

**Reinvesting for a Healthier Canada:  
RNAO 2007 Federal Pre-Budget Submission**

**Submission to Standing Committee on Finance**

**August 15, 2007**

**Registered Nurses' Association  
of Ontario (RNAO)**



## Summary of Recommendations

1. Reverse the GST tax cut and do not implement additional tax cuts.
2. Immediately begin a public consultation process to develop and implement an anti-poverty strategy, which should include: increasing the minimum wage to \$10 per hour; increasing the Canada Child Tax Benefit; increasing transfers to provinces and territories on early living and child care; and increasing spending on social housing.
3. Commit to meeting Canada's obligations under the Kyoto Protocol and deliver a package of funded climate change programs and regulation that will ensure Canada meets all of its Kyoto obligations on schedule.
4. Increase the use of environmental taxes.
5. Enforce the *Canada Health Act* and attach firm conditions to federal health transfers.
6. Develop a national, publicly-funded and -controlled pharmacare program covering essential drugs. The federal government should cover 25 per cent of the public cost of drugs.

The Registered Nurses' Association of Ontario (RNAO) is the professional organization for registered nurses who practice in all roles and sectors across Ontario. Our mandate is to advocate for nursing and for healthy public policy. We welcome this opportunity to participate in the pre-budget consultation and to convey the views and recommendations of Ontario's registered nurses.

## **Taxes Pay for Investments Needed by a Healthy Society**

A modern economy depends upon a healthy, educated population – able to realize its full productive potential. As registered nurses, we know this requires government policies to support all determinants of health, including: social inclusion; housing; healthy environments; and access to health care and education. Through government, we pay to address these determinants using our tax dollars.

The federal government plays a major role, particularly through transfer payments to provinces and territories for health care, post-secondary education, social assistance and social services, early childhood development and childcare. Yet, there has been a long-term downward trend in government program expenditures as a share of GDP, and that helps to explain the large deficit for investment in physical, social and environmental capital. Between 1983-1984 and 2005-2006, federal program expenditures including transfer payments have dropped from 18.8 per cent of GDP to 12.8 per cent.<sup>1</sup> This drop has meant cutbacks in services.

The drop in expenditures is driven by a decision to balance the budget in the wake of tax cuts, which have made Canada one of the least taxed countries in the OECD.<sup>2</sup> As one study of advanced OECD countries concluded, low tax rates conferred little or no economic advantage, but they came at a high social cost (such as more unequal income distribution and higher rates of poverty).<sup>3</sup> Inevitably, vulnerable populations suffer the most from under-investment in social, environmental and health infrastructure.

Government must raise enough money from taxes to pay for all these investments. RNAO calls on the government to take all necessary measures to raise sufficient revenue to pay for the services we need. This would start with suspending new and announced tax cuts until federal expenditures can sustain needed programs. A first step would be to reverse the GST cut.

## **Social Infrastructure**

Sound social investment is both good social policy and good economic policy.

An illustration of a social investment that a strong tax base would support is in Canada's future -- our children. A good start in the early years of life is crucial for long-term health and well-being. Healthy childhood development – physical, social-emotional, and language-cognitive – gives children a strong foundation with benefits that accumulate over the course of an individual's life. This most important development phase strongly influences mental health, well-being, heart disease, numeracy and literacy skills, and economic participation throughout life. The early years present a window of opportunity; if missed, it becomes increasingly difficult to create a successful life course.<sup>4</sup>

Interventions that would improve healthy childhood development in Canada include ensuring adequate income and investing in early learning and child care.<sup>5</sup> RNAO, as well as Campaign 2000<sup>6</sup> and the National Council of Welfare,<sup>7</sup> urge the federal government to implement a national anti-poverty strategy to improve the lives of the 1.2 million Canadian children living in poverty. Evidence suggests that investment in early childhood brings returns over the life course that are many times the amount of the original investment. One study estimated that every dollar spent to help a child to thrive to school age generated up to \$17 in benefits to society over the following 40

years.<sup>8</sup> Code Blue has estimated that a good quality early learning and child care program for every 3, 4, and 5 year old child in the country could be had for a \$4.8 billion/year investment, phased in over four years in \$1.2 billion increments.<sup>9</sup> When fully phased in, this average expenditure of \$153 per Canadian per year would be an excellent investment to ensure that these children, our children, get a good start in life.

