Austerity Versus Growth:

Competing Budget Strategies for Ontario

Submission to

2012 Standing Committee on Finance and Economic Affairs

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ONTARIO

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Executive Summary

In its February 2011 Pre-Budget Submission CUPE Ontario outlined that Ontario did not have a spending problem, but instead had a revenue problem. In early 2012, had the province chosen to hold formal pre-budget hearings by the Committee, CUPE Ontario's message would have been the same. Ontario is in a deficit situation not because the province spends too much, but because our economy has not yet recovered to pre-crash levels of growth which impacts both spending on social programs and revenue from taxes. However, the cure is not to cut services and jobs, it is to support the economy so it returns to pre-crash levels of growth and of revenue capable of supporting the services Ontarians need and expect.

There is no consensus either in public opinion or informed public policy on the virtue of austerity. In fact, worldwide, the support for austerity strategies is shrinking not growing.

Since 2010/11, CUPE, Nobel Prize winning economists (Joseph Stiglitz and Paul Krugman), and groups like the UN's International Labour Organization (ILO) have argued that austerity budgeting will have long term negative effects on jobs and the economies. Instead, what has been recommended is a strategy of economic and hence revenue growth through strategic investment and strong public services.

World-wide, the pendulum is beginning to shift away from austerity and towards growth-based budget strategies. In April, after two years of vigorously implemented austerity budgets, the UK, as Tory Prime Minister David Cameron now admits, has fallen directly back in to recession. On May 06 France threw out President Sarkozy and elected Francois Hollande on an explicit anti-austerity platform. In the United States, President Obama has proposed a Warren Buffet Rule imposing a new tax on high-end earners to raise government revenues and he has started to tie corporate tax breaks to achieving proven results in creating jobs and increasing payroll.

One major problem with the austerity budget strategy is that it pulls money out of the economy and eliminates jobs, reducing consumer demand. This leads to less, not more, government revenue as businesses and individuals are paying less in taxes. Any movement towards spending cuts is more than offset by greater declines in revenue generation and as such, balanced budgets are delayed, GDP slows and jobs and services start to disappear.

In the Ontario, the state of public finance, already hard hit by the recession and the decline in manufacturing, has been made even worse by tax cuts. Ironically, Don Drummond, Chair of the Commission on the Reform of Public Services, unintentionally shed light on the real problems when he observed that: "we have sacrificed billions of dollars through corporate tax cuts and by cutting the capital tax."

Committee members should ask how spending less, investing less in Ontario's economy, cutting jobs and reducing services will boost GDP and increase government revenue to help balance the budget?

CUPE Ontario recommends an alternative approach to balancing the budget through revenue generation, strategic investments for job creation, and increased support for public services.

Together, these recommendations would help balance the budget, help get Ontario build for the future, and provide the quality public services the people of Ontario need and deserve.

CUPE's recommendations would bring an additional $8 billion into Ontario's budget through revenue generation measures; outlines a more reasonable economic forecast for the provinces deficit than the one presented in the budget; recommends a strategy for the creation of thousands of jobs through strategic investments in rail, green infrastructure and other infrastructure, and buy-local government procurement policies; fair taxation; and investment in quality public services. In addition, this report outlines how some provisions in Bill 55, the 2012 budget measures act, will harm Ontarians, particularly those most in need in the province and exacerbate the growing gap between the wealthy and the vast majority of Ontarians.

Finally, CUPE's analysis explains how the projected budget deficit could be dealt with, setting the foundation for economic growth, and have resources left for increased investment in quality public services without cutting jobs and services.

Let's move away from the failed strategy of austerity and embrace the growth that comes from confidence in the future of this great province and in the people who make it work.

Budget Effects In Brief

Bill 55 The arbitration system is not broken. However, the budget bill proposes time-lines for granting awards to be reduced to 12 months. This will ultimately limit choice of arbitrators. After 12 months, without an award, arbitration will be decided by Ontario Labour Relations Board, but many of these decisions may take longer as awards are challenged through judicial reviews. Schedule 1, 22, 30, 52, 56 and 68 of Bill 55 unnecessarily imposes changes to the interest arbitration system that would undermine the tenuous balance currently maintained even though existing legislation already provides a way to deal undue delays.

Schedule 28 would allow Cabinet to create a privatization minister that would allow the whole or partial privatization of Service Ontario, crown corporations and assets without the approval or oversight of the legislature. This schedule would allow the wholesale privatization of Ontario without public consultation or recourse and would override current constraints on privatization.

Changes embedded in Bill 55 that seek to weaken environmental and endangered species protection on private land are short-sighted and will undermine Ontario's reputation for having a holistic, long-term commitment to positive environmental stewardship.

The budget, tabled on March 27, includes, in real dollar terms, between $17 and $18 billion reductions in program spending over the next three years, affecting every sector.

Hospitals The zero per cent increase in hospital budgets means $735 million cut for the coming year resulting in many bed closures and closing of some hospital facilities. Non-acute services will be moved out to private community clinics especially in rural communities.

School Boards Increases at a rate less than inflation means a funding gap of $500 million cut over next three years. Amalgamation of school boards is proposed and school closures, layoffs and ultimately cuts to services are all but guaranteed. Students will be limited to 34 credits. Full-day kindergarten being implemented, but without new funding.

Social Assistance Rates increased at one per cent, leaving poorest Ontarians nearly 20 per cent worse off than they were at end of Premier Mike Harris' Progressive Conservative government. Planned increases to child benefits have been delayed a year, essentially cutting those increases in half.

Post-Secondary Education Liberals will index the 30 per cent "Tuition Fee" Grant to inflation, but pay for it through the elimination of other grants and cuts to "non-core programs" at universities. Resulting funding short-fall will be $160 million which will undermine services.

Long-Term Care and Home Care The promotion of downloading of care to home care, but without sufficient funding to meet the needs of care recipients and funding shortfalls will increase the number of nearly 30,000 people on wait lists for long-term care beds and leave seniors in the community without supports.

Municipalities Uploading of funding responsibilities to the province will continue as planned. However, cuts to infrastructure grants and the downloading of services without funding will result in increased pressure on municipal budgets, increased user fees and cuts to public services and community programs.

Social Services Instead of providing desperately needed funding for social programs and services the majority of Ontario families rely on, this budget offers up transformation, integration and amalgamation. It opens the door to further privatization, individualized funding arrangements, larger wait lists and eventual cuts for desperately needed services and supports.

The budget expands the individualized funding model in developmental services, but does not mention agency funding. Continued underfunding of Children's Aid Societies comes with mergers and regionalization of service delivery, and cuts to needed Children's Aid Society delivered services. The increase in childcare is not large enough to stop the closure of centres and the reduction in number of spaces.

Pensions The government outlined its plan of jointly-sponsored pension plans to be moved to 50/50 contribution model and single-employer plans to phase in 50/50 split of costs. Plans that are in deficit will be brought to balance through benefit reductions, not increased contributions.

Privatization of Ontario Northland The proposed privatization of Ontario Northland Transit Commission will result in the loss of nearly one thousand jobs, reduce accessibility, and increase the burden on those traveling to and from Northern Ontario.

Budget Recommendations

Recommendations Specific to Bill 55 Sections removing legislative oversight and regulation of the privatization of public services, including all of Schedule 28, should be removed.

The arbitration system is not broken. It is recommended that any changes to the arbitration system (Schedule 1, 22, 30, 52, 56 and 68) be removed.

