



**Fred Hahn, President
CUPE Ontario**

**Pre-Budget Submission
For the 2010/11 Ontario Budget**

**To the Standing Committee on
Finance and Economic Affairs**

February 2, 2010

Canadian Union of Public Employees (CUPE) Ontario

CUPE Ontario is the voice of nearly 220,000 public service workers in Ontario – people who work on the front lines in hospitals, municipalities, utilities, long-term care facilities, social service agencies, schools and universities. The provincial budget has a significant impact on our members as residents and taxpayers, as service providers and caregivers, and as workers in the broader public sector. CUPE members have first-hand experience and knowledge to contribute in planning the next provincial budget.

We thank the Standing Committee on Finance and Economic Affairs for the opportunity to present our suggestions and priorities for the 2010/2011 Ontario provincial budget.

A Budget for Jobs

CUPE's main message is that the 2010/2011 Ontario provincial budget must focus on creating jobs and not succumb to deficit mania. It isn't enough for the TSX to be recovering. The government's responsibility is to make sure that the people are recovering. We recognize that there has been a fundamental change in the Ontario economy; we are not here to ask you to turn the clock back. In fact, we're here to talk about how we want the government to respond to this fundamental change. CUPE Ontario believes that having to deal with this recession is a chance for this government to embark on some long-term strategic projects that will create the Ontario of the future.

In this recession, younger workers, especially men and recent immigrants, were hit harder than older workers and Canadian-born workers, according to Statistics Canada. So the 2010/2011 Ontario budget must focus on making sure that any recovery also extends to the unemployed, the marginally employed, and the vulnerable populations in Ontario. We need the stimulus funding, announced so far, to extend spending into the social infrastructure of Ontario.

We must also make strategic investments in creating a “green economy” – investments in an economic recovery based on long-term environmental and social sustainability. This budget will determine whether the billions of dollars in stimulus

injected into the economy in the past year has a chance to actually ‘take hold.’ Ontario needs a long-term economic plan that builds communities.

Paying down the deficit won’t create good jobs, but creating good jobs will pay down the deficit.

If the government of Ontario makes cuts to provincial spending and transfers this year, it will prolong the recession. With the highest unemployment rate in Canada west of the Maritimes, Ontario needs more and better jobs, not fewer.

In this recession, Ontarians need more and better public services, not less. More Ontarians are living in poverty today than were a year ago¹. As public sector workers, we know that the need for our services has never been greater. The social fallout from the recession has increased the workload of child protection workers, on workers delivering social assistance and on Job Centre workers, just to give a few examples. In the simplest terms, public services make our communities better places to live. In difficult times, public services are safeguards that should be available to all.

We urge the Government of Ontario to fight the recession with its next budget, not the deficit. The recovery is fragile and employment has not started to recover yet. A budget that reduces the province’s fiscal capacity, creates job losses in the broader public sector and leads to the sale of critical public assets, will only do harm.

Ontario’s 2010/2011 budget should focus on creating more and better jobs – permanent full-time, decently-paid jobs with pensions and benefits. These are the jobs that will be bulwarks against the threat of future recessions.

Jobs, Not Cuts

Not only has Ontario been hard hit by the recession of 2008/2009, it comes on top of huge job losses in the manufacturing and resource sectors over the past five years, bringing the official unemployment rate to 9.3% and the real unemployment

¹ Laurie, Nathan (Lead author) & Adam Spence (Supporting author). Ontario Association of Food Banks. *Fighting Poverty The Best Way To Beat The Recession*. March 2009. Available at <http://www.oafb.ca/assets/pdfs/FightingPoverty.pdf>

rate closer to 15%². The recession isn't even over for most people in Ontario and the alarmism about debts and deficits is in full swing.

Corporate profits started to rebound in the third quarter of 2009 and, suddenly, we hear the cry for cuts to public spending to “bring the deficit under control.” The very people who wanted stimulus spending when their profits were down are calling for cuts to public spending now that they see profits again. But, income from labour in Ontario continued to fall throughout 2009 and December saw a loss of more jobs in both the private and public sectors, not gains. Ontario's economy has not recovered yet.

