</sup>

The Alberta government has also lost an additional \$1.1 billion in revenue as the result of cutting standard corporate income tax rates from 15.5% to 10%. Adding this \$1.1 billion in lost annual revenue to the costs of its personal income, health premium, and commodity tax rate changes, Alberta would have had \$5.7 billion in additional revenue in 2009. That amount represents 2.3% of Alberta's GDP in 2009.

Similar amounts of revenue have been foregone in each year since these cuts came into effect. By any standard, these are massive permanent tax cuts. Interestingly, this total of \$5.7 billion in lost revenues is approximately the amount of the projected annual government revenue shortfall now predicted

**“The overall result has been that non-renewable resource revenues have provided a larger share of annual revenues, but have not been stable or large enough to keep pace with provincial budgetary needs as the population has grown.**

as the consequence of falling oil prices. The rapid decline in oil prices since late 2014 has led to predictions of provincial revenue shortfalls ranging as high as \$7 billion.<sup>34</sup>

In revenue terms, Alberta’s largest revenue losses have come from the shift from its system of implicit graduated rates (of 7.48%, 11.44%, and 12.76%) to the single 10% personal income tax rate. That change alone accounted for \$3.2 billion in lost revenues for 2009. Elimination of provincial health premiums and corporate income tax rate cuts produced additional \$1.2 and \$1.1 billion in revenue losses, respectively, and consequential changes in commodity tax rates resulted in an additional \$270 million in lost revenues.

Since these cuts were made, these revenue losses have been cited by the government as necessitating cuts to a wide range of public services in Alberta. They have also resulted in the destabilizing of provincial revenue flows as proportionately more revenues have thus come from non-renewable resource royalties – revenues that are inherently unpredictable because they change with wide and sometime rapid fluctuations in market-driven oil prices. The overall result has been that non-renewable resource revenues have provided a larger share of annual revenues, but have not been stable or large enough to keep pace with provincial budgetary needs as the population has grown.<sup>35</sup>

## D. Inequality and the Distribution of Alberta’s Detaxation Benefits

The massive tax cuts implemented by the Alberta government between 2000 and 2009 are properly classified as amounting to “detaxation” cuts – a type of tax cut designed to permanently restructure the provincial revenue system. In essence, detaxation on this scale goes beyond the concept of small tax benefits or special rules that also produce “foregone revenues.” Detaxation cuts are designed to permanently transfer significant amount of public fiscal capacity or fiscal space to the private sector.

Detaxation amounts to a policy decision to abandon selected governance functions for lack of revenues, and to leave such functions to private markets. Once in the private sector, these surrendered or privatized functions remain outside the control of governments, and represent a reduction in the size and role of the public sector in deference to the role of the private sector.

Not surprisingly, structural detaxation adds to the overall value of private assets as compared with public assets. But it does not necessarily mean that individuals, communities, or organizations receiving this unearned manna are better off, or richer. It simply means that the provincial government has

decided to let private individuals and organizations meet more of their own needs, relying more heavily than before on their own after-tax incomes.

By their very nature, detaxation cuts are broad-based cuts to entire tax systems, and are not carefully designed to correct distributional effects such as concentration of tax cuts in the hands of those with high incomes.<sup>36</sup> They are made with not enough precision to reliably influence any particular behaviours on the part of the private sector, because they are too general and too diffused to affect specific behaviours (even if that could be done with precision, which remains a doubtful proposition). Instead, such broad-based detaxation cuts are made in the belief that some good – such as generalized enhanced economic growth – will come from such cuts.

In reality, detaxation tends to reward those who happen to be in position to receive the economic benefits of paying lower taxes. When detaxation is carried out by replacing a set of graduated rates with one single marginal tax rate some will pay higher taxes, and receive no detaxation benefits, while those who will pay lower taxes will experience the *manna* effect simply because they have higher incomes.

**“ Instead of allocating the smallest tax cuts to those who have the greatest ability to pay higher taxes, detaxation cuts to progressive taxes give the largest detaxation benefits to those who need them the least.**

In the specific situation of using detaxation to reduce graduated income tax rates, the distribution of detaxation tax benefits will be upside down in distributional terms. Instead of giving the biggest tax cuts to those who need them the most based on their lesser ability to pay the taxes in question, those with the lowest incomes will get the smallest tax benefits from detaxation, or, as in the case of Alberta, will actually experience higher tax rates. Instead of allocating the smallest tax cuts to those who have the greatest ability to pay higher taxes, detaxation cuts to progressive taxes give the largest detaxation benefits to those who need them the least.

In terms of fundamental tax policy standards, upside-down distributions of detaxation benefits violate the principle of vertical equity – they do not allocate the tax burden on any rationally justifiable basis, such as ability to pay.

Alberta's single-rate 10% PIT violates the principle of vertical equity in several ways. The 10% tax raised the tax rates payable on low incomes from the implicit low 1999 provincial rate of 7.48% to 10%. This increased the tax rate on those with the least ability to pay higher taxes. At the same time, this tax change reduced the existing middle and high income tax rates from 11.44% and 12.76% down to 10%. This reduced the tax rate on those with the greatest ability to pay.

Neither of these changes rationally squares with the principle of vertical equity, which posits that those with the greatest ability to pay should bear appropriately heavier shares of the total tax burden.

“These extremely upside-down tax cuts operate automatically every year, systematically shifting heavier taxes onto those with low incomes to offset revenues lost from the tax cut benefits being given to the wealthiest Albertans every year.”

Tax increases and cuts in the range of 1.44% to 2.76% may seem like small changes, but in distributional terms they mean that low income taxpayers are now worse off, and that those with the highest incomes are much better off. And the lost revenues that were previously collected from higher income taxpayers are now being provided by those with the lowest incomes. From the equity perspective, it is not fair to hold those with the lowest incomes responsible for making up revenue shortfalls caused by giving tax cuts to those with higher incomes.

The figures in Table 7 (page 31) show that of the \$3.2 billion revenue lost due to these PIT rate cuts in 2009, nearly half that reduction – \$1.5 billion – went to the wealthiest 10% of taxpayers in Alberta. Indeed, some 72% of that \$3.2 billion went to the wealthiest 30%.

At the same time, those with the lowest incomes received almost no tax benefit from these rate cuts. The poorest 10% got just 0.6% of that \$3.2 billion, and those with the lowest 30% of incomes received just 3.3%.

The distribution of the health premium and provincial commodity tax cuts followed similar patterns. An estimated 42.2% of the health premium cuts and 66.6% of the commodity tax cuts went to the richest 30% in 2009. Just 14.9% of the health premium cuts and 3.8% of the commodity tax cuts went to the 30% with the lowest incomes.

Overall, the combined effect of these three sets of cuts put 54.1% of \$4.6 billion of this newly privatized revenue into the hands of the wealthiest 30% of Alberta residents. A mere 6.9% of all that lost revenue went to the 30% of Albertans with the lowest incomes.<sup>37</sup> These extremely upside-down tax cuts operate automatically every year, systematically shifting heavier taxes onto those with low incomes to offset revenues lost from the tax cut benefits being given to the wealthiest Albertans every year.

## 4. Gender Impact of Alberta's 'Tax Advantage' Regime

This section examines how the particular forms of detaxation policies implemented in Alberta have intensified women's economic equality as measured by changes in women's versus men's after-tax incomes. Two key effects are examined in order to identify this overall effect.

First, the severity of the upside-down effect of massive structural detaxation across Alberta's main sources of tax revenues is measured in terms of gender shares. Alberta's PIT detaxation regime has not cut personal income tax rates for everyone in Alberta; it has only cut the tax rates payable by those who had paid higher provincial PIT rates before the 10% single PIT rate was introduced. Detaxation for those with higher incomes has been combined with tax increases for those with lower incomes. Given longstanding and even growing market income gender gaps, the first question is how women's tax loads have changed as compared with men's.

“While the overall Canadian income tax system has been slightly gender progressive in impact since the 1990s, redistributing 4% of pre-tax market incomes from men to women each year, the Alberta tax system now only redistributes 3% of pre-tax incomes from men to women.

Second, progressive income tax systems are considered to help minimize gender inequalities that might otherwise arise from the revenue-raising process. On average across Canada, the total tax-transfer system has consistently redistributed 4% of market incomes from men to women. Thus it can be said that the Canadian tax system is slightly “gender progressive” – it redistributes some small amount of total incomes from men to women.

However, when fiscal inequalities are reinforced through multiple channels as they have been in Alberta since the early 1990s, even the relatively progressive federal income tax rate structure that apply to taxpayers in Alberta cannot by themselves counter the growing after-tax income inequalities between women and men in Alberta. While the overall Canadian income tax system has been slightly gender progressive in impact since the 1990s, redistributing 4% of pre-tax market incomes from men to women each year, the Alberta tax system now only redistributes 3% of pre-tax incomes from men to women.

These two key gender effects are examined in this section, and provide detailed information that is then used in the remaining sections of this report to identify recommendations for policy reform that could improve these outcomes.

## A. Distribution of Detaxation Benefits by Gender

Looking at the unequal allocation of detaxation benefits between women and men, it can be seen from Table 8 that 71% of the entire \$4.6 billion in revenues estimated to have been left in private hands in 2009 went to men, and just 29% to women. Looking at the distributions of these tax cuts by deciles, it is clear that the largest shares of each type of tax cut invariably went to the highest income males.

**TABLE 8: Change in provincial taxes, by gender and decile (\$millions)  
1999 tax/transfer system, Alberta 2009 population and incomes**

	Provincial taxes			Provincial income tax payable			Provincial health premiums			Provincial commodity taxes		
	Males	Females	Both	Males	Females	Both	Males	Females	Both	Males	Females	Both
Economic family income decile (2009)												
First (lowest) decile	\$46.1	\$23.9	\$70.0	\$12.2	\$6.6	\$18.8	\$30.9	\$15.6	\$46.5	\$3.1	\$1.6	\$4.7
Second decile	\$48.9	\$44.5	\$93.4	\$20.3	\$23.3	\$43.6	\$27.0	\$22.3	\$49.3	\$1.6	-\$1.0	\$0.6
Third decile	\$67.4	\$89.5	\$156.9	\$32.8	\$41.1	\$73.9	\$31.5	\$46.4	\$77.9	\$3.1	\$2.0	\$5.1
Fourth decile	\$153.1	\$93.4	\$246.5	\$80.0	\$42.1	\$122.1	\$63.7	\$43.2	\$106.9	\$9.4	\$8.1	\$17.5
Fifth decile	\$189.5	\$125.0	\$314.5	\$102.1	\$67.6	\$169.7	\$78.2	\$51.3	\$129.5	\$9.2	\$6.1	\$15.3
Sixth decile	\$229.2	\$127.1	\$356.3	\$135.9	\$78.5	\$214.4	\$83.0	\$45.4	\$128.4	\$10.3	\$3.2	\$13.5
Seventh decile	\$297.2	\$113.3	\$410.5	\$172.4	\$70.8	\$243.2	\$97.5	\$35.4	\$132.9	\$27.3	\$7.2	\$34.5
Eighth decile	\$367.5	\$158.6	\$526.1	\$221.2	\$108.5	\$329.7	\$121.4	\$38.2	\$159.6	\$24.9	\$11.9	\$36.8
Ninth decile	\$458.8	\$205.4	\$664.2	\$307.9	\$134.8	\$442.7	\$113.2	\$49.3	\$162.5	\$37.7	\$21.2	\$58.9
Tenth (top) decile	\$1,396.1	\$363.0	\$1,759.1	\$1,198.3	\$305.8	\$1,504.1	\$134.3	\$33.8	\$168.1	\$63.5	\$23.4	\$86.9
All	\$3,253.8	\$1,343.7	\$4,597.5	\$2,283.0	\$879.1	\$3,162.1	\$780.6	\$380.9	\$1,161.5	\$190.2	\$83.8	\$274.0
All	71%	29%	100%	72%	28%	100%	67%	33%	100%	69%	31%	100%

Source: Social Policy Simulation Database and Model, v. 21.0.

For example, men in the top 10% received \$1.2 billion of the \$3.2 billion in personal income tax cuts – 37.5% of that tax cut. Women in the top 10% received larger shares of this \$3.2 billion than did any other group of women, but women in the top 10% received only \$306 million – just 9.7% of that \$3.2 billion.

What is of particular concern in these figures is that with the exception of the third decile, men received consistently larger shares of the total detaxation gains than women in all income deciles. This is because the gender income gaps in Alberta remain so large that women's incomes are most concentrated in the lower deciles. Women are simply not represented in large enough numbers in the middle and higher deciles to have any chance of receiving larger shares of detaxation benefits than men.

Less visible in these distributional figures is the numbers of men and women in the lower income deciles who actually ended up paying higher taxes than they did before the single 10% personal income tax came into effect and the

health premiums were eliminated. These “losers” are implicitly represented in the net gains in Table 8, and their “negative” tax changes – that is, their higher taxes – offset the total tax benefits in each of the deciles.

Given the persistence of large gender income gaps in Alberta, the gender distribution of these detaxation benefits can be seen as actively concentrating unequal shares of after-tax incomes in men’s hands in Alberta even while provincial, federal, and international laws require that all tax policies be applied equally to women and men.

If the detaxation benefits depicted in Table 8 had been allocated equally to women and men, then women would have received 50% of the \$4.6 billion in detaxation benefits, and men would have received 50% as well. That is, men would have received only \$2.3 billion of the whole set of cuts, not \$3.3 billion. And women would have also received \$2.3 billion, not just \$1.3 billion.

When viewed in this way, it becomes very clear that in a province in which women’s average total incomes are still only 59% of men’s, giving 71% of all detaxation benefits to men will actually increase men’s after-tax incomes faster than it can increase women’s after-tax incomes.

By allocating detaxation benefits in such a markedly gender regressive fashion, in a province in which women’s market incomes are actually falling relative to men’s, Alberta’s detaxation policies have been actively shifting larger shares of potential public revenues to men each year than to women.

In other words, this particular type of tax system has been accelerating the rate at which gendered economic inequality is increasing in Alberta. And this is being done by leaving disproportionate shares of increased tax burdens in the hands of women while the large majority of the tax benefits from tax rate cuts are being given to men.

Graduated rate structures are essential components of fair tax systems, because most single-rate tax systems are purely regressive in distributional impact. That is, even with increased personal exemption credits, single-rate PIT systems will always take a larger share of income from those with lower incomes than they will from those with higher incomes.

Regressivity is considered to be unfair because it violates the principle of ability to pay taxes when it imposes heavier taxes on those who can least afford to pay them, and taxes those who can more easily pay them more lightly. The principle of ability to pay is even more grossly violated when those left with disproportionately high levels of tax liability are actually helping fund the tax rate cuts being given to those with higher incomes.



**By allocating detaxation benefits in such a markedly gender regressive fashion, in a province in which women’s market incomes are actually falling relative to men’s, Alberta’s detaxation policies have been actively shifting larger shares of potential public revenues to men each year than to women.**



## B. Loss of Gender Progressivity in Alberta

Canada's tax-transfer systems have generally been gender progressive in overall tax incidence. In other words, the many specific tax provisions in Canada tend to produce total tax burdens that shift a small amount of after-tax income from men as a class to women as a class every year. This is consistent with the principles of ability to pay and progressivity in taxation, because so long as gender income gaps remain so persistent, women have less ability to pay tax than men.

Alberta's restructured provincial tax regime has now become so gender regressive that it has actually reduced the degree of gender progressivity in the combined federal-provincial tax-transfer system in Alberta. Table 9 demonstrates how this has been accomplished in Alberta.

In 2011, women received 38% of all market incomes in Canada in that year. As the result of the slight gender progressivity built into the total federal-provincial tax systems operating all across the country, women's shares of key tax concepts gradually increase from 38% of market incomes to 42% of net after-tax incomes.

This means that at the end of the whole national taxation process each year, women end up with 4% more of all after-tax incomes than one might have expected them to receive, given that they started out with only 38% of all market incomes. That is, the total Canadian tax-transfer system is gender progressive to the extent of 4% of national individual incomes.

**“For women living in Alberta, the provincial tax system redirects so much more market income toward men and redistributes so much less of it to women that the total tax-transfer system only transfers 3% of all net after-tax incomes from men to women in Alberta.**

For women living in Alberta, however, their after-tax incomes will be shaped not by the relatively more gender-equal provincial tax systems that apply to women living in Québec, or in BC, or in some other province or territory – Alberta women's net after-tax incomes are shaped by the total effect of the federal tax system plus Alberta's tax-transfer system.