Proposed changes to environmental protection and endangered species legislation should be removed.

Hospitals Reinvest in public hospitals with health care funding increases of at least the 3.6 per cent promised before the election to prevent hospital closures and provide funding to increase the number of hospital beds.

Stop Wasteful public-private partnerships, integrate surgical and diagnostic clinics in to the hospital system, reduce the spread of hospital acquired infections by increased resources for hospital cleaning, and improve the quality of hospital food by replacing frozen meals with fresh, local community hospital kitchens produced food.

Long-Term Care and Home Care CUPE recommends the enactment of a minimum of 3.5 hours of care in long term care homes and in home care based upon acuity, end the exemption for "for profits" from Public Sector Salary Disclosure Act, end competitive bidding in home care, spend the $70 million from 2011 that went unspent on increasing front-line care through a regulated minimum formula for hours of care. Also needed is the continued investment in public long-term care facilities to make space for an aging population.

Post-Secondary Education The government has a responsibility to invest in post-secondary education, not cut from it. Every dollar invested in post-secondary education to increase access through reduced tuition fees and increase quality of services that provide a safe and functional environment pay-back a $1.20 to the government in the medium term. A cooperative approach to the pooling of investment management functions of more than 25 university pension plans must be developed that includes plan administrators and contributors.

Municipalities The provincial government's planned upload of funding responsibilities from the municipal to the provincial government level should continue as negotiated. However, additional funds are needed for municipal services such as transit operations, child care and housing. Funding and policies of the provincial government should also be focused on sustaining public management and control over electricity, water purification and distribution and wastewater management. Investments to repair and maintain existing infrastructure should not require the move to costly public-private partnerships and should focus instead on maintain a state of good repair for the medium to long term.

School Boards Education, including education support services, should be funded so that Ontario can continue to have the best education system in the country. An education system that meets the needs of today's learners of all ages must include a safe and supportive learning environment, an environment which needs workers that specialize in the areas from early childhood education to children's mental health. Dedicated professional support workers are a critical component of learning environment that suits the needs of students of all ages and needs.

Social Services Public services require funding support including the immediate investment of $287 million in emergency funding for child care in year one and funding to stabilize the sector, a moratorium on licensing new for-profit childcare operations, the indexing of childcare transfer funds to municipalities, and a commitment to begin a process to develop a full, modern Early Childhood Education and Care policy framework, to be completed within the next two years.

Investments should be made to child welfare to ensure the full mandated and intent of currently legislation can be implemented.

Funding to Ontario Works and the Ontario Disability Support Program should be increased and indexed to cost of living increases so that these funds at least keep up with the costs faced by those on social assistance.

The government should shift its focus from individualized (known as “direct”) funding for developmental services towards building a cohesive network of community-based services and enhance the quality of supports for people who have a developmental disability and their families and increase funding to deal with the thousands currently on wait lists.

Ontario Northland Transit Commission The proposal to privatize Ontario Northland Transportation Commission should be reversed, rail access to Northern Ontario, and work with communities to ensure sustainable, full, safe, and timely access to northern communities through all seasons.

$500 million in Revenue Generation from Income Tax Increase The additional half a million in revenue generated by the 2% sur-tax on those earning over $500,000 should be directed to funding public services instead of being used to reduce the deficit.

Lost Revenue and Public Services

In 2009, corporate income taxes and the corporate capital tax rates were cut, reducing the government’s revenue by $2.7 billion. If these tax cuts were reversed, the additional government revenues would be enough to:

- reverse the government’s proposed cuts to hospitals;
- maintain needed (above inflation) funding increases to health care;
- implement the minimum 3.5 hour formula for LTC care;
- eliminate the wait list of 30,000 people waiting for long-term care beds; AND
- increase not for profit agency-backed home care support.

The government’s Business Education Tax (BET) cut and the fact that the BET is not tied to inflation reduces government revenues by $1 billion a year. This would be enough funding to:

- stop the funding cuts to school boards;
- stop the closing of schools; AND
- provide promised resources for the implementation of early-learning and care including full-day kindergarten.

While the government increased income tax on those earning over $500 thousand a year, polls suggest that the vast majority of people are supportive of a two per cent increase of income tax on those earning over $250,000 a year. This would generate an additional $800 million a year, enough revenue to do all of the following:

- save all the childcare spaces slated to be lost because of lack of funding ($200 million);
- provide inflationary increase to Ontario Works and Ontario Disability Support Program ($100 million);
- undo the Harris Conservative cuts to social assistance rates ($200 million);
- adequately fund municipally supported and delivered programs and services;
- end the crisis in children aid, mental health and community social services; AND
- fill the gap left by frozen funds and stabilize children's mental health services.

Currently there is a tax law that gives breaks for capital gains, removing about $1.5 billion from government revenues every year. This would be enough revenue to:

- stop the privatization of Ontario Northland Transit Commission;
- invest in the further development of northern rail infrastructure;
- ramp-up a government buildings focused green energy retrofit; AND
- create infrastructure jobs at the tune of approximately 7500 jobs for every $500 million invested.

The government is currently slack in its enforcement of tax law on the wealthy, allowing the most well off in our society to avoid their current tax obligations. This current lack of enforcement reduces government revenue an estimated $2 billion a year, enough to fund the

- reduction of tuition fees for post-secondary education;
- investment in green job and an environmentally sustainable economy;
- billions of dollars of deferred maintenance faced by our municipalities.

Further to this, the government has continued to pursue the failed policy of subsidizing expensive public-private partnerships and the privatization of public services. Disasters include eHealth; Ornge; Highway 407 ETR; private, for-profit long-term care homes; fee-for-service health care; and a slew of other initiatives that will be made easier if Schedule 28 in Bill 55 is not removed. Together these have redirected hundreds of millions of dollars away from providing quality public service, increasingly delivered by workers who struggle to make ends meet.

Canadian Union of Public Employees—Ontario

The Canadian Union of Public Employees (CUPE) Ontario is the largest union in the province with more than 230,000 members in virtually every community and every riding in Ontario. CUPE members provide services that help make Ontario a great place to live.

CUPE members are employed in five basic sectors of our economy: health care, including hospitals, long-term care and home care; municipalities; school boards in both the separate and public systems; social services; and post-secondary education.

CUPE members are your neighbours. They provide care at your hospital and long term care home. They deliver home care for your elderly parents. They collect your recyclables and garbage from the curb. They plough your streets and cut the grass in your parks and playgrounds. They produce and transmit your electricity, and when the storm hits in the middle of the night, they restore your power. CUPE members teach at your university and keep your schools safe and clean. They take care of your youngest children in the childcare centre and make life better for developmentally challenged adults. They protect at-risk children as well as those struggling with emotional and mental health concerns, support individuals, children and families in a wide spectrum of services that strengthen our communities.

Our members do this work every day, and as a collective experience it equips us to make a positive and informed contribution the budgeting process of the province.

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Chapter 1

Analysis and Sectoral Recommendations for the 2012 Budget

1.1 Introduction: 2012 Ontario Budget

The provincial budget presented by the Ontario Liberal minority government outlines an austerity program that places the burden of the projected budget deficit on the most vulnerable people in Ontario—those that use public services and the workers that provide them. This budget springs from a government that appears to have given-up on any attempt to build growth back into the economy and has resigned itself to the most pessimistic vision for the future of Ontario.