Although Ontario's deficit- and debt-to-GDP levels have risen sharply over the last year, they are still at levels that are consistent with previous downturns. Research from the Canadian Centre for Policy Alternatives (CCPA) shows that, even using conservative assumptions about the pace of economic recovery, we can expect Ontario's budget to be back in balance within five to six years without cuts to public spending. After both of the major recessions in the last 30 years, in 1981 and 1991, Ontario's economy was back to its long-term trend within five years. Ontario's economy was as big as it would have been if there had been no recession and it had grown at its long-term trend rate within five years. The economic potential lost during a recession is not “lost forever.” We want to remind you that, after the 1991 recession, the economy was well on the road to recovery after the bottom of the cycle in 1992-3 when disastrous fiscal and monetary policies produced a so-called “double dip.” Three years into the recovery, spending cuts, both in Ottawa and Queen's Park, acted as a fiscal drag on the economy. And ill-advised Bank of Canada policies pushed interest rates and exchange rates up, choking off the recovery just as it was gaining traction. Even with that interruption, however, the economy had pushed above its trend line by 1999³.

² Including those who have given up looking for work, those who are underemployed and who are marginally employed. Precarious employment in Ontario grew in Ontario over the past year while full-time and permanent employment declined. Statistics Canada, Labour Force Survey.

³ Mackenzie, Hugh. *Ontario Budget 2010: Deficit Mania in Perspective*. Canadian Centre for Policy Alternatives. Forthcoming.

Even the International Monetary Fund (IMF) has now warned against stopping stimulus spending too soon. Cuts to government spending now will act as a drag on our economic recovery, just as they were in the mid-90s.

It's important to remember the two main reasons why the provincial deficit exists in the first place. First, governments around the world were faced with a global economic crisis that was caused, in large part, when the artificially inflated profit bubble in the financial sector popped. Governments were forced to both stimulate their economies and bail out the very corporations who had caused the crisis to prevent a total collapse of the global economy.

Secondly, much of the provincial deficit is not directly related to the downturn in the economy. Much of it is the result of corporate and individual tax cuts over the past 15 years which have severely constrained the province's fiscal capacity. Even allowing for an offset in 2004-5 for Health Premium, and even given the dramatically negative effect of the 2008 recession, the ongoing effect of the Harris Government's tax cuts in the 1990s has been to reduce Ontario's revenue raising potential in 2009-10 by approximately \$15 billion – more than \$18 billion at full economic potential. In isolation, the Harris Government's cuts are currently reducing Ontario's fiscal capacity by approximately \$18 billion per year, according to the economist Hugh Mackenzie.

Cutting public spending and public services is not an effective economic policy for job creation. Neither are tax cuts. Government spending on public services that benefit all Ontarians – whether it is child care, health care, public transit or schools – creates far more jobs than the same amount placed into the economy through corporate tax cuts. Spending on public services has a higher “multiplier” effect than tax cuts. Conversely, cuts in spending on public services will cause more job loss than increases in taxes.

Invest in “green” jobs

Now is the time for Ontario to focus its investments in good “green” jobs.

Many people are trying to define “green” jobs. They are jobs that will create and contribute to an environmentally and socially sustainable economy in all communities in Ontario. They are good jobs, decently paid, with benefits and

pensions. They are safe and healthy jobs. They are in both traditional and new occupations. They are distributed across Ontario's communities. They are supported by education, training and child care that enable everyone to participate.

There is large potential for the creation of new jobs and sustainable employment opportunities from "green" investments in a variety of different areas.

In particular, these include investments in renewable energy and associated manufacturing industries, energy and environmental efficiency improvements to other sectors, retrofits of existing buildings, and an expansion of public transit and inter-city transit.

While many of these jobs would be in the private sector and in related spin-off industries, many of them could and should also be in the public sector.

The good news is that many of the jobs created will be for occupations for which there are many skilled workers in Canada and that have experienced rising unemployment.

Furthermore, investments in these areas will pay off many times over: in rising employment, an improved environment, and in a stronger and more productive economy by increasing our efficiency and competitiveness.

Energy Efficiency

Investments in energy efficiency create the most jobs and result in the greatest reduction in green-house gas emissions for dollars spent – the "biggest bang for the buck." Retrofitting public buildings is particularly effective. The 2010/11 budget should kick-start this project with plans to retrofit the province's own buildings and facilities, funding for the municipal, university, school, hospital (MUSH) sector, and start-up capital for revolving loan funds to encourage individuals and small businesses to undertake retrofitting of their buildings.

