



# Cost Shift

**How British Columbians are  
paying for their tax cut**

**by Sylvia Fuller and Lindsay Stephens**

**July 2002**



**Canadian Centre for Policy Alternatives  
B.C. Office**

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### Acknowledgments

A number of people have helped with this project. Thanks to Seth Klein, Marc Lee, Blair Redlin, Marcy Cohen, Steve Kerstetter, Michael Goldberg, and Shannon Daub for thoughtfully reviewing the draft report and providing valuable feedback. Thanks also to Gloria Mulligan of Statistics Canada for providing unpublished information.

**The CCPA would also like to thank the Columbia Foundation for its financial support of this work.**

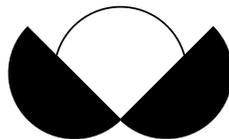
Cover and figures by Dirk Van Stralen

Report layout by Nadene Rehnby

ISBN 0-88627-306-4

Price \$10

CAW  TCA



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# Summary

WHEN THE LIBERALS TOOK POWER IN BC THE FIRST ORDER OF BUSINESS WAS A massive tax cut. Although the government promised that the cuts would pay for themselves, in reality they left a gaping hole in revenues. Painted into a corner by their promise to balance the budget by 2004/2005, the government has now instituted numerous spending cuts to compensate for the lost tax revenue.

These cuts are damaging our ability to care for one another and the environment in many ways. They have also set in motion a dynamic we call “cost shifting” – the transfer of costs off the government books and onto individuals, families, and in some cases employers. A year after the income tax cuts were first introduced, and after wave after wave of cost shifting, it is fair to ask if British Columbians are indeed better off as a result of the income tax cuts.

In this paper we analyze this question from a fiscal perspective, comparing the size of British Columbians’ tax cuts to the major new costs many now face including:

- Increased MSP premiums;
- De-listed health services;
- Higher drug costs;
- Higher post-secondary educational expenses;
- Higher childcare costs;
- Higher sales and municipal taxes.

The analysis reveals that while more affluent individuals remain ahead financially, the gains of those with more modest incomes are precarious. A course of physiotherapy, a child entering college, or a baby in daycare can mean the difference between breaking even and falling deeply into the red. Overall, the income tax cuts make our taxation system more regressive by giving upper-income earners a larger benefit, and the cost shifts magnify this trend by piling disproportionate burdens on the shoulders of the poor and the sick. Taken as a whole, the effect of the new tax and spending regime is thus to make British Columbia much more unequal.

Because individuals will have their own unique “bottom line,” depending on their income and particular life circumstances, we construct and discuss nine profiles to illustrate how tax and spending cuts play out for a variety of British Columbians. We include single individuals at three different income levels, a university student, a single parent, a senior couple, and a family of four at three different income levels. The profiles reveal that:

- A single individual earning \$30,000 loses more than she gains if she requires a course of physiotherapy and an eye exam;
- A senior couple with a combined income of \$35,000 are net losers with MSP premiums alone. Changes to the Pharmacare program impose an even greater financial burden;
- A family of four with a household income of \$35,000 loses more than the value of their tax cut just with the MSP premium increase – if they have daycare expenses or require delisted medical services they are deep in the hole;
- A single parent with an income of \$30,000 sees her MSP premiums go down. However, if she needs childcare the loss of her subsidy will leave her over \$2000 in the red;
- A UBC arts undergraduate student with an income of \$13,000 receives a tax cut of \$7, but pays \$480 in increased tuition fees;
- A family of four with a combined income of \$60,000 remains ahead even after the addition of MSP, eye exams, and a course of chiropractic treatment, but not by very much;
- Both the individual at \$80,000 and the family of four at \$90,000 find themselves with more money in their pockets than they had before the tax and spending cuts.

Since the spending cuts and resultant cost shift have just begun we anticipate that savings from the tax cuts will continue to erode.

As more and more British Columbians face higher personal costs, as well as a general decline in environmental standards and the quality of government services, and a more unequal society, even those who still hold onto modest tax cuts need to ask: were the tax cuts worth the price?

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# Introduction

**Tax and spending cuts have set in motion a dynamic we call “cost shifting” – the transfer of costs off the governments books and onto individuals, families and in some cases employers.**

WHEN THE LIBERALS TOOK POWER IN BC, THE FIRST ORDER OF BUSINESS WAS A massive tax cut. Promising to revitalize the economy by putting more money in consumers’ pockets, the government slashed corporate and personal income taxes by over \$2 billion. Most British Columbians were probably happy at the prospect of paying less tax, particularly since the government argued that the cuts would stimulate so much economic growth that they would pay for themselves, rendering spending cuts unnecessary.

A year later it is evident that this is not the case. Painted into a corner by their promise to balance the budget by 2004/2005, and faced with a large hole in revenues caused by the tax cuts, the Liberals have been searching for ways to cut spending and increase revenues. These spending cuts are damaging our ability to care for one another and the environment in many ways. Courthouses, schools and hospitals are closing or cutting back on services. Public sector workers, including those who enforce our environmental, health, and safety regulations, are being fired. It is becoming harder to qualify for increasingly punitive income assistance. Even our public parks are being privatized. The effects on our collective quality of life are substantial.

The tax and spending cuts have also set in motion a dynamic we call “cost shifting” – the transfer of costs off the governments books and onto individuals, families and in some cases employers. In the most straightforward shift,

decreases in income taxes are offset by increases in other kinds of taxes, such as sales taxes or the 50 per cent hike in MSP premiums. Government spending cuts have also started to claw back the financial gains individuals made from the income tax cuts, as more and more costs previously borne by the government are shifted onto individuals. Cuts to supplementary medical benefits and childcare subsidies, increases in tuition fees and other costs quickly erode the value of the income tax cuts for many individuals. Finally, some cost shifts, such as the cuts to income assistance, improve the government books not so much by introducing new costs as by making people poorer from the start. A year after the income tax cuts were first introduced, and after wave after wave of cost shifting, it is fair to ask if British Columbians are indeed better off as a result of the income tax cuts.

In this paper, we analyze this question from a fiscal perspective. For the most part, we put

aside questions of the larger social implications of government cuts, focusing instead on a more limited comparison of the value of the tax cut received by British Columbians and the major new costs they are now being asked to bear. We start by reviewing the size of the tax cut received by those in different income brackets, and provide a rough breakdown of the number of taxfilers in these brackets. We then review some of the major costs that British Columbians now have to bear, detailing when possible the average size of the cost shift, how many British Columbians are affected, and the amount of money one has to earn to remain a net beneficiary of the changes in income tax rates given the new costs. To put these cost shifts into context, we also profile a number of hypothetical British Columbians, comparing the size of their tax cut to the cumulative new costs they face.

Ultimately, we find that one year into the “new era” more affluent individuals remain ahead financially, but the gains of those with more modest incomes are precarious. A course of physiotherapy, a child entering college, or a baby in daycare can mean the difference between breaking even and falling deeply into the red.

Moreover, the spending cuts and resultant cost shifts have just begun (unless a dramatic rethink of government policy occurs). As the effects of the cuts continue to hit British Columbians’ pocketbooks, we anticipate that savings from the tax cuts will continue to erode. A few years from now, few are likely to be better off financially than they were before the 2001 tax cuts.

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# Who got what: The income tax cuts

**The median income for all taxpayers (the point at which half of all taxpayers earned more, and half earned less) was slightly above \$30,000 in 1999, this means almost half (47%) of all British Columbians would receive a tax cut of \$425 or less.**

WHEN RUNNING FOR OFFICE, THE BC LIBERALS PROMISED TO CUT THE BOTTOM two tax brackets. In fact, they cut all five tax brackets, with the upper three receiving a larger reduction than the bottom two. If we look at Table 1, we see that those at the top of the income ladder received a much larger tax cut both in absolute dollars and as a percentage of their income.

To ask whether the income tax cuts were “worth it” financially for any given individual thus depends in large measure on the size of her/his income to start with – those earning less will see their tax savings whittled away more quickly than those earning more.

To put the income tax cuts in context, and as a starting point for our analysis, it is useful to compare the size of the tax cut received by those at different income levels to the number of people at those income levels. When we compare the cumulative percentage of taxpayers at various income ranges in Table 2 to the income tax cuts in Table 1, we can see that for most British Columbians the income tax cuts represent a fairly modest sum.