The budget increases average spending 0.9 to 1.0 per cent across all of the public services. This is well below the increasing costs due to population growth and inflation. As it currently stands, the budget would, over the next three years, cut wages and pensions by $6 billion and other components of public services by $12 billion. Taken in its entirety, the budget comes within one per cent of the Drummond Report recommendations—proposals that were so severe they would have taken $7 billion out of the economy and eliminated nearly 300,000 public and private sector jobs.[1] [2]

Referenced throughout the budget is a ratio of one to four of dollars gained from "increased revenue" to dollars saved through cuts. However, the revenue side includes the action of delaying the decrease Corporate Income Tax and Business Education Taxes. While the proposal to stop the reduction of corporate-income taxes is positive, it does not go far enough to shift the province toward a fairer tax system and not spending money on tax cuts can hardly be called revenue generation. Nearly half of the revenue generation side of this equation are simply stopping further of corporate tax cuts. The rest of the measures are user fees on individuals and corporations ($600 million) and alcohol and gambling ($700 million).

Canadian Centre for Policy Alternative's economist Hugh Mackenzie points out that the impact of this budget on the broader Ontario economy will be disastrous. Models of public sector cuts show that a $10 billion dollar reduction in expenditures will have a real impact of about 1.5 per cent reduction in GDP for the province. Mackenzie also notes that there is less money for job creation in this budget, compared to previous budgets, at a time when unemployment stands at 7.4 per cent.[3]

A recent report by The Centre for Spatial Economics, an economics research institute, shows that the negative impact of cuts to public services is larger than equivalent increases in taxes in Ontario. It states that the total job cuts resulting from the budget will be 105,000 by 2015 (65,000

[1]Erin Weir, USW Economist, United Steel Workers' Response to 2012 Budget
[2]2012 Ontario Pre-Budget Submission, Canadian Union of Public Employees
[3]Completing the job started by Mike Harris, Hugh Mackenzie, www.behindthenumbers.ca

public sector and 40,000 private sector) with a total drag on growth of 0.6-0.7 per cent, removing $20 billion from the Ontario Economy, and reducing tax revenues by about $2 billion.[4]

These estimated negative effects on the economy and job numbers are in line with other expert analyses from the international community including a broad analysis of austerity budgets and their consequences on the jobs market from the United Nation's International Labour Organization (ILO). The most recent ILO World of Work Report 2012[5] shows that austerity budgets lead to structural deficits in the job markets—meaning that new jobs are not created to replace the job losses resulting from public sector cuts. This is having a large negative effect on advanced industrialized economies like Ontario.

The cuts to services outlined in the budget will negatively affect all the people of Ontario. Women, especially racialized women, will take on a disproportionate amount of the burden to make-up for social service cuts through providing care in the home. In addition, it is women who, as a majority of the workforce in the public services slated for cuts, will lose their jobs.

CUPE Ontario recommends a very different approach to balancing the budget through revenue generation, strategic investments for job creation, and increased support for public services. Together, these recommendations would help balance the budget, help get Ontario building for the future, and provide the quality public services the people of Ontario need and deserve. CUPE's recommendations would bring an additional $8 billion into Ontario's budget through revenue generation measures; outlines a more reasonable economic forecast for the provinces deficit than the one presented in the budget; recommends a strategy for the creation of thousands of jobs through strategic investments in rail, green infrastructure and other infrastructure, and buy-local government procurement policies; fair taxation; and investment in quality public services. In addition, some of the proposed changes outlined in Bill 55, the 2012 budget measures act, will harm Ontarians, particularly those most in need in the province, exacerbating the growing gap between the wealthy and the vast majority of Ontarians. CUPE's recommendations and analysis explains how the projected budget deficit could be dealt with, setting the foundation for economic growth, and have resources left for increased investment in quality public services.

1.2 Health Care and Hospitals

A zero per cent increase in hospital base funding (and a two per cent increase overall hospital funding) will require $735 million in hospital cuts for the coming year. The current budgeted funding increase for health care (2.3 per cent this year and a 2.1 per cent average annual increase over three years) is significantly less when an aging demographic, inflation, population growth and other cost pressures faced by health care in Ontario are factored in. These pressures were estimated by the Auditor General at six per cent to seven per cent in his review of Liberal pre-election funding promises. As outlined by many hospital administrators, this is a much larger cut to budgets than was anticipated and much less than the 4.7 per cent increase received in 2011.

Notably, this proposal is also dramatically less than the 3.6 per cent health care funding increase the Liberal Government promised shortly before the election. Indeed, when the Auditor General

[4]Budget 2012 and the Public Sector's Contribution To Ontario's Economy, Center for Spatial Economics
[5]World of Work 2012, International Labour Organization, April 28, 2012

reviewed the pre-election promise of a 3.6 per cent funding increase, he indicated that $1 billion in savings would have to be found just to balance the hospital books over the next two years.

The Liberal government's post-election funding proposal will make that problem much worse. Clearly, funding for health care should have been increased rather than slashed so sharply just after the election. To put this in perspective, the current budget is worse than the Mike Harris' Progressive Conservative budget in terms of funding. At that time, health care funding increased an average of 4.1 per cent per year and inflation was less than it is now. In Harris' second term, health care funding increases were even higher.

This budget cut will result in even more cuts in the number of hospital beds and the closing of some facilities and services hospitals provide. In many rural and northern communities, where the majority of beds are non-acute (i.e., alternate level of care, rehabilitation, respite, palliative, restorative) this will mean huge staff and service reductions. These cuts will be coupled with a push to privatize clinical services out of hospitals and the introduction of a fee-for-service funding system.

The budget proposes to end the expectation that community hospitals will meet community needs. Services will be consolidated and closed, particularly outpatient clinics. Diagnostic tests and surgeries will be moved into privately operated "independent health facilities". The impact on communities would be stark—especially in rural and northern communities where access to services would require long trips to a centre that provides the service. Increased costs to everyday Ontarians who seek health services would put an additional strain on already stressed economies. The prescribed downloading of non-acute and day procedures to the community clinics is proposed with no additional resources from the government to create the space in the community to provide the care. This will put added stress on a system that is not able to deal with the current funding shortfall.

What communities and the economy need is a government that invests in community health services, not cuts from them. The goal of health care should be to provide the best care for patients. Schemes like those outlined in the Drummond Commission's report, and now the budget, remove local control over health spending and upload that control to unaccountable Local Health Integration Networks (LHINs). Investing in public-private partnerships or moving to a private delivery of care will not improve patient care and will cost Ontarians more in terms of money.

Recommendations

The government needs to reinvest in public hospitals and long term care with health care funding increases more (not less) than the 3.6 per cent promised before the election, increase the number of hospital beds, reduce the sky high rate of hospital bed occupancy, stop the waste of money on hospital public private partnerships, integrate surgical and diagnostic clinics into the hospital system, reduce the spread of hospital acquired infections by increasing resources for hospital cleaning, and improve the quality of hospital food by replacing frozen meals manufactured in distant food factories by local, fresh food prepared in community hospital kitchens.

Health care is best provided by skilled workers who work in a system they can be proud of that puts care first. The government must invest in acute and non-acute care beds in hospitals where patients can receive the level of care they actually need and access to the diverse facilities that only hospitals can provide.

