Gender and equity in Canada's 2023 federal budget

In 2018, the federal Liberal government promised to assess future budget proposals with a gender and equity lens. However, it wasn't until 2021 that additional funding was given to Statistics Canada to address data gaps related to race, 2SLGBTQI+ status and disability. For example, starting in January 2022, the Labour Force Survey began including questions on ethnicity, sex at birth and gender (including a non-binary option). This additional data enables a more thorough analysis of the systemic barriers different groups face. The idea is that if we know more about these barriers, we can fund solutions to these problems.

The budget documents include a section analyzing each budget measure, identifying main beneficiaries based on gender, income level and age. The analysis uses a five-point scale for gender and income and a three-point scale for age cohorts. Other beneficiaries, such as Indigenous peoples, persons with disabilities and Black and racialized individuals, are identified when applicable. However, this analysis only provides a rough idea of budget priorities, not the size or effectiveness of the impact for the groups identified. The budget's equity planning tool, called Gender-based Analysis Plus (GBA+), was implemented near the end of the policy development process for most of the budget's measures. As a result, 60% of the measures that identify potential negative impacts on certain groups do not propose any strategies to mitigate these impacts.

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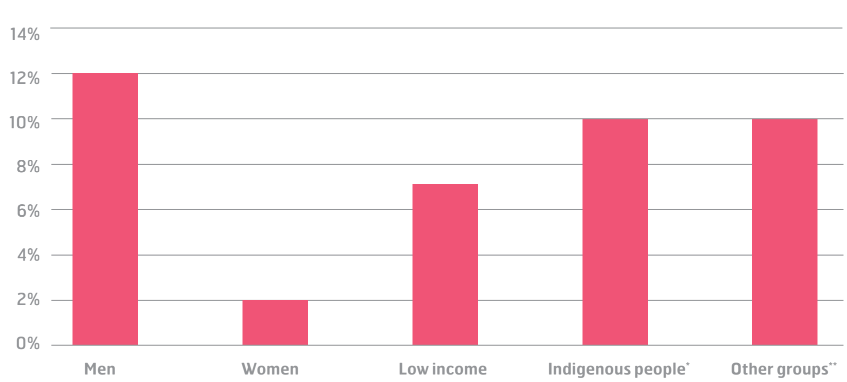
Proportion of Budget 2023 direct benefit by group



Source: Budget 2023, Summary of Budget 2023's Gender and Diversity Impacts, Chart 3, 4, 6.
Categories overlap, do not sum to 100%. Does not include revenue and savings measures.

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According to the government's own analysis, the budget falls short in addressing the needs of women, people with disabilities, 2SLGBTQI+ individuals, Black and racialized people and low-income individuals. And while the government claims that 10% of its budgetary investments will benefit Indigenous peoples, it's difficult to assess if this allocation is sufficient without knowing the scale of what is actually required.

Overall, there is a stark gender gap in this year's federal spending. Only 2% of spending directly benefits women, while 12% directly benefits men. The gender disparity found in Budget 2023 is even worse when saving measures are taken into consideration, such as the over $11 billion cut over five years from government departments, agencies and crown corporations. These cuts, equivalent to about 15% of this year's budget investments, will disproportionately affect women.

The gender imbalance in Budget 2023 stems partly from its focus on investment in male-dominated sectors for climate action. Meanwhile, the budget neglects necessary funding for labour force development and wage improvements in care work like health care and child care, fields in which women predominate.