Table 2 reveals that the median income for all taxpayers (the point at which half of all taxpayers earned more, and half earned less) was slightly above \$30,000 in 1999, the most recent year for which we have detailed income data. More than three-quarters of all taxpayers earned less than \$50,000. Assuming only basic income tax credits and deductions, this means almost half (47%) of all British Columbians would receive a tax cut of \$425 or less, and three quarters (77%) would receive savings of \$869 or less. At the upper end of the spectrum, only 3 per cent of the population earned \$100,000 or more, but their in-

come tax cuts would be \$2,644 or more, six times what the median taxpayer received.

Because women as a whole still earn less than men, women’s income tax cuts are also smaller: almost six in ten (57%) women would receive a tax cut of \$425 or less, and three quarters (76%) would receive less than \$634. While men fared slightly better overall, more than half (55%) would also receive less than \$634, and seven in ten (69%) would receive \$870 or less.

Taxpayers aged 65 and over have even lower incomes – thus almost half (46%) would receive a tax cut of less than \$220.<sup>1</sup> This figure, however, seriously overstates the average tax savings received by the senior population. Many seniors do not earn enough to pay income taxes once their pension and age tax credits are taken into account. Using statistics on all senior *taxfilers* as opposed to only senior *taxpayers* reveals a much lower median income of only \$18,001.<sup>2</sup> In actuality most seniors thus would receive income tax cuts of less than a hundred dollars.

By giving larger tax cuts to the wealthy, the tax cuts make BC’s tax structure more regressive and contribute to greater income inequality. As we will see, this shift is compounded by the effect of various spending cuts and associated cost shifts.

**Table 1: British Columbia's 2001 income tax cut**

| Single individual gross income | tax cut dollars | per cent of income |
|--------------------------------|-----------------|--------------------|
| 10,000                         | 25              | 0.3                |
| 15,000                         | 127             | 0.8                |
| 20,000                         | 230             | 1.1                |
| 25,000                         | 329             | 1.3                |
| 30,000                         | 425             | 1.4                |
| 35,000                         | 523             | 1.5                |
| 40,000                         | 634             | 1.6                |
| 45,000                         | 758             | 1.7                |
| 50,000                         | 869             | 1.7                |
| 100,000                        | 2644            | 2.6                |
| 150,000                        | 4985            | 3.3                |

Note: Tax cut figures are based on calculations of personal income tax using 2001 and 2002 tax rates, 2002 tax brackets, basic personal credits and applicable provincial credits, and typical major deductions in 1999 (union or professional dues, RRSP or RSP, etc.) at each income level.

Source: Researchers' calculations

**Table 2: Income breakdown – BC taxpayers**

| Income         | Per cent of population |              |       |              |      |              |               |              |
|----------------|------------------------|--------------|-------|--------------|------|--------------|---------------|--------------|
|                | All taxpayers          | Cumulative % | Women | Cumulative % | Men  | Cumulative % | Seniors (65+) | Cumulative % |
| Under 10,000   | 3.9                    | 3.9          | 5.0   | 5.0          | 2.9  | 2.9          | 0.1           | 0.1          |
| 10,000-15,000  | 10.6                   | 14.5         | 13.6  | 18.6         | 8.0  | 10.9         | 11.9          | 12.0         |
| 15,000-20,000  | 11.6                   | 26.1         | 14.5  | 33.0         | 9.2  | 20.0         | 18.5          | 30.6         |
| 20,000-25,000  | 10.6                   | 36.7         | 12.4  | 45.4         | 9.0  | 29.1         | 15.7          | 46.3         |
| 25,000-30,000  | 10.3                   | 47.0         | 11.4  | 56.8         | 9.4  | 38.5         | 13.9          | 60.2         |
| 30,000-35,000  | 9.5                    | 56.5         | 10.5  | 67.3         | 8.7  | 47.1         | 9.5           | 69.7         |
| 35,000-40,000  | 8.3                    | 64.7         | 8.9   | 76.2         | 7.7  | 54.8         | 7.2           | 76.9         |
| 40,000-45,000  | 6.7                    | 71.4         | 6.0   | 82.2         | 7.3  | 62.2         | 5.1           | 82.0         |
| 45,000-50,000  | 5.6                    | 77.0         | 4.5   | 86.7         | 6.5  | 68.6         | 4.2           | 86.2         |
| 50,000-100,000 | 19.9                   | 96.9         | 12.0  | 98.6         | 26.8 | 95.4         | 10.8          | 97.0         |
| 100,000+       | 3.1                    | 100.0        | 1.4   | 100.0        | 4.6  | 100.0        | 3.0           | 100.0        |

Source: Canada Customs and Revenue Agency, Income Statistics 2001 (1999 tax year)

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# Shifting costs

THE TAX CUTS SERIOUSLY COMPROMISED THE GOVERNMENT'S REVENUE STREAM, leading to a huge budget deficit. Unwilling to reconsider the income tax cuts, the provincial government has instead sought to make up the deficit with large spending cuts. In many cases these cuts have simply shifted costs back onto individuals and families, effectively clawing back the prior tax saving.

## Health services

**One of the largest cost shifts in health was the government's move to recapture \$358 million in taxes via a 50 per cent increase in MSP premiums. MSP premiums are a kind of "head tax" and are the most regressive form of taxation. Individuals and families who do not qualify for premium assistance pay the same rate, regardless of their income.**

### MSP premiums

One of the largest cost shifts in health was the government's move to recapture \$358 million in taxes via a 50 per cent increase in MSP premiums.<sup>3</sup> MSP premiums are a kind of "head tax" and are the most regressive form of taxation. Individuals and families who do not qualify for premium assistance pay the same rate, regardless of their income. Thus a family of four with a net income of \$33,001 pays the same \$1,296 a year as a family with net income over \$1 million.

Because the government raised the income thresholds for premium assistance, some people with low incomes will see their premiums fall. Nonetheless, the overall effect of the premium increase is to shift more of the tax load onto the middle class.

A single person will now pay \$216 more per year for health coverage, and a family of three or more will pay \$432 more each year. For many British Columbians, this will claw back a substantial chunk of their tax cut – 47 per cent of male taxpayers and 67 per cent of female taxpayers have incomes below \$35,000 and are thus left with a tax cut of \$350 or less after changes to MSP premiums are taken into account. Some families who earn too much to qualify for premium assistance and too little to receive a large tax cut (as would be the case for

a family of four with one person earning \$20,000 and another \$15,000), are left in the red.<sup>4</sup>

Replacing income tax revenues with higher MSP premiums also increases inequality because individuals with steady jobs at relatively good wages are more likely to have their employers pay their premiums. This cost shift onto employers, however, may affect even these workers the next time they seek a raise. Employers will increasingly claim, with some credibility, that they cannot afford wage or salary hikes because of rising health benefit costs. The Ministry of Finance estimates that businesses will face an additional cost of \$180 million a year because of the higher premiums.

The increase in MSP premiums also hurts public sector employers, contributing to the funding squeeze they currently face. The increase in costs to government and public service agencies is estimated at \$23 million annually.<sup>5</sup>

### Eye examinations

To add insult to injury, not only are British Columbians now paying more for their medical plan, they are also receiving less coverage.

One of the first services to be cut from MSP coverage was the routine eye exam. Before November 2001, MSP covered one routine eye exam every two years. This has been eliminated, "saving" the government \$6 million. Unfortunately, this relatively small cost saving has a large downside.

Most obviously, individuals, including those receiving income assistance or MSP premium assistance, now have to pay for this important preventative health measure themselves to the tune of at least \$44 for each exam.<sup>6</sup> This may be small change for a middle- or upper-income earner, but for a person at the bottom end of the income scale it is a significant obstacle.

Downloading costs onto individuals in this way is clearly short-sighted. Routine eye exams are a critical aspect of preventative medicine since a full eye exam includes tests for glaucoma and other diseases.<sup>7</sup> Research in the UK indicates that over 80 per cent of glaucoma referrals to an ophthalmologist are made as a result of routine sight tests. When the UK forced 60 per cent of adults to pay for what had previously been free routine sight tests, the rate of identification of glaucoma declined by nearly one fifth.<sup>8</sup> Glaucoma is treatable but can be blinding if not detected in time. Sight loss that occurs before detection cannot be restored.