1.3 Long-Term Care and Home Care

The budget outlines a 2.8 per cent increase (below the three per cent seen in 2011) funding for long-term care in 2012. This level is insufficient to meet the increased care needs of current residents, let alone reduce the tens of thousands on wait lists for long-term care beds or solve labour shortages. A new funding model based on price and volume of services—originally only proposed for hospitals—will be extended to long-term care and CCACs. This new funding model will do nothing to improve hands-on care levels for residents. At the same time, responsibility to care for vulnerable people with heavier care needs is moved into both long-term care homes and to outpatient settings in the community without providing adequate resources.

The massive shortfall in hospital funding, taken together with changes proposed for long-term care and home care, will produce a domino effect that will further undermine access to a long-term care bed. The theme of this budget, like that of the Drummond Commission, is to move recipients of care to less expensive forms of care. However, the forms of care are less expensive mostly because the hours of care each patient receives are significantly less than what the patient would receive in a public long-term care facility. A recent study of home care states that the average home care patient receives two hours of care, much lower than the three hours of care received in long-term care facilities, and is dangerously low compared to the 3.5 hours of care per day required for acceptable care. Also, it takes additional hours of care for home care to reach an equivalent quality of care in long-term care facilities. In addition to patient care, home care hours include domestic chores support such as doing laundry and cleaning.

The four per cent increase to home care will not cover the over 1$ billion hole left in hospital budgets and the resulting downloading of care to the community. The impact on communities would result in more people having to seek care from families in their homes. This will put increased burden on women, who most often take on the role of care-giver in the home. Overall, the budget will drive down the quality and adequacy of care for people in their old age.

Currently there are about 12,000 non-acute care beds in Ontario hospitals. The majority of which are used to provide care for many chronically ill and vulnerable people who are among the 30,000 Ontarians waiting for a long-term care bed. The combined effect of no increase in the number of long-term care beds, non-acute care beds being cut from hospitals, and 10,000 people waiting for home care in the community, creates a real gap in care resources. Where are people going to get the care they need?

The budget also introduces a Healthy Homes Renovation Tax Credit designed to help seniors stay in their homes. The tax credit is supposed to support specific renovations for seniors for mobility and accessibility, this is hardly a health care expense as it does not replace the need for trained care professionals.

The "Addendum Paper" indicates that there were $70 million in unspent monies for long term care last year and that the government was counting on this savings in each of the current and next two fiscal years.[6] However, for this to be true there would have had to be vacancies of over half a million (534,418) resident days in fiscal year 2011-2012. Given the waiting list for admission is over 30,000[7] it is irresponsible that these beds would be vacant when there is money available.

Overall, providing public long-term care by professional staff is what the elderly, who have contributed to the growth and prosperity of Ontario, deserve. The government should not present the budget as a choice between dignity in old age and a balanced budget. Competitive bidding models in home care as outlined in the Drummond Report, a model that continues to fail Ontarians, should be rejected. Competitive bidding undermines the profession, reduces quality of care for patients, and undermines access to the service. A December 2010 Ontario Auditor General report indicated that problems of home care are persisting despite successive governments trying to tweak the competitive bidding model. The competitive bidding model should not be extended to other areas of the health sector and the government should give a clear commitment not to reinstate that system in home care.

Recommendations

The primary recommendation for changes to the budget include the enactment of a minimum formula for hours of care in long term care homes and in home care based upon acuity. The sector has agreed upon an minimum for acceptable care of 3.5 hours a day, based on the needs of the patient. Back in 2001, the 3.06 hour standard was first requested by both provincial associations of operators of long-term care homes. However, since then the care needs of residents have substantially increased. In addition to a minimum standard of care, it is recommended that a public reporting system of care hours and care needs by home and by sub-sector be implemented.

For profit providers of long-term care continue to unnecessarily extract much needed resources from the long-term care sector. Ending exemption of "for profits" from Public Sector Salary Disclosure Act would be a first step to mitigate this problem. This will create greater transparency and possibly greater accountability of for profit managers and may free up funding for more hours of direct care.

The budget outlines $70 million in 2011 that went unspent for long-term care and stated that this money was going to put into a different fund. Instead of being re-directed, this money should be spent on increasing front-line care through a regulated minimum formula for hours of care.

The government should continue to invest in public long-term care facilities to make space for an aging population. The goal should be to provide the quality of care that provides dignity in old age. Funding should be going to public, non-profit care that gets the best value for dollar which puts the patient at the centre funding decisions, not profit.

[6]Budget 2012 Addendum Paper, Page 38
[7]Ontario Health Coalition statistical sheet

1.4 Post-Secondary Education

The budget plans to cap growth in the post-secondary education sector at 1.8 per cent. Taken with other cuts outlined in the budget, this would result in a $160 million reduction in funding to post-secondary education. The budget states that the indexation of the *30% "Tuition Fee" Grant* to tuition-fee increases will be paid for through reductions in cost for "non-core programs" at universities. The reductions for non-core programs will increase the up-front costs for students through increases in ancillary fee increases and cuts in support services at universities and colleges.

The budget moves to amalgamate the administration of the 25 pension plans across much of the sector, while keeping specific pension programs unique. However, there is no mention of how this will be carried out or a review/consultation process including current plan coordinators or contributors.

The budget will result in higher tuition-fees, a cap on student loans and elimination of existing scholarships and assistance programs. It eliminates $100 million in existing scholarships and assistance programs: Textbook and Technology Grant, Queen Elizabeth II Aiming for the Top Scholarship, Ontario Trust for Student Support, Ontario Special Bursary Program, Ontario Work Study Program, Fellowship for Studying in French, Aird Scholarship, Sir John A. MacDonald Scholarship, and the Ontario-Quebec Exchange Scholarship.

At a time when some level of post-secondary education is required for seventy per cent of new jobs posted today, it should be impossible to contemplate a reduction in real spending on universities and colleges in Ontario. The plan contained in the budget fails to identify inefficiencies in university operating budgets. Investments in post-secondary education have a return on investment to the government of about $1.20 for each dollar spent, as stated by the Organisation for Economic Cooperation and Development. This return on investment in post-secondary education means that the Ontario government should consider large investments to make access and quality of education at these institutions a priority.

Recommendations

Privatization and corporatization of Ontario's university campuses continue to undermine the quality of education and are driven by the underfunding of the institutions. Keeping our campuses safe and the education experiences positive means adequate levels of funding for support staff and teaching assistants to make sure that the future generation of Ontarians have the skills necessary to succeed in the economy.

The pooling of investment management functions of more than 25 university pension plans must include cooperation with the plan administrators and contributors. A cooperative approach needs to be developed.

1.5 Municipal

While it is positive that the government plans to maintain uploading of social assistance and court security costs from municipalities to the province as set by the schedule agreed to in 2008, the budget includes freezes and cuts to infrastructure funding and grants for municipalities. These will have a negative impact on the already huge funding gap for deferred maintenance of municipal infrastructure projects, investments which could have the greatest positive impact on economic growth of all government spending.

The public is already experiencing the results of cuts to municipal programs. Further downloading of programs like Ontario Disability Support Program employment services will mean more services provided at the municipal level without increased funding support. The overall effect on communities will be front-line service reductions and more pressure on municipal governments to increase user fees. Currently, user fees make up 21 per cent (at $8.2 billion) in operating funds for municipalities. Cuts to services or increases in user fees have the greatest impact those most in need.

Recommendations

The provincial government should continue the planned upload of funding responsibilities from the municipal to the provincial government level as negotiated, but should also increase funding for municipal services and programs. Funding and policies of the provincial government should also be focused on sustaining public management and control over electricity, transit, water purification and distribution and wastewater management. Investments to repair and maintain existing infrastructure should not require the move to costly public-private partnerships and should focus instead on maintaining a state of good repair for the medium to long term.