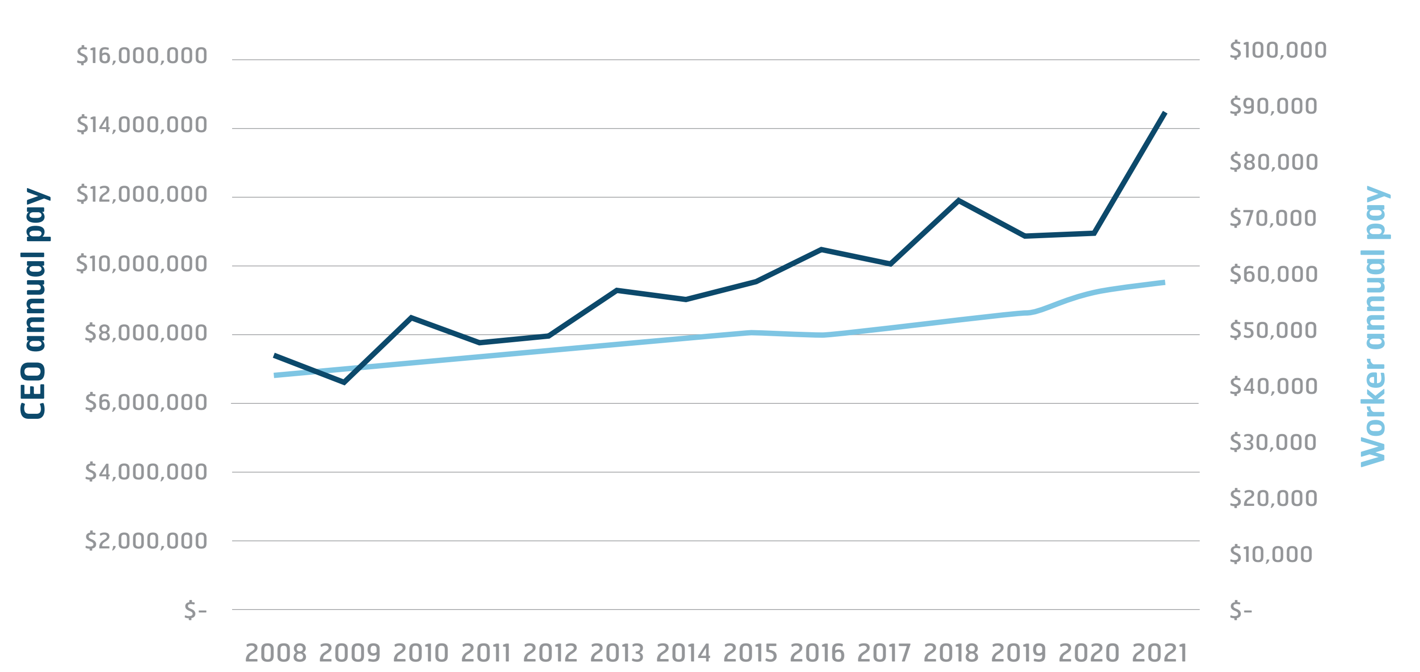
Including more data and analysis around gender and equity in the budget is a good step, but it's not enough on its own to secure change. As public sector workers, CUPE members know that well-funded public services play a vital role in delivering high-quality support to Canadians, particularly those who are marginalized. We need to continue to advocate for the elimination of systemic barriers faced by public sector workers and the communities we serve, including sufficient funding for public services like health care and child care.

Closing the wage gap between workers and CEOs

Critics have been fearmongering about unionized workers asking for wage gains that keep pace with inflation, pitting public and private sector workers, as well as unionized and non-unionized workers, against each other. The implication is that raising workers' wages will make inflation worse. The reality is workers are not responsible for price increases. But, at least in some industries, CEOs are. They have hiked prices unnecessarily, kept employee wage increases low and personally benefited from the resulting profits.

The Canadian Centre for Policy Alternatives (CCPA) has been tracking CEO compensation in Canada since

The real "battle of the wages" – CEO pay vs. average worker pay



Source: CCPA CEO pay reports from 2010-2023, Statistics Canada Table 14-10-0204-01.

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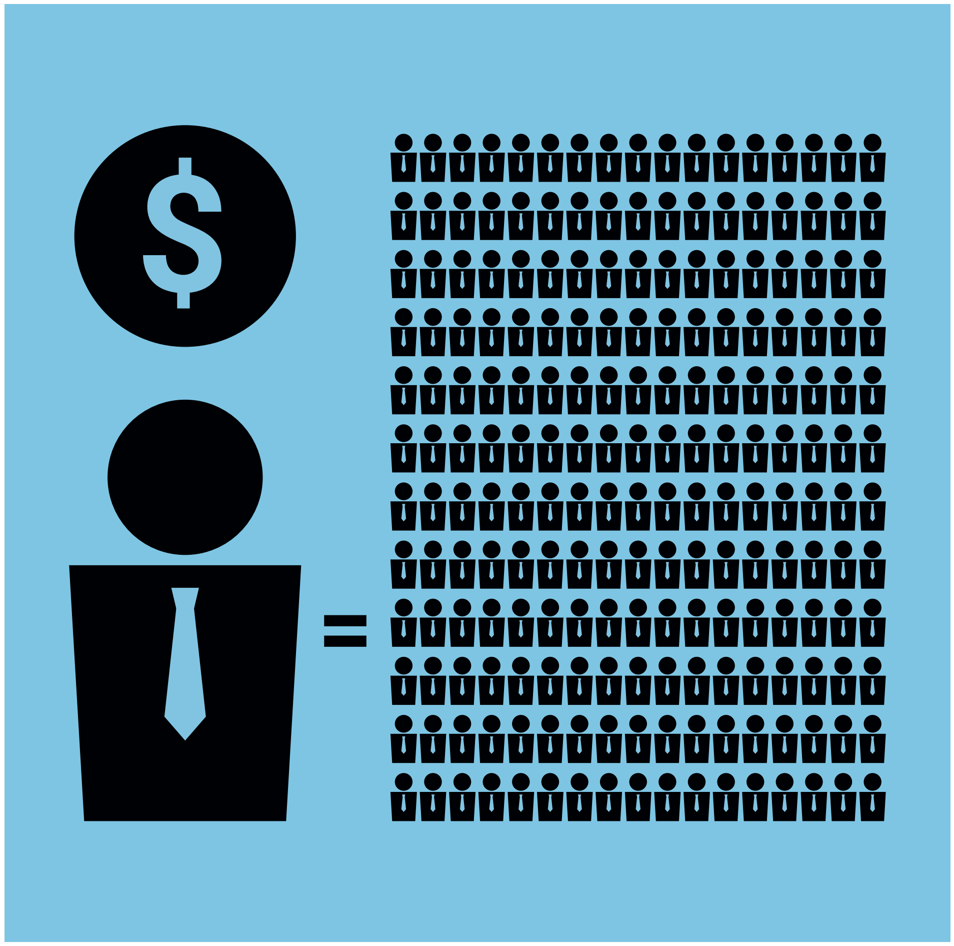
2008. They compare the earnings of the top 100 CEOs with the average annual salary of workers. In 2008, these CEOs made an average of 174 times more than the average worker, earning $7.3 million annually compared to $42,305. During the pandemic, this ratio reached a new high. In 2021, the top 100 CEOs earned an average of 243 times more than the average worker – $14.1 million a year compared to $58,800. Keep in mind that the average wage for workers increased during the pandemic partly because many low-wage workers lost their jobs. The same was not true for the top 100 CEOs.