We call on the government to immediately begin a public consultation process to develop and implement an anti-poverty strategy, which should include: increasing the minimum wage to \$10 per hour; increasing the Canada Child Tax Benefit; increasing transfers to provinces and territories on early living and child care; and increasing spending on social housing.

## Healthy Physical Environments

By investing tax dollars in environmental protection, government can help Canadian society to avoid huge health and economic costs.

The link between environment and health is well established. For example, Environment Canada states that “asthma, lung cancer, cardiovascular disease, allergies and many other human health problems have been linked to poor air quality.”<sup>10</sup> The Ontario Medical Association has estimated the annual cost of air pollution in Ontario alone at more than 5,800 premature deaths, more than 16,000 hospital admissions, almost 60,000 hospital visits, and more than 29 million minor illnesses.<sup>11</sup> Protecting the environment is literally a matter of life and death.

One environmental issue has been much in the news – global warming.<sup>12</sup> The World Health Organization has estimated that as of 2000, the annual toll was 150,000 deaths and 5.5 million years of life lost or lived in disability.<sup>13</sup> The Intergovernmental Panel on Climate Change concluded that projected changes would impact millions, particularly those with low adaptive capacity, via:

- malnutrition and associated disorders due to dislocation and disruption of food supplies;
- deaths, disease and injury due to increased heat waves, floods, storms, fire and droughts;
- increased incidence of diarrhoeal disease;
- greater frequency of cardio-respiratory diseases due to increases in ground-level ozone accelerated by rising temperatures; and
- changes in vector-borne diseases such as West Nile virus, Lyme disease and malaria.

The Panel expects that any benefits from global warming (such as fewer deaths from exposure to cold) will be outweighed by adverse health effects.<sup>14</sup> Indeed, the Stern Review report estimates the costs of climate change would rise in the range of 5 per cent to 20 per cent of global GDP by 2050, while the cost of stabilizing emissions at sustainable levels would be much lower – about 1 per cent of global GDP.<sup>15</sup> Major expenditures are required in order to avoid huge and possibly catastrophic costs in the future.

Canada made an important commitment to the Kyoto accord on greenhouse gases -- a commitment that can still be kept if the necessary programs and resources are mobilized immediately. Climate scientists are strongly in support of keeping and going beyond that commitment.<sup>16</sup> Canadians expect the government to honour all of its legal obligations under the Kyoto Protocol, including meeting all of its emissions targets on schedule. We call upon the government to commit to meeting those obligations, and to deliver a package of funded climate change programs and regulation that will ensure Canada meets all of its Kyoto obligations on schedule.

We call for two other fiscal measures protect the environment. The federal government should dedicate 1 cent of the GST to public transit, which benefits the public, business, and the

environment. Because these benefits go beyond the users of public transit, economic efficiency suggests that public transit should be subsidized. Gridlock and pollution are strangling our larger cities and imposing huge transportation costs on business. Transport Canada has estimated that for Canada, the annual cost of traffic congestion was between \$2.3 billion and \$3.7 billion.<sup>17</sup> Organizations like the Toronto Board of Trade have identified this as a major issue for business productivity.<sup>18</sup> There is an important role for the federal government to correct this inefficiency by partnering with provinces and municipalities to reinvest in public transit infrastructure.

Canada should also make more use of green taxes. Canada lags behind the other OECD countries in its use of environmental taxes, which help to send more appropriate signals to firms and consumers (only the U.S. makes less use of environmentally-related taxes than does Canada).<sup>19</sup> There is considerable scope for more aggressive use of green taxes.<sup>20</sup> The experience of these jurisdictions can help Canada shape an effective policy involving phased introduction of taxes and subsidies. A prominent example of green taxes would be carbon taxes, which could come in the form of taxes or auctioned tradable carbon permits in a cap-and-trade system.

Environmental taxes have the dual benefit of increasing revenues and reducing environmentally harmful activities by having their prices reflect their true costs. Revenue raised from green taxes can be put toward a variety of programs, including: subsidies to environmentally beneficial activities; paying for the costs of pollution; transitional assistance to industries and workers negatively affected by these taxes; subsidies to low-income families or individuals who would be disproportionately affected by these taxes; and, an increase in general revenue, thus allowing expanded government programs.

