

Sledgehammer approach to labour and tax issues

BY MURRAY MANDRYK, THE LEADER-POST JULY 17, 2009

That supportive interest groups have disproportionate influence on government policy is easy to see.

Less apparent is when their concern is actually a legitimate one in need of addressing.

This may be the difference between what we're seeing in Enterprise Saskatchewan's recommendation of a 10-per-cent "single-rate" of income tax (better described as a flat tax) and the push from the Saskatchewan Construction Association and other business interests to overhaul labour legislation.

Admittedly, elements of the recommendations from Enterprise Saskatchewan on a flat tax to be phased in over the next three years -- a gift to the richest of the rich in this province made by board members of Enterprise Saskatchewan who clearly fit that description -- are disturbingly similar to what we witnessed in the self-interested argument from the construction industry during last month's public hearings on Bill 80.

Somewhat similar to the issues surrounding Bill 80, that addresses some comparatively minor issues in labour law like unions "abandoning" companies and then coming back to demand dues payment, there's an element of the 10-per-cent single-rate tax idea that seems like using a sledgehammer to kill a fly. Enterprise Saskatchewan's stated reason for the need for a flat tax is to prevent "tax leakage" of Saskatchewan's high-income earners who have found "ways to divert their income into our neighbouring province."

What Enterprise Saskatchewan is referring to are the super rich of our province declaring houses they own in Alberta as their primary residences so they only pay that province's 10 per cent flat tax compared with our top income tax rate of 15 per cent.

The problem is that neither Enterprise Saskatchewan nor the Ministry of Finance has anything other than anecdotal evidence to suggest such "tax leakage" is a problem or that a flat tax will solve it.

Nor does it likely help that the makeup of the Enterprise Saskatchewan board happens to largely consist of the rich elite of Saskatchewan's business community.

But let's acknowledge a couple of differences here between the way the board has gone about its business and the behind-closed-doors lobby by the construction industry to get Bill 80 through.

First, with no labour disruptions in the Saskatchewan construction industry in the past two decades and no problem with out-of-province contractors competing, there's doesn't seem to be a pressing issue here. Instead, what we have seen is the Saskatchewan Construction Association and others resort to rather phony concerns about trades people not having a choice of union representation or the lack of opportunity for trades people in Saskatchewan. (Yet somehow the construction association has no

problem when out-of-province contractors bring in out-of-province trades people to work on Saskatchewan contracts. My, what heartfelt concern for the Saskatchewan working man!)

Let's be truthful here. Bill 80 is the result of a backroom lobby by business -- payback for years of an NDP government that did equally hideous things for labour like the Crown Construction Tendering Agreement that dictated companies pay union wages.

By contrast, Enterprise Saskatchewan is at least touching on a real problem.

According to the Ministry of Finance's 2006 tax assessment, of the 469,000 (out of 740,000 tax filers) Saskatchewan people that paid taxes, the breakdown was as follows: 59 per cent, or 276,000 people, were in the 11-per-cent bracket of less than \$40,000 income; 37 per cent, or 173,000 people, were among the 13 per cent with between \$40,000 and \$100,000 taxable income, and; only four per cent of taxpayers, or 19,000 people, were in that top 15-per-cent bracket with taxable income of more than \$100,000.

Admittedly, a flat tax is a regressive tax -- one that may create more new problems than old ones it solves. And given who has recommended it, it does seem a rather self-serving recommendation.

But it is, at least at this point, just a recommendation.

And at least it was made in the light of day, rather than making its first appearance in a piece of legislation.

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