

The Tory Budget

How it affects CUPE members

Rec'd 18/6/85

Michael Wilson's first budget is bad news for CUPE members, as well as for other working Canadians, pensioners, and the unemployed.

The average CUPE member will have to pay from \$300 to \$500 more to the Tory government next year, depending on his/her income level.

That's the combined effect of several regressive measures announced in the budget, including:

- the elimination of the federal tax reduction,
- the indexing modification,
- the cut in family allowance payments,
- the sales tax increase,
- the gasoline tax increase, and
- the tobacco and alcohol tax increase.

YEAR BY YEAR IT WILL GET WORSE

But it will get worse with each succeeding year. The Tories were pretty sneaky about how they introduced these sock-it-to-the-worker tax changes. Most of them don't start to bite into our pay-cheques in a big way until later years. The erosion of indexing, in particular, will have an increasingly painful effect as inflation rises and as more lower income workers are pushed up into higher tax brackets.

Take the partial de-indexing of the personal income tax, for example. Collectively, we'll have to pay "only" \$80 million more next year, but in 1987 we'll be stung for \$570 million, and by 1990 for an additional \$4.4 billion a year!

The same escalation will occur with some of the other budget items, like the lower family allowances and tax deductions for dependent children.

How much that will amount to in extra tax payments for a CUPE member will vary with the size of individual incomes. But it's safe to predict that someone earning \$25,000 to \$30,000 a year in 1990 will be paying at least another \$1,500 a year in taxes as a direct result of the 1985 budget.

PENSIONERS, UNEMPLOYED VICTIMIZED

Even the pensioners, by 1990, will have their combined incomes slashed by \$1.6 billion a year as a result of the partial de-indexing of the Old Age Security payments.

As for the unemployed, for whom Prime Minister Mulroney promised "jobs, jobs, jobs" during last year's election campaign, the budget offers them nothing, not even hope. In fact, the unemployment situation will be worsened by the budget, not just because it calls for eliminating 30,000 more public sector jobs, but because it will siphon another \$12 billion out of consumers' pockets. That's bound to reduce demand for goods and services, leading to more layoffs.

Of more direct concern to CUPE members is the impact of the proposed cuts in federal transfer payments to the provinces, which will amount to \$2 billion by the end of this decade. These cuts will force

the provinces to reduce the services provided by CUPE members, eliminating thousands of jobs in schools, hospitals, nursing homes, and municipalities.

In his attempts to convince Canadians that the budget will help rather than hurt them, Mulroney claims "it's tough, but fair." As usual, he's only half right.

The budget is certainly tough on workers. But it lavishes all kinds of goodies on the wealthy and the Tories' business buddies. The simple fact that it raises taxes on a family with a \$15,000 annual income by 10%, while increasing them by only 1.2% on a family making \$100,000 a year gives some idea of how basically unfair it is.

MORE WEALTH FOR THE WEALTHY

Here are some of the benefits the budget confers on the well-to-do:

- It gives them a lifetime \$500,000 capital gains exemption worth an estimated extra \$1.2 billion for stockholders over the next two years.

- It will reduce corporate taxes (after an initial 18-month surtax) by about \$2.2 billion a year by 1990.

- It raises substantially the tax deductions allowable for RRSP contributions by high-income earners.

- It fails to impose (as the Tories had promised) a minimum tax on those wealthy individuals who now take advantage of loopholes to pay no tax at all. (Instead, we're offered a discussion paper!)

- It offers another dozen profitable Crown corporations (such as Teleglobe Canada and the Canada Development Corp.) for sale to private companies at bargain-basement prices.

THE "TRICKLE-DOWN" THEORY DOESN'T WORK

All these additional handouts to the business community are excused on the dubious grounds that they'll be used by the corporations to create more jobs.

Well, the corporations have been pocketing up to \$12 billion a year in federal subsidies, grants and tax breaks for the past 10 years. They used that money--our tax dollars--to speculate in the stock market, to invest abroad, to take over other firms, to bring in new technology so they could reduce their work force--to do everything, in short, except hire more employees.

And they'll do the same with all the extra billions the Tories now plan to stuff into their already bulging coffers.

The result will inevitably be more hardships and more unemployment for ordinary Canadians--and more riches for the affluent upper-class minority.

There's an old saying that "Tory times are hard times."

The Mulroney government's first budget reminds us of just how true that old saying is.

-- CUPE Public Relations Dept.