Looking at the progression of women's incomes as they went through the combined federal and Alberta tax systems in 2011, it can be seen that women in Alberta started out with only 33% of all market incomes earned in the province in 2011. However, as women's aggregate incomes were redefined in the tax process as “taxable income,” their shares of taxable Alberta income only increased by 1% point – to 34% of all Alberta taxable income – not by the 2% increase that women nationally experienced at this stage in the taxation process.

At the next stage, moving from Alberta women's shares of taxable income (34%) to their share of after-tax incomes (36%) and then to net after-tax incomes (also 36%), it can be seen that women's shares of net after-tax incomes only increased by 3% relative to their market incomes.



**TABLE 9: Estimates of market, total, taxable, disposable, and consumable income, by sex, Canada and Alberta, 2001 - 2011**

	Amount (\$millions)			Shares (%)		
	2001	2006	2011	2001	2006	2011
Market income:						
<b>Canada</b>						
Males	\$420,890	\$546,932	\$627,453	62%	62%	62%
Females	\$255,161	\$328,461	\$383,598	38%	38%	38%
<b>Alberta</b>						
Males	\$54,576	\$85,931	\$101,771	67%	68%	67%
Females	\$27,249	\$40,946	\$49,586	33%	32%	33%
Total income:						
<b>Canada</b>						
Males	\$462,932	\$596,894	\$694,087	60%	60%	60%
Females	\$309,787	\$394,833	\$467,319	40%	40%	40%
<b>Alberta</b>						
Males	\$58,071	\$90,523	\$107,284	65%	66%	66%
Females	\$31,675	\$46,933	\$56,441	35%	34%	34%
Taxable income:						
<b>Canada</b>						
Males	\$417,666	\$537,920	\$618,485	61%	61%	60%
Females	\$266,054	\$341,084	\$415,226	39%	39%	40%
<b>Alberta</b>						
Males	\$52,310	\$81,065	\$97,781	66%	66%	66%
Females	\$27,393	\$40,848	\$51,316	34%	34%	34%
Disposable income:						
<b>Canada</b>						
Males	\$353,737	\$457,779	\$544,659	58%	59%	59%
Females	\$252,563	\$322,621	\$385,624	42%	41%	41%
<b>Alberta</b>						
Males	\$44,077	\$68,716	\$83,024	63%	64%	64%
Females	\$25,825	\$38,182	\$46,282	37%	36%	36%
Consumable income:						
<b>Canada</b>						
Males	\$316,021	\$412,943	\$493,020	58%	58%	58%
Females	\$227,950	\$293,386	\$351,983	42%	42%	42%
<b>Alberta</b>						
Males	\$41,193	\$64,517	\$78,652	63%	64%	64%
Females	\$24,200	\$35,855	\$43,906	37%	36%	36%

Source: Statistics Canada, SPSP/M, v. 21.0.

The difference between a shift of just 3% of all after-tax incomes for women in Alberta compared to 4% for women nationally may seem minimal, but remember that these are shares of aggregate incomes for millions of adults each year. Nationally, the total tax-transfer system is transferring 4% of all net after-tax from men as a class to women as a class. But for women living in Alberta, the provincial tax system redirects so much more market income toward men and redistributes so much less of it to women that the total tax-transfer system only transfers 3% of all net after-tax incomes from men to women in Alberta.

This means that the total tax-transfer system in Alberta is 25% less effective in rebalancing male-female economic power than it is nationally.

Between the severe gender imbalances in market incomes and the unequal distribution of detaxation benefits between women and men in Alberta every year, the Alberta tax system has added new tax barriers to women's attainment of economic equality not faced by women in other jurisdictions in Canada.

If Alberta does not take steps to equalize women's access to good paid work and to restore progressivity to its total tax system, law by law, women in Alberta will continue to lose economic ground to men, and may well lose any chance of attaining greater social, economic, or political equality in the province.

## 5. Personal Income Tax Alternatives

**“ Maintaining 10% as the lowest PIT rate under a restructured PIT would continue to overtax women who seek to combine paid work schedules with heavy unpaid workloads, but who have limited access to care resources.**

There is growing consensus that most Albertans can easily afford to pay higher personal income and other tax rates. Indeed, several alternative rate structures have been suggested since the single 10% rate has come under growing criticism. This section examines the revenues to be expected from such alternatives, their distributional effects by gender, and additional measures that could be introduced to reduce the levels of increased taxation that have been directed at low-income individuals since 1988 and then again in 2000.

The main purpose of this analysis is to identify the gender allocation of any increases in Alberta's PIT rates, and to assess their impact on women by income levels. Because the shift from graduated provincial PIT rates to the single 10% income tax rate in 2000 immediately increased PIT rates for those with the lowest incomes, it is also important to address that now longstanding inequality.

Women in Alberta continue to have much lower average incomes than men, and higher levels of poverty. Thus maintaining 10% as the lowest PIT rate under a restructured PIT would continue to overtax women who seek to combine paid work schedules with heavy unpaid workloads, but who have limited access to care resources.

This section examines how Alberta's flat 10% PIT rate compares with other provincial/territorial rates to provide context for this discussion. It then evaluates the revenue and gender impact of five variations on the existing 10% rate structure. The most basic variation would add two higher tax rates to the current 10% rate: 13% on incomes between \$100,000 and \$150,000, and 15% on those over \$150,000.

This alternative, which has been proposed by Public Interest Alberta (PIA),<sup>38</sup> is designed to produce significant new revenues to help fund social programs and reduce the after-tax boost that those with the highest incomes currently get from the current single 10% rate.

Four other variations on the PIA proposal examine the revenue, distributional, and gender effects of also adding a third new rate of 16% for incomes over \$250,000 and/or of adding new low rates of 8% and 9%.

This section concludes with a discussion of how existing provincial low-income credits can be restructured to address large gender earnings and income gaps in Alberta in the context of the government's continuing heavy reliance on resource revenues.

## A. Provincial/Territorial PIT Rates: National Context

Before 2000, Alberta's lowest PIT rate was the second lowest in the country, at 7.48%.<sup>39</sup> Ontario's was the lowest, at 6.72%, but all other provincial low PIT rates were also at or below 10%.<sup>40</sup>

Before 2000, the top provincial/territorial rates ranged from 11.46% in Ontario and 12.76% in Alberta to 16.97% in PEI and 20% in Newfoundland.

Since completing the transition from the old tax-on-tax provincial/territorial PIT rate system to the current tax-on-income rate system, most jurisdictions other than Alberta have ended up with graduated rate structures that start well under the 10% level. As of 2014, most of the highest PIT rates are in the 11% to 16% range, although four jurisdictions have top PIT rates at or above 17% (see Table 10).

**TABLE 10: Provincial/territorial personal income tax rates, 2014**

	Number of rates	Lowest rate (%)	Highest rate (%)	Number of surtaxes
Nunavut	4	4	11.5	
Ontario	4	5.05	13.16	2
British Columbia	6	5.06	16.8	
Northwest Territory	4	5.9	14.05	
Yukon	4	7.04	12.96	1
Nfld/Labrador	3	7.7	13.3	
Nova Scotia	5	8.79	21	
New Brunswick	4	9.68	17.84	
PEI	3	9.8	16.7	1
Alberta	1	10	10	
Manitoba	3	10.8	17.4	
Saskatchewan	3	11	15	
Québec <sup>[i]</sup>	4	16	25.75	

[i] Québec residents qualify for a 16.5% federal tax reduction as the result of a federal-provincial agreement to waive federal social funding transfers to Québec.

At the present time, Alberta's PIT regime stands out in two ways. The first is the well-known single 10% rate. The second is Alberta's larger personal, spousal/partner, and dependent tax exemption credits.

In Alberta, a sole earner with a spouse/partner or eligible dependent can receive income of \$35,574 (2014) without any provincial income tax liability, after which the 10% rate applies to all other income. With the exception of Saskatchewan, which closely tails the Alberta credit structure, that exemption zone is smaller elsewhere. Although the personal exemption credits are not large enough to protect an individual with a low income from being taxed

into poverty, the combined effect of average male incomes plus transferable exemption credits from partners/spouses or other dependents ensures that those with moderate to high incomes will benefit generously from both the exemptions and the single 10% tax rate.

The first alternative PIT rate structure considered in this report – three rates of 10%, 13%, and 15% – maintains the current 10% rate as the lowest rate, and also keeps the personal exemption credits at their current levels. As can be seen from the rate ranges in Table 10, if Alberta were to move its top rate to 15%, its top rate would still be one of the lowest in the country. The other alternative rate structures considered in this section stay within that general zone, going no lower than 8% and no higher than 16%.

Low rates of less than 8% have not been considered because, as can be seen in the following discussion, there may be better ways to address the negative gender effects of the existing tax schedule.

Of particular concern in this discussion is the effect of Alberta's personal and spouse/partner exemption credits on women's ability to "make work pay." At the present time, these credits are not large enough to prevent individuals from being taxed into poverty. However, because they can be transferred from one spouse/partner to the other, transferred exemption credits create disincentives to women's paid work when women who enter into low-income paid work "use up" their spouse/partner's claim to her credit even though she may have less to show for it in after-tax terms. This effect is driven by the combined effect of federal and Alberta PIT rates and exemptions. Thus this section concludes with a discussion of using expanded working income tax credits to make work pay for women as well as for men.

## B. Addition of Higher Graduated PIT Rates in Alberta

This discussion looks at two reform alternatives: the first adds two new rates of 13% and 15% to the existing 10% rate; the second adds a third new rate of 16%.

From revenue perspectives, if Alberta adds two new provincial rates to its PIT rate structure – 13% between \$100,000 and \$150,000, and 15% above \$150,000 – it would gain additional PIT revenue of \$1.44 billion<sup>41</sup> in 2014. This set of figures is based on the assumption that the exemption zones and the other details affecting application of the existing 10% rate would remain unchanged.

**TABLE 11: individual change in provincial, income, and commodity taxes (\$average), by decile, 2014**  
**Alberta PIT tax table changes: new 10/13/15% rate structure**

Economic family income decile (2014)	Provincial taxes			Provincial income tax payable			Provincial commodity taxes		
	Males	Females	Both	Males	Females	Both	Males	Females	Both
First (lowest) decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Second decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Third decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Fourth decile	\$1	\$-	\$-	\$1	\$-	\$-	\$-	\$-	\$-
Fifth decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Sixth decile	\$2	\$6	\$4	\$2	\$6	\$4	\$-	\$-	\$-
Seventh decile	\$15	\$1	\$8	\$15	\$1	\$8	\$-	\$-	\$-
Eighth decile	\$85	\$20	\$53	\$87	\$20	\$54	-\$1	\$-	-\$1
Ninth decile	\$228	\$51	\$141	\$231	\$52	\$143	-\$3	-\$1	-\$2
Tenth (top) decile	\$4,200	\$657	\$2,440	\$4,222	\$662	\$2,453	-\$22	-\$4	-\$13
All	\$637	\$101	\$367	\$641	\$101	\$369	-\$4	-\$1	-\$2
Source: Social Policy Simulation Database and Model, v. 21.0.									
Note: tax table changes: 10% on taxable income up to \$100,000, 13% from \$100,000 to \$150,000, and 15% on taxable income over \$150,000.									

This additional revenue would increase total PIT revenues by some 13% for the 2014/15 fiscal year. In terms of revenue mix, this would mean that the PIT would then provide nearly 60% of the province's tax revenues overall.<sup>42</sup>

From the government's perspective, there are two key advantages to making this change. First, the single 10% PIT rate schedule was put into place in 2000, at a time when non-renewable resource revenues provided over 41% of total government revenues. Since that time, the government's resource revenues have fallen, and have only come close to providing such high levels of revenue just once in the last 15 years, and that was back in 2005/6. Since then, revenues received from the resource sector have only provided about 19% of annual budgets. The current projection is 20% of provincial revenues going forward, but as oil prices began to fall precipitously in late 2014,<sup>43</sup> that expectation is being revised downward.

“ There is a growing body of expert opinion warning against over-reliance on revenues as volatile as oil revenues, and this proposal would be a modest but prudent step in the direction of increased revenue stability.

Although the state of the resource industry obviously affects personal incomes in Alberta, provincial personal income taxes will always be able to draw revenues from all sectors of the Alberta economy. Thus increasing total PIT revenues will add greater diversity and reduced reliance on resource revenues as a source of core budgetary revenues. Indeed, there is a growing body of expert opinion warning against over-reliance on revenues as volatile as oil revenues, and this proposal would be a modest but prudent step in the direction of increased revenue stability.

The second advantage of increasing PIT rates is that apart from the urgency of addressing the budgetary shortfall expected from the current fall in oil prices, increased PIT revenues would enable the government to invest in increasing economic diversity and productivity in the province. Revenues are needed for such initiatives. Whether invested in education or public services, support for increased human productivity would contribute to increased economic diversification and more stable revenues in the future, and insulate the Alberta government and its economy from the volatility of oil prices to some degree. (This mechanism is discussed in greater detail in Section 8 of this report.)

From a revenue perspective, the expanded alternative of adding *three new PIT rates* – 13% between \$100,000 and \$150,000, 15% between \$150,000 and \$250,000, and 16% over \$250,000 – would increase revenues by \$1.6 billion<sup>44</sup> and would provide gradual increases in the effective tax rate between the \$150,000 and \$250,000 levels.

This would be consistent with the principal of tax equity, because even in Alberta, with its high average incomes, the difference between \$150,000 and \$250,000 incomes is still significant. In addition, this top rate would be more consistent with the levels of wealth in Alberta.

From distributional perspectives, the main impact of either of these two proposals – two new rates or three new rates – will fall on Albertans in the top income decile. With two new rates, 92% of the total PIT increase would be borne by the wealthiest 10% of the population (Table 11). With three new rates, the share borne by the wealthiest increases to 93% (Table 12). This is the group that is obviously most able to pay higher rates, in the substantive meaning of ability to pay.

Even though the proposed new top PIT rates would fall most directly on those with the highest incomes in Alberta, the actual dollar effect would be minimal: The average increased tax payment per top decile individual would be less than \$5,000 per year. Particularly since the tax cuts instituted in 2001 have been financed over the last 15 years in part by the 2.5% PIT rate increase borne by those with the lowest incomes, this does not appear to be at all inequitable, given economic realities.

The allocation of the costs of these two rate changes are also consistent with principles of gender equality. There are fewer women in the top income deciles affected by either of these rate changes. Of the women who are represented in the top deciles, their average incomes are markedly lower than the average incomes of the men in those deciles, and they would bear smaller shares of the PIT imposed on those with incomes in those deciles.

The addition of two new rates – 13% and 15% – to the Alberta PIT rate schedule would result in modest tax increases for women at higher income levels. This is also consistent with the principle of ability to pay.

Most importantly, however, there would be virtually no PIT increases for men or women in the first seven deciles under this alternative. For men and women in the eighth decile, the average increase would be \$87 and \$20 per year, respectively, and just \$231 for men and \$52 for women in the ninth decile. Although men in the top decile would face average increases of \$4,222 for 2014, women in the top decile would average increases of \$662.

The pattern is similar if the government chose to add three new rates – 13%, 15%, and 16%. As shown in Table 12, the new top rate of 16% would have no impact on those in the eighth or ninth deciles, but the average individual increase for men in the top decile would rise to \$4,733, and for women in the top decile to \$724.

**TABLE 12: Individual change in provincial, income, and commodity taxes (\$average), by decile, 2014**  
**Alberta PIT tax table changes: new 10/13/15/16% rate structure**

Economic family income decile (2014)	Provincial taxes			Provincial income tax payable			Provincial commodity taxes		
	Males	Females	Both	Males	Females	Both	Males	Females	Both
First (lowest) decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Second decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Third decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Fourth decile	\$1	\$-	\$-	\$1	\$-	\$-	\$-	\$-	\$-
Fifth decile	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Sixth decile	\$2	\$6	\$4	\$2	\$6	\$4	\$-	\$-	\$-
Seventh decile	\$15	\$1	\$8	\$16	\$1	\$8	\$-	\$-	\$-
Eighth decile	\$85	\$20	\$53	\$87	\$20	\$54	-\$1	\$-	-\$1
Ninth decile	\$228	\$51	\$141	\$231	\$52	\$143	-\$3	-\$1	-\$2
Tenth (top) decile	\$4,709	\$720	\$2,727	\$4,733	\$724	\$2,741	-\$24	-\$4	-\$14
All	\$709	\$109	\$407	\$713	\$110	\$410	-\$4	-\$1	-\$2
Source: Social Policy Simulation Database and Model, v. 21.0.									
Note: tax table changes: 10% on taxable income up to \$100,000, 13% from \$100,000 to \$150,000, 15% on taxable income over \$150,000, and 16% over \$250,000.									