1.6 School Boards

The 2012 Ontario budget will have a severe impact on the public school system and the employees who make that system one of best in the world. Though big-ticket and high profile initiatives like class size caps and full-day kindergarten (FDK) would be protected, a slate of smaller cuts chips away at the integrity of the system. A series of measures throughout the budget including compensation freezes, benefit cuts and pension changes ensures that the people who make our school system world class will receive less in the future for their efforts, thus making it harder for school boards to recruit and retain the staff that a top notch education system requires.

Overall the budget proposes a 1.5 per cent increase for education in 2012-13, however, this is less than the expected rate of inflation for the next year—perhaps by half—and so the projected increase is actually a cut in real funding. This has already resulted in cuts at the school board level including over 450 “regular program” EAs slated to be cut along with more than 200 school office staff. The Halton Catholic school board has announced it would be laying off support staff as part of its $4 million in cuts because of funding shortfalls but has not provided numbers yet. Many boards will wait until the end of June to announce layoffs and program cuts.

The implementation of the full-day kindergarten program, because of a lack of dedicated funding, will consume nearly all of the expected funding increases in the next three years ($1.2 billion increase in funding by 2014-15). The budget essentially requires cuts and freezes from the education system for years to come.

The budget includes a listing of items that the government tabled at the Provincial Discussion Table (PDT). This is unprecedented and a move by the government to bargain in public and negatively interferes with the bargaining process. Bargaining should be left to the bargaining table.

The parameters outlined in the budget and at the PDT do not help school boards address their most pressing needs, such as services to vulnerable students, and asks for further sacrifices from employees, some of whom already struggle with low income. The cuts outlined for the school sector will have a negative effect on student achievement. These include a 15 per cent cut to the Curriculum and Teaching Specialists line which will lead to 300 teacher full-time equivalent positions cut; the Program Enhancement Grant, which "provides school boards with flexible funding to enrich existing programs or offer new programs", will be eliminated; cuts to classroom computers and staff professional development that were announced in previous budgets will be made permanent; and the school bus procurement plan, which Ontario operators claim is devastating their industry, will also be revived.

Further, the government mistakenly believes administrative savings can be found through the amalgamation of school boards "in areas of the province with low population growth and declining enrolment" such as northern and rural communities. These amalgamations, along with school closures, will make boards less responsive to local needs and a move away from community-based and community-accessible schools.

The budget claims that "the way school board funding works makes it easier for some boards in urban areas to keep small and underused schools open than to deliver services more efficiently". However, this ignores the reality that school boards always struggle to provide schools to the communities they serve. There is nothing easy about the sacrifices boards make to keep schools open. The budget outlines a plan for savings that will essentially result in school closures, saving $43.7 million in 2013-14 and $72.5 million the following year. Current estimates state the reduced funding directed at underutilized schools could result in significant number of schools being closed.[8]

A change announced in the post-budget Grants per Student Needs (GSNs) in how the supplementary area factor is calculated (a change to school-by-school rather than board wide) will result in a reduction of the school facilities operations grant of $32 million over 3 years. Although the non-salary portion of the school operations grant will be increased by $27M to recognize utility cost increases, overall the grant increase amounts to not even $5 million (or 0.2 per cent), by far the lowest annual increase this grant has received.

Our members are front-line workers, working directly with children who come to school with colds and viruses. The proposal to reduce current sick leave plans will leave worker in the school system, the majority of who are women, vulnerable in the event of a prolonged illness and impact the overall health of student sour schools.

[8]Reports indicated that 16.2 per cent of schools in the province are "under used", but goes as high as 24 per cent in Toronto. http://m.ottawasun.com/2012/03/30/provincial-budget-puts-49-ottawa-schools-in-jeopardy

Recommendations

The government should invest in education, including education support services so that Ontario can continue to have the best education system in the country. An education system that meets the needs of today's learners of all ages must include a safe and supportive work environment, an environment which needs workers that specialize in the areas of mental health and early childhood education. Dedicated professional support workers are a critical component of learning environments that suits the needs of students of all ages and needs.

Investment, not cuts, in education is the best way a government can ensure sustainable social and economic prosperity for the future. International studies indicate that a dollar spent on education returns much more than a dollar to the government in the medium and long term in savings through increased health and economic participation of current and future generations.[9] Providing services to students in school is essential to a learning environment for a healthy and engaged population.

1.7 Social Services

Instead of providing desperately needed funding for social programs and services the majority of Ontario families rely on, this budget only offers up transformation, integration and amalgamation to a system that would remain under-resourced. It opens the door to further privatization, individualized funding arrangements and eventual cuts for desperately needed services and supports.

1.7.1 Social Assistance, Employment Services and Ontario Child Benefit

The one per cent increase to social assistance rates, while a positive change over the zero initially offered in the unrevised budget, continues to ignore the fact that social assistance recipients have already lost over $200 million to inflation over the past two years. People on Ontario Works will continue to live on incomes that are 60 per cent lower than they were in 1995.

In addition, the budget announces the transformation of social assistance programs including providing fewer benefits within Ontario Disability Support Program (ODSP) and Ontario Works (OW). One example is the Community Start-up benefit which provided help to set up housing will be discontinued. Cutting this benefit has broad implications of no longer providing funds to establish safe and stable housing with the most basic necessities.

The Ontario Budget speaks to the integration of ODSP and OW employment services with Employment Ontario. This will have a significant impact on community-based agencies delivering employment services such as developmental services, municipalities and District Social Services Administration Boards.

[9] Education at a Glance 2010, OECD Indicators,
http://www.oecd.org/document/52/0,3343,en_2649_39263238_45897844_1_1_1_1,00.html

The slowing of the planned increases in the Ontario Child Benefit will see more children and their families falling deeper into poverty. The focus on containing spending growth to 1 per cent of GDP indicates that the Liberal Government has abandoned its commitment to reduce child poverty.

1.7.2 Children's Aid Societies (CAS)

The budget fails to address the financial crisis that persists in children's aid societies. It continues to focus on containing costs and transforming service delivery through agency amalgamation, administrative efficiencies, a forced narrowing of the scope of services and new funding models instead of providing adequate resources.

Even under current limited funding conditions, agencies are struggling to provide the continuum of services from prevention to crisis support for vulnerable youth, children and families that are needed, mandated and consistent with the intent of current legislation. With the current funding formula, agencies are being forced to make cuts in programs and services that are vital for supporting families, for example: family supports, prevention and early intervention, residential programs, foster care support and counseling. When growing numbers of families are facing an uncertain job market and increasing pressures, fewer services will be available to them when they need them.

This budget again fails to adequately address persistent under-funding of direct services and supports to children at risk. It does not take into account increasing pressures on families and the consequent need for services. Nor does it consider the high levels of stress and burn-out among front-line social service workers trying to meet the needs of those they provide services for with fewer and fewer resources.

1.7.3 Developmental Services (DS)

This budget continues to focus on transformation and integration of supports and services through the Special Services at Home and the Passport Program. Expanding individualized or direct funding results in families reapplying from year to year for the funds to purchase services. Allotments are not enough to purchase the services they need and are forced to negotiate for services for family members with no accountability to how the funding is spent and with no quality assurance.