Since coverage for routine eye tests has been eliminated for a larger portion of the population in BC than in the UK, we will likely see an even greater decline in glaucoma identification, and a corresponding increase in the incidence of preventable blindness. Such an outcome would be tragic for those affected. It will also increase government costs. This is a classic example of “false economy” – cuts that are promoted as saving the government money but that end up costing the public more in the long run.

### Supplementary benefits

The de-listing of physiotherapy, massage therapy, chiropractic, and podiatry is also a large hit to the pocketbook for many British Columbians. The Ministry of Health Services estimates that they will save \$68.6 million in 2002/03 by ending coverage for these services.<sup>9</sup> Of course that tab must now be picked up by sick and injured British Colombians – about 20 per cent of us will be digging into our wallets or going without in a given year if the Ministry’s estimates are correct.

And make no mistake, we will be digging deep. For example, MSP used to reimburse physiotherapists \$196 for a course of 12 treatments.<sup>10</sup> Now patients will have to pick up this cost themselves. One course of physiotherapy added to the increased MSP premiums completely wipes out the tax cut for anyone who earns more than the threshold for premium assistance and less than \$28,000. Those seeking chiropractic treatment, massage therapy or other rehabilitative treatments will pay similar amounts. Heaven forbid one should need more than one kind of treatment – not uncommon for those with serious injuries. If we add to the increased MSP premiums both massage and physiotherapy treatment costs, we find that anyone earning \$38,000 or less has lost their entire tax cut and then some.

British Columbians receiving MSP premium assistance do not lose coverage for these services entirely, but their coverage is substantially reduced. Where MSP used to pay for up to 12 visits *each* for physiotherapy, chiropractic, naturopathy, and massage therapy, and up to \$150 for podiatry, it now only covers 10 visits per year to any *combination* of physiotherapy, chiropractic, naturopathy, massage therapy and non-surgical podiatry. As the executive direc-

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**Table 3: Supplementary health benefits**

| Health service            | Value of health services lost (\$)* |
|---------------------------|-------------------------------------|
| Physical therapy          | 196                                 |
| Massage therapy           | 191                                 |
| Podiatry (non surgical)** | 150                                 |
| Chiropractic              | 213                                 |
| Naturopathy               | 202                                 |
| TOTAL                     | 952                                 |

Assumptions: \* totals represent maximum MSP payment to practitioners per patient per year at rates in effect at time of tax cut; \*\* 150 maximum included surgical podiatry which is still covered for all MSP recipients

Source: BC Ministry of Health Services (2002)

**Shifting costs onto the sick and elderly will likely increase overall health costs, something the Ministry's leaked document fails to account for in its calculations of cost savings to government.**

tor of the Physiotherapy Association of BC commented, "A lot of problems, including recovery from cancer or heart surgery, chronic diseases and conditions and genetic defects in children, don't go away after 10 visits, and MSP has stated they have no contingency plan to handle this."<sup>11</sup>

Once again this cost shift represents a potential "false economy." These alternate therapies are an important way in which many people manage chronic pain. If the increased costs mean people limit their usage, the result may be health complications and/or lost work days, which costs both the public treasury and employers.

Approximately 60 per cent of BC's population is covered by some form of extended private health care insurance. The changes to supplementary benefits transfer costs to these plans, but are ultimately paid by employers and workers. Sun Life Financial and Pacific Blue Cross, two large health insurers in BC, have already told employers to expect an immediate 10 to 20 per cent increase in their rates. Benefit allowances in extended health plans are also likely to contract as a result of the government's changes.<sup>12</sup> And again, many workers will be reminded of these increased costs next time they bargain for wage increases with their employers. Many employers will tell their workers that higher health costs make wage increases unmanageable.

### **Pharmacare**

Pharmacare is BC's public drug insurance program: it helps British Columbians pay for prescription drugs and medical supplies. Changes made in January have already increased out-of-pocket costs for those covered by this program. Prior to January 2002, the maximum amount seniors paid for prescription drugs was \$200 in dispensing fees – after January 1<sup>st</sup> the maximum was increased to \$275. Seniors are now also responsible for the cost of drugs, not just dispensation fees, up to the new maximum. Including the cost of the drugs in the co-payment means that seniors are more likely

to reach the maximum. Even those who only have a few prescriptions will pay more every time they go to the pharmacy.

The Universal Pharmacare plan, covering all British Columbians, was also changed on January 1, 2002. The deductible for this plan is now \$200 higher than before, adding to the burden of those with serious or chronic illnesses.

A leaked Ministry of Health Services planning document states that Pharmacare will become means-tested as of 2003. This change will be particularly harmful for seniors. While some have argued that "Jimmy Pattison shouldn't get his prescription drugs for free," means-testing is not just going to affect those seniors who are financially well-off. The Ministry's estimates reveal that all but the very poorest seniors will in fact be paying more for prescription drugs.

According to the leaked document, means-testing will result in 420,000 seniors – that is approximately 78 per cent of the senior population – "paying more," suggesting that these seniors will see a reduction in their Pharmacare coverage.<sup>13</sup> And most aren't in the same league as Jimmy Pattison. In 1999 (the last year for which we have detailed income statistics) the cut-off for means-testing would have had to be a shockingly low \$11,819 in order to exclude 78 per cent of the senior population.<sup>14</sup>

The cost to seniors excluded from Pharmacare coverage will be substantial. The vast majority of seniors use prescription drugs, and in 1999 Pharmacare spent an average of \$630 per senior.<sup>15</sup> Making Pharmacare means-tested in the way the leaked document suggests would leave more than 85 per cent of the senior population with no tax savings at all.<sup>16</sup> Even those who are still covered by Pharmacare may be paying more, as the government has de-listed 17 drugs that were previously included in the program.

The irony of all this is that shifting costs onto the sick and elderly will likely *increase* overall health costs, something the Ministry's leaked document fails to account for in its calculations of cost savings to government. In the case of Pharmacare, this increase in overall

costs happens in two ways. First, overall per capita drug expenditures (public and private combined) are lower in BC than in any other province.<sup>17</sup> The fact that we have chosen to pay for more drugs collectively saves money since governments can control costs through bulk purchasing and other means. If the share of expenditures borne by the public system decreases, Pharmacare will lose influence over drug prices, which will likely then increase at a faster rate.

The second way that overall public health care costs will increase is in higher acute care costs. The experience of Quebec is telling. A study by Robin Tamblyn et al published in the January 2001 edition of the *Journal of the American Medical Association* looked at what happened when that province raised the cost of prescriptions for those on social assistance and the elderly from a nominal two dollars to twenty-five per cent of the total cost per pre-

scription. The study revealed that when seniors have to pay more for drugs, many simply go without. They get sicker, and costly emergency-room visits rise.

## Childcare

Families with young children are another group bearing an increased financial burden as a result of the post tax-cut spending cuts.

The childcare subsidy program is a monthly payment that helps families with low and moderate incomes pay for childcare. Given the high costs of childcare, the subsidy plays a key role in enabling those who qualify to pursue education and/or participate in the labour force. Unfortunately, policy changes have now made this program both less accessible and less generous.

The BC government has decreased the monthly income threshold to qualify for a subsidy for childcare expenses by \$285. Some of

**Table 4: Childcare subsidy changes**

| Income   | Old annual subsidy (\$) | New annual subsidy (\$) | Subsidy change (\$) |
|--|-------------------------|-------------------------|---------------------|
| <b>Single mother with infant in group care</b>                     |                         |                         |                     |
| 15,000   | 7020                    | 7020                    | 0                   |
| 20,000   | 6932                    | 4863                    | -2069               |
| 25,000   | 4644                    | 2117                    | -2527               |
| 30,000   | 2439                    | 0                       | -2439               |
| 35,000   | 0                       | 0                       | 0                   |
| <b>Family of four with infant and four year old in family care</b> |                         |                         |                     |
| 20,000   | 9504                    | 9504                    | 0                   |
| 25,000   | 9144                    | 7020                    | -2124               |
| 30,000   | 6940                    | 4375                    | -2565               |
| 35,000   | 4880                    | 1903                    | -2977               |
| 40,000   | 2675                    | 0                       | -2675               |
| 45,000   | 0                       | 0                       | 0                   |

Source: Researchers' calculations based on BC Ministry of Human Resources (2002b), Government of BC (2001), Government of BC (2002)

