The first federal budget under Prime Minister Justin Trudeau: Addressing social determinants of health?

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ABSTRACT

A challenging budget environment during the Harper years has meant that crucial investments in the social determinants of health (SDHs) have increasingly been neglected. The tabling of what is widely considered a more progressive budget with expansionary fiscal elements under the new Prime Minister, Justin Trudeau, raises the question as to what extent this budget invests in policy areas that are crucial for achieving a more equitable distribution in the social determinants of health, as promised in the Liberal party platform. In this commentary, we argue that the first Liberal budget represents a step in the right direction, but that this first step needs to be followed up with a sustained commitment to address the pervasive (and unfair) social inequalities that are the root cause of persistent health inequities in Canada. We conclude that the first Trudeau budget, while moving in the right direction, does not fully embody the sustained policy changes needed to effectively address SDHs, including a more expansive role for the federal government in the redistribution of income and wealth.

KEY WORDS: Public health; budgets; social determinants of health

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Since the release of the final report by the Commission on the Social Determinants of Health,¹ the social determinants of health (SDHs) have been widely acknowledged as a central driving force of population health outcomes. The academic literature has recently established a strong link between the nature of welfare policy, with the institutional arrangements that it represents, and (inequitable) health outcomes.² Different types of welfare policies promoted by successive governments have a lasting impact on population health, and especially its equity dimension. Under the Harper government's austerity agenda, cutbacks to various policy areas associated with SDHs have led to warnings by some about the implications of such cutbacks for health equity.³ Others have demonstrated how such austerity undermines key SDH pathways, such as income, and housing and labour markets, and how a string of austerity budgets in Canada, both provincially and federally, have already led to a worsening in the distribution of SDHs.⁴ The tabling of what is widely considered a more progressive budget with expansionary fiscal elements under the new Prime Minister, Justin Trudeau, raises the question as to what extent this budget invests in policy areas that are crucial for achieving a more equitable distribution in the SDHs, as promised in the Liberal party platform. In this commentary, we argue that the first Liberal budget represents a step in the right direction, but that this first step needs to be followed up with a sustained commitment to addressing the pervasive (and unfair) social inequalities that are the root cause of persistent health inequities in Canada. In particular, to effectively reduce health inequities would require longer-term investments in the welfare state than that promised in the federal budget.

The Liberal election campaign⁵ contained various policy promises that have the potential to improve SDHs, including an

increase in the Guaranteed Income Supplement (GIS) top-up for single low-income seniors by 10%; creation of a non-taxable benefit to replace the universal child care benefit; and reduction of the tax rate from 22.5% to 20% for incomes in the C\$44,700 to C\$89,401 tax bracket in order to increase (after-tax) income for middle class families, with actual threshold values set in the 2016 Budget at \$45,282 and \$90,563. However, this means that most Canadians (around 65%) will not benefit from the tax cut as their incomes are below the bottom threshold. In addition, the Liberal platform promised funding for novel Housing First initiatives to help homeless Canadians find stable housing and to support municipalities in maintaining rent-geared-to-income subsidies in housing co-ops. Lifting the 2% cap on increases to First Nations education funding and establishing a new financial relationship with First Nations were also promised during the campaign and formed part of the mandate letter to the Minister of Indigenous and Northern Affairs.⁶ Given the sizeable health challenges faced by indigenous communities, including those in the realm of mental health, additional investments are crucial to addressing the SDHs in vulnerable communities.