Though the government is moving to direct funding as a way to contain and restrict costs, individuals and families need access to services and programs they can count on and that are stable and consistent through existing Community Living Agencies and highly skilled and experienced staff within those agencies. Moving to a market based individualized funding model will undermines the accessibility, stability and quality of programs and support.

1.7.4 Child Care

Public and non-profit child care for children 0 to 12 years old did not initially even garner mention in this budget. Instead it maintained the commitment to roll-out Full-Day Kindergarten by 2014, without taking steps to avert the growing crisis in public and community-based child care sector.

Decades of provincial funding shortfalls is forcing the closure of non-profit child care centres and more municipalities considering the closure of directly operated municipal child care centres. Without increased provincial funding, parent fees will skyrocket between 10 to 30 per cent making access to high quality public and non-profit child care unaffordable for growing numbers of families.

Over three-hundred centres are at immediate risk of closure across the province impacting thousands of families and children. Investments in child care also have the highest multiplier in terms of the number of jobs created per million dollars invested (See Figure 3.6). While the $90 million outlined in the revised budget will save some centres, it will only cover about a third of the calculated need in emergency funding to keep centres open.

The crisis in the public and non-profit child care sector is being compounded by a child care workforce shortage and the rapid expansion of for-profit corporate childcare. Most alarming is the advent of new well-financed corporations taking advantage of the childcare policy void for rapid expansion by acquiring struggling small operators. Today for-profit chains of five, ten, or even more centres have become commonplace in Ontario. Canada's first childcare corporation traded on the Toronto Stock Exchange (TSX) had concentrated on buying local chains in several provinces, including Ontario. With funds from mainstream banks and large investors including real estate interests, it has grown to a chain of forty-four centres in less than a year and a half.

While the amended budget's investment of $242 million over three years is welcome, it does not fully address the immediate need and leaves many programs at risk. The result of current funding levels is an undermining of the vision for childcare developed from within the sector and the community and will result in the continued privatization to for-profit centres.

1.7.5 Children's Mental Health

Again there is no commitment in this budget to address service gaps for children's mental health services. Over the past 16 years agency funding continues to fall behind the rate of inflation resulting in growing waiting list to access desperately needed programs. This has meant that while demand grows, services shrink. Lack of funding has forced staff lay-offs and cuts to vital services for vulnerable children and their families. Without additional funding in this budget these agencies can continue to expect problems with recruitment and retention of skilled and knowledgeable workforce as many leave for jobs in the better paying hospital and education sectors. Children, youth, and their families are also not benefiting from early intervention treatment strategies upon diagnosis.

1.7.6 Not-for-Profit Community Social Services

Keeping spending at one per cent of GDP will be particularly damaging to the community agency sector. This sector has been struggling for decades with chronic underfunding and a subsequent loss of capacity to deliver quality public services to meet growing demands due to years of flat lined budgets. This budget ignores the fact that community agencies are experiencing a dramatic decrease in revenue sources: from governments, private and corporate donations and fundraising activities.

The 2012 budget continues to undervalue and under-appreciate key social service providers; the not-for-profit community services sector. Together the community-based sector is one of the largest employers in this province, yet the majority of those working here earn slightly above minimum wage and often with little or no access to health benefits or pension coverage.

The increasing pressure on the community agencies to deliver services without the resources to respond to these growth pressures is compounded by the growing demands due to unemployment and poverty. Individuals and families go without the supports while the government balances the budget on the back of the most vulnerable. Sadly the decisions to download are being driven by government desire to do it cheaper and are not about ensuring accessibility to quality programs and supports through adequate funding.

The people of Ontario need functional and adequately funded, publicly administered social services. Even with current levels of funding, most social services have long wait lists and long wait times for people, many of which have nowhere else to go. The government should not try to balance budgets on the backs of the most vulnerable in our society.

Recommendations

CUPE Ontario recommends that the provincial government invest in public services including immediate commitment of an additional $200 million (over that of the $90 million announced in the revised budget) in emergency funding for child care in the first year and a level of funding to stabilize the sector. CUPE further recommends a moratorium on licensing new for-profit childcare operations, the indexing of childcare transfer funds to municipalities, and a commitment to begin a process to develop a full, modern Early Childhood Education and Care policy framework, to be completed within the next two years. These investments would be a first step toward having an accessible child care program that meets the growing needs in the province.

Investments should be made to child welfare to ensure the full mandated and intent of currently legislation can be implemented.

Funding needs to be provided to address long identified issues of recruitment and retention in the not for profit community social services to solve the growing wait lists and gaps in service delivery.

Funding to Ontario Works and the Ontario Disability Support Program should be increased and indexed to cost of living increases so that these funds at least keep up with the costs faced by those on social assistance.

The government should shift its focus from individualized (known as "direct") funding for developmental services towards building a cohesive network of community-based services and enhance the quality of supports for people who have a developmental disability and their families and increase funding to deal with the thousands currently on wait lists.

1.8 Arbitration

While not perfect, Ontario's interest arbitration model is respected by arbitrators, employers and unions as a working and impartial system. Changes now being proposed under Bill 55, Strong Action for Ontario Act (Budget Measures), 2012 threaten to undermine that perception of neutrality.

Among other things, the Bill would impose a 12 month deadline for the completion of every interest arbitration case—from the moment a no board report is issued. If an award is not issued within 12 months, the case before the arbitrator (or arbitration panel) that was jointly selected by the parties is terminated, no matter what stage of the proceedings the matter is at, and turned over the Ontario Labour Relations Board (OLRB).

The ordinary process of interest arbitration from start to finish can sometimes, for perfectly legitimate and proper reasons, take longer than one year. There are many reasons for this, none of which involve any advantage to either side to delay the process. Moreover, in the unlikely event that one side does purposefully delay the process, there are provisions in the existing legislation enabling the Minister to "issue whatever order he or she considers necessary in the circumstances to ensure that a decision will be rendered within a reasonable time." [10]

No explanation has been offered as to why this flexible remedial authority should be replaced with the rigid and unworkable proposed changes contained in Bill 55.

If implemented, Bill 55's proposed amendments will result in the parties carrying out less bargaining, reaching fewer agreements on their own, and more imposed agreements by arbitration boards or ultimately by the Labour Relations Board. However, the Board has little expertise or experience in interest arbitration, and does not possess the institutional capacity to make these decisions.

The role envisioned for the Board is premised on expedited adjudication, without nominees of the parties. This detracts from the goal of encouraging negotiated solutions, which necessitates an expert interest arbitration process, with both the power and experience to mediate and resolve interest disputes. It is also proposed in the Bill that determinations made by the Labour Relations Board can be made by the Board without even holding a hearing. This is hardly an adequate or appropriate substitute dispute-resolution process for denial of the right to strike.

The proposed Bill would also require arbitrators not only to give reasons in respect of the existing statutory criteria that an arbitrator is already required to consider, but would also require that those reasons demonstrate that the arbitrator has given "proper" consideration to the criteria, thereby opening up the interest arbitration process to endless litigation in the courts. This also has the potential of substituting the courts for interest arbitrators as decision-makers.

[10] s. 6(15) of Hospital Labour Disputes Arbitration Act

Arbitrators are already required to take a number of factors into consideration including the employer's ability to pay, the impact on service delivery, a comparison with settlements in comparable workplaces, the economic climate, and the ability to attract and retain qualified employees.

In short, Bill 55's changes to interest arbitration are unnecessary and will disrupt the delicate balance in the arbitration process.