**The combination of the lower subsidy threshold and the change in how partial subsidies are calculated means that a single mother with one child in licensed group care with a gross income of \$24,300 will pay \$2254 more towards her childcare per year.**

those above the threshold for full subsidy may continue to receive a partial subsidy, but this is now also smaller. Previously, parents earning above the threshold had their subsidy reduced by 50 cents on each dollar of additional take-home pay. Now the subsidy is reduced by 60 cents on each dollar, meaning that the parents' share of childcare costs is higher. The combination of the lower subsidy threshold and the change in how partial subsidies are calculated means that a single mother with one child in licensed group care with a gross income of \$24,300 will pay \$2254 more towards her childcare per year. A single parent earning \$41,796 annually, with two children in licensed family care, will pay \$3246 more per year.<sup>18</sup>

Of course it is not only low- and moderate-income parents who are facing higher childcare costs as a result of government policy changes. Prior to the last election, the NDP government passed legislation to limit family childcare costs for everyone. The legislation would have phased in caps to parents' costs over a three-year period. In the first phase, implemented in January 2001, parents' costs for before- and after-school licensed group childcare were limited to \$7 per child per day. The second phase, which was to be implemented in January 2002, would have limited parents' costs to \$14 per day for infants and toddlers in licensed group care. This phase would have also expanded the before- and after-school program to licensed family care.<sup>19</sup> Phase three, scheduled for September 2002, would have applied the \$14 maximum to infants and toddlers and 3-5 year olds in licensed family settings. The final phase, to be implemented in 2004 would have expanded the program to include 3-5 year olds in licensed group care and school-aged children during the summer.<sup>20</sup> This program has now been cancelled in its entirety, and the portions already phased in are being revoked.

Although many phases of the NDP's plan were revoked before they could be implemented, the legislation was in place to greatly reduce parent's costs in 2002. The Liberals' changes to the BC Childcare Act mean that in

2002 parents with an infant in licensed group care will pay an additional \$4,842 per year to keep their child in day care compared to what they would have paid under the NDP plan. If they also have a three year old in group care they will pay an additional \$9,168 per year. For all but the most affluent families, this loss makes the tax cut look like spare change.

## Post-secondary

Post-secondary students and their families have also been hit hard by government funding decisions.

The first blow to university and college students was the elimination of the non-repayable grant for first year students in need. This grant was targeted to those who demonstrated significant need, and assisted students who were most likely to take on significant debt, or be deterred from entering college or university altogether. For a student who would have qualified for the grant, this means an increased cost of \$3536. Students with children received higher grants. For them, the increased cost is \$7820. Eliminating this grant will save the government \$39.6 million, but it means that affected students are far deeper in the hole than they would have been otherwise, tax cut or no.<sup>21</sup>

Tuition is also rising sharply. The government's three-year funding freeze has put universities in a difficult fiscal position, given that inflation and other unavoidable cost increases mean that this "freeze" is effectively a "cut." The fiscal squeeze is worsened by the commitment made by the Ministry of Advanced Education to increase spaces in colleges and universities. Post-secondary institutions are being asked to do more with less.<sup>22</sup>

The provincial government's solution to this funding shortfall is to help institutions download these costs onto students and their families by lifting the tuition freeze that was in effect for the last six years. And by declining to place a cap on tuition increases they have sent a clear message to college administrators that the funding gap is to be plugged with student dollars.

**Table 5: Post-secondary tuition increases (\$ per year)**

| Colleges and University Colleges   | Arts and science      | Trades and vocational | Business and professional |                    |              |
|--|-----------------------|-----------------------|---------------------------|--------------------|--------------|
| BCIT   |                       | 713                   | 672                       | suggested increase |              |
| Camosun  | 541                   | 467                   | 541                       |                    |              |
| College of New Caledonia   | 388                   | 388                   | 388                       |                    |              |
| College of the Rockies   | 580                   | 580                   | 580                       |                    |              |
| Douglas College  | 400                   | 400                   | 400                       |                    |              |
| Emily Carr Institute of Art and Design   | 240                   |                       |                           |                    |              |
| Justice institute of BC  |                       |                       | 7200                      |                    |              |
| Kwantlen University College  | 1000                  | 1000                  | 1000                      | suggested increase |              |
| Langara College  | 365                   | 365                   | 365                       |                    |              |
| Malaspina*   | 795                   | 1060                  |                           |                    |              |
| Nicola Valley Institute of Technology  | 165                   | 165                   | 165                       |                    |              |
| North Island College* <sup>2</sup>   | 474                   | 474                   | 474                       |                    |              |
| Okanagan University College  | 930                   | 768                   | 994                       |                    |              |
| Selkirk College* <sup>3</sup>  | 590                   | 982                   | 836                       |                    |              |
| University College of the Cariboo  | 861                   | 763                   | 1170                      |                    |              |
| University College of the Fraser Valley  | 617                   | 343                   | 617                       |                    |              |
| Vancouver Community College  |                       | 486                   | 486                       |                    |              |
| <b>Average</b>   | <b>568</b>            | <b>597</b>            | <b>1059</b>               |                    |              |
| Universities   | General undergraduate | Pharmacy science      | Business                  | General Graduate   | MBA          |
| Royal Roads University* <sup>4</sup>   | 1250                  |                       | 850                       | 925                |              |
| Simon Fraser University  | 659                   |                       | 1610                      | 657                |              |
| University of British Columbia   | 480                   | 1000                  | 1091                      | 1169               | 21350        |
| University of Northern B.C.  | 497                   |                       |                           | 921                |              |
| University of Victoria   | 799                   |                       | 1289                      | 826                | 6412         |
| <b>Average</b>   | <b>737</b>            | <b>1000</b>           | <b>1210</b>               | <b>900</b>         | <b>13881</b> |
| Assumptions: * rates for years 1-5 averaged; * <sup>2</sup> rates for arts and science programs averaged, rates for years 1-5 averaged; * <sup>3</sup> rates for years 1-5 averaged, range of rates averaged; * <sup>4</sup> range of MA rates averaged. |                       |                       |                           |                    |              |
| Sources: 2001/02 and 2002/03 university and college calendars, various press releases, and personal communications with university and college administrators (details available upon request).  |                       |                       |                           |                    |              |

**The first blow to university and college students was the elimination of the non-repayable grant for first year students in need. For a student who would have qualified for the grant, this means an increased cost of \$3536. Students with children received higher grants. For them, the increased cost is \$7820.**

Post-secondary administrators have clearly heard this message: In a flurry of activity, 20 of the 27 publicly-funded colleges and universities in BC have already approved tuition increases for next year, with many planning further increases for the following two years. Two more have proposals for increases on the table. Of the rest who have yet to approve increases most are currently discussing the issue.

In 1998/99 (the last year for which data is available) 91,166 students were enrolled full-time in BC colleges and universities. Most of these students will now face dramatically higher tuition fees. There were also 72,365 part-time students in BC, and they will also face increased costs, albeit at a lower level in any given year.<sup>23</sup> For individual students the impact of higher fees is substantial. The average (unweighted) increase in British Columbia universities overall is \$737 per year for an undergraduate program, \$900 for general graduate programs, and \$1210 and \$13,881 respectively for undergraduate business and MBA programs.

For a student enrolled in a full-time program at the University of British Columbia (the province's largest university) the average student's increase is \$746 per year.<sup>24</sup> However, UBC has committed to increases for the next three years, which means the full-time student (or their family) will pay \$2,189 more per year by 2004/05 than if the tuition freeze had remained in place.

The increases are not uniform across all faculties. Some undergraduate students in general programs will face a smaller increase than this, while those in other faculties will face dramatically higher increases.<sup>25</sup>

Tuition fees have also risen sharply at BC colleges and university-colleges. A year of university transfer courses in arts and science will cost on average an additional \$568. For trades and vocational programs the increase will be about \$597. Those who choose business as their area of study will be hit with an average increase of \$1,059 per year.

Because many post-secondary students already have difficulty financing their education, much of this increased cost will end up as increased debt. Data from the Canadian Student Loans program indicates that 61 per cent of full-

time BC students already required financial assistance to pay for their education in 1998/99.<sup>26</sup> Dramatic tuition increases mean that this number will likely rise, as will the level of debt. This is sobering considering that, according to the Canadian Federation of Students, the average student loan debt of a BC student who has completed a four-year program was already \$17,130 in 2000.

