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Much more than a slogan

In 2015, the Liberal Party of Canada ran on a platform that explicitly highlighted the need to strengthen the middle class and those working hard to join it.

Some called it a political slogan.

But many others, count me among them, recognized in this central element of our government's economic and social strategy, a potent weapon to combat a significant and corrosive threat to our country's future economic prosperity and social stability – income inequality.

The World Economic Forum's 2017 Global Risks report identifies “rising income and wealth disparity” as the #1 factor most likely to determine global developments over the next decade. A highly connected trend, “increasing polarization of societies,” was considered the third most important - after climate change.

Income inequality and populism

Populist movements have been on the rise in several Western democracies in recent years - movements notable for their opposition to free trade and international engagement and their growing distrust of those considered to be “elites.”

A significant driver of this phenomenon is income inequality. When people feel they are working harder and not being rewarded – that they are being left behind by society - it is a recipe for polarization and populist discontent.

Canada is not immune to this. However, the vast majority of Canadians understand that our country works best when we strive to ensure equality of opportunity and that we take adequate care of those who are most vulnerable.

That was certainly one of the messages I heard from constituents who attended a recent Pre-Budget Community Consultation I hosted at the John Braithwaite Community Centre.

Income inequality has been on the rise in Canada for three decades. From the early-1990s onward, the average after-tax income of the top 20 per cent of income earners in Canada increased by almost 40 per cent, while the middle 60 per cent of income earners and the bottom 20 per cent witnessed very little or no growth in income.

This is precisely why the Liberal Party committed so strongly in 2015 to the importance of strengthening the

middle class. To counter populism, we need to address the root causes of potential discontent - income inequality is a key component.

Tackling income inequality

Personal income tax structures and government transfers (such as family benefits, unemployment insurance, old age security, and public pensions) play important roles in reducing income inequality – and over the last three years we have endeavoured to use these tools thoughtfully.

The 2016 federal budget, for example, introduced a reduction of the tax rate for those in the middle-income bracket. The federal tax rate on earnings between \$45,000 and \$90,000 has dropped from 22 per cent to 20.5 per cent.

That same year, our government introduced the Canada Child Benefit (CCB) – which is perhaps the most significant social policy innovation undertaken in recent decades. The CCB is a monthly, tax-free benefit designed to help families with the high cost of raising children. It's designed to help families who need it most. The CCB puts more money in the pockets of nine out of ten Canadian families with children, and to date has helped lift 521,000 people—including nearly 300,000 children—out of poverty.

Other initiatives to help address income inequality include:

- Introducing the new Canada Workers Benefit to assist Canadians working to join the middle class
- Supporting 40,000 new affordable child care spaces
- Building affordable housing with Canada's first ever National Housing Strategy
- Enhancing the Canada Pension Plan to provide Canadians with a secure retirement
- Introducing the new Poverty Reduction Act which, if passed, will cut poverty in half by 2030

Canada's focus on these vital issues and our success to date in avoiding the type of societal polarization we are seeing in some countries is increasingly making us stand out as a model that other nations are looking to emulate in the current turbulent climate of world affairs.

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