Gender and austerity in post-crisis Canada

How the government is leaving women behind

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In times of economic turmoil, governments can choose a range of measures to stabilize the economy. Defined simply, implementing austerity entails slashing government spending in order to curb a deficit that is thought to be destabilizing the economy. Engaging in stimulus entails pumping money into the economy, generally in the form of infrastructure projects and/or tax cuts, to stimulate growth. The Harper government’s response to the 2008–09 global economic crisis involved the implementation of both austerity and stimulus measures. The impact of these policies was felt differently along gendered, racialized and class lines, in part because both the stimulus and austerity adhered to the government’s preference for neoliberal restructuring of the state.

It has been shown that women in particular feel the impacts of neoliberal restructuring to a more severe degree than men. For example, as Spike Peterson notes, “women are more dependent on the state for relatively secure employment and for public services.” This phenomenon has been widely observed in the context of the European debt crisis. In the United States, while men were the primary beneficiaries of post-crisis stimulus spending aimed at the auto manufacturing, construction and banking sectors, low-income women lost out as government
slashed services in an effort to lower the deficit. Although the economic crisis that hit Canada in the wake of the U.S. sub-prime mortgage crisis in 2008 was far milder than in the U.S. and Europe, the response of the Harper government was similarly gender-blind to the detriment of gender equality in Canada.

**Inequality and intersectionality**

Since no single country has achieved gender parity in terms of employment, income or representation in national parliaments, feminist scholars have stressed the importance of intersectional analysis.

Intersectionality is the idea that there are different axes of oppression that combine or intersect to create unique experiences and oppressions. In the words of Marianne Marchand and Anne Runyan, “Feminist scholars have repeatedly shown that gender not only operates at various levels but also intersects with class, ethnicity, race, nationality, age and sexuality to produce and reproduce an intricate web of inequalities between and among men and women.” An intersectional approach to policy formulation and analysis accounts for the real world implications of that policy on different individuals.

In 2013, the World Economic Forum ranked Canada 20th worldwide in its Global Gender Gap Report. The report measures health outcomes as well as economic and political participation in order to grasp the degree of gender inequality in a given country. Canadian women fare far better than women elsewhere in the world in relative terms. But a pay gap persists (women working full time earn 70 cents for every man’s dollar), women make up only 24% of parliamentarians, and they are over-represented in lower income tax brackets and under-represented in higher income tax brackets and positions of power. It is important to keep in mind that these general statistics capture a range of experiences, and that some women in Canada fare far better than others.

These trends are exacerbated along intersectional lines. For example, we can take the measure for child poverty as indicative of the poverty of their parents. While in Canada 14.3% of children live in low-income households, 38.2% of children living in households headed by a single mother are characterized as low-income. Even more concerning is the fact that a staggering 50% of First Nations children live in low-income households.

In the lead up to the recession, women’s employment in Canada was far more precarious than for men. The Canadian Centre for Policy Alternatives (CCPA) estimates that while 30% of men were in “non-standard work arrangements,” the figure sat at 40% for women. This has implications not only for a given worker’s
capacity to earn a living wage, but also for their access to unemployment insurance should they lose their job.

The precarious nature of women’s work in Canada is echoed in unemployment insurance figures. The unemployment insurance scheme in Canada is not particularly generous, and has been made less so with recent reforms undertaken by the Conservative government. In 2008, soon after the onset of the crisis, only 39% of unemployed women were actually receiving unemployment benefits.11

Finally, the bulk of unpaid care work in Canada remains a burden borne primarily by women. A Statistics Canada study done in 2010 estimates that women spend on average twice as much time per week as men on domestic labour.12 These figures demonstrate that inequality along gendered and racial lines is a significant issue in Canadian society. There is an apparent need for policy that is sensitive to the intersectional nature of persistent structural inequalities.

How post-crisis cuts affected women

While the Harper government inherited a healthy surplus when it was elected in 2006, the 2008–09 crisis and recession plunged Canada back into deficit, with the last seven years of federal governance characterized by both stimulus (spending and tax cuts) as well as cuts to the public sector. Programming targeted at low-income or vulnerable groups has not been spared the knife, with some arguing it was specifically targeted.13

Soon after taking power, before the onset of the crisis, the government made significant cuts to groups and programs targeted at improving the status of Canadian women. On the day the government was inducted, it threw out the former Liberal government’s plan for a national universal daycare program, replacing it instead with a $100 credit per child, per month.14