Women with extremely high incomes will of course bear individual PIT increases on the order of those shown for men in Table 12. Women with such income levels are few in number in Alberta at the present time, but should issues of workplace, promotion, and pay equity be resolved more fairly in the future, women's shares of these largest PIT tax increases would rise as well.

## C. Addition of New Lower PIT Rates in Alberta

Historically, it is those with the lowest incomes who have borne a disproportionate share of the costs of Alberta's single 10% PIT rate structure for the last 15 years.

When Alberta's old tax-on-tax rate of 44% was replaced with the flat 10% rate for all, those with the lowest incomes experienced an increase from 7.48% of taxable income to 10% – a permanent annual 2.5% rate increase. This means that it has been low-income Albertans who have been making affirmative new contributions to the province's "tax advantage" program.

In contrast, the higher-income taxpayers who have been paying 1.44% to 2.76% lower taxes every year have contributed nothing to financing the "tax advantage" program. And, as discussed in Section 3 of this report, the single 10% rate represents the culmination of a series of large rate increases borne by those with low and modest incomes.

Three rate schedules including 8% or 9% low rate options together with new high rates are considered here: 8/10/13/15%; 9/10/13/15%; and 9/10/13/15/16%.

These particular low rates were selected for two reasons. First, Alberta's zero-rated personal exemption zone is higher than in other jurisdictions, and should be retained, or, ideally, increased to produce after-tax incomes that keep pace with low income cut-offs. Zero-rating more income is actually more favourable to those with low incomes than implementing new low rates like 5% or 7%. There are trade-offs on this technical point, however, because all taxpayers, even those with the highest incomes, will benefit from either the zero-rated exemption zone or from lowered rates. However, the choice between large or increased personal tax exemption credits, low initial rates, or alternative low-income measures also raises important gender considerations, discussed at the end of this section.

Second, new low rates of 8% or 9% would place the new Alberta low rate right in the middle of the range of lowest rates used by all the provincial/territorial governments. This would be consistent with proposals for more moderate high-rate increases that might be considered, and would leave the total Alberta rate structure more or less in the range of rate structures currently used in other jurisdictions. This would be consistent with principles of fairness and noncompetition in setting tax rates.

The first new low rate alternative considered here would add a new 8% rate plus two new higher rates to the existing flat 10% PIT rate structure. This would produce a total of four rates – 8%, 10%, 13%, and 15%. This new lowest rate of 8% is assumed to apply to the same income range as the 2014 federal low rate – the first \$43,953 in taxable income. Above \$43,953 in taxable income, the existing 10% rate would apply up to taxable income of \$100,000, the first proposed higher rate of 13% would apply up to \$150,000, and the second proposed higher rate of 15% would apply to taxable income over \$150,000.

From a government revenue perspective, the addition of a new 8% low rate to the 10/13/15% alternative would, overall, produce much less additional revenue than the 10/13/15% alternative:

<b>10/13/15% alternative:</b>	\$1.44 billion
<b>8/10/13/15% alternative:</b>	\$0.77 billion <sup>45</sup>

This 8/10/13/15% alternative would produce \$0.67 billion less revenue in 2014 than the 10/13/15% alternative.

Adding a new low 8% rate would reduce total new revenue by such a large margin because graduated PIT rate structures apply different income tax rates to different layers of income. Thus every individual who has any PIT liability will get the tax benefit of paying 2% less on their first \$43,953 in taxable income. And within that first income bracket, some part of that \$43,953 will end up being completely tax exempt – zero-rated – to the extent that the taxpayer can claim the personal and other exemption tax credits.

In Alberta at the present time, there is only one “layer” or PIT income bracket because there is just one PIT tax rate. Thus any taxable income not exempt due to the personal and other exemption credits will be taxed at the rate of 10%, no matter how high the income.

In the 10/13/15% alternative rate structure discussed in Part A of this section, the 13% rate would apply to a new second layer of income, which would run from taxable incomes over \$100,000 up to \$150,000, and the 15% rate would apply to all taxable incomes over \$150,000, no matter how high.

Under this layered approach, however, taxpayers with very low incomes will usually pay tax at just one rate – the lowest rate. But taxpayers with medium and higher incomes will end up paying taxes that are calculated at different PIT rates as their incomes increase through each of these income brackets.

Using the example of an individual with taxable income of \$200,000 to illustrate how even high income taxpayers would benefit from the 2% tax cut offered by a new 8% low rate, the total PIT payable under the proposed 8/10/13/15% PIT rate schedule discussed here would be calculated in the layers shown in Table 13.

**TABLE 13: Total PIT payable on \$200,000 taxable income: new 8/10/13/15% rate structure**

First \$17,787 in taxable income:	8% on \$17,787, maximum \$1,423 (but offset with PIT credit of \$1,423 thus 0% PIT payable on \$17,787)
Over \$17,787 to \$43,953:	8% on \$26,166, maximum \$2,093 tax
Over \$43,787 to \$100,000:	10% on \$56,213, maximum \$5,621 tax
Over \$100,000 to \$150,000:	13% on \$49,999, maximum of \$6,500 tax
Over \$150,000 to \$200,000:	15% on \$49,999, maximum of \$7,500 tax
Total PIT payable on \$200,000 taxable income:	\$21,714 tax payable
Effective (average) rate payable on \$200,000 income:	10.86%
Note: PIT tax liability will be calculated at the rate of the lowest PIT rate, which is 8% in this example; the personal exemption tax credit will then be calculated as 8% of the personal exemption amount; thus for taxable incomes up to \$17,787, the 8% exemption tax credit will offset the full amount of the PIT payable.	

In this example, each PIT rate applies only to the income that falls into its income bracket. Total income tax payable is thus the sum total of the maximum amounts that are calculated for the incomes that fall into each specific bracket. The effective PIT rate payable is the average of all amounts of PIT payable, which expresses the total tax bill as a percentage of total taxable income.

This layered approach, which is built into all graduated or progressive income tax rate structures, thus gives every taxpayer the tax benefit of every tax rate in the various layers that apply to that person's taxable income.

In Alberta, an individual with taxable income of \$15,000 will pay no PIT at all, because their entire income would fall within the \$17,787 tax-exempt zone created by their personal exemption tax credit (2014). When such an individual calculates their provincial tax payable, they will initially calculate a tax payable, but that PIT liability is then reversed when they claim their personal exemption tax credit.

**“ Graduated income tax rates that start at low levels increase the progressivity and fairness of income taxes, because they minimize the risk of overtaxing those with the lowest incomes.**

For all incomes greater than the personal exemption tax credit amount, however, all taxpayers will still automatically get the benefit of the 0% rate on their first \$17,787 in taxable income. In essence, everyone – whether their income is \$20,000 or \$2 million – will get the \$1,423 personal exemption tax credit above.

If a new 8% low rate is added to the Alberta PIT rate structure, everyone with taxable income greater than \$17,787 – whether \$20,000 or \$2 million – will likewise get the tax benefit of paying only 8% on their next \$26,166 in taxable income. This is in effect a new “tax benefit,” because instead of paying tax at the Alberta flat rate of 10% on that next \$26,166, they will pay 2% less at the new rate. On these sample figures, that new tax benefit is worth \$523 in after-tax income (2% of \$26,166) for everyone with any taxable income greater than the minimum personal exemption tax credit amount of \$17,787.

In short, graduated income tax rates that start at low levels increase the progressivity and fairness of income taxes, because they minimize the risk of overtaxing those with the lowest incomes.

But if the tax policy goal is to provide some tax relief only for those with low incomes, low graduated PIT rates are an expensive way to do it. In this example, the revenue cost of including a low rate of 8% for those with taxable incomes up to \$43,953 means giving that same tax benefit of \$523 to those low-income taxpayers and to everyone else with higher incomes, no matter how high that income might be.

Building tax reductions into the lowest base PIT rate ensures that everyone gets that rate reduction even if they do not, in financial terms, need that tax benefit as much as a person with a lower income. For this reason, a new 9% low rate has also been considered as an alternative.

In revenue terms, *a new low rate of 9% plus the two new higher rates of 13% and 15%* would produce less low income tax relief than a new low 8% rate, but it would produce more total PIT revenue than setting the lowest PIT rate at 8%. In revenue terms, combining the existing 10% rate with two new higher rates of 13% and 15% and with a new 9% low rate for taxable incomes up to \$43,953 would produce new PIT revenue of \$1.11 billion.<sup>46</sup> This is \$340 million more revenue than if the 8% low rate were used.

In revenue terms, a new low 9% rate plus new higher rates of 13%, 15%, and 16% would also produce less low income tax relief than a new 8% rate – but the addition of another high rate of 16% would increase the total revenue produced by this set of provincial PIT rates to \$1.27 billion.<sup>47</sup> This \$1.27 billion is still somewhat less revenue than the 10/13/15% and 10/13/15/16% alternatives would produce – \$1.44 billion and \$1.60 billion, respectively – but including the new low 9% rate would partially ameliorate the effects of having raised the lowest tax rate from 7.48% to 10% in 2000:

<b>10/13/15% alternative:</b>	\$1.44 billion
<b>10/13/15/16% alternative:</b>	\$1.60 billion
<b>8/10/13/15% alternative:</b>	\$0.77 billion
<b>9/10/13/15% alternative:</b>	\$1.11 billion
<b>9/10/13/15/16% alternative:</b>	\$1.27 billion

From revenue perspectives, all five alternatives discussed in this section would increase Alberta's PIT revenues. However, without a new low rate there is no guarantee that those with low incomes would experience government benefits sufficient to offset the effects of continuing to overtax them by 2.48%.

From distributional perspectives, each of the alternatives that include a new low rate will reduce the relatively high level of provincial PIT imposed on low incomes when the pre-2000 7.48% low rate was increased to 10% in 2000. Unlike the options that simply add higher rates to the existing 10% rate, which effectively assign 92% and 93% of all PIT revenue increases to those in the top decile, addition of either of the low rates will offset rate increases in each decile. All taxpayers with any positive tax liability will experience some tax reduction by being able to take advantage of some portion of the minimum tax break provided by the 8% or 9% tax reduction.

From distributional perspectives, the lower the new low rate, the greater the proportionate reduction in PIT payable by those in low and middle income deciles, as well as in the top decile. With a new low rate of 8%, new revenues of \$1.20 billion are actually being collected from the top decile, but only \$0.77 billion of that top-decile revenue stays in the hands of the government because the other \$0.43 billion automatically goes right back out to the other 90% of taxpayers in the form of new tax reductions on their first \$43,953 in taxable income.

This is an example of why graduated income tax rates are redistributive in the true sense of the term: those receiving the tax benefits of tax reductions funded by taxpayers with higher incomes will have higher after-tax incomes as the result of simultaneously lowering some tax rates and increasing others.

In the current case of Alberta, which its single 10% tax rate, the only potential for redistribution is through government spending or through specialized tax provisions such as low-income or refundable credits that pinpoint the recipients who need the most financial assistance.

Adding new higher rates to the Alberta single-rate tax system will increase provincial revenues, but the addition of new higher rates will have no redistributive effect within the tax system itself. All those still subject to the original flat rate will continue to have to look exclusively to government programs for any amelioration of their financial situation.

Still from distributional perspectives, new low rates will not give any tax reduction benefits to those who need them the most – individuals with low incomes. Just as reducing Alberta's pre-2000 11.44% and 12.76% tax rates to 10% did nothing for taxpayers who had never had enough income to have to have any PIT liability at those tax rates, reducing the 10% rate to 8% for those whose provincial taxes payable will be offset by their personal exemption or other tax credits will give them no tax reduction benefit, because these individuals will have little or no PIT liability in the first place. In particular, neither the 8% nor the 9% rate will benefit those whose personal and other exemption tax credits will reduce their PIT rates to zero.

**“ In short, including new low rates will produce larger redistributive effects.**

As demonstrated in Table 14, including a low rate of either 8% and 9% in a new multiple-rate Alberta PIT rate structure will have little effect on individuals in the bottom three income deciles, because they have relatively little PIT payable in the first place. The biggest reductions will go to those whose taxable incomes fall between the \$43,953 cut-off point and \$100,000, which is the point at which the new 13% PIT rate begins to affect them. In between, the unchanged 10% rate would produce no decrease or increase; above \$100,000, the effect of the new 13% rate will be offset by the effect of the 8 or 9% lower rate, etc.

This is why including either new low rate will actively redistribute taxes paid by those with the very highest incomes to those with lower and middle taxable incomes – as part of the tax assessment process itself.

In short, including new low rates will produce larger redistributive effects. However, either new low rate would mean that only part of the new taxes paid by those with the highest incomes would remain in government hands.

**TABLE 14: Average change in provincial PIT payable by individuals, by decile, Alberta, 2014**

<b>Rates:</b>	<b>8/10/13/15%</b>	<b>9/10/13/15%</b>	<b>9/10/13/15/16%</b>
<b>New revenue:</b>	<b>\$0.77 billion</b>	<b>\$1.11 billion</b>	<b>\$1.27 billion</b>
<b>Decile</b>			
First	-\$3	-\$ 1	-\$1
Second	-\$24	-\$ 12	-\$12
Third	-\$96	-\$ 48	-\$48
Fourth	-\$126	-\$ 63	-\$63
Fifth	-\$149	-\$ 74	-\$74
Sixth	-\$208	-\$ 102	-\$102
Seventh	-\$202	-\$ 97	-\$97
Eighth	-\$67	-\$ 56	-\$56
Ninth	-\$86	\$28	\$28
Tenth	\$2,212	\$2,333	\$2,621
All	\$198	\$283	\$324
Source: SPSPD/M v. 21			

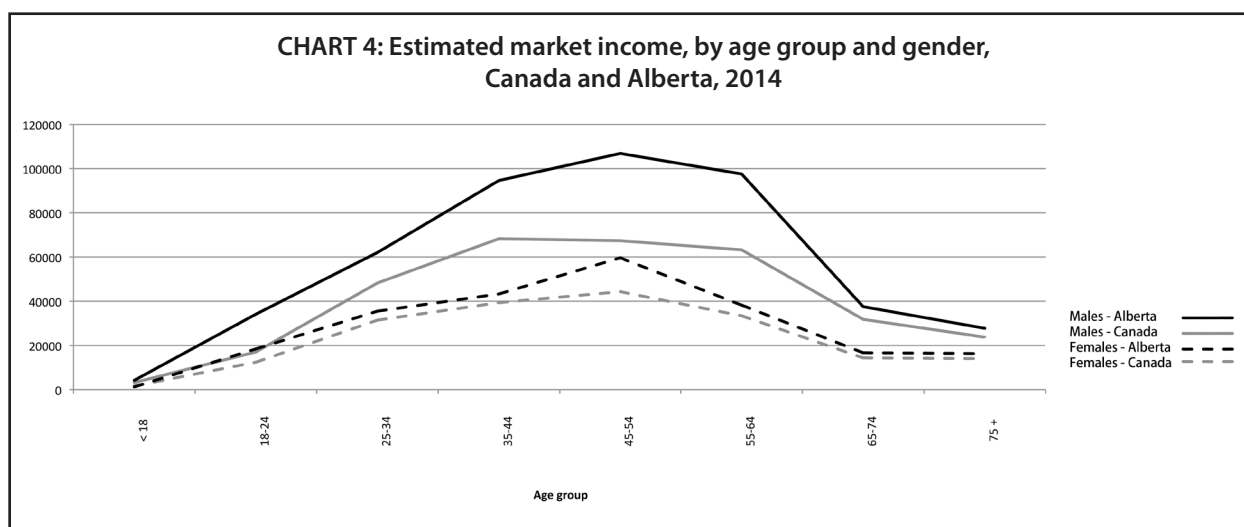
## D. Gender Impact of PIT Alternatives

In distributional terms, average figures like these can never tell the whole story. Each specific individual will have different levels of incomes, credits, and special considerations. Taxable income itself can be reduced by a variety of deductions from total income, and types of incomes such as capital gains and dividends are taxed at lower rates under various circumstances.

From gender perspectives, however, the very large and persistent earnings and wealth gaps faced by women in Alberta, gendered differences in unpaid versus paid workloads, and gender differences in types of government subsidies provided to different sectors all affect the outcome of the personal income tax process.

From gender perspectives, there are no “average” Albertans, even when individuals or families are sorted into income deciles. As Chart 4 shows, women and men live in virtually separate market economies in Canada, and even more so in Alberta. Thus the gender impact of alternative PIT rate structures for Alberta is also an important consideration.