Transit

The second most effective investment in “green” jobs – for creating jobs and reducing green-house gases – is investment in transit. The government should overturn Metrolinx’ plans to build transit through expensive and unaccountable “public-private partnerships (P3s)”. There are numerous examples from other sectors, such as health, that demonstrate that P3s cost taxpayers more and provide less in terms of service than do projects constructed through traditional procurement plans. In essence, transit systems must be publicly-owned, operated and accountable in order to focus on achieving the greatest social good, rather than the greatest profit. The province must also recommit operating funds for public transit systems. There is no sense in funding only the capital and starving operations. If the service can’t afford to run, it won’t attract drivers out of their cars.

Renewable Energy

The *Green Energy Act* creates tremendous opportunities for local distribution utilities to partner with their municipal shareholders, school boards, universities and hospitals to create distributed renewable electricity generation projects at public buildings and sites that will create “green” jobs and reduce green-house gases. The economic benefits of these projects must not be privatized, but must stay with the public services and reduce their costs of operation.

Local procurement

In order for the investments in “green” jobs to begin to replace the manufacturing base in Ontario, local procurement policies and fair wage policies are integral to all of the province’s investment. The Ontario government must oppose inter-provincial and international trade agreements which would limit their capacity to require or encourage local sourcing. The addition of fair wage policies will ensure that Ontario is not trying to compete in some race to the bottom – which we neither can nor want to win.

Don't burn the furniture to warm the house

Along with the predictable calls for cuts to government spending come the calls for privatizing critical public services and assets. So far, the Ontario government has floated the idea of privatizing Hydro One, Ontario Power Generation, the Liquor Control Board of Ontario (LCBO) and Ontario Lottery and Gaming (OLG). Asking CIBC World Markets and Goldman Sachs to determine the value of these assets and advise on whether they should be sold is simply setting the fox among the hens. We have no doubt that selling these important assets will be good for the brokers at CIBC World Markets and Goldman Sachs. But, it won't be good for Ontario.

In the face of spending constraints, why would the government consider giving away LCBO and OLG when they provide steady and substantial revenue streams?

In a time when we have all come to understand that we need to drastically reduce our electricity consumption and radically change the ways in which we generate it in order to be able to pass the planet on to our grandchildren in some state that is even recognizable to us, why would we consider giving away control over our electricity system?

Private power and private power systems are more expensive. Privatizing electricity will mean that, each month, businesses in Ontario – particularly small businesses – will pay more for power, and each month, working families and seniors and low-income renters, will pay more for power. Rather than considering privatizing Ontario's electricity transmission and generation, the government should be encouraging and directing these public corporations to invest more in sustainable technologies and green jobs.

The government of Ontario should also end the further privatization of local distribution utilities. Local distribution corporations can and should be our best tools for demand management and conservation, as well as for distributed renewable generation within the public sector.

The answer to the recession is not to sell off provincial assets such as Ontario Hydro and the LCBO, but to use their revenues to provide Ontarians with the public services they need. We only need to look to the example of Highway 407 to understand that selling off public assets in order to shore up a short-term deficit is

not a sustainable solution. In the short term, such fire sales of assets may enable governments to post budgets that are balanced on paper, but they do not increase Ontario’s capacity to serve its population.

In sum, long-term economic thinking that sustains local communities in Ontario is what is needed here; what we do not need is a short-term plan for balancing the budget in this one year that leaves us more vulnerable in the years to come.

Invest in public services

Not only do public services meet badly-needed community and social needs, but they also deliver the strongest economic stimulus: the best “bang for the buck:”

| Economic Impact of Stimulus Measures | | | |
|---|--------------|-----------|----------------|
| National Impact of \$1 billion in public spending or tax cuts | | | |
| Stimulus measure | Jobs Created | Cost/Job | % GDP increase |
| Infrastructure | 12,300 | \$81,300 | 0.15% |
| Health spending | 18,100 | \$55,200 | 0.11% |
| Education spending | 12,500 | \$80,000 | 0.11% |
| Personal tax cut | 5,700 | \$175,400 | 0.08% |
| Impact for first year of measure. Analysis provided by Informetrica Ltd, <i>Canadian Macroeconomic Impacts of Fiscal, Monetary and other Impacts</i> | | | |

Figures from the Child Care Human Resource Sector Council’s “Workforce Shortages Socio-Economic Effects Report” show that child care investments more than pay for themselves in terms of benefits for society. It is child care that enables working families to remain active participants in the labour market. Every dollar invested in child care increases GDP by \$2.30 and job generation is four times greater with a \$1 million investment in child care versus the same amount invested in traditional hard infrastructure.