## Universal Access to Care

Canadians have a deep and abiding attachment to the *Canada Health Act* and to the principle of a universal, single-tier health-care system. They like it because of its basic fairness, because it makes good sense in terms of health and economics,<sup>21</sup> and because it removes one of the greatest sources of economic insecurity for individuals and families. Part of the health discrepancy between Canada and the US is due to our advantage from a universal health-care system.<sup>22</sup>

However, medicare is under multiple attacks: on June 30, 2007, the Canadian Medical Association effectively called for a two-tier health-care system;<sup>23</sup> the Chaoulli decision could facilitate the spread of private insurance for essential health-care services; and privately purchased health-care has steadily grown over 30 years. Putting further stress on the health system is the rapid acceleration of drug costs. Canadians support their single-tier health-care system, but the government must adequately support it so that Canadians can trust that it will deliver all essential health services.

First, the government must enforce the *Canada Health Act*, using its power to withhold health transfers when violations occur. Further, the federal government needs to attach firm, new conditions to the transfer of all federal money to the provinces for health care. This would prevent public money from supporting commercial delivery of health care, and compel provinces to provide information about how public money is being used. These conditions should ensure that federal funds are used exclusively to support provincial capacity to deliver medically necessary and publicly-delivered health care in a timely, universally-accessible, and not-for-profit basis.

Second, the federal government should adequate funding for health care, including that needed to develop a national, publicly-funded-and-controlled pharmacare program covering essential drugs. The federal government should cover 25 per cent of the public share of drug expenditures.<sup>24</sup>

## Conclusion

The most important tax policy question for RNAO is how to adequately fund important public services. The government must raise enough tax revenue to pay for the services necessary to maintain a healthy society. At the present time, that means reversing tax cuts and putting a hold on announced tax cuts until alternative revenue sources are found. We have proposed strengthening green taxes as a more efficient way of raising money and simultaneously correcting certain market inefficiencies.

Thank you for the opportunity to discuss Ontario's nurses' priorities for the next budget with you. Your budgetary decisions will have a major impact on the health of Canadians and on the ability of nurses across Canada to provide the best quality care for their patients. Nurses know this, and will watch your government's budgetary actions carefully.

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<sup>1</sup> Canada Department of Finance (January 2007). *Fiscal Reference Tables September 2006*. Author. Due to the introduction of full accrual accounting in 1983-4, figures from prior years are not comparable. Retrieved August 13, 2007 from [http://www.fin.gc.ca/frt/2006/frt06\\_2e.html#Table8](http://www.fin.gc.ca/frt/2006/frt06_2e.html#Table8).

<sup>2</sup> OECD (2007). *OECD Factbook 2007*, p. 205. Canadian tax revenues have dropped from 36.4% of GDP in 1991 to 33.5% in 2004. The OECD average for 2004 was higher – 35.9%.

<sup>3</sup> Brooks, N. and T. Hwang (2006). *The Social Benefits and Economic Costs of Taxation: A comparison of High- and Low-Tax Countries*, Canadian Centre for Policy Alternatives, 7-10.

<sup>4</sup> Irwin, L., Siddiqi, A., & Hertzman, C. (2007). *Early Childhood Development: A Powerful Equalizer*. Final Report for the World Health Organization's Commission on the Social Determinants of Health, 15.

[http://www.who.int/social\\_determinants/resources/ecd\\_kn\\_report\\_07\\_2007.pdf](http://www.who.int/social_determinants/resources/ecd_kn_report_07_2007.pdf)

<sup>5</sup> Canadian Population Health Initiative (2004). *Improving the Health of Canadians*. Ottawa: Canadian Institute for Health Information, 65.

<sup>6</sup> Campaign 2000. (2006). Oh Canada! Too Many Children in Poverty for Too Long. 2006 Report Card on Child and Family Poverty in Canada. Toronto: Author. [http://www.campaign2000.ca/rc/rc06/06\\_C2000NationalReportCard.pdf](http://www.campaign2000.ca/rc/rc06/06_C2000NationalReportCard.pdf)

<sup>7</sup> National Council of Welfare (2007). *Solving Poverty: Four Cornerstones of a Workable National Strategy for Canada*. Ottawa: Author.