The cost of daycare in Canada varies from province to province, and the national average is misleading, given the Quebec government’s commitment to providing affordable, subsidized child care. In Ontario, where the average cost of having a toddler in daycare for a month sits around $900, the federal benefit makes a marginal difference. In late October 2014, the Harper government increased this credit to $160 per month. Although the change took place in January 2015, it was paid out retroactively in July, in the form of Revenue Canada cheques to eligible families, mere months before the October election.15

The Harper government’s initial round of cuts also included a major blow to the budget of Status of Women Canada, a federal government organization set up in 1976 to administer programming and provide policy recommendations. The organization had its budget slashed by 43% in 2006, resulting in the closure of 12 of
its 16 offices. Further, Status of Women Canada had the word “equality” removed from its mandate and website based on declarations from Bev Oda, then heritage minister, that even though statistics prove otherwise women in Canada were already equal to men. Federal funding cuts to the National Association of Women and the Law forced the organization to close its doors.

These cuts were initially premised on a false belief that the fight for gender parity had been successful and so the federal government’s gender-based institutions were effectively obsolete. Given the ease with which the cuts were made, the stage was set for an even tougher response to the crisis that would be largely blind to the unique challenges faced by marginalized groups in Canadian society.

## Gendered implications of stimulus spending

Despite the degree to which the Canadian and U.S. economies are integrated, Canada fared better than expected in the wake of the U.S.-centred sub-prime mortgage crash. This is not to say that Canada was immune from the global economic recession. Daniel Béland and Alex Wadden highlight that from November 2008 to January 2009, GDP fell 2.5% and exports 26%. Further, over the course of the year, unemployment rose from 6.1% to 8.3%. Given these declines, the Conservative minority government was under pressure from an ideologically more liberal opposition to implement policies to cushion the economic blow dealt to Canadians. The 2009 budget included a $30 billion dollar stimulus package.

Cutting taxes was central to the crisis response plan, which is hardly surprising considering low taxes are a longstanding Conservative priority. But the Ad-Hoc Coalition for Women’s Equity and Human Rights noted early on who benefited most from the 2008 tax plan: “77.8% of tax expenditures (cuts) go to taxpayers in the top three quintiles, while only 21.2% of tax cuts go to the lowest two quintiles.”

The 2009 Economic Action Plan (EAP) outlined $160 billion of “tax relief” over five years. While tax cuts were to be directed primarily at the lowest two income brackets, the budget included “tax relief” for all income brackets, so while those most in need of a tax break were getting one, so too were those sitting at the top of the socioeconomic ladder. The 2009 budget increased the basic personal amount that one can earn before being taxed from $9,600 to $10,320 — this amounts to $720 over the course of the year, or a 7.5% increase in income. Meanwhile, the top of the second personal income tax bracket was increased from $75,769 to $81,452 (a 7.5% jump), meaning that more income would be taxed at the 22% rate instead of the 26% rate.
The 7.5% figure applied across the board, highlighting that these tax cuts were not implemented for the purpose of redistribution. For many Canadian women, tax cuts have little to no positive financial impact given that 40% of Canadian women do not earn enough to be required to pay taxes on income, compared with 24% of Canadian men. Part of the tax restructuring program in 2009 was also a drop in the Goods and Services Tax (GST) from 7% to 5%. From an intersectional standpoint, arguments can be made both for and against this policy. While sales taxes are regressive in that they hit all tax brackets at the same rate, organizations like the CCPA have argued that this 2% drop is more to the benefit of the affluent in that low-income individuals are not making expensive purchases.

Cuts to income tax rates have been accompanied by cuts to corporate tax rates. While the federal corporate tax rate was 28% in 2000, as of 2012 it has been reduced to 15%. These cuts, premised on the idea that cutting the corporate tax rate should stimulate job creation, translate into very significant losses in revenue, though it is unclear exactly what these are as the government apparently does not have the capacity to calculate the amount.

Kathleen Lahey and Paloma de Villota note that permanent cuts to corporate taxes overwhelmingly benefit men, since women are under-represented in top positions in Canadian firms and as primary shareholders. The economists posit that women “receive no more than 10% to 20% of the compensation benefits that might flow from these tax cuts.” Finally, tax cuts come hand in hand with cuts to public expenditures, to the overwhelming detriment of those who are marginalized and depend most on services provided by the government.