For every \$1 billion of public investment in infrastructure, health care and education will all create two-to-three times as many jobs as the same amount in personal income tax cuts. The boost to the economy would also be stronger.

Investments in public services also provide additional long-term economic benefits:

- Every dollar in public infrastructure provides \$0.17 a year in cost savings to business, as well as other social benefits.
- Investments in education provide ongoing annual economic benefits of 10-15%.

Ontario can't afford the results of fewer public services.

CUPE members and the 2010/2011 Ontario Budget

As we have argued above, strong public services are a critical underpinning for Ontario's economic recovery. They are also the social safety net that supports Ontario working people and their families during tough times.

This has already been a lost opportunity in some ways. Because there has not been a real and explicit commitment to public services, the public sector has already been suffering. Child care spaces have been lost; Jobs centres are closing – this, at a time when unemployment in Ontario is at record levels; Children's Aid Societies (CASs) are in danger of closing (and this is a mandated service); this is the reason why we need investment in each of the sectors. Collectively, we're no further ahead after the stimulus is spent if private sector job creation results in the creation of some desperately needed jobs in Ontario while lack of governmental planning with regard to the public sector results in the loss of public sector jobs. This isn't going to help the Ontario economy recover at all. The vilification of the public sector only divides us and encourages us to live in an atmosphere of fear – we should all be pulling together to find sustainable solutions for Ontario – solutions that are good for the people, the environment and the economy.

- **Health Care**

The Ontario Council of Hospital Unions (OCHU), representing 20,000 CUPE members in hospitals in Ontario, has already made a presentation to your committee. They will point out that the normal hospital budgeting process has broken down, due to the low level of funding increases suggested by the government and the uncertainty that remains about the exact level of funding for 2010-11. Hospitals are cutting beds, and some are being closed entirely. Patients will be at risk. The Ontario Government can make better use of its health care

budget by dropping plans for expensive P3 boondoggles. The real need here is in patient care.

Funding infrastructure, like the Local Health Integration Networks (LHINs), is not helping better – or even to maintain – desperately needed levels of patient care in Ontario. Strategic and smart spending in this sector would mean creating jobs that directly contribute to local communities and that increase patient care levels in Ontario.

- Long-Term Care

Funding for long-term care needs to be substantially increased for a number of reasons, including the increase in the size of the sector given the focus on freeing hospital beds for persons with more acute care needs and resident care needs as the population of long-term care homes ages and their conditions become more complex. There is going to be an increase in the degree to which care needs are manifested given the switch in assessment protocols from the Alberta CMM/CMI to the more comprehensive MDS RUGS III RAI system. There are growing pressures from seniors and their families to ensure that more care needs of residents are met instead of being ignored. There are growing labour market pressures to make employers in long-term care of workers improve working conditions through increased compensation and more manageable workloads so that employees don't accelerate their departure from this sector to ones that are more attractive.

Aside from increases in funding, however, there need to be stronger accountability and transparency rules. The periodic release by the government of sector staffing levels in this sector (only as a result of FOI applications) demonstrates that only a fraction of increased funding for increased care actually gets allocated to increased care. CUPE and others continue to advocate for regulations that will require operators to provide hours of care according to a formula based upon assessed care need which is the very basis that the government is determining the level of funding for long-term care homes.

Finally, the government should ask the Office of the Ombudsman if additional resources are required to enable it to complete in a timely manner their review of the adequacy of Ministry regulation of this sector. That report should be made

public as soon as it is submitted by the Ombudsman’s office. New regulations, as recommended by the report, should be put in place as soon as possible. Public spending in this sector should be guaranteed to go to public, not-for-profit care providers.