Much of the justification for increasing tuition fees is based on the fact that BC tuition levels are lower than the national average thanks to the six-year freeze on rates. Many university educators have commented that they are simply bringing fees up to the national average. Unfortunately, a rapid increase over a period of 1-3 years is likely to have an even more detrimental impact on the accessibility of post-secondary than gradual increases over a longer period. Gradual increases at least allow students and families to plan for higher costs.

### **Education for all?**

Even with more gradual increases, the high tuition elsewhere in Canada has clearly undermined the accessibility of post-secondary education. Nationally, decreases in government funding meant that tuition increased by an average of 126 per cent between 1990/91 and 2000/01, far above the rate of inflation. At the same time the participation rate for all post-secondary education flattened. Even more troubling, Canada saw a widening gap between the participation rates of young people from lower socio-economic backgrounds and those from high or middle socio-economic backgrounds.<sup>27</sup> Higher fees are more of a barrier to those with fewer financial resources, and increasing tuition clearly reduces equitable access to post-secondary education. This is compounded by the effect of eliminating the grants for needy first year students.

The broader social justice implications of differential access to post-secondary education are clear. Such a system entrenches existing class boundaries by undermining opportunities for upward mobility. Access to post-secondary education is extremely important for the economic well-being and success of individual students.<sup>28</sup>

The fact that professional programs are facing much sharper tuition increases also bodes ill for social equity, since these degrees tend to open doors to the most lucrative careers – doors that will now be firmly shut for many lower-income individuals who cannot afford the higher up-front tuition costs.

Moreover, access to post-secondary education does not only benefit individual students, nor is increasing accessibility simply a social argument. A well-educated work force is also vital for the economy as a whole. As our economy has restructured, relatively more job openings require some form of post-secondary education. Investment in British Columbia’s “human capital” is crucial for our economic development, particularly since we are currently a net importer of skilled labour. Since 1992, the difference between the number of post-secondary educated workers required in the economy and the number of university degrees awarded in BC has been approximately 23,600 people annually. Because post-secondary graduates tend to “out-earn” those with less education, government expenditures on post-secondary education are more than recouped by the higher level of income tax these graduates eventually pay.<sup>29</sup>

## **Municipal taxes**

Universities are not the only institutions down-loading their increased costs onto individuals. Municipalities are facing extra financial burdens due to rising costs (such as higher MSP premium payments for their employees) and the cancellation of funding for services (such as the flood protection program and criminal document service payments) previously paid for by the provincial government. Municipalities may also face pressure to provide support for services previously provided by the province, such as search and rescue training and habitat protection. Eleven cities in the Lower Mainland are budgeting for a combined increase in costs due to such changes of \$4.5 million per year. This is an extremely conserva-

tive estimate, as many have only considered MSP increases and not sales taxes or other new costs.<sup>30</sup>

To meet these challenges some municipalities will increase taxes. Vancouver has already approved a 4.3 per cent tax hike to cover, in part, the \$1.5 million in increased costs generated by the provincial government’s changes. Residents of municipalities that deal with the increased cost in this way will find their provincial taxes go down but their property taxes go up. Property taxes are more regressive than income taxes, thus contributing to the overall shift away from a progressive taxation system.

## **Training wage**

The size of the tax cut for new entrants to the labour force earning minimum wage also pales in comparison to the income they have lost as a result of the government’s introduction of the \$6 per hour “training wage.” While this measure was not a direct result of the income tax and spending cuts per se (it was aimed at pleasing business rather than increasing government revenues), it is a policy choice that has resulted in a significant loss of income for those affected. An individual forced to earn \$6 instead of \$8 an hour for her first 500 hours loses \$1000. Assuming they work full time and earn \$8 an hour for the rest of the year, their maximum tax cut is less than \$150, leaving them \$850 worse off.

## **Income assistance**

Social assistance programs help the neediest members of our society. Considering the pattern of tax and service cuts discussed so far, it comes as no surprise that people on income assistance are among those most hurt by recent policy changes.

Perhaps the most painful blow to those on social assistance is the discontinuation of the earnings exemption program. Under this program, people on income assistance could supplement their assistance cheque with money

**To meet increased financial burdens, some municipalities will increase taxes. Property taxes are more regressive than income taxes, thus contributing to the overall shift away from a progressive taxation system.**

**The provincial government has eliminated the incentives and the supports that helped the transition from assistance to work. Many of the extra costs to income assistance recipients target those who are partially employed or in transition to work.**

earned from paid employment. Single people could keep \$100, and couples or singles with children could keep \$200. After the first \$100 or \$200 they could keep 25 per cent of any additional money they made, with the rest deducted from their assistance cheque. Both these programs have now been eliminated. Every dollar that someone on income assistance earns is now deducted from his or her welfare cheque. Other income exemptions that have been cancelled include family maintenance payments, which allowed single parents to keep \$100 of child support payments, and exemptions for orphans' benefits from the Canada Pension Plan.<sup>31</sup>

The second blow is a reduction in support payments for certain groups. Previously, employable singles and couples over age 55 received higher monthly support payments in recognition of the greater difficulties such workers face reentering the labour market. This has now been eliminated. The greatest reduction is for those between 60 and 64 who receive \$98 less per month for individuals and

\$145 less for couples.<sup>32</sup> Single parents will lose \$51 per month. It is worth noting that BC Benefits support payments were already inadequate to meet the cost of living before these reductions.<sup>33</sup>

As previously noted, the de-listing of services from MSP also affects those on income assistance. Although they are still covered by premium assistance, the scope of that coverage is significantly reduced. In total, individuals on income assistance lost services worth up to \$594 per year.

Additional changes to income assistance regulations are harder to quantify but still represent a significant cost shift onto the poor. There is now a maximum time limit (two years out of five) for employable people receiving income assistance. Work entry assistance has been discontinued and ongoing transition-to-work programs have been cancelled. This means people on income assistance making the transition to work now have to find a way to pay for transportation costs during the first month of work and for clothes required for the new job.<sup>34</sup> Families with children making the transition to work were previously eligible for \$150 per month to help with childcare expenses in excess of the childcare subsidy, as well as transportation costs during the first 12 months of employment. This is no longer the case. Single parents were previously eligible for a once yearly \$200 grant to cover the extra expenses of starting a full-time job. This has also been cancelled.<sup>35</sup>

The provincial government is clearly trying to reduce the number of income assistance recipients by creating time limits for receiving assistance, but they have also eliminated the incentives and the supports that helped the transition from assistance to work. Many of the extra costs to income assistance recipients target those who are partially employed or in transition to work. The imposition of strict time limits for income assistance also means that we may now find ourselves with a significant group of people who have no social safety net whatsoever; a situation likely to lead to decreasing health and increasing crime.

**Table 6: Actual and potential annual cost shifts for employable income assistance recipients (\$)**

| Category   | Support losses | Loss of earnings exemption* | Value of health services lost*2 | Cost shift*3 |
|--|----------------|-----------------------------|---------------------------------|--------------|
| Single under 55  | 0              | 0                           | 594                             | 594          |
| Single 55-59 yrs   | 563            | 900                         | 594                             | 2057         |
| Single 60-64 yrs   | 1175           | 900                         | 594                             | 2669         |
| Single parent  | 612            | 1800                        | 594                             | 3006         |
| Couple with children   | 0              | 1800                        | 1189                            | 2989         |
| Couple under 55  | 0              | 1800                        | 1189                            | 2989         |
| Couple (55-59)   | 1126           | 1800                        | 1189                            | 4115         |
| Couple (60-64)   | 1738           | 1800                        | 1189                            | 4727         |
| Assumptions: *could be more due to elimination of 25 per cent earnings exemption; *2 potential maximum; *3 potential, health costs could be less and loss of earnings could be more. |                |                             |                                 |              |
| Sources: BC Ministry of Human Resources (2001a), (2002c).  |                |                             |                                 |              |

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# Pulling it all together: Nine profiles

SO FAR WE HAVE DISCUSSED TAX CUTS AND PARTICULAR COST SHIFTS IN ISOLATION. But for most British Columbians, what matters is the combined effect. Because individuals will have their own unique “bottom line,” depending on their income and particular life circumstances, we have constructed a number of different profiles to illustrate how these combinations of tax and spending cuts play out for a variety of British Columbians. We include single individuals at three different income levels, a university student, a single parent, a senior couple, and a family of four at three different income levels. We chose these profiles to capture both those relatively unaffected by the spending cuts, as well as those likely to be hit particularly hard.