The gap is even more significant in specific companies and sectors. For example, Loblaw CEO Galen Weston received $11.8 million in compensation in 2022, which is 430 times more than the average earnings of grocery store workers that year ($27,300).

The CCPA and CUPE have proposed several solutions to address this issue. These include higher tax rates on very high incomes and the full inclusion of capital gains as taxable income (currently only half of capital gains are taxable). Recently, the federal NDP proposed a new strategy modeled on a policy put forward by United States Senator Bernie Sanders. This strategy would increase corporate income taxes for companies based on the difference between CEO and median worker pay. The bigger the gap between CEO and median worker pay, the higher the corporate income tax rate paid.

Some of this policy is already in place in the United States. Following the 2008 financial crisis, the United States implemented the Dodd-Frank Act, which strengthened regulations for banks and publicly traded corporations to enhance economic stability and protect consumers. As part of this legislation, publicly traded corporations are required to disclose the wage gap between their CEOs and other employees. They must identify the median worker, whose income falls exactly in the middle of the employee earnings spectrum. This means that half of employees make more than the median worker, and half less. Companies must then publish the ratio of the median worker's income to the CEO's income in their shareholder information before their annual meeting.



In Canada, the financial sector has had discussions about voluntarily adopting a similar practice. The idea is that large disparities in executive and worker pay contribute to growing income inequality. This not only negatively affects the overall economy but also creates governance issues within companies and reduces long-term worker productivity. Desjardins Group, a Quebec-based financial cooperative that encompasses over 200 credit unions, voluntarily discloses the CEO to median worker ratio in its annual report. Vancouver City Savings Credit Union, known as Vancity, publishes two ratios: CEO to median worker and CEO to lowest paid worker. Vancity's investment arm, Vancity Investment Management, has used its shareholder position to advocate for several Canadian banks and CP Rail to disclose their CEO to median worker pay ratios. So far, only Scotiabank and CP Rail have adopted this practice.

The federal NDP has not yet put forward guidelines for standardizing the calculation of a CEO-worker pay ratio. However, they have proposed a surtax for companies based on this ratio. The surtax would begin at 0.5% if CEOs earn between 50-100 times more than the median worker and increase to 5% if CEOs earn over 500 times more. The NDP estimates that if this were implemented in 2022, Loblaw would have paid an additional $100 million in corporate income taxes.

ECONOMIC DIRECTIONS

Economic growth — Canada's economy is uncertain. Overall, businesses are not investing as much as expected, but more jobs are being created than predicted. In the beginning of 2023, there were improvements in supply chains, which led to increased exports in the auto and agriculture sectors. However, if the US economy slows down as expected, it would negatively affect Canadian exports for the rest of 2023. Globally, central banks remain worried about inflation, so some regions may raise interest rates to reduce global economic demand. The Bank of Canada forecasts that Canadian economic growth will be 1.4% in 2023 and 1.3% in 2024.

Jobs — Canada's unemployment rate has remained steady at 5% since December 2022, which is historically low. However, there are still over one million people actively looking for work and another 400,000 who would like to work but are not currently searching for jobs due to various reasons. The number of job vacancies reported to Statistics Canada has decreased from over a million in the second quarter of 2022 to 855,000 in the fourth quarter. This means there is still a strong demand for workers, which gives workers more bargaining power.

Wages — Statistics Canada uses two sources to estimate wages each month: the Labour Force Survey (LFS) and the Survey of Employment, Payroll, and Hours (SEPH). According to LFS data, wages have been increasing by around 5% year over year, while SEPH data shows a slower increase of about 4%. In major collective agreements involving more than 500 people, wage adjustments are lower. The average first year adjustment is 1.9%, and the average annual adjustment is 2.8% for agreements ratified in the first quarter of 2023.

Inflation — The consumer price index (CPI), which measures changes in the cost of goods and services, rose by 4.4% in April compared to the previous year. This is a slight increase compared to 4.3% in March, but still much lower than the 5.2% rise in February. Costs for food and shelter remain high. The Bank of Canada expects the CPI to drop to 3% by the middle of 2023 and return to 2% by the end of 2024.

Interest rates — The Bank of Canada raised interest rates from 0.25% in January 2022 to 4.5% in January 2023 and has kept them steady since then. They have stated that they are ready to increase rates further if necessary to achieve their target inflation rate of 2%.

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