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Health inequities have remained fairly stable in Canada over the past decades: Statistics Canada documents that life expectancy for men in the highest income quintile was 7.1 years higher than in the lowest income quintile in 1991, with no change in this health gap in 2006. For women the difference was 4.9 years in 1991 and remained at 4.9 years in 2006.⁷ Such a strong social gradient can be explained with reference to differences in individual resource endowments (income, education, etc.) and related variations in institutional settings (level of welfare provision and nature of welfare policy, labour laws and protections, etc.). From an SDH perspective, of particular concern has been the impact of stagnating wages and growing income and wealth inequalities, especially during the decade of the 1990s, after which income inequality has remained fairly steady at an elevated level. Such developments have been linked to what some have called “neoliberal globalization”⁸ and the associated decline of the middle class. Of further concern is the sustained decline in Canada’s welfare bill, as both social spending and revenue generation through taxation (as a percentage of gross domestic product [GDP]) have fallen persistently throughout the neoliberal era (1990–2016). Another health challenge has been the rapidly rising cost of housing amid the development of a housing bubble driven by foreign investments; as well, rising levels of food insecurity, especially since the onset of austerity in 2012, have led to widespread concern, not just among SDH activists.⁴ This raises the question as to what extent such polarizing trends can be reversed through a progressive Liberal budget and what this might mean for health equity trends in this country.

The Liberal budget represents a clear departure from the lean Harper years. It makes a commitment to sustained investments in both the social and physical infrastructure of the country, predicting a modest budget deficit of around C\$30 billion, or 1.5% of GDP. In terms of social infrastructure investments, two initiatives are of particular relevance to SDHs through their poverty reduction impact: the new Child Care Benefit and improvement to the GIS for seniors. By introducing the New Child Care Benefit, the Trudeau administration eliminated the “boutique” tax benefits of the Harper government (primarily benefitting upper-income families) and consolidated income transfers into a single annual, tax-free transfer guaranteed income of C\$6,400 for each child under 6 and C\$5,400 for each child between 6 and 17. As the transfer is means tested, the amount of the tax-free benefit will be scaled to household income as reported on annual tax forms. Maximum benefit goes to families earning C\$30,000 or less. Families reporting combined incomes of over C\$200,000 receive no benefits. The budget also reverses the eligibility for Old Age Security and GIS back to 65, combined with a 10% means-tested increase in the GIS top-up for vulnerable seniors who are single. This can be expected to have a significant positive impact on reducing levels of senior poverty in Canada. Overall, these two programs could be considered the largest poverty reduction programs the country has seen in four decades, and the impact on SDHs will undoubtedly be positive.

Finding affordable and healthy housing for low-income Canadians is arguably one of the biggest challenges with respect to SDHs.⁹ Prime Minister Justin Trudeau made affordable housing a key plank of his electoral platform, promising to “prioritize significant new investment in affordable housing and seniors

facilities” and to renew “federal leadership in housing”, including “renewing support for Housing First initiatives that help homeless Canadians find stable housing”.⁵ The first Liberal budget did deliver on those promises, with significant implications for housing as an SDH. The budget commits to a C\$8.5 billion funding increase for social, green and public transit infrastructure over the next two years. After having been neglected for too long, affordable housing spending has been allocated C\$2.3 billion nationally over the next two years, effectively doubling annual federal commitments from 2015. Of that, C\$574 million will be available for repairs and renovations to existing housing. However, in a recent commentary, the Canadian Centre for Policy Alternatives (CCPA) questions whether such an investment is large enough to address all affordable housing needs. The Alternative Federal Budget estimates that an adequate budget for affordable housing in Canada would need to make investments of approximately C\$2 billion a year, not including First Nations investments.¹⁰ While this might be true, the 2016 budget’s investment in affordable housing clearly reverses the previous trend of downloading fiscal responsibility for affordable housing to the provinces and municipalities, and as such should be welcomed as a step in the right direction.

In addition, the budget delivered on many of the promises made to increase funding for indigenous communities, providing a total of C\$8.4 billion in new spending commitments over five years, essentially raising funding by 22% above what would have existed over the same period had the 2% funding cap remained in place. Of particular importance to SDHs is the proposed C\$141.7 million over five years for the monitoring and testing of reserve drinking water and \$1.8 billion over the same time period for facility operation and maintenance. The budget also commits C\$554 million over two years to make improvements to dilapidated on-reserve housing, which represents a significant challenge to the health of indigenous communities.¹¹ Again, while such investments have been widely welcomed, CCPA has noted in its alternative federal budget that annual investment of C\$1 billion in housing alone would be required to sustainably address the indigenous housing crisis.