We start by calculating the tax cuts for a given individual or family. This figure reflects both changes in income tax rates, as well as changes in tax credits or deductions as a result of cost shifts associated with government policy decisions (i.e. if an individual’s child care costs or tuition rises, so will their child care deductions or tuition credits). We then compare the value of this tax cut against the new costs the individual or family is facing to determine whether they are ahead or behind, and by how much.

When we look at the graphics, a number of points stand out. Most obviously, those who start out with higher incomes and hence higher tax cuts are net winners, even with the addition of extra costs. A single individual with a low to moderate income is also a net winner when *only* the increased MSP costs are accounted for, but not by much. Some families are already net losers with just the MSP increases. The real impact comes when we start

adding other costs – a course of physiotherapy, childcare, or tuition expenses, quickly erode any advantage.

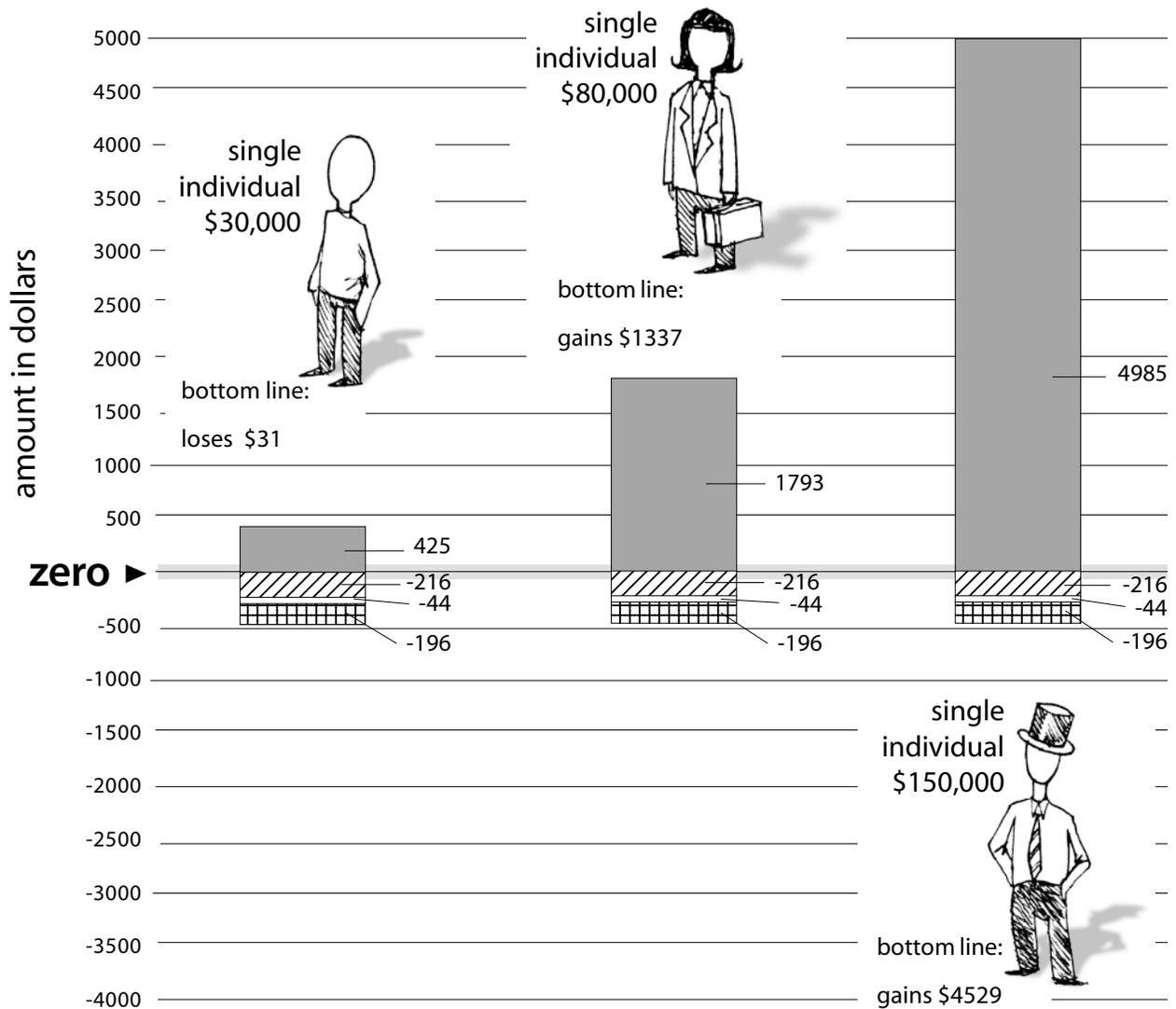
Thus a single parent earning \$30,000 with an infant in child care is \$331 ahead when we account just for the tax cut and her decrease in MSP premiums, but she loses \$2440 because of the changes to the childcare subsidy program. A UBC arts undergraduate making \$13,000 receives a \$7 tax cut, but pays \$480 more in tuition thanks to the elimination of the tuition freeze. The senior couple lose the entire value of their tax cut and more with the increase in MSP premiums alone. If we assume that the senior couple has average drug expenses, the changes made last January to the Pharmacare program, added to the MSP increase, mean they are \$396 worse off. If means-testing is implemented, they will be out of pocket an additional \$1,461, a big hit for a couple with an income of \$35,000.

**In the next few pages we present a number of profiles to illustrate how these combinations of tax and spending cuts play out for a variety of British Columbians.**

# How to read the profiles

Each profile represents an individual or family that is affected by cost shifting, albeit in different ways. The portion of the bar above the zero line represents money that the individual or family receives as a result of government policy decisions (i.e. the combined tax cut for the earners in the family, and in some cases the money they have saved by seeing their MSP premiums go down as a result of changes to the premium assistance program). The portion of the bar

below the zero represents new costs that these families and individuals are now facing. The legend tells which portion of the new costs or savings correspond to which cost shifts, and the number on the right hand side of the bar indicates the dollar amount of that particular item. By comparing the portion of the bar above and below the zero, one can see whether that profile is ahead or behind at the end of the day. The "bottom line" number also summarizes the extent to which the individual or family in the profile is a net fiscal winner or loser after both the tax cuts and cost shifts are taken into account.

