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**THE ECONOMIC WELL BEING OF CANADIANS HAS NOT ADVANCED IN  
YEARS, SAY TD ECONOMISTS**

- The economic well being of Canadians has barely advanced in the past fifteen years, evident by stagnating real after-tax incomes per worker.
- A combination of bracket creep prior to 2000 and rising CPP/QPP premiums has contributed to an onerous tax burden on Canadian workers.
- At the same time, Canadians are receiving less bang for their taxpayer buck, because a smaller proportion of government revenues is going into program spending than in past decades.
- The stagnation of economic well being points to the need for government to cut the tax burden and re-orient spending and taxation to promote stronger growth.

**TORONTO** – The take-home pay of Canadians has stagnated over the past 15 years, highlighting the need for stronger productivity and for lower tax burdens, said TD economists in a new report entitled, *In Search of Well Being: Are Canadians slipping down the economic ladder?* The report is available on the TD Economics website, at <http://www.td.com/economics>.

“Many commonly referenced economic figures leave an impression that Canadians are well off and that their economic status is steadily improving. And yet, real after-tax incomes per worker have been virtually flat since 1989,” noted Don Drummond, Senior Vice President and Chief Economist at TD Bank Financial Group. .../2

TD Economists estimate that one-third of the expansion of the economy in the last eight years is related to the simple fact that the proportion of people working in the population has gone up. But a swelling workforce doesn't necessarily equate to well being. A higher incidence of double-income earning households comes at a cost of less leisure time, less family time and more work and home-related stress. "Increased work effort, should not be counted as increased well being," observed Drummond.

Taxes on incomes have also become more onerous. "Income growth would have fared far better were it not for rising tax burdens, which went from trimming back incomes in the 1970s to giving them a brush-cut thereafter," remarked Drummond. The increased taxes are largely attributed to the phenomenon of bracket creep and rapidly rising Canadian and Quebec Pension Plan premiums. Between 1986 and 2000, the federal government only indexed tax brackets for the portion of inflation that was above three per cent. Since inflation was contained to a 1-to-2.5 per cent range from 1992 to 2000, increasing proportions of Canadians were pushed into higher tax brackets. In addition, in order to address a huge funding shortfall for future pension payouts, employer-employee CPP premiums were hiked from 3.6 per cent in 1986 to 9.9 per cent by 2003. This has created a huge intergenerational inequity. It is estimated that on a market value basis, the value of the Canadian Pension Plan is about \$5.5 per \$100 of income, implying that the payrolls of younger workers are contributing \$4.4 per \$100 of income more than they will receive in retirement. Meanwhile, older workers, on average, will receive more in pension benefits than they would have contributed.

The rise in the tax burden is the price society is paying for past government deficits and policy shortcomings. A smaller proportion of the money that goes into government coffers is returned to Canadians through program spending relative to past decades. Interest costs and payments against the accumulated debt are biting into government revenues. "The combination of flat real after-tax income growth per worker and less government services for every tax dollar is a legitimate reason for Canadians to feel downtrodden about their personal financial performance," remarked Drummond. .../3

Governments must take an active role in enhancing Canadian productivity in order to lift the real wages of workers. “A sound healthcare system is an important economic policy, but it can be argued that much of the rapid growth in public spending in recent years is simply financing a more costly system, not a better one. We must also recognize that a rising allocation of public spending on healthcare has sideswiped a lot of areas that could contribute greatly to economic growth, such as education and infrastructure,” observed Drummond.

Governments must also reduce the tax burden on individuals. The top marginal federal-provincial personal income tax rates is over 45 per cent, which is nearly equivalent to sending half of a worker’s earned income to the government. And, families with more modest income levels get hit with the combination of taxes and claw backs in benefit payments that can raise the effective marginal tax rate to 80 per cent. It simply does not create sufficient incentives to work, save and invest.

“Canadians deserve to enjoy the benefits of their labour, and the government can help through debt reduction, reduced taxes and a shift in the profile of government spending and taxation,” concluded Drummond.

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*In Search of Well Being* (including charts and detailed tables), is available in PDF format on TD Economics’ Home Page at: [www.td.com/economics](http://www.td.com/economics).