**“Women and men live in virtually separate market economies in Canada, and even more so in Alberta.”**



Working with the same alternatives and revenue effects discussed above, average distributional effects have to be disaggregated by gender in order to assess the extent to which tax structure changes are consistent with principles of gender equality.

At this point in the history of fiscal policy, it is not enough to say that a tax increase may tax women more heavily but will benefit them because the government can then spend more money on public transportation, or elder care, or education funding that will benefit women and men alike, or even somewhat advantage women. The reality is that Canadian governments have been increasingly reluctant to use budgetary revenues to meet gender equality commitments. In addition, the gender impact of tax changes themselves has to be taken into consideration at the outset. Gender equality can never be attained unless all revenue-raising laws are first structured to remove any negative gender effects they themselves might cause.

**Gender equality can never be attained unless all revenue-raising laws are first structured to remove any negative gender effects they themselves might cause.**

Beginning with the *two higher PIT alternatives of 10/13/15% and 10/13/15/16%*, the question is how these rates will affect women as compared with men. The gender effects of these tax increases are outlined in Table 15 in terms of total new revenue raised from men versus women in each decile, together with the average dollar change each individual in each gendered decile will receive, as allocated among all the individuals in the simulated population of all economic families.



TABLE 15: Gender allocation of new PIT revenues, by deciles, Alberta, 2014

	New 10/13/15% rate structure			
	Aggregate (\$mill)		Individual (\$)	
Decile	Men	Women	Men	Women
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	0.4	1.1	2	6
7	3.5	0.2	15	1
8	21.3	4.8	87	20
9	64.4	14.1	231	52
10	1,155.5	178.8	4,222	662
All	1245.2	198.9	641	101
Total new revenue	\$1.44 billion			

New 10/13/15/16% rate structure			
Aggregate (\$mill)		Individual (\$)	
Men	Women	Men	Women
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
0.4	1.1	2	6
3.5	0.2	16	1
21.3	4.8	87	20
64.4	14.1	231	52
1,295.3	195.7	4,733	724
1,385.0	215.9	713	110
\$1.60 billion			

Source: SPSPD/M v. 21

These gender allocations are not surprising in light of what is known about the distribution of market incomes between women and men in Alberta. Adding two or three new higher tax rates to the existing 10% rate will certainly produce more revenue, and 92% and 93% of that new revenue will be produced by those in the top deciles of the two new rate structures modelled here.

Because of the huge differences between women's average highest incomes as compared with men's, 86.2% of all new revenues produced by the 10/13/15% alternative would be paid by men, and 86.6% of new revenues from the 10/13/15/16% alternative.

These allocations indicate that there are relatively many more men with very high incomes than women. Indeed, the addition of the 16% rate to the second alternative PIT rate structure shifts an even greater share of the total tax liability in the top decile to men – from 86.6% of the total revenue paid by the top decile under the 10/13/15% alternative, to 86.9% of the total new revenue paid in that top decile under the 10/13/15/16% alternative.

From gender perspectives, however, these results confirm that adding two or three new graduated rates to the existing single rate could inject significant new revenues into the annual budget. And these new revenues would be raised consistent with the fundamental principle of tax justice, which is that the highest increases should be borne by those with the most financial capacity to bear them.

When viewed from this perspective, it is illuminating to see that Alberta's "tax advantage" program has continued to be very costly in revenue terms: To date, large numbers of the highest income Albertans, mainly men, have been able to shift thousands of dollars in their annual PIT liability to those with lower incomes. If these individuals lived anywhere else in Canada, they would be paying a fairer share of provincial income taxes on their incomes. The question must be asked whether those who have been bearing those higher shares of provincial income tax liability have been getting their fair share from the government in other ways.

From gender perspectives, adding new 8% or 9% low rates to either the 10/13/15% or 10/13/15/16% alternatives might be more attractive (Table 16). The tax benefit of the new low rates will be available to taxpayers in each income decile, no matter how high or low their incomes. Thus new tax bills in each decile will be somewhat lower as compared with the 10/13/15% and 10/13/15/16% options discussed above.

**TABLE 16: Gender impact of new PIT revenues, 8% or 9% rates, by deciles, Alberta, 2014**

Decile	New 8/10/13/15% rate structure				New 9/10/13/15/16% rate structure			
	Aggregate (\$mill)		Individual (\$)		Aggregate (\$mill)		Individual (\$)	
	Men	Women	Men	Women	Men	Women	Men	Women
1	-0.4	-0.2	-3	-2	-0.2	-0.1	-2	-1
2	-3.3	-3.1	-28	-21	-1.7	-1.6	-14	-12
3	-16.5	-12.4	-116	-78	-8.2	-6.2	-58	-48
4	-25.4	-18.4	-155	-100	-12.8	-9.2	-78	-63
5	-32.7	-25.1	-171	-127	-16.5	-12.4	-86	-74
6	-47.6	-28.9	-240	-171	-23.5	-14	-119	-102
7	-53.2	-35	-238	-164	-24.9	-17.4	-111	-97
8	-43.1	-37.9	-176	-157	-11	-16.5	-45	-56
9	-5.1	-42.3	-18	-156	29.7	-14.2	-107	-28
10	1078.5	124.7	3941	462	1256.9	168.6	4592	2621
<b>All</b>	<b>851.3</b>	<b>-78.6</b>	<b>438</b>	<b>40</b>	<b>1187.8</b>	<b>77</b>	<b>611</b>	<b>324</b>
<b>Total new revenue</b>	<b>\$0.77 billion</b>				<b>\$1.27 billion</b>			

Source: SPSPD/M v. 21

With the exception of adding the new 8% low rate to the 10/13/15% PIT rate alternative and the new 9% low rate to the 10/13/15/16% alternative, all the assumptions that apply remain the same. The new low rates apply to the first \$43,953 in taxable income, to align that income layer with the federal tax table for 2014, and the same simulated population is being used to track the impact of this change.

As suggested by the total distributional effects of adding new low rates to the PIT rate structure, most taxpayers will experience net tax reductions, even those in the very highest income deciles. A new 8% rate produces the largest net tax reductions even with the addition of the two new 13% and 15% rates.

In part, this is because the new 13% rate does not come into effect until taxable income of \$100,000 is reached, and the 15% rate does not come into effect until taxable income reaches \$150,000. Even the highest average male incomes in Alberta hover just above the \$100,000 level (see Chart 4 on page 54).

From gender perspectives, the 8/10/13/15% alternative has two big advantages. The first is that adding the 8% rate provides more tax relief from provincial PIT for those who need it the most – women and men with the lowest incomes. Since the introduction of the flat 10% rate, this group has carried a 2.48% provincial PIT increase. This 8% reverses all but 0.48% of that overtax.

Second, in combination with two new higher rates of 13% and 15%, the funding for this tax reduction comes directly from those with higher incomes and will be paid out to those with low incomes automatically through the taxpaying process, without requiring active programming by the government to complete that redistribution.

**“In a province that is searching high and low for new revenues to replace those expected to be lost due to sudden 2014 oil price volatility, locking in low-income redistribution through PIT rate setting makes it more difficult for this increment of new PIT revenue to be used to fill these new revenue gaps.”**

In a province that is searching high and low for new revenues to replace those expected to be lost due to sudden 2014 oil price volatility, locking in low-income redistribution through PIT rate setting makes it more difficult for this increment of new PIT revenue to be used to fill these new revenue gaps. The potential new revenue “paid” to fund a new 8% PIT rate is not likely to be used to meet the needs of low income women under these circumstances.

Particularly in light of the large, persistent, and growing income gaps between women and men in Alberta, reducing the 10% PIT rate for those with the lowest taxable incomes is a step that is overdue. It is also directly responsive to the cumulative effects of 15 years of gendered overtaxation.

From gender perspectives, however, this approach does have one important shortcoming: Reducing the current 10% rate to 8% or 9% on the first \$43,953 will do nothing for the large number of women whose incomes are so low that they will have no provincial PIT liability in the first place.

In Alberta, at least 36% of all federal personal income tax returns filed by women show that they are non-taxable federally (and 21% of men’s returns).<sup>48</sup> Data on how many women as compared with men have no Alberta personal income tax liability either are not available, but it is likely that even more women and men will have no Alberta PIT liability than federally. These nontaxable returns are important because for such individuals, reducing the 10% provincial PIT by 2% will do nothing to address the specific needs of women who have no PIT liability in the first place.

The 9/10/13/15/16% alternative does not redistribute as much new tax revenue in the form of tax reductions for those with low incomes, but it does produce more revenues which, if the Alberta government did decide to fund economic gender equality programs, would provide more revenue for key initiatives. In particular, the total new revenues of \$1.27 billion from this option could be used in part to fund specific income equality initiatives.

Again, however, two realities raise questions about whether this would be the best use of the revenues affected by this rate. On the one hand, oil-crisis-driven provincial budgeting might use the slightly higher revenue from this option for programs that do nothing to address gender inequalities. And, on the other hand, this less generous tax reduction would still do nothing at all for the very large number of women and low-income men who have no income tax liability in the first place.

## E. Low-income Options and Gender

The tension between the need for new revenues versus the urgency of developing a fairer tax system should not be taken as creating an either-or choice. Alberta continues to have extremely high levels of realized financial wealth, diverse resources, high levels of human capabilities, and outstanding public resources. Without dwelling on the well-known business, economic, and wellbeing cases for increased gender equality, the time for gender and economic diversification in Alberta is opportune as the limits of existing institutional arrangements have become more visible.

To date in Canada, the potential for use of PIT systems to develop solutions to poverty and low incomes has not been developed fully.

With the largest welfare gap in the country,<sup>49</sup> Alberta could and should increase social assistance rates, invest in an expanded refundable working income tax credit that would provide seamless transition into a living income,<sup>50</sup> maintain adequate funding for accessible and flexible care resources, enhance educational supports for those seeking further and higher education, replace minimum wage and temporary migrant worker programs with a living wage, and provide fully refundable low-income tax credits to supplement enhanced unemployment insurance benefits.

These types of initiatives combined with concrete government regulation of workplace hiring, promotion, benefit, and wage discrimination on the basis of gender, family composition, and age would help turn the tide that has been running quite strongly against women since the mid-1990s in Alberta.

Also of importance is reviewing all tax and transfer measures to remove the many tax subsidies for women's unpaid work, all of which increase the fiscal barriers to women's paid work. Of particular concern is the transferability of spouse/partner dependency exemption credits in Alberta, as well as the transferable credits for other types of unpaid work. The use of couple-based eligibility formulas for welfare and various social benefit payments, and the gendered effects of the federal "family tax cut credit" plan announced on October 30, 2014 all shift tax benefit funding from single parents to two-parent families at the same time that they further subsidize women's unpaid work and heighten fiscal barriers to paid work.

Some have suggested that increased Alberta revenues should be sought from increased consumption or commodity taxation, and that the known regressive effects of such flat taxes can be offset with refundable sales tax credits.<sup>51</sup> This would, however, further flatten the total tax mix in Alberta, and offset what small degree of progressivity is still left in it.<sup>52</sup> Thus this option is not on the list of key solutions to the most intractable problems of economic gender inequalities.

Identifying the optimal combination of tax changes that can improve the economic situation of women with no or low incomes is a complex process, and well outside the scope of this report.

In the meantime, three specific recommendations are made here to suggest constructive starting points:

1. individualize the Alberta spousal/partner and other caregiving credits;
2. expand and individualize the Working Income Tax Benefit (WITB) and provide fully subsidized care resources to all receiving it;
3. adopt a fully refundable low-income PIT credit for those living within 10% of applicable low-income cut-offs for their location.

**“Individualizing the provincial spouse/partner and other caregiving credits would immediately remove the most important provincial tax barriers to women's paid work.”**

The third recommendation can be made contingent on some demonstration that neither of the first two alternatives would be of assistance to the applicant.

Individualizing the provincial spouse/partner and other caregiving credits would immediately remove the most important provincial tax barriers to women's paid work. At the present time, an income-earning spouse/partner can claim up to \$3,305 in non-refundable provincial income tax exemption credits if the other spouse/partner has no income. The spousal exemption credit applies to all adult couples; the age exemption credit is added to the spousal amount; the caregiver exemptions credit is available if a parent of either spouse/partner resides with the taxpayer.

The spousal exemption credit is the biggest tax barrier to women's paid work. This credit lets each individual earn up to \$17,787 (2014) without paying any provincial PIT. If a spouse/partner has no income, however, the supporting spouse can claim both his/her personal amount of \$17,787, and an equal spousal amount. This doubles the tax credit, which is worth \$1,779 for each spouse/partner, and creates a tax-free zone provincially of \$35,574 for the supporting spouse/partner.

While being able to claim a second \$1,779 tax credit may not seem like enough to make the difference between a second earner deciding to enter paid work or not, individualizing that credit means that the only way a couple can claim it is for the second adult to have income against which it can be claimed.

In this way, the generosity of the Alberta exemption becomes a generous bonus for the second earner, compared with the size of the credit in other jurisdictions in Canada – an effect that has been shown to increase women's involvement in paid work.<sup>53</sup>

The other two exemption credits that should also be individualized would have the same effect. The caregiver credit is worth \$1,030 in tax credits per relative over 65 residing with a taxpayer, and shelters another \$10,296 from Alberta PIT. The age credit refunds \$496 to an eligible taxpayer, sheltering another \$4,957 from provincial PIT. Both of these can be transferred from one spouse/partner to the other. Both tend to reinforce the social nomination of women for caregiving roles. If both of these exemption credits were also individualized, they would produce a total of \$33,040 in tax-exempt income that only a second earner can claim.

Couples can negotiate over who will work for pay and who will provide unpaid work. But ingrained social expectations mean that this is not always a discussion between equal bargainers. Removing the transferability of these credits would make their use nonnegotiable – each individual would have his/her own credits, but would not be able to transfer these credits to each other. This reduces the tax-system barriers to earning second incomes.

This change would not affect the continued transferability of these types of credits provided in federal income taxation, but the federal exemption credits cover a smaller income range (just \$11,138 in 2014 for the spousal amount). The incentive effects of individualizing the Alberta personal and other exemption credits would be greater than the disincentive to women of the transferable federal exemption credits.

Expanding and individualizing the Working Income Tax Benefit (WITB) and including automatic care resources would further increase women's ability to engage in paid work because it would not just remove existing tax barriers to paid work, but would actually increase women's ability to earn livelihood wages in terms of after-tax incomes.

Alberta can exercise its option to restructure the WITB to coordinate with other provincial programs. The maximum refundable benefit in Alberta is \$1,080 for a single individual and \$1,620 for a family. The WITB is phased out for individuals whose incomes exceed \$19,000 and for families whose incomes exceed \$27,000.

Individualizing this benefit in Alberta would give each spouse/partner their own \$19,000 income limit, and enable two-earner couples to earn up to \$38,000 in a year before losing that extra credit. This would blunt the impulse of many couples to reserve the WITB for the higher earner – often a male partner/spouse – with the second spouse/partner providing unpaid work.

Individualized working tax credits would become even greater incentives to women's paid work if recipients had automatic access to fully subsidized care resources. Such a provision would eliminate gendered care barriers to paid work for all parents, whether married, cohabiting, or single.

In addition, the Alberta Family Employment Tax Credit (AFETC), which is based on the fully refundable federal Canada Child Tax Benefit, could be restructured to resemble the Québec or Nunavut eligibility rules. Both of these jurisdictions start the benefit at higher income levels, and phase it out at higher income levels. This turns these types of working tax credits into incentives to full-time paid work instead of incentives to part-time paid work.<sup>54</sup> Alberta could also elect to augment the restructured AFETC with provincial funding to cover the costs of individualizing the credit, much as it has elected to use provincial funds to top up the federal dividend tax credit for small business corporation dividends.

Realigning these work-related federal grants lies within provincial jurisdiction under the federal rules governing these programs. Using this provincial authority in this way would provide strong support for women's and single parents' paid work by solving three interrelated barriers to livelihood work. It would entitle recipients of these paid work credits to care resources into these programs, which would eliminate a significant fiscal barrier to paid work for women and low-income parents; it would unlink eligibility for paid work benefits from adult relationships and enable each spouse/partner to make an independent decision about paid work; and it would provide support for strong levels of workforce attachment by extending the range of support to full-time work at better than minimum wage.



**Providing a fully refundable provincial low-income PIT credit would ensure that those who cannot for any reason realistically access paid work or income security payments would have access to a minimum basic income not tied to low-income cut-offs.**

An associated benefit would be increased coverage under income security and employment benefit programs, which are not usually available to those who have no paid work or part-time work. This would extend access to income security and other benefit programs to workers who need those programs the most. Lack of entitlement to income security and other benefit programs is one of the biggest hidden costs of gendered responsibility for unpaid work.