1.8.1 No Empirical Basis For Proposed Changes to Interest Arbitration

In recent years, and especially in the lead up to the 2012 Drummond report, there has a been a small but growing minority of critics charging that the system is broken, and that it unfairly rewards workers with higher wage settlements.

However, the Ministry of Labour's statistics on the results of arbitrated agreements compared to freely negotiated agreements demonstrates just how wrong this claim actually is.

Using data supplied in 2012 by the Ontario Minister of Labour's staff, a comparison of public sector wage settlements over ten years between interest arbitration and free collective bargaining shows no significant difference (Figure 1.1).

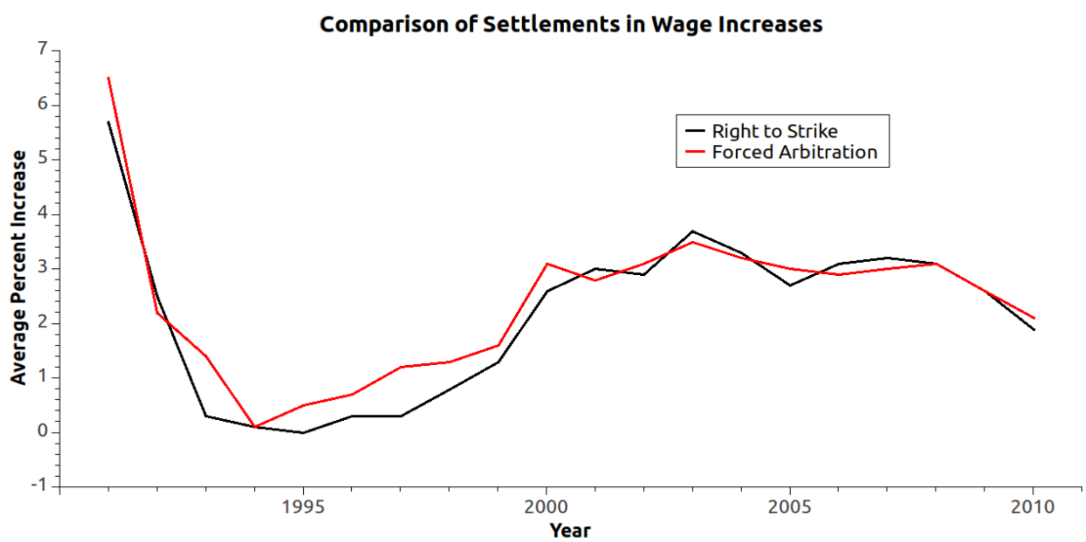


Figure 1.1: A comparison of average annual wage increase in collective agreement settlements between freely negotiated contracts and those contracts that result from interest arbitration over the previous decade. There is no significant difference between the average wage increase reached between freely negotiated settlements and interest arbitration in the public sector.

If the Ontario government believes in a well functioning, peaceful system of resolving bargaining disputes in sectors identified as essential, they must act immediately to prevent a labour relations disaster by deleting the proposed amendments to the interest arbitration process, as set out in Schedules 1, 22, 30, 52, 56 and 68 from Bill 55.

1.9 Equality

The downloading of services and the push to fund only "high priority" services will negatively impact the quality of life of people from equality seeking and marginalized communities the most.

Those who provide front-line care for people in hospitals, social services (including child care and development services), those who provide physical care for those who cannot do so for themselves (in long-term care facilities and in people's homes) are women, many whom are racialized women and recent immigrants. There is a 4.5 per cent wage gain for women in the public sector over their counterparts in the private sector.[11] However, even with public system wage benefit, women continue to take home $0.70 for every dollar earned by men and racialized women early only $0.60 compared to non-racialized men.[12] Further, women comprise 60 per cent of the public sector workforce compared to just 47 per cent of the private sector. It will be these women that will bear the brunt of the deregulation and the shift to a model of individualized funding.

The public sector pay scales help close the income gap between those at the low and high end of the pay scale. Essentially, those at the lower end of the public sector pay scale are kept just out of the poverty wage levels that the same type of workers experience in the private sector. One example are cooks who earn $26,216 in the public sector, a full 24 per cent more than their private sector counterparts.13 Privatization will exacerbate income inequality driving many into a poverty wage.

The move to a private model of care or providing resources directly to individuals or families will result in the deregulation of services through creating smaller workplaces or no workplace at all with workers being hired as independent contractors. It follows that the front-line service providers (women, many racialized women) will first be faced with lower compensation (including wages, loss of benefits, loss of pay equity rights, and loss of pension) through either the casualization of the work, being forced to work for less, or loss of employment completely.

Currently, 21 per cent of women and 16 per cent of men provide unwaged home care for seniors with a full nine per cent of women giving more than five hours a week, compared to 5.7 per cent for men.[14] With reduced or no services that families rely on every day, it will be women again who will be disproportionately squeezed to try and find the resources to ensure their family members have the care they need.

The 2012 Budget sets the wrong direction for Ontario. Our communities and economy need a budget commitment for equality to make sure that the broader public sector workforce reflects the community to which it is servicing. There needs to be government investment in infrastructure to rural Ontario and aboriginal communities for youth, the fastest growing segment of our population, to be able to engage and build their local economies. Investments in child care

[11]Battle of the Wages, Toby Sanger, CUPE, December, 2011
[12]Racial Justice Report Card For Ontario, Colour of Poverty, September, 2011
[13]Ontario Budget 2012–Austerity Is Bad For Our Health, Wellesley Institute, March 2012
[14]Statistics Canada, 2006 Census

and developmental services are needed so that the number of unwaged work in the home is reduced. A commitment to equality cannot include cuts to services and the implementation of contract-for-service policies like “social impact bonds” and “individualized funding” models which will undermine fairness in workplace hiring.

Chapter 2

Policies to Support Economic Development

CUPE Ontario has the following recommendations for areas of investment for Ontario’s 2012 budget.

2.1 Procurement Policies

Decisions made by the provincial governments on whether to purchase goods for public infrastructure projects from inside or outside of Ontario have a direct effect on jobs and the economy in the province that go far beyond the ticket price. One recent decision to refurbish 21 GO Transit rail cars outside of Ontario, instead of using Ontario Northland in North Bay which had a ticket-price of two million dollars higher, resulted in the loss of 109 good jobs, directed $122 million of investment away from Ontario. Making the decision based solely on the ticket price meant a total negative impact on Ontario’s economy. If the investment was kept in the province, when including the additional multiplier effects, the positive impacts were estimated at $258 million. Essentially, making a decision based on a $2 million larger ticket prices cost the government $7.5 million coming back to the province in taxes.[15]

To prevent this from happening again, Ontario should adopt buy-local policies for procurement for infrastructure development and maintenance, and adopt an “Ontario First” policy for sourcing of government supplies. This will ensure that public funds are being used to support the very communities and businesses that are footing the bill for those goods.

In addition, trade agreements that seek to undermine democratic control over procurement and how Ontarians choose to fund and manage their public services should be opposed. Currently, trade negotiations between Canada and the European Union under the Comprehensive Economic and Trade Agreement (CETA) will undermine the ability of Ontarians to set stringent environmental regulations for procurement or implement “buy local” policies. Agreements like CETA continue to undermine the ability for Ontarians to keep services such as water distribution, wastewater management, transit, and social services publicly owned; bring public-private partnership back under public administration when they fail; and will undermine our economy over the long-term[16].