<http://www.ncwcnbes.net/documents/researchpublications/ResearchProjects/NationalAntiPovertyStrategy/2007Report-SolvingPoverty/ReportENG.pdf>

<sup>8</sup> Irwin et al, 16.

<sup>9</sup> Code Blue for Child Care (2007). *Early Learning and Child Care: What's Needed*.

[http://www.buildchildcare.ca/updir/buildchildcare/EarlyLearningandChildCareWhatsNeeded\\_June2007.pdf](http://www.buildchildcare.ca/updir/buildchildcare/EarlyLearningandChildCareWhatsNeeded_June2007.pdf)

<sup>10</sup> Environment Canada. (2006). *Health, Environment and the Economy*, July 13. Retrieved August 13, 2007 from

<http://www.ec.gc.ca/cleanair-airpur/default.asp?lang=En&n=D8331ABC-1>.

<sup>11</sup> Ontario Medical Association. (2005). *Illness Costs of Air Pollution: 2005-2026 Health and Economic Damage Estimates*, June. These cost estimates included lost productivity, health-care costs, pain and suffering, and loss of life.

<sup>12</sup> For a brief overview, see Pollution Probe (2004), *Primer on Climate Change and Human Health*, April, retrieved August 13, 2007 from <http://www.pollutionprobe.org/Reports/climatechangeprimer.pdf>.

<sup>13</sup> World Health Organization (2003), *Climate change and human health : risks and responses. Summary*. Author.

Retrieved August 13, 2007 from <http://www.who.int/globalchange/climate/en/ccSCREEN.pdf>.

<sup>14</sup> Intergovernmental Panel on Climate Change (April 2007). *Climate Change 2007: Impacts, Adaptation and Vulnerability*, p. 7. Author.

<sup>15</sup> Stern, N. (2006). *Stern Review Report on the Economics of Climate Change*, x-xiii. Retrieved August 15, 2007 from [http://www.hm-treasury.gov.uk/media/4/3/Executive\\_Summary.pdf](http://www.hm-treasury.gov.uk/media/4/3/Executive_Summary.pdf).

<sup>16</sup> For example, the Canadian Meteorological and Oceanographic Society in June 2006 reiterated its call for Canadian Meteorological and Oceanographic Society (2006), *Congress Statement on Climate Change*, June 1. Retrieved August 13, 2007 from <http://www.cmos.ca/PressReleases/pressrelease1June2006.pdf>.

<sup>17</sup> Transport Canada (2006), *The Cost of Urban Congestion in Canada*, March 22.

<sup>18</sup> Toronto Board of Trade (2006) *Toronto Board of Trade Response to Bill 104:*

*The GTTA: An Opportunity For Change That Must Not Be Wasted*, June 1.

<sup>19</sup> Organization for Economic Cooperation and Development data: see [http://www.oecd.org/document/29/0,2340,en\\_2649\\_34295\\_1894685\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/29/0,2340,en_2649_34295_1894685_1_1_1_1,00.html).

<sup>20</sup> Op. cit.

<sup>21</sup> Medicare provides Canadian firms with a large advantage over their American counterparts. For example, medicare saves Canadian care manufacturers US\$4 per worker per hour in health insurance costs. The calculation is based on a cost of about US\$6/hour worked in private insurance in the US, versus US\$2/hour for top-up coverage in Canada. The total services delivered between the two packages are equivalent. CAW Research Department (1999), *The State of the Canadian Auto Industry: The Union View*, Sept.

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<sup>22</sup> For example, Canadian infant mortality rates at 5.3 per thousand in 2004 were substantially below the 6.8 for the US. OECD (2007). OECD Health Data 2007: How Does Canada Compare? Author. Retrieved August 13, 2007 from <http://www.oecd.org/dataoecd/46/33/38979719.pdf>.

<sup>23</sup> See RNAO open letter to the Prime Minister calling for action ([http://www.rnao.org/Storage/31/2588\\_RNAO\\_Open\\_Letter\\_Harper\\_CMA.pdf](http://www.rnao.org/Storage/31/2588_RNAO_Open_Letter_Harper_CMA.pdf)).

<sup>24</sup> This share is based on current cost-sharing in health care between the federal government and the provinces and territories. See Canadian Health Coalition (May 2006). *More for Less: A National Pharmacare Strategy*, 18. Author.