Providing a fully refundable provincial low-income PIT credit would ensure that those who cannot for any reason realistically access paid work or income security payments would have access to a minimum basic income not tied to low-income cut-offs. Access to such a program could be coordinated with social assistance programs, made fully individual, and linked to inability to take advantage of the programs outlined above.

This could be coordinated with low-income housing programs and in-kind benefits to provide comprehensive social provisioning on a standard appropriate to a province with one of the highest levels of wealth in the world.



## 6. Corporate Income Tax Alternatives

Between 2001 and 2006, Alberta gradually reduced its provincial corporate income tax (CIT) rate from 15.5% to 10%, on the basis that this would increase business investment in the province and thereby promote economic growth. The final cuts were put into place after the government reviewed the merits of further CIT cuts in 2005, no doubt alerted by the slowdown in Ireland's "Celtic tiger" economy in the early 2000s as falling growth rates produced public revenue and service shortfalls in Ireland.<sup>55</sup> It is interesting to look back at the results of this review in light of subsequent developments.

While going on to recommend further CIT rate cuts, the government did observe that the "tax advantage" of having low income taxes and no payroll, capital, or general sales taxes does pose "some risks" of having a "relatively narrow" overall tax base as compared to other jurisdictions:

A broader range of taxes means more stable revenues. With relatively fewer revenue sources, predictable funding for key public services is at more risk in the event of an economic slowdown. Consequently, it is inadvisable to eliminate or dedicate more taxes.<sup>56</sup>

Nonetheless, the Alberta government did go ahead to implement the 10% general CIT rate at that time (the 3% small business rate was already in place), and moved further toward what later became the complete elimination of health care insurance premiums. Alberta did go on to receive record high levels of resource revenues in 2005, which no doubt eased concerns about the risks of narrow tax bases at the time. Unfortunately, the government's levels of resource revenues began to fall thereafter, and have not yet returned to 2005 levels.

The result of these developments has been renewed discussion of how to better balance the province's overall revenue mix. Advocates of increased PIT and CIT rates point to the fact that graduated income tax rates automatically stabilize or dampen fluctuations in GDP during growth and recessionary periods. Particularly in relation to Alberta's 10% CIT rate, the additional point has been made that low Canadian CIT rates subsidize foreign governments, particularly the US government, which have higher CIT rates. Overseas companies can claim tax credits for corporate income taxes paid in Canada; when those Canadian taxes are lower than "home country" taxes, those other countries get the CIT revenues that could have been collected by Alberta.<sup>57</sup>



**The fact that foreign investors are not deterred from investing in Canadian corporations generally or specifically in Alberta corporations suggests that their investments in Alberta are not motivated by lower CIT rates when they have to pay higher rates in their home countries anyway.**

The fact that foreign investors are not deterred from investing in Canadian corporations generally or specifically in Alberta corporations suggests that their investments in Alberta are not motivated by lower CIT rates when they have to pay higher rates in their home countries anyway.

Advocates of low PIT and CIT rates have invoked the canons of the taxing for growth formula, which posits that all progressive tax instruments should be replaced with flat-rated consumption taxes to shift the tax load from factors of production to ultimate consumers. The most recent attempt to promote the use of increased consumption taxation in the form of a Harmonized Sales Tax (HST) for Alberta has been justified on the basis of the alleged volatility of Alberta's PIT and CIT tax systems, which are depicted as being the main source of revenue instability, and of greater concern than the obvious volatility of oil prices and of non-renewable resource revenues more generally.

This proposal is to replace provincial income taxes on incomes below the \$110,000 level and 1.57% of the existing provincial CIT with an 8% provincial HST to be collected alongside the 5% federal GST.<sup>58</sup> In fact, even with a refundable HST tax credit for those with low incomes, the HST would be regressive in incidence, because it would exempt all savings from the new tax, even those tax-exempt under the reduced PIT, and would eliminate much of the slight degree of progressivity now remaining in the existing Alberta PIT single 10% rate structure. This change would further subsidize foreign treasuries and corporate investors able to extract valuable nonrenewable resources at low capital and profits-based tax rates.

As demonstrated in Section 3 of this report, persistent gender gaps in male-female incomes make women's incomes vulnerable to overtaxation relative to subsistence and self-support needs. Further flattening the effective tax rates used in the overall Alberta tax system would exacerbate this vulnerability. The total tax/transfer system in Alberta already delivers 25% less gender progressivity as compared with other combined federal-provincial/territorial tax/transfer systems.

Further reducing the remaining progressivity in this tax system and increasing its overall regressive incidence would benefit men at women's expense and further undercut women's ability to improve their average incomes.

This section discusses how CIT rate cuts disproportionately disadvantage women as compared with men. This analysis begins with estimates of revenue lost through corporate detaxation, and then considers the gender impact of these revenue cuts on women as shareholders, investors, CEOs and managers of corporations, and as individuals disproportionately hindered by tax policies in gaining access to self-sustaining paid work.

## A. Alberta's CIT Rate Cuts: Revenue Foregone

Beginning in 1991, the Alberta government raised its 15% general provincial corporate tax rate to 15.5%, and, in 1993, set its provincial small business rate at 6%. These steps were taken not to support social spending, but were part of the major focus on eliminating provincial deficits; they were accompanied by massive cuts to education and other public sector payrolls, and coincided with the marked increase in gender income gaps in Alberta, from which women had not recovered by 2011.

In a very real sense, these moderate levels of corporate taxation were used to reduce budgetary deficits while permitting human resource and equality deficits to grow. Unfortunately, lack of political outcry at such priorities made it easy for the government to maintain its policies of social and gender equality austerity measures once the deficit crisis passed and the provincial government began to accumulate modest operating surpluses.

By 2000, when economic stability appeared to be more assured, the provincial government did not begin using these budgetary revenues to address accumulated human development and gender equality deficits. Instead, the government embarked upon its program of structural detaxation.

Along with massive PIT detaxation cuts, both the general and the small business corporate income tax rates were scaled down to their present levels of 10% and 3% between 2001 and 2007. While these reduced rates still produced enough revenue to ward off further deficits until the 2007/8 global financial crisis hit, they no doubt contributed to the long tail of that recession. They have also guaranteed that human development and gender equality austerity policies have remained institutionalized in Alberta on a more or less permanent basis.

The shift from the 15.5%/6% corporate rate structure to the 10%/3% rates has positioned Alberta as having the lowest CIT rates on the continent. However, this has come at a huge cost in terms of budgetary revenues. In essence, these CIT rate cuts now transfer 36% of Alberta's existing corporate revenues from public programs and institutions to private corporations each year.<sup>59</sup>

Since instituted beginning in 2001, these cuts will have cost the province an estimated \$28.75 billion in total revenues by the end of 2015. The provincial revenue foregone for 2014 alone is likely to be approximately \$3.23 billion.



**Foregone corporate tax revenues have ranged from \$2 to \$3.5 billion in each of the last few years, plus an estimated \$1 billion in dividend tax credits in 2011. Annual tax expenditures would be added to that total.**

Nor is that the end of the transfer of potential CIT revenues to private hands. Both the federal and provincial levels of government provide non-refundable dividend tax credits to Canadian shareholders who receive taxable Canadian dividends. In 2011, Alberta taxpayers received \$1.65 billion in dividend tax credits from the federal government, which implies that Alberta paid further dividend tax credits at the provincial rate to those same shareholders, costing the Alberta government an estimated \$1 billion for that credit in just one year.<sup>60</sup>

Corporations also benefit from charitable donation tax benefits, scientific research credits, and, for qualifying small businesses, the small business tax rate, which, when reported for the first time in 2014,<sup>61</sup> added another \$1.24 billion to the total of foregone corporate revenues. The small business tax rate is considered to be appropriate as a matter of tax equity, but Alberta has classified it as a tax expenditure.

In sum, foregone corporate tax revenues have ranged from \$2 to \$3.5 billion in each of the last few years, plus an estimated \$1 billion in dividend tax credits in 2011. Annual tax expenditures would be added to that total.

These are significant amounts of foregone revenue, easily equal to or greater than amounts foregone as the result of the PIT tax reductions discussed in Section 3 above. As oil revenues have fallen, these CIT and PIT revenues would have added considerable stability and depth to provincial budgets.

## B. Gender Impact of CIT Rate Cuts

When the federal government was challenged to justify structural cuts to federal corporate income taxes instituted in 2006 in light of their gender impact, the Department of Finance took the position that “In the case of ... reduction in [the] general corporate income tax rate, the economic impact is expected to be gender neutral” because “[t]hese tax reductions will increase investment and productivity, which will lead to higher wages and higher living standards for all Canadians.”<sup>62</sup>

In fact, it is very easy to see that cutting corporate income tax rates is not at all gender neutral, because the very first financial effect of tax cuts is to give corporations extra after-tax profits that they did not earn, at levels that might not in fact be sustainable for many businesses. Given the nature of corporate ownership structures, the financial value of increased after-tax profits goes to corporations. However, corporations are artificial entities that are essentially repositories for assets owned by the shareholders or other investors in the corporation.



**This means that as the provincial government has released its claims to over \$28 billion in foregone corporate tax revenues since 2001, \$18.7 billion of those foregone revenues have enriched male owners of those corporations, and only \$9 billion has gone to women.**

Statistics Canada does not collect data on individual wealth or share ownership.<sup>63</sup> Although not comprehensive, income tax statistics on taxable corporate dividends provide some national and provincial data on dividend income by gender. According to these accounts, in Alberta, men receive 66% of all taxable corporate dividends, and women just 33%.<sup>64</sup> These figures do not necessarily include small and medium size businesses (SMEs), which represent some 99% of all companies in Alberta. However, omission of SME dividends from this picture is not significant, because they account for less than 10% of all corporate revenues.

Statistics Canada has found that in the Prairies, men hold controlling interests in 86% of all SMEs; women control or own all the shares in just 14% of SMEs, but own no shares at all in nearly half those companies.<sup>65</sup> Women are likely over-represented in minority holdings in SMEs because these companies are used extensively in complex tax reduction plans.<sup>66</sup>

If men do own 66% of all corporate shares in Alberta, then this means that roughly two-thirds of the after-tax benefits of corporate tax cuts will accrue to the benefit of men, and only one-third to women.

This means that as the provincial government has released its claims to over \$28 billion in foregone corporate tax revenues since 2001, \$18.7 billion of those foregone revenues have enriched male owners of those corporations, and only \$9 billion has gone to women.

There is no guarantee that if the provincial government had continued to receive those foregone revenues, it would have applied them in ways that would have benefitted women to a greater extent. However, when left in the hands of corporate boards to decide how those increased after-tax profits would be used, the provincial government and the population as a whole has far less influence over gender-equal applications of those funds than they would have had if those funds had flowed into the provincial treasury.

Because the implementation of this massive corporate detaxation program took place while Alberta women's shares of total incomes continued to remain below 1993 levels, it is not credible that those massive tax cuts have resulted in "higher wages and higher living standards for all Canadians" who live in Alberta. On the contrary, it appears that corporate detaxation on the Alberta scale has exacerbated women's economic inequality in Alberta.

## C. Gender Impact of CIT Rate Cuts on Other Stakeholders

Until corporate directors decide what they will do with their increased after-tax profits, their shareholders will be the immediate beneficiaries of CIT detaxation cuts. However, other stakeholders, including employees, managers, investors, lenders, suppliers, and customers may also realize benefits from the increases in corporate after-tax profits that result from provincial tax cuts on the scale of those in Alberta.

In 2006, the federal Department of Finance concluded that it was too difficult to identify the wider impact of corporate detaxation:

Corporate income tax changes do not easily lend themselves to gender based analysis because they can affect a wide variety of stakeholders (e.g. shareholders, employees, suppliers). It is difficult to discern how each of the various stakeholders are affected by a given corporate tax initiative<sup>67</sup>

**“ Women are most under-represented on boards of resource industries, and, of all Alberta FP500 board seats, only 12.5% are held by women.**

This statement underscores the importance of bringing gender impact assessment into fiscal policy analysis. While it is true that researchers have yet to reach consensus on the ultimate economic incidence of corporate taxes and tax cuts,<sup>68</sup> the status of women as corporate directors, managers, suppliers, and investors is documented well enough to raise concerns about how women in all relevant stakeholder groups are likely to be affected by tax loads and cuts.

Few women are chief executive officers and directors of Canadian corporations. As of 2013, 36% of the top 500 Canadian corporations had no women directors at all, 22% had only one.<sup>69</sup> Only 11% of all firms on the S&P/TSX index had any women board members.<sup>70</sup> Women are most under-represented on boards of resource industries,<sup>71</sup> and, of all Alberta FP500 board seats, only 12.5% are held by women.<sup>72</sup>

There is a tendency to assume that younger women will fare better in these corporate employment contexts than these data suggest, and that women's under-representation in corporate management positions will soon become a thing of the past. In fact, this is an unfounded assumption. Top women managers are not moving into top corporate positions in Canada. The most recent survey of women in the “management pipeline” in Canadian corporations found that the number has been falling since 2000, with only 17% in pipeline positions in 2009.<sup>73</sup>



**Leaving an additional \$28 billion in the hands of corporations carrying on business in Alberta has significantly accelerated the concentration of incomes, capital, influence, and power of men in Alberta relative to women.**

Women entrepreneurs are increasing in numbers, but that is often due to outsourcing their contracts as they are removed from public and private payrolls. As members of line employee groups, women tend to be underpaid, and suppliers tend to be male-controlled corporations.

These imbalances in corporate culture are reflected in data on the financial benefits flowing from corporations to investors, CEOs and top management, and shareholders – financial benefits that are more valuable in after-tax terms in low-tax environments such as Alberta than in other contexts.

Diana Gibson found the top five median Alberta CEO incomes to be over \$11 million in 2009, compared with median CEO incomes of \$2.5 million and median Alberta incomes of just \$68,100.<sup>74</sup> Some 88% of \$742 million in federal security options deductions, claimable by employees of Canadian-controlled private corporations, went to men in 2011, and just 12% to women. This employment benefit is readily available to high-level managers and CEOs; when available to line workers or those with lower salaries, these benefits will generally be in more limited amounts.

Thus it is not surprising that although 28% of these tax benefits were claimed by women, their share only came to 12% in terms of the financial value of these options. In contrast, 72% of the claims were made by men, but the financial value of their aggregate share came to 88%.

Similar gender imbalances are seen in relation to tax benefits provided to those who invest in capital assets such as corporate shares. In 2011, 53% of the claims made by Albertans for capital gains deductions went to men, and they received 63% of the financial value of that tax benefit. Women made 47% of the claims, but the dollar value of their share was only 37%.

Alberta taxpayer claims for the capital gains exemption, which exempted over \$3 billion from any form of taxation in 2011, disproportionately went to men; 53% of claims for this benefit were made by men, who received 67% of that \$3 billion. Women made 47% of these claims, but theirs came to just 33% of that valuable exemption.

When viewed in the context of women's incomes as compared with men's, it is clear that in purely numerical terms, the distribution of the after-tax benefits of Alberta's CIT detaxation regime has disproportionately gone to men. Among all measurable financial benefits, women's shares of these benefits have been extremely low or on the level of 2:1 ratios in favour of men. Nor does it appear that women have made any significant gains in terms of their positions in incorporated businesses, employment prospects, access to capital investments or benefits, salaries, or access to positions of increased responsibility and advancement.

In sum, leaving an additional \$28 billion in the hands of corporations carrying on business in Alberta has significantly accelerated the concentration of incomes, capital, influence, and power of men in Alberta relative to women.

Increasing CIT rates to pre-2001 levels would raise total government revenues substantially. This step would help reverse the growing gender divides in Alberta in two ways. Raising CIT rates would stop the distribution of disproportionately large shares of \$1 to \$3.2 billion in provincial CIT detaxation and other tax benefits to men every year, which exacerbates after-tax gender income gaps on an ongoing basis.

If the Alberta government were then to use those increased CIT revenues to improve regulation of discriminatory labour, capital, and remuneration practices in the province, and to provide equal unpaid support services to women in paid work, it could begin the process of reversing the deterioration in Alberta women's economic positions that have developed over the last 20 years.



## 7. Sales, Services, and Commodity Tax Alternatives

Alberta's policy of not collecting general sales taxes is historically entrenched. The province only briefly collected general sales taxes in 1937, and has made it a point of pride to include them in the list of untaxed transactions Albertans enjoy, along with health care premiums, which it recently eliminated, payroll taxes, and general services taxes.