- Social Services

CUPE Ontario’s Social Services Workers’ Committee (SSWCC) has already made a presentation to your committee focusing on the need for adequate funding for children’s’ services – child welfare, children’s mental health and child care services. There is a real crisis in this sector that the provincial government has to address as soon as possible. Child welfare, mental health services and child care are too important to cut as both a deficit and poverty fighting measure. The evidence suggests that we will compound future budget problems if these services are not provided in a way that effectively delivers services. Poverty already costs too much in real and social costs and children’s social services often represent the first, the best, and the last lines of defense for children and their families in the struggle against poverty and its repercussions.

- Universities

Core funding for universities is another issue that has to be dealt with. In an economic downturn, especially in one such as this where the majority of job losses have been in manufacturing and industry, many people return to college and university to retrain. Younger workers put off their entry into the job market and, instead, try to acquire additional qualifications. And while several major economies in the world, including the US, have prioritized access to post-secondary education as one of the paramount ways of emerging stronger from this recession, we are increasing our reliance on user fees such as tuition. A forward-looking government would, at this moment, be considering how to use post-secondary education as a lever of economic change, and would not be further increasing the financial burden on those who wish to access it.

CUPE Ontario also have some real concerns over the privatization of post-secondary education: when courses at our universities are being farmed out to corporations, as is reportedly happening at the University of Windsor, we once

again risk long-term public good for short-term impact on a single institution's bottom line. This is bad public policy and should be reconsidered.

- **Municipal**

Municipalities are not able to fund the services needed by their residents under current funding arrangements. The agreement reached with AMO and the City of Toronto on uploading of social service costs is clearly too little, too late. Social service costs will climb dramatically in the next year, and with only 3% of social assistance costs having been uploaded to the province in this year, it means that Ontario municipalities will be faced with the need to serve increasing numbers of the unemployed whose benefits have run out at a time when they are already facing revenue losses. Thousands of child care spaces will be lost unless the province finds a way to restore Best Start funding that is also due to end this year. We have elsewhere talked about transit funding and the need for municipal and local distribution industries to be full partners in the emerging industries of the future. For Ontario's municipalities to be sustainable, they need to have adequate and reliable revenue sources. Similarly, municipalities have to have the ability to address the housing needs of their populations. But rather than solely being a cost item, building adequate housing in ecologically sustainable ways could provide a considerable boost to the Ontario economy.

- **School Boards**

Premier McGuinty has indicated he intends to hold to his earlier commitments for education funding, and we encourage him to do so. Declining enrolment will continue to be a problem in this sector and the government needs to address this comprehensively. Once the need for public schooling is met, if there are public assets, such as schools that need to be closed, then the government ought to be thinking of using these public assets for the public good. Rather than selling off our collective assets, why can we not think of using such buildings to house community centres, for instance? The provincial government is in the perfect position to ensure that public property is assessed for other public service use before it is made available to the public sector.

Conclusion

The 2010/2011 Ontario budget has to be a jobs budget. This recession, and the deficit that is a direct result of it, will not end until Ontario's unemployed workers are able to find full-time, permanent, good-paying jobs with benefits and pensions.

Paying down the deficit won't create good jobs, but creating good jobs will pay down the deficit. We have to work together to come up with innovative solutions to the problems that have been identified. We need to begin by reassessing the way the recovery is being evaluated; a resilient TSX needs to be matched by the return of good paying jobs with benefits to Ontario. Workers in Ontario are part of the solution; as their representatives, we're here to work with you on finding and implementing such solutions.

As an example, the Early Learning Program (ELP) that has just been introduced is a long-term, public investment. We know that, once the program is fully implemented, there will be clear economic and social benefits for the people of Ontario. But it has to be done right; this program is so crucial to us all because it provides a social and economic stimulus in one. It is a program that can have a huge impact on the municipal sector, the school board sector, and on child care within the social services sector. We are aware of the real possibilities of negative impacts of this kind of a program though, in this case, rolling out the ELP for 4- and 5-year olds may mean the loss of spaces for the under 4s and for older kids. It may mean that jobs in child care in the municipal and social service sector are lost. That will not help Ontario's economy, and it certainly will not help the communities within which those services are currently located. But, if it is implemented as per Dr. Pascal's recommendations, it has the potential to provide an economic and social boost to Ontario that will be effective for decades to come.

We will work with you on long-term strategic planning for Ontario. With the clear understanding that the kind of fundamental change that Ontario is experiencing does not depend on quick fixes to this year's budget deficit, we will work with the government to find long-term solutions that help create a better Ontario for us all.