Generally, infrastructure projects are part and parcel of stimulus packages as a means of creating employment and, subsequently, stimulating spending. The 2009 EAP included the introduction of various infrastructure improvement schemes and recommitment to others like the $33 billion Building Canada Plan first introduced in 2007. Infrastructure spending has been directed toward heavy construction projects like road, highway and bridge improvements, water and wastewater systems and public transit. Lahey and Villota note that, All of the occupations involved in infrastructure projects continue to be nontraditional for women and unquestionably traditional for men: women account for a mere 2–7% of construction, trade and transportation workers; 12% of engineers; 22% of primary industry workers; and 31% of manufacturing workers.

These statistics demonstrate the extent to which stimulus spending in Canada has been gender blind. It is also important to note that only 8.3% of federal infrastructure stimulus spending went to public transit, a service that is overwhelmingly consumed by those in lower income brackets.
Finally, 2009 also marked the introduction of the Home Renovation Tax Credit, a temporary $3 billion tax relief effort to encourage home renovations and stimulate employment and spending. This effort favours the affluent in that in order to claim the tax benefit one would have to own a home, and have the income to renovate. Further, such an effort stimulates employment in a sector of the economy that is predominantly male.

Facing pressure from the opposition parties to soften the blow that the recession had dealt to those at the bottom of the socioeconomic ladder, the 2009 EAP also included a provision to increase the duration that one could access employment insurance from 45 to 50 weeks. Less than 50% of unemployed Canadians actually qualified for EI in 2007, meaning that federal funds to expand the EI program could not be accessed by those who were most marginalized. Because Canadian women are more likely than men to occupy more precarious positions of employment, only 39% of unemployed women qualified for EI in 2009 compared to 45% of unemployed men.

Lahey and Villota posit that women received $530 million less than men from the government’s modest post-crisis restructuring of EI. Then EI eligibility was tightened again in 2012 with reforms aimed at seasonal workers. While such reforms are unlikely to exacerbate the gendered differential in EI eligibility, they result in even fewer of Canada’s unemployed being able to collect it.

As Canada moved toward the 2015 federal election, the Harper government introduced a new round of tax cut measures. In October 2014, the government unveiled its plan for income splitting. The idea was first introduced in 2006 when the minority Conservative government allowed pensioners to split their collective income for tax purposes. The policy has been controversial in Canada, even among members of the Conservative party.

While, in general, income taxes are paid on an individual basis, income splitting allows married and common law couples to split their joint income — one partner can share up to $50,000 of income with the other — regardless of who makes more money. The idea is that in a family where one parent is the sole earner, by distributing income equally the sole earner would find themselves in a lower tax bracket and effectively would pay the least taxes possible.

By design, income splitting favours the traditional family unit made up of a sole breadwinner and a parent who stays at home to care for children. This tax relief measure will have no impact for single-parent families (the majority of which are headed by women) or family units in which both parental incomes fall into the lowest tax bracket.

The adoption of income splitting exemplifies the Harper government’s commitment to traditional family structures (see Bezanson chapter), upper income brackets
and gender-blind policy formulation. While it is couched in the language of progressive taxation and “giving working families a break,” a CCPA study done in early 2014 estimates the top 5% of families would see more of a benefit than the bottom 60%. Further, the benefit for the bottom 60% of families would likely be around $50 a year, while the wealthiest 5% would receive an average tax benefit of $1,100 annually.

Income splitting amounts to a tax benefit for those who don’t need it and will likely translate into lost revenues and cuts to services for those most in need. In response to wide concern that the extension of income splitting to Canadian families would work to deepen inequality in Canada, the Harper government announced, in late October 2014, that it would place a $2,000 cap on the tax credit that anyone could receive. It was a token gesture considering how few families in Canada are likely to receive even $100 from this new tax credit.

### Gender and austerity in the Canadian context

The move toward austerity in Canada in the post-crisis years has entailed the dismantlement of social programming built over decades. The 2010 budget marked a shift away from stimulus spending, based on the premise that the worst of the crisis was over, and proposed “an aggressive plan to bring federal finances back to balance,” despite the fact that, as Bryan Evans and Greg Albo note, “the actual state of the Canadian economy and public finances measures comparatively well against other large economies.”

Between 2010 and 2015, the federal government balanced its budget through an array of cuts across the board while downloading responsibilities to provincial governments. As the burden of the crisis had been borne by those at the bottom of the socioeconomic ladder, so would the recovery come at their expense, with major cuts to organizations like Canada Without Poverty, The Aboriginal Healing Foundation, The Canadian HIV/AIDS Legal Network, The National Network on Environments and Women’s Health, Sisters in Spirit, Status of Women Canada, and the Canadian Childcare Federation, among others.