The standard justification for not enacting a sales tax on goods alone, or a goods and services tax harmonized with the federal GST (HST), is that such taxes are regressive in incidence: they take a larger share of income from those with low incomes than they do from those with middle or high incomes. The Alberta government has relied on this consideration when expressing its preference for heavier reliance on both personal and corporate income taxes, which are generally progressive in incidence although vulnerable to regressivity at lower income levels.

As a general trend, "taxing for economic growth" advocates recommend that countries seeking enhanced growth rates should replace their progressive PIT and CIT systems with sales, consumption, and commodity taxes. The main justification for this is the contention that progressive or redistributive taxation inhibits productivity, innovation, and motivation to increase economic activity at high-income levels.

However, this reasoning has been questioned not only for its accuracy but also from class perspectives. Capital owners have good reason to prefer consumption and commodity taxes over income taxes: such taxes will always leave capital growth and capital incomes that are saved untaxed, and will ensure that those with high incomes will have lower taxes than if they were taxed more heavily on incomes.

In Alberta, the government has consistently pointed to the regressive incidence of sales taxes as a reason to stick with the status quo in revenue sources. This is undoubtedly the correct decision from fiscal equity perspectives. However, as it has become clear that the province needs expanded and stable revenues, conservative academic advocates of provincial HST taxation have sidestepped questions of the regressivity of consumption taxes, and have attempted to reframe the debate over increased revenues as revolving around the alleged "volatility" of corporate income taxes and the greater stability of HST revenues.<sup>75</sup>



**Capital owners have good reason to prefer consumption and commodity taxes over income taxes: such taxes will always leave capital growth and capital incomes that are saved untaxed, and will ensure that those with high incomes will have lower taxes than if they were taxed more heavily on incomes.**

This section focuses on three points that should also be considered in any discussion of sales or HST taxation. The first point falls into the category of a reality check, which is to inquire as to the extent of sales and consumption taxation already in place in Alberta, and the revenue effects of adding new general sales or HST taxes to the mix.

The second is to consider the overall incidence of commodity and consumption taxes as compared with that of broad-based income taxes should the government consider whether it should further reduce its PIT rates and replace that revenue with consumption tax revenue, with or without a refundable sales tax credit to deal with the regressivity of such taxes.

The third point considers the gender impact of expanded consumption taxation, both from the perspective of net after-tax incomes from consumption taxes by gender, and from the perspective of how the regressive gender impact of such a shift might be mitigated. This last point is crucial regardless of whether the real purpose behind shifting to increased commodity or consumption taxation is to reduce PIT and/or CIT tax rates in Alberta to lighten the tax load on high-income taxpayers, or whether the goal is to increase total tax revenues by adding this new form of tax to the total provincial tax system.

## A. Alberta Sales, Commodity, and Services Tax Revenues

Although the Alberta emphasizes that it is the only province with no general sales taxes, it actually relies on a significant array of sales, commodity, and consumption taxes to provide annual budgetary revenues.

In the aggregate, these levies are expected to generate nearly 34% of total tax revenues in 2014/15. This falls far short of the expectation that 44% of 2014/15 tax revenues will come from PIT revenues, but they provide significantly more aggregate revenue than the 22% expected from CIT revenues in 2014/15 (Table 17).

**TABLE 17: Sales, commodity, and consumption taxes in Alberta, 2014/15**

Revenue source*	Estimated revenue (\$ millions)
Tobacco tax	\$930
Fuel taxes	965
Insurance taxes	381
Tourism levy	85
Liquor profits	745
Supplementary health benefits premiums	53
Other premiums, fees, licenses	1,691
Lottery revenues	1,485.6
Education property taxes	1,902
Treasury operations	310
Total	\$8,547.6 million
Source: Alberta, Budget 2014-15: Fiscal Plan Tables, 138 and Alberta, 2014-15 Government Estimates: General Revenue Fund, Lottery Fund, 2	
* All these revenue sources are enumerated in this table, except lottery proceeds, which are reported in the Lottery Fund section of the budget.	

**Although the Alberta emphasizes that it is the only province with no general sales taxes, it actually relies on a significant array of sales, commodity, and consumption taxes to provide annual budgetary revenues.**

It is important to note that all of these types of commodity taxes, services, and consumption taxes are regressive in incidence. That is, when taxes paid in each category are expressed as a percentage of the taxpayer's income, each of these types of levies will take larger shares of that income from low-income taxpayers than from those with higher incomes. This upside-down incidence is considered to violate the fundamental tax principles of ability to pay and equity.

On the national level, commodity taxes have been found to be the most sharply regressive in incidence, followed by property taxes and other types of government taxes and fees. Payroll taxes, which are not collected in Alberta, are high and rise sharply at low-income levels, and then become extremely regressive at high-income levels.<sup>76</sup> None of these types of taxes enhance the progressivity of any tax mix. All increase low income tax burdens relative to high income tax burdens.

If Alberta were to enact an HST, about a third of these items would become subject to the new HST; fewer would become subject to general sales taxes. Government estimates indicate that if Alberta adopted sales tax systems like those used in other provinces, it would receive additional revenues ranging from \$6 to \$10 billion annually, depending on the specific model.<sup>77</sup>

The overall tax mix will influence the amount of revenue ultimately produced from any form of new consumption taxes, however. For example, if the 10/13/15% PIT alternative rate structure discussed in Section 5 were to be implemented, the revenues produced by the commodity taxes and other revenues listed in Table 17 above would fall by approximately \$9 million in 2014. Increased PIT rates reduce after-tax incomes, which in turn reduce consumption spending and thus the amount collected from various commodity taxes.

## B. Incidence of Consumption vs. Income-based Tax Alternatives

**In general, sales, commodity, and services taxes are all regressive in varying degrees. Unlike even Alberta's single-rate PIT, such taxes usually have no exempt zone, but apply proportionately to each unit of tax base.**

If consumption taxes are being considered not just as additional sources of revenues, but as possible substitutes for existing revenue structures, then the distributional impact of consumption taxes versus income taxes become the focus of analysis. For example, if the Alberta government were considering replacing some or all provincial PIT or CIT taxes with consumption taxes, the regressive incidence of consumption taxes should not be ignored.

In general, sales, commodity, and services taxes are all regressive in varying degrees. Unlike even Alberta's single-rate PIT, such taxes usually have no exempt zone, but apply proportionately to each unit of tax base. They are truly flat-rated in the sense that the ratio of tax to unit values may change as units taxed at different rates are averaged together. However, they are considered to be regressive in the distributional sense because they take a larger share of total income from those with lower incomes than from those with higher incomes.

This analysis compares the incidence of new revenues collected through increases in the PIT rates versus those raised by introducing new consumption taxes. These two revenue-raising alternatives were selected because each would provide approximately \$1.5 billion in new revenues (2014). This comparison is carried out at the household level, using the economic family as the unit of comparison.

The PIT increase used in this comparison is the 10/13/15/16% alternative discussed in Section 5 of this report. The assumptions are that the 10% rate applies up to taxable income of \$100,000, 13% up to \$150,000, 15% up to \$250,000, and 16% thereafter. All the exemption credits and other features of

the Alberta tax and transfer system remain in place, including all the federal provisions affecting after-tax incomes.

The consumption tax used in this comparison is a 2.5% HST that is a direct copy of the federal GST, which is currently collected in Alberta as elsewhere at 5% of all taxable goods and services. The HST is not a sales tax, which applies only to taxable goods. The HST applies to the value of services consumed in the province as well as goods, using the same list of taxable goods and services that is used in the GST. A refundable sales tax credit is added as part of the consumption tax alternative, and is based on the refundable tax credit used in Saskatchewan, which has a similar (but not identical) sales tax modelled on the federal GST.

As shown in Table 18, the two different alternatives have quite different distributional footprints at the household level.

Raising an additional \$1.58 billion via the 10/13/15/16% PIT rate increase alternative would leave the existing tax loads borne by taxpayers in the bottom five deciles unchanged. All the increases would fall on households in the top 50% of incomes, with household incomes ranging from roughly \$80,000 and upward. Using PIT rate increases to generate this additional revenue has negligible impact on households in the eighth and ninth deciles. The biggest tax increase is in the top decile, with an average individual increase of around \$5,000 per year. For household incomes at that level, this is not a heavy tax burden. Indeed, this distribution demonstrates that the bulk of the new revenue would be collected from those with the greatest ability to pay.

Raising an additional \$1.56 billion via the 2.5% HST with a refundable sales tax credit alternative would alter after-tax incomes at every income level. Households at the lowest income levels would receive the largest shares of the refundable sales tax credit, which is phased out at moderate-income levels. With the exception of families in the lowest income decile, these tax increases would range from nearly \$200 per year to nearly \$800 per year for those in the bottom five deciles, and the maximum increase in the top decile is \$2,200 (2014).

**TABLE 18: Distribution of new \$1.6 billion as PIT vs. sales tax, by income decile, Alberta, 2014**

Range of total family incomes in each decile	New \$1.6 billion in PIT			New \$1.6 billion in sales tax		
	\$ mill. per decile	% of \$ per decile	\$ per taxpayer	\$ mill. per decile	% of \$ per decile	\$ per family
1: up to \$22,200	—	—	—	16.7	1.1	92
2: \$22,201-34,100	—	—	—	31.9	2.1	176
3: \$34,101-46,800	—	—	—	53.9	3.4	290
4: \$46,801-60,000	—	—	—	94.5	6.1	530
5: \$60,001-78,900	—	—	—	143.3	8.6	749
6: \$78,901-95,200	1.5	0.1	4	149.5	9.6	829
7: \$95,201-116,100	3.7	0.2	8	193.1	12.4	1,086
8: \$116,101-143,600	26.1	1.6	54	215.7	13.9	1,225
9: \$143,601-195,600	78.5	4.9	143	266.5	17.1	1,481
10: \$195,601 and up	1,491.00	93.2	2,714	400.8	25.8	2,265
All	\$1,600.90	100%	\$410	\$1,555.20	100%	\$872

Source: Statistics Canada, SPSPD/M v. 21; deciles and results have been rounded.  
Note: PIT tax table changes: existing 10% rate unchanged on taxable incomes up to \$100,000; new rates: 13% on \$100,000 to \$150,000, 15% over \$150,000, 16% over \$250,000; 2.5% HST, with a refundable sales tax credit similar to the one used in Saskatchewan.

Recalling that it has been those in the lowest income deciles who have borne an extra 2.48% provincial PIT load since the single 10% PIT rate came into effect, adding new sales tax liabilities on top of that, with only partial offset via a refundable sale tax credit, does not seem to be fair, in the sense of their relative ability to pay this new tax.

In contrast, the incidence of the increased PIT alternative seems very fair, given that no low income reduction to compensate for having borne that 2.48% PIT increase since 2000 is included. On the basis of ability to pay and the realities of subsistence needs, the allocation of new tax burdens via the PIT route would appear to be the more appropriate policy choice.

However, it could be that some would prefer to see new Alberta revenues being raised via consumption taxes because they actually prefer to see those with low incomes continue to be overtaxed in order to keep taxes on the highest incomes as low as possible. That is a rational preference for those seeking to protect high incomes from additional taxation. Those with such interests are entitled to advocate consumption tax alternatives, and to suggest that typical refundable sales tax credits will alleviate any unfairness at low income levels.

However, as these two modest alternatives demonstrate, even with levels of consumption taxation and refundable credits as offered in Saskatchewan, which also maintains a low PIT rate of 10%, the sales tax credit will not insulate those with low incomes from this new form of tax liability. In addition, those with low incomes would still be overtaxed in Alberta by 2.48% in the provincial PIT system. These taxpayers do not have proportionate ability to pay any new sales taxes, partially credited or not, as compared with the additional PIT rates being suggested for those with the highest incomes.



Particularly since capital gains are already partially and sometimes wholly exempt from personal and corporate income taxation, to exclude capital assets from the list of goods subject to a new sales tax would be particularly inequitable.

Should such a proposal be considered seriously in Alberta, then it would be important to question the reasoning of the government. In particular, it should be questioned whether capital consumption consisting of the acquisition of financial and physical assets should be presumptively excluded from consumption taxation.

Acquisition of personal assets of a capital nature is still consumption in the material sense, as recognized by depletion and depreciation allowances that recognize that some forms of capital are inherently non-permanent and are literally consumed through possession and use. Particularly since capital gains are already partially and sometimes wholly exempt from personal and corporate income taxation, to exclude capital assets from the list of goods subject to a new sales tax would be particularly inequitable.

### C. Gender Impact of Sales vs. Income-based Tax Alternatives

From gender perspectives, the allocation of new tax liabilities by gender will be very different if an additional \$1.6 billion were raised via PIT rate increases versus new sales or consumption taxes. This can be seen by looking at the same comparisons outlined in Part B when the results in each decile are broken down to reveal gender distributions (Table 19).

Raising an additional \$1.58 billion via the 10/13/15/16% PIT rates alternative would leave the existing tax loads borne by both women and men in the bottom five deciles unchanged. New PIT liability in the sixth through eighth decile would be negligible, with the largest projected increase less than \$100 per individual. In the ninth decile, men would pay an average increased PIT of \$231; women, \$52.

In the top decile, however, the average tax increase per individual men would be \$4,733. For individual women, it would be just \$724. This reflects the extremely high incomes included in the top decile, the vast majority of which are received by men. Overall, 86.5% of these PIT rate increases would be allocated to men, and 13.5% to women. This is consistent with existing gender inequalities in market and taxable incomes in Alberta.

**TABLE 19: New \$1.6 billion in PIT vs. sales tax, by sex and family income decile, Alberta, 2014**

Range of total family incomes in each decile	New \$1.6 billion in PIT		New \$1.6 billion in sales tax	
	Average \$ per man	Average \$ per woman	Average \$ per man	Average \$ per woman
1: up to \$22,200	—	—	90	62
2: \$22,201-34,100	—	—	125	116
3: \$34,101-46,800	—	—	198	153
4: \$46,801-60,000	—	—	339	211
5: \$60,001-78,900	—	—	443	250
6: \$78,901-95,200	2	6	477	323
7: \$95,201-116,100	16	1	608	267
8: \$116,101-143,600	87	20	624	259
9: \$143,601-195,600	231	52	641	325
10: \$195,601 and up	4,733	724	1,082	388
All	713	110	541	256

Source: Statistics Canada, SPSPD/M v. 21; deciles and results have been rounded.

Note: PIT tax table changes: existing 10% rate unchanged on taxable incomes up to \$100,000; new rates: 13% on \$100,000 to \$150,000, 15% over \$150,000, 16% over \$250,000; 2.5% HST, with a refundable sales tax credit similar to the one used in Saskatchewan.

This distribution would unambiguously add to the overall gender progressivity of the PIT system and to the total Alberta tax system.

Raising an additional \$1.56 billion via the 2.5% HST with a refundable sales tax credit alternative would alter after-tax incomes at every income level. Overall, women would bear 34.7% of all new HST taxes, and men only 65.3%. This would increase the gender progressivity of the total tax system, but to a much less extent than with the PIT alternative discussed above.

Without a refundable HST tax credit, the overall shares of HST collected from those in the lower income deciles would be quite low – each of the lower six deciles would bear 3% to 9% of the total \$1.55 billion. Larger shares of HST would be collected from those in the top four deciles, with shares ranging from 12% to 22% per decile. Including a refundable HST tax credit in the new tax bill would reduce the shares in the lower income deciles even more, and shift a few more percent of the total up to the tenth decile – 25% of the total.

However, on the individual level, women would pay the new HST in about the same amounts in the first five deciles. For example, in the lowest income decile, men's individual tax increase would be \$246, women's, \$227. In the sixth decile, women's individual average HST tax would be \$341, men's, \$500. Greater differences appear in the very top deciles, with men in the top decile paying nearly \$1,100, women, \$400.



But the important difference between the HST and PIT new revenue alternatives is among those in the lower half of the income ranges. Those are significant tax increases among women and men who would remain overtaxed by the 2000 shift to the single 10% PIT tax rate.

With a refundable HST credit, the average male-female individual HST amounts paid each year would be reduced significantly only in the bottom decile. Because the HST credit would fade out with increasing income, the refundable credit would not have much effect on those with middle or higher incomes.

In sum, the main advantage of the HST option for those with high incomes is that investment incomes and capital gains would be exempt from HST liability. The other advantage to those with high incomes is that much of the HST burden would be borne by those with low and modest incomes. In contrast, new PIT revenues would be paid predominantly by those with the ability to pay increased taxes.

From gender equality perspectives, women would be responsible for only 13.5% of new PIT revenues, but would have to pay 34.7% of new HST taxes. Given existing gender income gaps, this would be a small but important step in the direction of greater economic fairness.