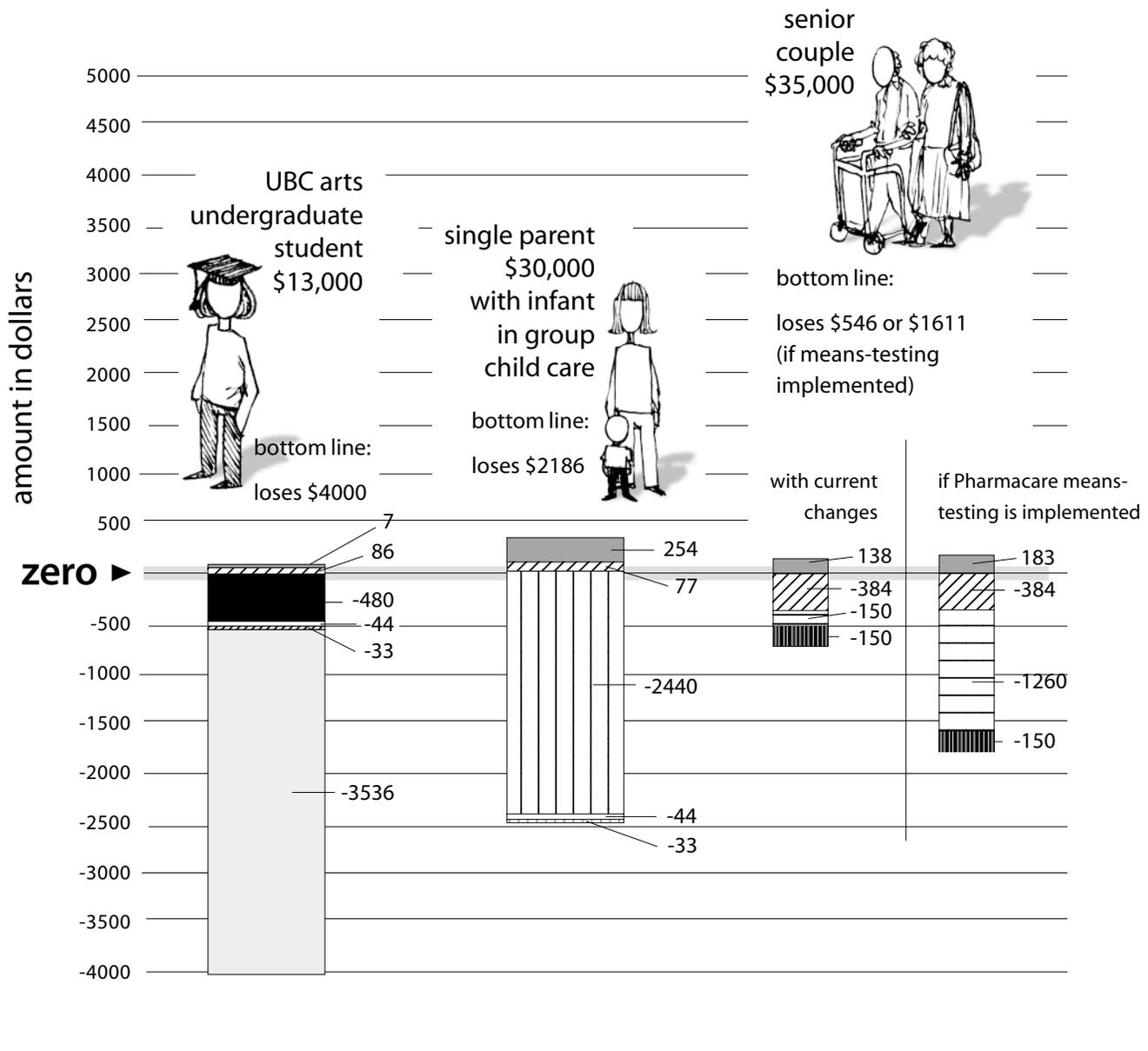


**legend**

|          |                  |             |                           |
|----------|------------------|-------------|---------------------------|
| tax cut  | chiropractic     | drug costs~ | increased tuition         |
| MSP      | first year grant | drug costs* | loss of childcare subsidy |
| eye exam | physiotherapy    | podiatry    | massage therapy           |

~ indicates drug costs with current changes

\* drug costs if means testing is implemented



## Assumptions

### Tax cut

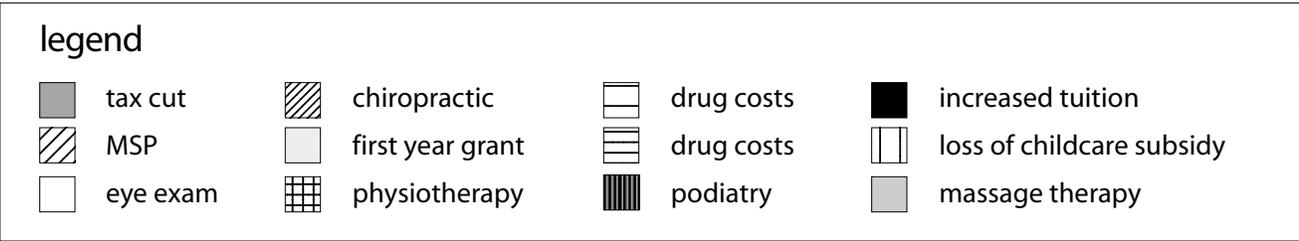
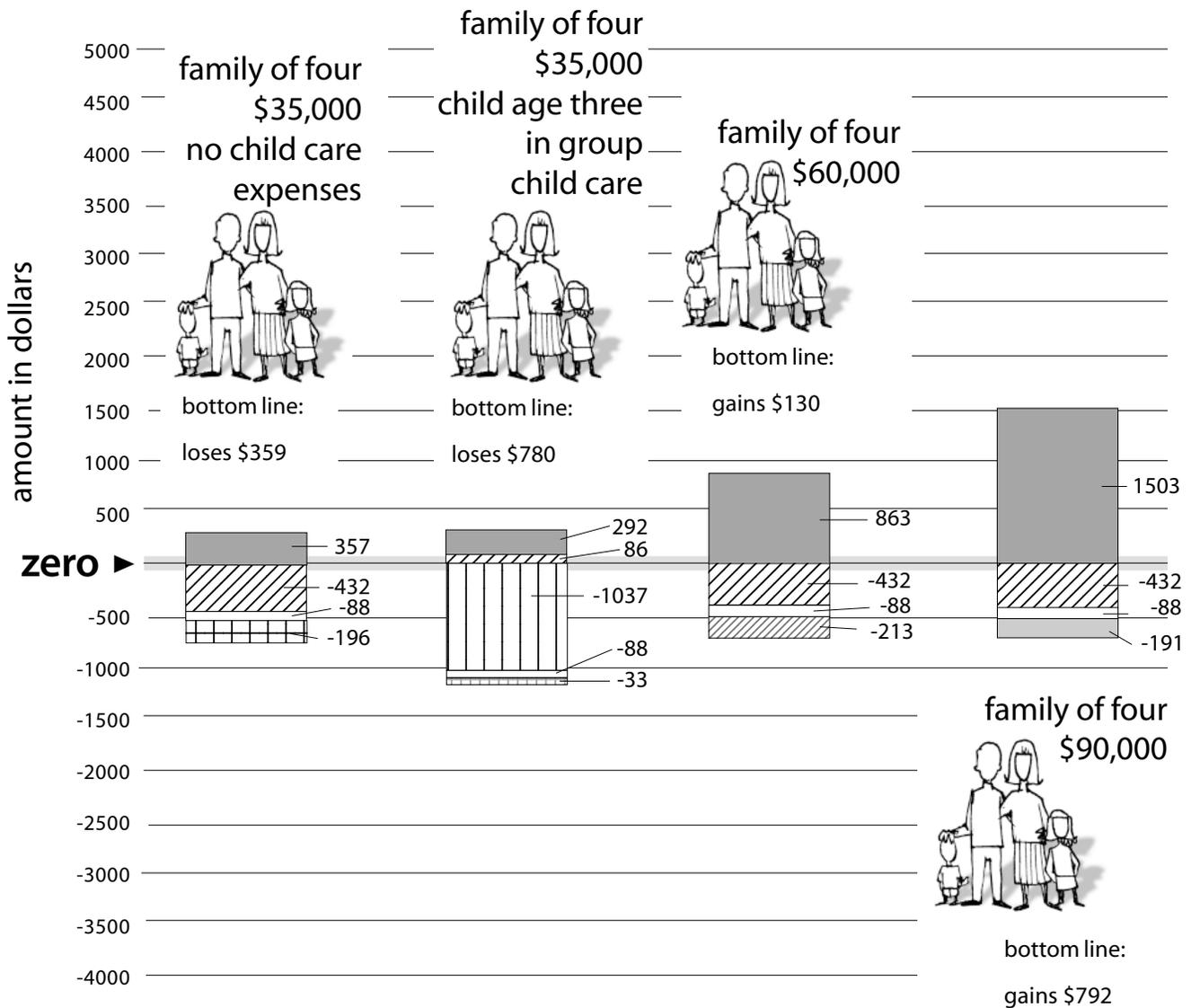
Tax cut figure is based on calculations of personal income tax using 2001 and 2002 tax rates, 2002 tax brackets, basic personal credits, and applicable federal deductions and provincial credits (e.g. tuition, age, and childcare) as well as typical major deductions (union or professional dues, RRSP or RSP, etc. based on 1999 tax statistics) at each income level. The family of four with an income of \$35,000 is assumed to have one spouse earning \$15,000 and the other spouse earning \$20,000, the family with \$60,000 income is

assumed to have one spouse earning \$20,000 and the other earning \$40,000, the family earning \$90,000 is assumed to have one spouse earning \$40,000 and the other earning \$50,000. In the case of the senior couple, one is assumed to have an income of \$15,000 and the other an income of \$20,000.

### MSP

MSP premium changes reflect rate changes and changes to premium assistance subsidy thresholds.

*(continued next page)*



**Childcare subsidy**

Changes in childcare subsidy reflect changes in subsidy threshold levels and how parents' contribution to childcare costs are calculated.