The gendered effects of austerity, however, extend far beyond cuts to the operating budgets of women’s groups. This becomes quite clear when we look at the health care sector. The Conservative government’s 2013 plan to scale back federal transfers for the provision of health care will put more financial pressure on the provinces to deliver services with fewer resources.

In many cases, health care restructuring in Canada has shifted the burden of care work, once taken on by public sector professionals, to the private sphere and to the home, where it is most often picked up by women. Efforts to cut costs have...
also resulted in a nursing shortage in hospitals and health care facilities across the country.\textsuperscript{46} And the adoption of a two-tiered health care system in provinces like Alberta and Quebec—with others moving in this direction—puts further financial pressure on provincial governments, with significant implications in terms of equity in Canada.

The move toward a two-tiered health care system inevitably produces a situation where those who can afford access to private health care receive it more quickly than those whose access is limited to the public system. Health is socially determined, and life expectancy varies across income, gender and race. For example, life expectancy for Aboriginal people in Canada is 10 years less than that of the general population.\textsuperscript{47} This corresponds with different rates of poverty, as previously mentioned in the case of Aboriginal children versus the general population. Given that racialized groups and women overwhelmingly occupy lower income tax brackets, while the affluent in Canada are overwhelmingly white and male, the onset of two-tiered health care represents a redistribution of life chances to the affluent and is likely to widen the gap between the haves and the have-nots in terms of life expectancy.

Another clear example of the gendered effects of austerity is the situation of First Nations women. The standard of living of Canada’s First Nations, Métis and Inuit peoples is so out of sync with national averages on every indicator that it has attracted international attention at the United Nations. Life expectancies are significantly lower, rates of poverty and unemployment significantly higher, the suicide rate six times higher and the incidence of mental health issues, diabetes and HIV/AIDS drastically higher than that of the general Canadian population.\textsuperscript{48} Further, Aboriginal women are 3.5 times more likely to experience domestic violence than non-Aboriginal women.\textsuperscript{49}

In June 2012, the Harper government, through the auspices of Health Canada, cut all funding to the National Aboriginal Health Organization (see FitzGerald chapter), which aimed at meeting the unique health needs of Aboriginal people in Canada, effectively forcing the not-for-profit organization to shut down.\textsuperscript{50} The cut saved Health Canada only $4.4 million. The Harper government has made further cuts to Sisters in Spirit, The Native Women’s Association of Canada, The Aboriginal Healing Foundation, The First Nations Child and Family Caring Society, and The First Nations and Inuit Tobacco Control Program.\textsuperscript{51} The impact of these cuts on debt reduction is marginal. But they are representative of the extent to which policy formulation under the Harper government is blind to the inequalities that race and gender generate.
Conclusion

Seven years after the onset of the crisis, we can begin to see the impact of the downturn and subsequent policy responses on Canadians. Income inequality has been on the rise since the 1980s, but today, Canada’s top 20% of earners control 50% of all wealth.\(^2\) The Conservative government’s corporate and income tax cut policies, combined with cuts to the public sector, are likely to exacerbate this phenomenon rather than rein it in.

While the number of individuals who qualify as low income (after tax) has returned to near crisis levels of around 9% (after reaching its pinnacle at 9.5% in 2009) the number of female lone-parent families that now qualify as low income has actually increased over the last couple of years.\(^3\) In 2009, 21.5% of female lone-parent families in Canada were low income; the figure in 2011 sat at 23%.\(^4\) Meanwhile, in 2011, only 5.9% of two-parent families qualified as low income.\(^5\)

The extent to which the recession and the government’s response have squeezed Canadians is also evident in a report by Food Banks Canada in 2011 that outlined a 26% increase in the number of people turning to food banks over the course of the recession compared with pre-crisis levels.\(^6\) As Canada moves along its path to recovery in the post-crisis context, what is drastically needed is an approach to policy that keeps the marginalized in mind — an approach the current government has proven unwilling to consider.

Bibliography


Endnotes

1 I would like to thank Stuart Trew and Theresa Healy for affording me the wonderful opportunity to participate in this project. I would also like to thank Colleen O’Manique and Christopher Gombay for their support on not only this project, but on all of my projects.


3 Ibid, 10.


11 Ibid, 10.


22 Ibid, 239.

23 Ibid, 240.


34 Ibid, 89.


41 Ibid, 92.


48 Ibid.


54 Ibid.

55 Ibid.

56 Food Banks Canada, Hunger Count 2011: 2.