In a province that has seen the economic status of women deteriorate more severely than in any other jurisdiction in the country under conditions of extreme detaxation, choosing to raise new revenues via a new HST, with or without a refundable credit attached, instead of via increased PIT rates, would be a step in the wrong direction. Indeed, for those with high incomes to advocate for the HST option in light of these facts would reflect a shocking disregard for women's equality rights, particularly for such a rich province.

“The main advantage of the HST option for those with high incomes is that investment incomes and capital gains would be exempt from HST liability. The other advantage to those with high incomes is that much of the HST burden would be borne by those with low and modest incomes. In contrast, new PIT revenues would be paid predominantly by those with the ability to pay increased taxes.”

## D. Refundable Low-income Sales Tax Credits

Unlike the low-income measures outlined in Section 5 of this report, refundable low-income consumption tax credits are not considered to be capable of alleviating low-income after-tax inequalities on a systemic basis. Instead, they are designed to reduce some of the regressive incidence of the specific type of consumption tax in question.

If the Alberta tax structures were to mature to the point achieved in countries like Norway, where a diverse array of taxes are maintained as permanent taxes immunized from the instabilities of changes in resource revenues, then a refundable sales tax credit would be a laudable adjunct to ensure that regressive taxes do not outweigh the progressive redistributive effects of much more strongly graduated PIT and CIT rate structures.

However, almost all of the taxes collected in Alberta at the present time are regressive in incidence, and the literal level of redistributive gender progressivity is markedly lower in Alberta as a consequence. Under these circumstances, the main focus should be on developing robust fiscal progressivity and a diverse array of stable taxes and economic sectors in order to move away from heavy reliance on resource revenues and begin the slow process of saving and sterilizing resource receipts for use as the capital assets they represent.

Once Alberta reaches that level of fiscal development, it would then be time to begin the discussion of whether sales taxes with a robust low-income credit feature would enhance the overall tax mix. The discussion in the next section outlines the crucial features of this process of fiscal development.

## 8. Resource Revenue Alternatives



**Instead of building Alberta's revenue system on broad-based flows of incomes from all sources and capital gains of taxable persons within its borders, the government is directly consuming the province's own public capital in lieu of collecting adequate personal and corporate income taxes. It has simply treated resource revenues as being equivalent to broad-based income tax revenues.**

Alberta's longstanding budgetary reliance on resource revenues has insulated it to a great extent from having to use the entire range of governance tools to manage human, economic, and revenue development. Since 1970, resource revenues have funded as much as 77% of Alberta's annual provincial budget (1979), and at least 14% (1999).

In recent years, that share has fluctuated between 20% and 30% of total budgetary revenues. However, even reducing reliance on these revenues to that extent has failed to produce desirable levels of revenue stability or predictability. In this sense, the government has not yet developed a mature fiscal system.<sup>78</sup>

Resource royalties and other oil and gas receipts are the proceeds of the sale of public assets. Resource revenues are not like the "fruit of the tree," as periodic income has been defined in income tax law since the 1800s. Resource revenues are the proceeds from the sale of "the tree." Once these assets have been fully sold off, they will not come again.

Instead of building Alberta's revenue system on broad-based flows of incomes from all sources and capital gains of taxable persons within its borders, the government is directly consuming the province's own public capital in lieu of collecting adequate personal and corporate income taxes. It has simply treated resource revenues as being equivalent to broad-based income tax revenues.

As a result, Alberta's fiscal plans have been challenged by volatility in oil prices on numerous occasions. Nor has the government been able to take advantage of opportunities for saving these capital proceeds in ways that could be used to smooth fluctuations or long-term decline in non-renewable resource revenues.

The unexpected decline in oil prices in late 2014 may draw heightened attention to the need for better management of this aspect of Alberta's economy. In the meantime, however, Alberta has not yet addressed the serious gender effects of its economic development and budgetary reliance on non-renewable resources, nor has it considered fiscal measures that could help moderate swings in revenues and improve overall budgetary planning.

## A. The ‘Paradox of Plenty’ and Tax Policy Options

The “paradox of plenty” arises when resource industries shift the focus of government and economic development away from other sectors like agriculture, manufacturing, and trade. The employment and skill demands of extraction industries can affect the composition of workforces, and, over time, influence governmental education, investment, development, and immigration priorities.

As part of this process, availability of large economic rents from government sale of assets “in the ground” to developers can affect the composition of government revenues, program priorities, and spending.<sup>79</sup> Resource industries may also pose risks to people, lands, waters, habitats, and soils, leaving regional governments to bear the social and economic costs of such externalities and adding further uncertainty to budgetary planning.

What is less recognized, however, is that the economic effects of natural resource development can affect not just companies investing in these projects and workers on these sites, but everyone in the national and regional economies. Karl has found that resource-rich countries tend to exhibit slower or stagnated growth rates, diminishing economic diversification, decreased social spending, and growing levels of unemployment, poverty, and inequality.<sup>80</sup>

The blame for this so-called “resource curse” arises from the political institutional effects of resource extraction activities. Countries wishing to obtain revenues from natural resources typically enter into agreements with third parties who will bear the risks and costs of development in exchange for resource rents, often in the form of a cut of what is produced. In such circumstances, governments seeking resource rents do not have to do much beyond negotiating contracts or selling resource rights in order to obtain those rents or royalties. When resource rents reach a level at which they provide significant revenues, governments do not have to rely as heavily on tax revenues, or attend to issues of tax fairness, accountability, transparency, or sustainable economic development.

From an institutional perspective, Karl has found that governments more concerned with maintaining power over the short term may then conduct themselves as if they were answerable not to their constituents, but to the businesses providing resource revenues. Depending on government policies, some of the costs of resource extraction may even be shifted to the state through tax subsidies or tax holidays as well as through exemptions from regulatory or general business requirements. These types of arrangements further undermine accountability to voters for such fiscal decisions.

Humphries, Sachs, and Stiglitz have emphasized that the central problem caused by easy access to significant resource revenues is that it can lead governments to ignore the fact that “human capital investment is an essential part of wealth creation.” As they explain: “When states start relying on natural resources wealth, they seem to forget the need for a diversified and skilled workforce that can support other economic sectors once resource wealth has dried up.”<sup>81</sup> As a result, education, gender equality, labour productivity, and other key economic factors become less important.

Karl relates government budgetary reliance on resource rents to poor ratings on international governance and human development indicators. Some of these include falling per capita incomes, increasing reliance on temporary foreign workers, reduced spending on health, education, job training and social development, authoritarian and repressive methods of dealing with heightened social tensions, and political “splitting” tactics that exploit geographic and political differences.<sup>82</sup>

Havro and Santiso have found that political economy outcomes also include persistent government debt, low levels of business investment in R&D, and revenue destabilization due to volatility of oil and other resource markets. When priced through security-based markets, oil, gas, and mineral revenues become more speculative, resulting in increased economic uncertainty. This in turn can lead a country to rely more heavily on external sources of investment capital for further resource development in its search for increased GDP growth.<sup>83</sup>

The paradox is not unique to developing economies. Indeed, the so-called “Dutch disease” comprises a series of interactive economic and institutional features that can affect countries at all levels of economic development. In the end stage of this process, if these effects are not addressed before a jurisdiction’s non-renewable resource revenues are depleted, its government will have to begin anew to develop social, political, knowledge, and development practices that will fill the resulting revenue gaps and maintain transitional stability as people, communities, and regions undergo restructuring.

There is growing agreement that Canada’s economic and revenue structures have exhibited many characteristics associated with the paradox.<sup>84</sup> By 2006, 51% of Canada’s major industrial GDP output came from oil and gas producers (29%) and services (22%). Overall, the oil and gas sectors plus mining accounted for 12.5% of Canada’s 2006 national GDP, and, in 2011, accounted for 38% of all merchandise exported.<sup>85</sup> In 2012, 31% of Alberta’s GDP was produced by its energy sector, capital investments, and exports.

Federal government leaders are reluctant to admit that there are paradox problems in Canada,<sup>86</sup> and Alberta governments tend to frame the problems posed by oil price volatilities and consequent revenue shortfalls as relating to Alberta's "bitumen bubble."<sup>87</sup> In the meantime, however, the OECD began in 2012 to provide advice on how Canadian governments can begin policy corrections to avert problems associated with rapid resource development.<sup>88</sup>

## B. Gender Equality and the Paradox of Plenty

The gender effects of resource development are formed through multiple channels, and will be different in every jurisdictional context. Two core factors are the ways in which resource industries affect the labour market positions, flexibility, and wages of men and women workers, and how volatility in oil prices affects budgetary policies.

In general terms, when labour markets and unpaid work are occupationally segmented by sex, labour demands in expanding resource sectors will increase male wages when women are under-represented in the groups being hired, with numerous consequential effects. Institutional contexts affect the pace of development, the allocation of risks and benefits, public and private decision-making authority, and the fiscal policies that shape and depend upon resource development.

Gender effects arise out of differential responses of gendered labour market sectors to resource development. When demand grows for primary sector workers such as welders, machine operators, heavy-duty equipment mechanics, engineers, construction workers, and industrial electricians, male employment levels and wages will increase relative to women's when women are under-represented in these occupations.

In gender-segmented labour markets, more women are found in the secondary sector, particularly in services, clerical, sales, education and healthcare positions, have heavier responsibility for unpaid work in the household sector, and generally have less labour market mobility.

Under such conditions, women's earnings and incomes will grow more slowly relative to men's, gender income gaps will increase, and women's earnings will provide a smaller share of household incomes. Particularly if women's reserve wage falls and they do not move on equal terms into the resource sector, women are likely to spend more time in unpaid household work.<sup>89</sup>

Classic Dutch disease emerges if the resource sector grows more quickly than all other factors.<sup>90</sup>

**“ Gender effects arise out of differential responses of gendered labour market sectors to resource development.**

There is no doubt that the growth of the resource sector has strongly affected the status of women in Alberta. Western women's labour force participation rates had already begun to fall behind those of women in the East in the early 2000s, and had worsened by 2005. Notably, employment rates for women with young children had fallen to ten points less than in Québec and the Atlantic provinces by 2005, making the difference of 30,000 fewer women of prime working ages and 60,000 of all ages available for paid work in Alberta's "red hot" employment market, all changes that Statistics Canada linked directly to expansion of the resource sector.<sup>91</sup>

Women in Alberta have remained significantly under-represented in key resource occupations. In 2011, women formed only 18.6% of the labour force in the Canadian mining, oil, and gas extraction industries generally. That number shrinks rapidly going up through the ranks, with only 1.4% women as CEOs or heads of companies.<sup>92</sup> Despite labour shortages in resource regions, neither the educational and training programs that serve these industries nor project managers appear to have much understanding of how to secure women workers to fill those positions, or motivation to do so.<sup>93</sup>

Lack of childcare is especially limiting for women in resource-intensive areas. Women with young children tend to seek part-time work when childcare is not affordable, but the nature of resource-related working conditions in Alberta have demanded full-time workers. In Eastern Canada, women have had greater access to affordable day care and less competition for lower-paid jobs from immigrants.

Lack of apparent resource industry management support for women's career advancement has led to lack of flexibility in working conditions. As one Canadian participant in a study of the industry stated: "For an industry that can cope with the vagaries of metal prices and supply and demand through advanced schedule optimization, it seems we should be better able to cope with more variability in the workforce schedule (this goes for Aboriginal employees who want time off for trapping too)."<sup>94</sup>

Resource activities are predominantly located in remote and northern locations with low population densities, isolated work sites, and consequently high costs for shelter, food, medical care, and services.<sup>95</sup> Women working in resource industries tend to be concentrated in lower-paid service positions, and have less access to the bonus wages often available to workers willing to reside in camps for long periods.

Tax-transfer provisions do not equalize higher living costs, education is generally much less available, and employment discrimination in remote communities is higher and less easily challenged.<sup>96</sup>

Aboriginal women in resource regions face additional challenges. As members of Indigenous communities, protection of land rights creates risks that “precaritize” Indigenous communities and economies in ways not faced by non-Indigenous inhabitants.

The strong bias in favour of male labour in resource industries has pulled Indigenous men away from traditional economic activities and broken the links between women’s paid and men’s traditional employments that have sustained many communities, while simultaneously excluding women from these work opportunities.<sup>97</sup> Economic and political marginalization of Indigenous peoples makes it difficult to contest these forces.

Overall, women in the West already have had higher birth rates, earlier marriages, and lower education levels than women in the East since 2000.<sup>98</sup> Since 2006, the federal government has increasingly subsidized women’s unpaid household work, particularly home-based care, and have introduced numerous tax benefits received by main breadwinners, who continue to be predominantly men.

Most of these types of tax and direct benefits are also mirrored in Alberta’s provincial tax laws, increasing fiscal barriers to women’s paid work. And all of these tax and direct benefits are paid in forms that cannot solve the childcare problems of women who need to combine paid work with caregiving responsibilities.<sup>99</sup>

As resource expansion reduces women’s involvement in paid work, it has been found that women lose social, political, and household influence. They lose social and political influence simply due to absence from those spheres. They lose household influence because women’s intra-family bargaining power increases or falls with the levels of their outside earnings.<sup>100</sup> Thus demonetization of women’s work leads to economic dependency on either the state or family members, and less social and political engagement outside the home.

In short, women’s increasing economic dependency can change the balance of power between women and men on all levels.

When women’s power contracts, government policies tend to give more weight to male preferences. Forming policies to suit men’s preferences leads to government subsidies supporting larger families, greater support for men’s interests, and further increases in male power and wealth.

These effects can be identified in whole or in part even in situations in which classic Dutch disease may not occur, and are the main concern when the focus is on fiscal responses to resource-related gender inequalities.



## C. Gender Equality, Resource Development, and Tax Policy Options

**“The reality is that Alberta is selling off all the valuable non-renewable resource assets it can obtain each year in order to make it look like it need not collect fair shares of taxes from the people who live in the province.**

Gender equality in resource tax policy is not simply a matter of directing some spending or tax concessions toward women, gender relations, or the resource sector; the gender impact of every component of the revenue-raising process pertaining to the resource sector itself has to be examined.<sup>101</sup> Nor is gender equality reducible to a question of what gender policies will best promote economic growth; gender equality is a matter of human rights, not just of economic growth. This means that all channels through which existing resource policies perpetuate or intensify gender inequalities also need to be examined.

Alberta's government describes the province as having “one of the most competitive tax systems” on the continent. It backs up this claim by showing that if Alberta individuals and corporations were located in other provinces, they would have paid at least \$11.6 billion more in sales and income taxes in 2014.<sup>102</sup>

This description is misleading in two ways. It suggests that the Alberta government somehow does a better job of defining and administering the tax revenues it does collect, compared with other provinces. And it suggests that Alberta's low taxes are in some way costless to everyone, that more after-tax income will effortlessly fall into taxpayer hands like manna from the skies.

The reality is that in terms of accepted tax policy norms, Alberta is not managing its revenues more efficiently or effectively. Nor is Alberta so rich as a government that it can simply waive 34% of the taxes it would otherwise be collecting from its residents if it were any other province.

The reality is that Alberta is selling off all the valuable non-renewable resource assets it can obtain each year in order to make it look like it need not collect fair shares of taxes from the people who live in the province.

And these valuable resource assets include not only every penny of current resource revenues the government receives during the year, but also includes the investment income gained from the one small resource savings trust the provincial government did have the vision to establish decades ago. In 2015/16, the government forecasts that the following amounts of resource revenues for use in its budget:

Taxes		\$21,050
Non-renewable resource revenue	\$9,209	
Investment income (Heritage Fund)	\$1,624	\$10,813
Total		\$31,863

In public accounting terms, oil and other non-renewable resources in the ground are part of Alberta's common wealth, part of the physical capital of the province and the country.<sup>103</sup> When resources in the ground or extraction rights are sold, those revenues become like the proceeds of sale of a capital asset such as a home or a business – they are revenues that cannot come again.

From gender perspectives, liquidating provincial capital assets to relieve high-income taxpayers of the usual tax burden they would expect to pay almost anywhere else in the world adds to gender income gaps in two ways.

First, the larger the savings to taxpayers from use of non-renewable resource revenues, the larger the share that goes to male taxpayers. When Alberta's 10% PIT was put into place, lower-income taxpayers experienced a permanent increase in their top marginal tax rate, from 7.48% to 10%. But those with the highest incomes received 1.44% and 2.76% tax cuts, from 11.44% or 12.76% as their top marginal rates down to 10% on all taxable income. More women than men have low incomes, and the higher the gender income gap, the larger men's shares will be. The 3% and 5.5% cuts in CIT rates work the same way, with even more marked gender imbalances.

