

Public Services Provide Good Value for Money

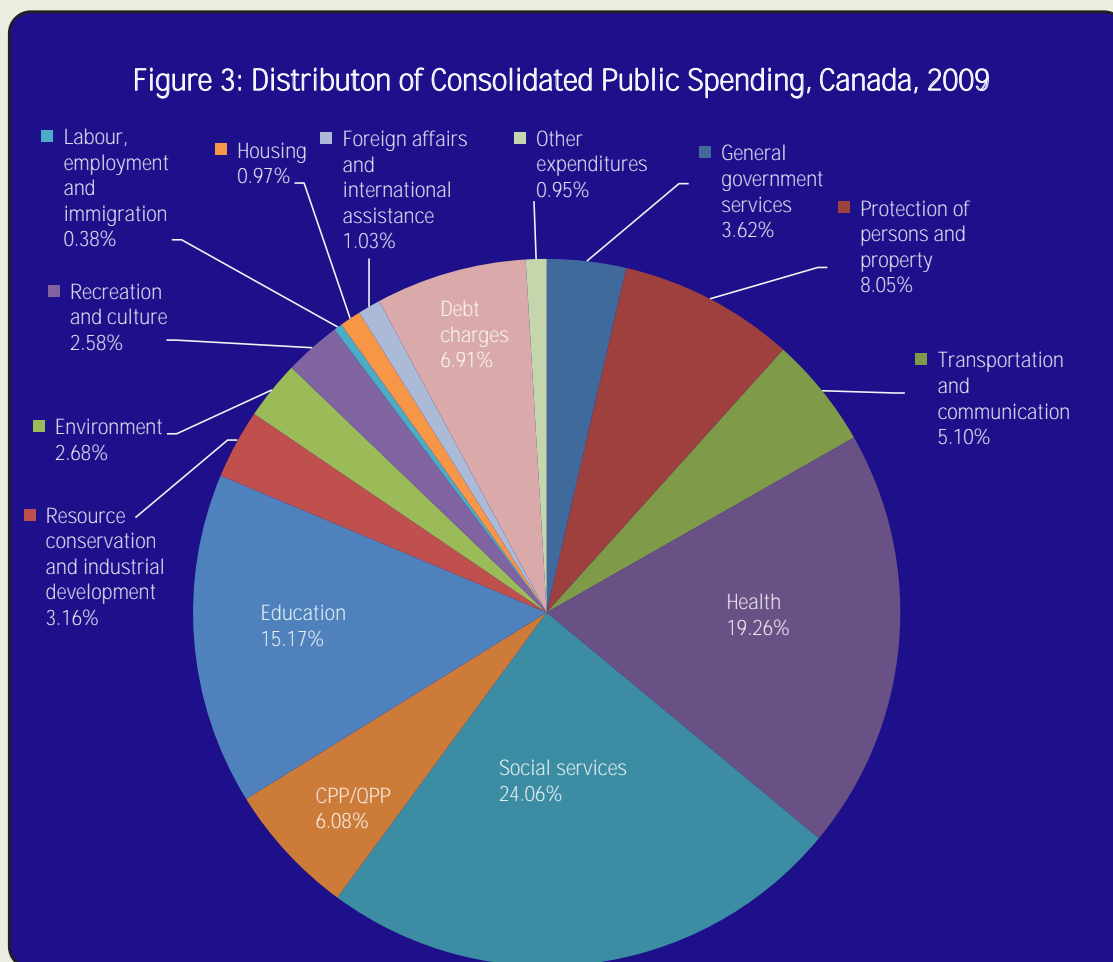
Taxes are an important way for all of us to contribute to the common good. They raise the revenues used to pay for democratic institutions and the programs, services, and infrastructure needed to foster and sustain an equitable and prosperous society.

Over the past decade, significant changes have been made to Canada's tax system, including deep cuts to tax rates. The impact of these changes is a cause for concern, as taxes are an essential way that we as citizens fulfill our obligation to promote justice and to respect the right of all people to live in dignity.

Canadians get a good deal for their tax dollars

- Taxes allow us to procure services in a cost-effective and efficient way. Many Canadians could not afford public services if we had to pay for each of these services individually. Pooling our resources allows us to purchase better, more efficient services than we could on our own.
- Overall, the average Canadian's benefit from all public services in Canada was \$16,592 in 2009. Over half of this (56%) comes from expenditures on health care, education, and income transfers. Indeed, more than two-thirds of Canadians receive a benefit from public services that is greater than 50% of their average incomes.⁹

Where your tax dollars go



Source: Statistics Canada, Table 385-0001 - Consolidated federal, provincial, territorial and local government revenue and expenditures, annual

Public services deliver significant benefits across the income spectrum

- In 2006, median income households¹⁰ received \$41,000 worth of public services, an amount equivalent to about 63% of their total income.¹¹
- For low- and modest-income households, the delivery of public education, health care, and transfer payments is essential and is only possible through taxation. The value of these services for those earning less than \$20,000 per year is more than two times higher than their average incomes.
- Even those living in households in the \$80,000 to \$90,000 range — just below the richest 20% — received benefits from public services equivalent to about half of their total household income.¹²
- A recent study of OECD countries found that the value of public programs — such as education, health care, and, early childhood education and

care — represented 76% of the disposable incomes of low income households compared to 34% among middle households and 14% among high income households.¹³ Together, these programs play an important role in reducing income inequality.¹⁴



Where has all the money gone?

While the rich benefit the most from tax cuts, the poor pay the price in lost services. Hugh Mackenzie and Richard Shillington¹⁵ estimate that:

- 80% of Canadians would have been better off if the 2% GST cut had been passed on to local governments;
- 88% of Canadians would have been better off had the federal government invested in improved public services instead of cutting capital gains taxation by one-third in the early 2000s — a

measure that overwhelmingly benefits the wealthy;

- 75% of Canadians would have been better off if provincial governments had invested in health care and education, rather than in broad-based income tax cuts.

⁹ Hugh Mackenzie and Richard Shillington (2009), *Canada's Quiet Bargain: The Benefits of Public Spending*. Ottawa: Canadian Centre for Policy Alternatives.

¹⁰ Median household income was approximately \$66,000 in 2006. Half of Canadians lived in households with incomes below \$66,000, while half live in households with incomes above.

¹¹ Mackenzie and Shillington (2009).

¹² Ibid.

¹³ G. Verbist, M. F. Förster and M. Vaalavuo (2012), "The Impact of Publicly Provided Services on the Distribution of Resources: Review of New Results and Methods," OECD Social, Employment and Migration Working Papers, No. 130, OECD Publishing, p. 15. <http://dx.doi.org/10.1787/5k9h363c5szq-en>

¹⁴ Ibid., p. 62.

¹⁵ Mackenzie and Shillington (2009).