**Eye exam, physiotherapy, etc.**

Costs reflect the maximum MSP previously paid practitioners in one year. For those receiving premium assistance, costs reflect the value of visits no longer covered. For a family of four, two eye exams are assumed.

**Sources:** Authors' calculations based on BC Ministry of Finance (2002), BC Ministry of Finance Ministry of Health Services (2002), BC Ministry of Health Services (2002), BC Ministry of Health Services Ministry of Health Planning (2002), BC Ministry of Health Services (2001), BC Ministry of Human Resources (2002b), BC Ministry of Social Development and Economic Security (2001), Government of BC (2001), Government of BC (2002), University of British Columbia (2002)

## Nickel and dimed?

While the profiles cover many of the largest and most visible cost shifts, they are by no means an exhaustive list. A number of other policy changes flowing directly or indirectly from provincial government decisions also shift costs both large and small. Additional taxes have been imposed that are more regressive than income taxes, such as a .5 per cent increase in the provincial sales tax, increased fuel tax, and higher rural property taxes. Additional policy decisions also impact the pocketbook:

- Curtailment of legal aid for civil matters means low-income British Columbians facing family disputes or welfare, WCB, or landlord problems, must hire expensive lawyers;
- Privatization of provincial parks means increased costs to camp;
- The imposition of user fees by health authorities means a stay in the hospital will be more expensive;

- Diabetics now pay \$1 per glucose testing strip – and most use 2 to 4 daily;
- The province has just announced that inland ferries, which are part of the BC highway system, will be subject to tolls<sup>36</sup>;
- Lifting the rate freeze for ICBC increases auto insurance costs for most motorists.

The list is endless and bad news just keeps coming. If the government goes ahead with plans to introduce “full competition” in auto insurance, rates will likely increase even more.<sup>37</sup> Breaking up BC Hydro and moving to “market prices” for electricity, as the government’s recent task force has recommended, will also result in huge cost increases.<sup>38</sup> While affluent British Columbians may receive large enough income tax cuts to compensate for this tidal wave of increased costs, the rest of us will see our tax cut dollars steadily flow out of our pockets as surely as they originally flowed in.

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# More than money:

## The real bottom line for society

**Overall, the income tax cuts make our taxation system more regressive by giving upper-income earners a larger benefit, and the cost shifts magnify this trend by piling disproportionate burdens on the shoulders of the poor and the sick. Taken as a whole, the effect of the new tax and spending regime is thus to make British Columbia much more unequal.**

AS TIME HAS PASSED AND SPENDING AND SERVICE CUTS HAVE ACCUMULATED, THE number of British Columbians for whom the income tax cuts were a “good deal” has clearly diminished.

Students, seniors, and parents of children requiring daycare have been hit hardest. In each case, one has to earn far above the average to break even. Recipients of income assistance and new workers are also much worse off after the tax and service cuts. Similarly, an individual who has the misfortune to become injured and require rehabilitative services is likely to see their tax advantage wiped out and then some.

Although this paper has looked at how tax and spending cuts affect the individual’s bottom line, the implications of these changes are broader. Overall, the income tax cuts make our taxation system more regressive by giving upper-income earners a larger benefit, and the cost shifts magnify this trend by piling disproportionate burdens on the shoulders of the poor and the sick. Taken as a whole, the effect of the new tax and spending regime is thus to make British Columbia much more unequal.

The tax cuts also undermine our ability to provide services that are important to us all. Taxes are not simply a “burden.” They are the price we pay to provide important services and programs such as education, health care, and environmental protection. It makes sense to

provide these services and protections collectively, and when they are undermined due to lack of funds we all suffer.

Even before the government’s radical spending cuts, BC already had the third-lowest government expenditures relative to GDP (the size of its economy) in Canada. BC’s public sector was already the second smallest in Canada (measured as the number of public sector employees per capita). By severely cutting the public service the government has not only eliminated jobs, it is threatening our ability to care for one another and the environment. Schools, hospitals, and long term care facilities are closing; class sizes are increasing and supports for students with special needs are disappearing; large staff cuts have been made in the already overburdened Ministries of Water, Land and Air Protection; Sustainable Resource Management; and Forests. Ironically, while citizens wait for the illusive economic “stimulus” of the tax cuts, decreases in government spending are taking money out of the economy and devastating local economies. Many British Columbians, even those who still hold onto modest tax cuts, need to ask: were the tax cuts worth the price?

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# Notes

- <sup>1</sup> Because seniors have different personal tax credits, they pay less tax and thus receive a lower tax cut at any given income level. Detailed tax cut data for seniors is available upon request.
- <sup>2</sup> Mulligan 2002. Using data for all taxfilers instead of just taxpayers also lowers income estimates for the population as a whole but is less appropriate for our purposes since many younger low-income taxfilers are economic dependents of other family members and are thus unlikely to independently bear the brunt of cost shifts.
- <sup>3</sup> BC Ministry of Finance 2002.
- <sup>4</sup> Calculations are based on Revenue Canada income tax data from 1999 and take into account the various levels of MSP premium assistance. They assume that all individuals pay their own premiums.
- <sup>5</sup> BC Ministry of Finance 2002.
- <sup>6</sup> This is the amount MSP reimbursed the optometrists for a basic exam. Without government controlling costs by setting rates, this charge is likely to increase. When eye-exams were de-insured in Alberta the cost of a basic exam rose an average of 30 per cent (Consumers' Association of Canada (Alberta) 1995).
- <sup>7</sup> Canadian Association of Optometrists 2002.
- <sup>8</sup> Laidlaw 1994.
- <sup>9</sup> BC Ministry of Health Services, BC Ministry of Health Planning 2002.
- <sup>10</sup> MSP has since increased the reimbursement rate for those who still qualify for this coverage because they receive premium assistance.
- <sup>11</sup> Physiotherapy Association of BC 2001.
- <sup>12</sup> BenefitsWorld.com 2002.
- <sup>13</sup> BC Ministry of Health Services, BC Ministry of Health Planning 2002; Statistics Canada 2001.
- <sup>14</sup> Mulligan 2002.
- <sup>15</sup> BC Ministry of Health Services 2001.
- <sup>16</sup> The 22 per cent who would still be covered by Pharmacare do not earn enough to receive a tax cut – an additional 63 per cent of the senior population do not earn enough to receive a tax cut substantial enough to cover the additional Pharmacare costs.
- <sup>17</sup> Canadian Institute for Health Information 2000.
- <sup>18</sup> BC Ministry of Human Resources 2002b, Government of BC 2001, Government of BC 2002.
- <sup>19</sup> Licensed family care is childcare where the licensed facility is a home; licensed group care is childcare in a licensed setting outside the home. The legislation only affected licensed childcare facilities, but unlicensed caregivers would have likely also had to lower rates to compete.
- <sup>20</sup> BC Ministry of Social Development and Economic Security 2001.
- <sup>21</sup> Canadian Federation of Students 2002.
- <sup>22</sup> BC Ministry of Finance 2002.
- <sup>23</sup> Statistics Canada 2000a, 2000b.
- <sup>24</sup> Average is weighted by enrolment by programs with differential fee increases.
- <sup>25</sup> Human Resources Development Canada 2002.
- <sup>26</sup> University of British Columbia 2002.
- <sup>27</sup> Bouchard and Zhao 2000.

- <sup>28</sup> Employment rates are consistently higher for those with post-secondary education. Since 1980, the employment rate of degree holders has been above 85 per cent, compared to 75 per cent for those without post-secondary education. The type of employment enjoyed by post-secondary graduates is also more resilient in the face of economic downturns. Of course, the value of post-secondary education is more than simply economic – education enhances our ability to participate in our communities and in our democratic society. Finally, those with more education earn more than those with less (Bouchard and Zhao 2000).
- <sup>29</sup> Allen 1998.
- <sup>30</sup> Bula 2002.
- <sup>31</sup> BC Ministry of Human Resources 2002a.
- <sup>32</sup> BC Ministry of Human Resources 2002a.
- <sup>33</sup> Goldberg and Long 2001.
- <sup>34</sup> Some of these expenses may be covered through the new job-placement programs.
- <sup>35</sup> BC Ministry of Human Resources 2002c, Ministry of Human Resources 2001.
- <sup>36</sup> McInnes 2002.
- <sup>37</sup> Young 2001.
- <sup>38</sup> Task force on Energy Policy 2001.

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