When oil prices fall, the resulting loss in government revenues leave lower-income taxpayers paying the bill for high-income taxpayer tax cuts.

Second, replacing ordinary tax revenues with volatile non-renewable resource revenues places the spending side of the budget under constant threat of inadequate funding. Within weeks of the price of oil falling in December 2014, the Alberta government announced cuts in hiring, spending, possible increases in tuition, and other emergency measures.<sup>104</sup> As oil prices continued to fall, projections of budgetary deficits quickly grew from \$6 \$7 billion to as much as \$11.2 billion across two fiscal years. At last report, loss of anticipated oil revenues had the government deciding which major capital construction projects, including construction of a new cancer treatment centre, would have to be cancelled.<sup>105</sup>

Sadly, the plan to transform some of Alberta's non-renewable resource capital into new built physical capital has been deferred due to the illusion that oil revenues are just like tax revenues.

**“ Sadly, the plan to transform some of Alberta's non-renewable resource capital into new built physical capital has been deferred due to the illusion that oil revenues are just like tax revenues.**

This aspect of the paradox of plenty is of particular concern to women. Women remain economically “underdeveloped” compared with men in Alberta precisely because women’s economic opportunities are more dependent on the adequacy of education, childcare, healthcare, transportation, housing, employment equality, skills training programs, and the vitality of value chain production. These are all the types of programs that will be the immediate focus of spending freezes and cuts when anticipated resource revenues suddenly vaporize due to market swings. Higher PIT and CIT rates are much more stable sources of revenues than oil prices.

Willingness to replace stable tax revenues with the proceeds of sale of non-renewable resources is an artifact of market fundamentalism that justified English exploitation of colonial resources without regard to basic principles of good governance and accountability.

Following the principles of market fundamentalism, which value low taxes over budgetary stability, the UK famously failed to understand the difference between market-driven oil revenues and own-source tax revenues until after most of its North Sea oil revenues had been spent to finance Thatcher-era tax cuts. Many oil-rich developing countries formerly governed by England rely for as much as 80% to 90% of all their government revenues on oil proceeds, and have virtually no tax revenues to rely upon when market expectations fail them.<sup>106</sup>

From gender perspectives, the preferred approach to managing oil revenues is to isolate them from annual budgets and develop autonomous own-source tax systems with inbuilt cyclical stabilizers. As Alberta attempted to do in the 1970s with its Heritage Savings Trust Fund, and as Norway has so successfully done with its oil and gas fund since 1990, segregated resource funds can be used to transform non-renewable public resource assets into social, human, and physical capital on a sustainable basis, and with greatly reduced risk of market disruptions.

Segregated funds invested independently will also respond to various market fluctuations, but will not respond as directly or exclusively to oil prices. By using only small amounts of accumulated value from such resource funds in government budgets, resource funds can immediately reduce the risk of fiscal policy volatility, which has been shown to be incompatible with both revenue stability and durable economic growth.<sup>107</sup>

Norway is now held up as a “paragon of plenty” in this discussion, along with Chile.<sup>108</sup> Norway initially used its state oil revenues to pay down its national debt, and then began accumulating funds in a sovereign wealth fund (valued to reach US\$900 billion in 2015) now set aside for pension

stability. A maximum of 4% can be withdrawn from this fund for budgetary purposes each year, but the government typically has not used that much.

Norway has also used its jurisdiction over oil reserves to require local supply, bases, and labour content in its contracts, which ensures that labour market benefits stay within its borders. It also owns participation shares in new projects, and owns voting control in Statoil, a major oil company that itself has diversified development and production projects around the world. Chile likewise used copper profits to augment expansion of social infrastructure and then to fund pension and social welfare accounts.<sup>109</sup>

While the OECD has praised both countries for using their wealth to invest in human capital, diversify other economic sectors, and fund redistributive policies, the greatest recognition has been given to their commitment to maintaining full revenue structures through which the bulk of annual spending is derived.<sup>110</sup> More recently, questions about whether new conservative government fiscal policies in Norway may re-expose its economy to the resource curse have been raised; among new tax and budgetary initiatives are reductions in top marginal tax rates, inheritance and wealth tax rates, and failure to expand childcare for low-income families to meet demonstrated needs. At the same time, however, it has placed more emphasis on gender equality initiatives, and has now quietly abolished joint taxation of couples in order to remove this fiscal barrier to women's paid work from the tax system.

Alberta made an outstanding start in the direction of establishing an oil fund in 1976, when the government devoted 33% of its annual oil revenues to establish it. Changes in governments subsequently terminated these contributions after just a few years, and the fund is now worth only \$17 billion, and all its investment income is used each year for budgetary purposes.

Other sustainability and stability funds have been established by more recent governments in Alberta, but with looser regulations that enable funds to be accessed fairly easily for budgetary needs. It may be that the Heritage Fund will after all these decades finally succumb if the Alberta government decides to use its capital to fill the gaps caused by the 2014 oil price crisis.

Should the Alberta government manage to reinvigorate the Alberta Heritage Savings Trust Fund, however, it will take slow, careful planning to bring it to the point where it can play the stabilization role of the Norwegian fund.

In the meantime, all the challenges to gender equality that lie at the heart of the paradox of plenty will have to be addressed diligently through all the policy channels through which they are generated.



**Should the Alberta government manage to reinvigorate the Alberta Heritage Savings Trust Fund, however, it will take slow, careful planning to bring it to the point where it can play the stabilization role of the Norwegian fund.**

## 9. Conclusions and Recommendations

In the 1980s, Canada made historic commitments to women by ratifying the United Nations Convention on the Elimination of All Forms of Discrimination Against Women and by including sex equality guarantees in the Canadian Charter of Rights and Freedoms and the Constitution Act, 1982. In 1995, Canada confirmed and extended these commitments to active implementation of gender equality in all policies, programs, and laws by adopting the United Nations Platform for Action at the Fourth World Conference on Women in Beijing.

Great credit for positioning Canada as a leader in that entire movement is due to women in Alberta, who had been early leaders in gaining sex equality and had taken advantage of new economic opportunities as the importance of equality gained acceptance. However, since 1995, women in Alberta have lost much of that original progress and, since coming out of the 1990s recession, have never regained earlier momentum.

The following recommendations would begin the process of rectifying this situation.

### A. Enforce Women's Rights to Genuine Economic Equality

Women's economic equality in Alberta reached its peak in 1993, but since then gender income gaps in the province have remained large and intractable. Proximity to oil, gas, and mining regions appears to exacerbate women's income inequality; the gender income gap in Calgary is still over 40% (2011). Racialization and Aboriginal heritage form further barriers to economic equality, with both men and women of census race/ethnic groups receiving significantly lower incomes than average Albertans.

Women in Alberta have one of the highest unpaid workloads in the country – an average of 35 hours of unpaid work per week (2010) literally allocates an additional “shift” to women on the basis of gender. This is double the levels of unpaid work provided by men, and places women at disadvantages in finding time for decent paid work, self-care, and the full range of social and community activities available to men.

Alberta provides little in the form of registered childcare resources or funding. On average, women who need full-time childcare have to spend 25% of their incomes on that one expense. Women clearly value and hang onto paid work as fully as possible in Alberta, but as the number of children increases, they quickly reduce their levels and hours of paid work.

Overall, women's levels of education in Alberta have fallen over the last two decades along with falling levels of labour force participation and social assistance. Alberta has one of the largest social assistance gaps in Canada, which means that as women in the province have begun to marry and have children earlier and in greater numbers, their economic dependence on either a spouse/cohabitant or on the state has increased.

### **Recommendations:**

- 1. Enforce the Alberta Human Rights Act guarantees of non-discrimination in employment and pay with proactive compliance programs and financial as well as administrative support for those bringing complaints.**
- 2. Enact proactive pay equity legislation and empower a Pay Equity Commission to establish active compliance programs with concrete goals, milestones, and penalties.**
- 3. Create enough subsidized and registered childcare and eldercare programs to ensure that any worker with income less than the median can obtain costless care resources on flexible work schedules.**
- 4. Enact living wage laws to secure the right to a post-tax living wage for those working a total of 35 hours or more per week, regardless of the composition or form of employment.**

## B. Restore Stability to Provincial Revenues

The Alberta “tax advantage” regime has contributed to increased levels of sex inequality by reducing the ability of the province to fund care, social assistance, employment equality, and educational supports crucial to the attainment of sex equality.

The effects of detaxation cuts to personal income taxes, corporate income taxes, and health premiums have reduced annual revenues by at least \$6 billion in 2009 dollar terms. The estimated value of those former levels of taxation has grown with GDP increases since then, which means that Alberta now has considerable unused tax capacity.

### **Recommendations:**

5. **Reinstate graduated personal and corporate income tax rates to pre-2000 levels. This would produce at least \$3.2 billion in new revenues from each of these two revenue tools, for a total of \$6.4 billion in new revenues.**

**Alternatively, the province can generate more modest additional revenues of \$1.6 billion per year by adding three new personal income tax rates – 13%, 15%, and 16% – and obtain more modest additional corporate income tax revenues at the rate of approximately \$1 billion in corporate income tax revenues from each percentage point increase in the current 10% rate.**

6. **Obtain additional corporate income tax revenues of up to \$2.2 billion by eliminating the provincial corporate dividend tax credit, corporate charitable donation credits, and R&D tax credits.**

## C. Make Provincial Taxation More Equitable

Alberta's tax cuts have discriminated against women directly ever since they were put into place in 2001 because of the sex-specific way in which single-rate PIT and CIT systems differentially affect women. Permanent tax cuts privatize public fiscal space by distributing foregone revenues to selected individuals. They have also shifted the distribution of the tax burden away from those with high incomes to those with low incomes.

In moving from a set of graduated PIT rates that ranged from 7.48%-12.78% to a single 10% rate in 2001, those with low incomes faced permanent provincial personal income tax increases of at least 2.5% from that time onward. The same change gave generous tax cuts of up to 2.8% annually to those with high incomes. Similarly, corporations received generous tax cuts of 3% to 5.5% annually when provincial corporate income tax rates were reduced to 3% and 10%.

Women's incomes are concentrated at lower income levels, and women have limited interests in corporations. In contrast, men receive the vast majority of high incomes and hold the majority of corporate interests. For nearly 15 years, this tax structure has therefore shifted proportionately more of the provincial revenue burden to women and those with low incomes at the same time that it reduced the tax load on men.

In Canada, sales and consumption taxes are, in effect, flat-rated income taxes. This is because on average, the 85% of all Canadians with the lowest incomes spend all their incomes on living expenses. Only 15% of Canadians – those with the highest incomes – have large enough incomes to save and invest some of that income each year, and savings and investments are exempt from sales and consumption taxes. Thus these types of taxes, whether enacted in the form of provincial goods and services taxes or as commodity taxes, will in effect impose a new layer of income taxation on the 85% with the lowest incomes.

### **Recommendations:**

- 7. Enact new low PIT rates of at least 8% or 9% to increase the within-tax system redistribution of post-tax incomes.**
- 8. Reject enactment of new sales taxes or provincial consumption taxes such as the HST in Alberta.**

**Alternatively, if consumption taxes are enacted, provide substantial refundable sales or consumption tax credits to minimize the regressive impact of this form of tax, and ensure that they are accompanied by wealth taxes in order to fairly tax all incomes at the same rates.**



## D. Enact Effective Low-income Fiscal Policies

Alberta does very little to address the gendered allocation of incomes and wealth faced by women. Affirmative legal steps to equalize women's access to good paid work, incomes, care resources, and income security will not be effective unless provincial fiscal barriers to women's financial security are also removed.

Fiscal barriers to paid work include all measures that reduce women's after-tax incomes as compared with men's. These fiscal barriers include all joint tax and benefit measures that subsidize the unpaid work performed by second adults in private households, inadequate tax relief for employment-related expenses, PIT rates that reduce earned incomes below poverty lines, and disproportionately high rates of tax liability on low incomes as compared with those on moderate and high incomes.

### **Recommendations:**

- 9. Repeal the transferability of the large dependent spouse/partner tax exemption credit and all other transferable exemption credits.**
- 10. Individualize the Alberta Family Employment benefit program to give each adult equal benefits without regard to marital status or family composition, and pro rata shares of child-related benefits under that program.**
- 11. Guarantee costless care resources for all adults eligible for the Alberta Family Employment benefit program in order to eliminate gender bias in access to those benefits.**
- 12. Enact refundable low-income credits that insulate those with low incomes from being taxed into poverty by the combined effects of EI, CPP, federal, and provincial taxes, including existing commodity taxes.**

## E. Reinstate Contributions to Alberta's Heritage Fund

Alberta's "tax advantage" program was built on the shaky assumption that as a resource-rich jurisdiction, the government could forgo a more balanced revenue stream due to its plentiful resource revenues. Unfortunately, the volatility of market-driven oil prices has more than once resulted in unexpected budgetary shortfalls.

When viewed over time, it is clear that this fiscal plan has locked the provincial government into a budgetary stance of permanent austerity. In the worst of years, undertaxation leads to budgetary deficits when resource revenues do not provide adequate supplementary revenues. In the best of years, increased resource revenues end up being applied to accumulated operating deficits instead of to funding new durable programs. The province lacks a central core of durable revenue tools that can support long-term human wellbeing and development or diversification of the provincial economy.

Most recently, the Alberta government had originally expected to obtain nearly 34% of its budgetary revenues for 2015/16 from the resource sector, a total of \$10.8 billion. As oil prices began to fall rapidly at the end of 2014, the resulting revenue gap created expectations of up to a \$7 billion revenue shortfall. One of the first strategies mentioned by the government was cuts to educational support, public services, and capital construction projects.

Alberta's "paradox of plenty" can be solved with more balanced revenues as described above, and the reinstatement of capital contributions to the Heritage Fund.

### **Recommendations:**

- 13. Accumulate all resource revenues in the Heritage Fund to "inoculate" the provincial government's budget from the volatilities of market-driven resource revenues.**
- 14. Place a statutory maximum annual limit on amounts of investment incomes that can be withdrawn from the Heritage Fund for budgetary purposes.**

Women's equality rights are matters of fundamental human rights. But there is incontestable evidence that increased levels of gender equality contribute to economic durability, stable human development and economic growth, and human wellbeing. Devoting significant government resources to promoting gender equality in all aspects of life and work in Alberta would also contribute to solving the province's paradox of plenty.

## Endnotes

- 1 Moira Armour and Pat Stanton, *Canadian Women in History: A Chronology* (Toronto: Green Dragon Press, 1990).
- 2 The case of *Murdoch v. Murdoch*, [1975] 1 S.C.R. 423 (S.C.C.) was brought by an Alberta ranch wife who sought equal division of the farm property. While ultimately largely unsuccessful, the political result of this case, in which one Supreme Court Justice referred to her extensive contributions to farming and ranching activities of all kinds over a period of two decades should not count in her favour because she was just doing what a “good farm wife does,” produced the current system of presumptive 50-50 ownership of all property acquired during marriage.
- 3 Francine Roy, ‘From She to She: Changing Patterns of Women in the Canadian Labour Force,’ *Canadian Economic Observer* (June 2006) Statistics Canada (Cat. no. 11-010).
- 4 United Nations, *Convention on the Elimination of All Forms of Discrimination against Women*. General Assembly Resolution 25 (XLIV): 44th Session (1980): Supplement No. 49 (A/RES/44/25, reprinted in 28 I.L.M.1448). The text of the Convention is available online: United Nations High Commissioner for Human Rights: [www.unhcr.ch/html/](http://www.unhcr.ch/html/). CEDAW is very detailed, and contains page after page of specific examples and descriptions of discrimination in areas such as economic activity, health, and education, in order to provide concrete guidance in the main policy areas that affect women.
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- 12 As most recently adopted by ECOSOC 1997/2, Council resolution 2006/36.

- 13 *Platform for Action*, paras. 150, 155, 165(f), (i), 179(f) (women and economic relations, including the application of equality principles to fiscal instruments and the importance of gender budgeting; para. 205(c) (governmental machinery responsible for gender mainstreaming); paras. 345-361 (financial arrangements required to fund gender equality reforms, including governance mechanisms for gender equality, at national, regional, international, and nongovernmental levels).
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such an individual had income of \$20,160, the Alberta and federal personal exemption credits would not have sheltered all of that low income from income taxation: In fact, such an individual would have been left with after-tax income of just \$18,570 – \$1,590 less than the after-tax LICO for such a person. For LICOs, see Statistics Canada, *Low Income Lines*, 2013, 2013, cat. No. 75F002M, adjusted for 2014 by total 1992-2014 CPI of 125.2.

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