Finally, the 2016 Budget also announces some much needed improvements to Employment Insurance (EI), reducing the mental health burden of unemployed workers. In particular, it extends the duration of EI regular benefits by 5 weeks, up to a maximum of 50 weeks of benefits, for claimants whose residence is in one of the 12 EI regions with the strongest rise in unemployment. EI will also provide an additional 20 weeks of regular benefits to long-tenured workers who reside in economically challenged EI regions, up to a maximum of 70 weeks of benefits. Yet, while this benefit extension will be significant for many workers, with notable positive (mental) health implications, many others will fall through the cracks. For example, those who worked in affected regions but returned home to look for work will not qualify, and younger workers will rarely be able to benefit from the 20-week extension offered to workers with longer tenure.¹²

CONCLUSION

The budget offers some steps in the right direction for improvements in SDHs. However, there are two issues that raise pronounced concerns. First, additional and health-promoting

government spending appears to be extremely short-lived. The 2016–2017 Budget highlights that after briefly increasing federal spending (which includes public debt charges), levels will return to those seen during the austerity era under Harper, ending its first fiscal plan in the year 2020–2021 with federal spending at one of the lowest rates in the past 65 years – 15.1% of GDP. This is only slightly higher than the 2014–2015 all-time low of 14.2% under Harper.¹³ Similarly, many of the program changes introduced, such as EI benefits enhancement, are supposed to last for only a short period of time, in the case of EI for 12 months. Second, and of equal concern, is the fact that government revenues are predicted to decline even further in the 2016–2017 Budget, from 14.6% of GDP in the last year of the Conservative administration to 14.4% in 2016–2017, and stabilizing at 14.5% of GDP thereafter.¹³ Thus, the first Liberal budget simply continues the Harper trend of starving the fiscal purse. Yet, the failure to restore federal fiscal capacity to support improved social programs and public services over the long term is arguably the biggest challenge to successfully addressing SDHs in Canada.

To conclude, the first Trudeau budget, while moving in the right direction, does not fully embody the sustained policy changes needed to effectively address SDHs, including a more expansive role for the federal government in the redistribution of income and wealth, which was loudly promised by the Liberal campaign. This means that, as the new government shifts gears from fiscal expansion to fiscal restraint later into its first term, health activists must mobilize politically in an effort to protect some of the budgetary gains that have been made in relation to SDHs in the early years of the new regime.

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RÉSUMÉ

En raison d'un contexte budgétaire difficile durant les années Harper, des investissements cruciaux dans les déterminants sociaux de la santé (DSS) ont été de plus en plus négligés. Avec le dépôt de ce qui est généralement considéré comme un budget plus progressiste, comportant des éléments expansionnistes, sous la direction du nouveau premier ministre Justin Trudeau, il est permis de se demander dans quelle mesure ce budget investit dans les secteurs de dépenses décisifs pour obtenir une distribution plus équitable dans les déterminants sociaux de la santé, comme promis dans la plateforme du Parti libéral. Dans notre commentaire, nous faisons valoir que le premier budget libéral représente un pas dans la bonne direction, mais que ce premier pas doit être suivi par un engagement soutenu à aborder les inégalités sociales omniprésentes (et injustes) qui sont la cause profonde d'iniquités persistantes face à la santé au Canada. Nous concluons que le premier budget Trudeau, bien qu'il aille dans la bonne direction, n'incarne pas pleinement les changements d'orientation soutenus qui sont nécessaires pour aborder efficacement les DSS, notamment l'attribution d'un rôle plus large au gouvernement fédéral dans la redistribution des revenus et de la richesse.

MOTS CLÉS : santé publique; budget; déterminants sociaux de la santé