2.2 Greening Government Infrastructure

[15]http://www.caw.ca/en/10433.htm
[16]CETA Fact Sheets, Trade Justice Network, http://tradejustice.ca/en/section/2

Ontario public infrastructure is in dire need of upgrading and maintenance. The modernizing of public infrastructure, especially investments in greening of government buildings will produce jobs now and long term cost savings for the province in the future. Apart from being needed to keep public infrastructure functional, investment of this kind is the biggest generator of economic growth of any form of government investment (Figure 3.6).

The Federation of Canadian Municipalities report on green infrastructure[17] shows that investments in green infrastructure have large multipliers for the economy and job creation and cost-savings for governments. When combined with buy local procurement policies, the positive effect on the economy would be on the scale of those lost to the GO Transit car refurbishment example. Buying from Ontario businesses means job creation here in the province as our businesses already produce green infrastructure products. At a time when the private sector is not investing in job creation and when our public infrastructure is in dire need of repair, it is an obvious policy measure.

2.3 Development of Northern Rail Infrastructure

The economic development of Northern Ontario is dependent, to a large degree, on the transport of commodities and people from community to community to aid value added processes like refinement of ore and the production of wood products. Unfortunately, current rail infrastructure is primarily focused on the direct export of unrefined products out of the province, bypassing opportunities for local refinement. This lack of investment is especially damaging for northern and First Nations communities as they seek to diversify their economies and attract investment for value-added production for “Ring of Fire” and forestry-based resources.

The budget outlines a plan for the privatization of the Ontario Northland Transportation Commission (ONTC) and the canceling of train services between Toronto and Cochrane, replacing this with bus service. The result will be reduced services for the ONTC’s 320,000 ridership to northern communities and the loss of nearly one thousand jobs. Ridership on the train from Toronto increased ten per cent from 2009 to 2010 and grew over another ten percent from 2010 to 2011. The subsidy for operations works out to approximately $24 million a year[18].

Given the economic importance of Northern Ontario, the hazardous driving conditions in the winter months in Ontario the government’s plan to privatize and reduce this service does not make good policy.

The continued economic development of Northern Ontario is essential to the economic future of the province and short-term fiscal decisions should not be made that undermine that future. The decision to privatize Ontario Northland should be reversed. The government should ensure full, safe and timely access to northern communities is maintained through infrastructure—like rail—that provides the capacity for northern communities to grow and prosper.

[17]Building Canada’s Green Economy:The Municipal Role, http://www.sustainableprosperity.ca/dl732
[18]General Chairpersons’ Association, The 23 cent solution

2.4 Municipal Infrastructure

According to the Federation of Canadian Municipalities, there are hundreds of millions of dollars of infrastructure that is in need of upgrading in Ontario[19]. If this deferred maintenance is not addressed, the long-term liability costs will continue to rise. Municipalities need funding to repair buildings and aging infrastructure. The multipliers outlined in Figure 3.6 show that investment in infrastructure will not just save money and make communities safer and better, but will create jobs generate economic growth for the region.

In addition, municipalities need support for transit, social housing and water services as they expand to meet the growing demands of urban population growth and modern transit needs. The province should continue on-track with the uploading of costs of social services, while maintaining local control in setting priorities for the provision of services.

2.5 Broadband Infrastructure

For over half a decade, successive governments of Ontario have identified the need to expand access to broadband infrastructure in Northern Ontario and First Nations communities.[20] However, rural, First Nations and Northern Ontario communities still lag behind when it comes to accessible forms of Internet communications infrastructure. Broadband Internet services are a necessity for communities and businesses to engage in the modern economy. Investment in this kind of infrastructure will bring about hundreds of jobs and new economic opportunities for rural communities and help Ontarians stay connected with each other and the world.[21]

2.6 Democratic Oversight and Public Services: Stop P3s, Outsourcing and Privatization

Proposed legislative changes in Bill 55, specifically Schedule 28, reduce oversight and regulation of privatization initiatives in the public sector and amount to an abdication of responsibility by the government to ensure services to the people of Ontario.

Public-Private Partnerships continue to unnecessarily increase long-term costs for the people of Ontario. The promise of private sector efficiency for the delivery of public services has not been borne-out. Recent high-profile failures of these schemes that have resulted in cost over-runs, poorly managed facilities, loss of democratic control, and the undermining of wages and benefits of workers continue to plague this private model of delivery.

The people of Ontario have lost hundreds of millions of dollars as a result of failed privatization and public-private partnerships schemes over the previous decade. Some recent examples of P3 failures include:

[19] Danger Ahead, Federation of Canadian Municipalities, www.fcm.ca
[20] Understanding the Benefits of Broadband: Insights for a Broadband Enabled Ontario, Government of Ontario, http://www.digitalontario.mgs.gov.on.ca
[21] http://www.wawataynews.ca/archive/all/2011/10/13/broadband-project-will-open-new-world_21937

- the eHealth debacle wasted $1 billion of public funds and, where a Toronto Star article notes, had "high-priced Alberta consultants earned $2,700 a day, while expensing cups of tea" and nearly five million dollars in untendered contracts;[22] [23]

- the Ornge fiasco where the lack of oversight of nearly a billion dollars has lead to an endless list of embarrassments and waste of tens of millions of dollars to the tax payer on surplus aircraft purchasing, huge bonuses to executives, and unexplained cost increases of 20% while the service it provides has declined;

- cost over-runs of $200 million for Brampton Civic Hospital when compared how much it would have cost if the public had built it;

- Hamilton's water and wastewater services had to be brought back under public control—saving $1.2 million the first year when compared to the P3—after problems that included 180 million litres of raw sewage spill into the harbour and 200 homes and businesses that had to be cleaned up at a still undisclosed public expense;

- and where the City of Ottawa paid huge additional costs to help the P3 projects including re-municipalization of the Ray Friel Recreation Complex (taking on $12 million in debt from the company) and a $400,000 bailout of the Bell Sensplex.[24]

Proposed legislative changes in Bill 55 to reduce oversight and regulation of privatization initiatives in the public sector (see Appendix

[22]eHealth scandal reaches Premier's inner circle, Toronto Star, June 11, 2009
[23]EHealth scandal a $1B waste: auditor, CBC, October, 2009
[24]The CCPA Monitor, April 2009; Public-Private Partnerships:Understanding the Challenge, Second Edition, Columbia Institute, June 2009; The Hamilton Spectator, HHSC sues city, region: Water leak caused hospital evacuation, 20 October, 1998; Auditor slams Brampton hospital Dec 9, 2008, http://cupe.ca/privwatchdec08/auditor-general-brampton-civic-hospital-p3

A) amount to an abdication of responsibility by the government to ensure services to the people of Ontario.

The provincial government should be looking to the public sector for sustainable and constructive ways of providing services. Seeking quick-fixes, such as through public-private partnerships, simply cost more and result in inferior service.

Chapter 3

Economic Background and Public Opinion

3.1 A History of Spending and Deficits in Ontario

From 2005 to 2008, the Government of Ontario had balanced budgets. Since then, even-though government spending on public services has not increased dramatically, Ontario has a projected budget deficit. The story of how Ontario got to have a budget deficit should help frame any discussion of who will pay how much and how quickly to return to a balanced budget.

In 2008/2009, as a result of the global economic crisis, Ontario Gross Domestic Product (GDP) declined 8-10 per cent resulting in approximately a $10 billion loss in direct revenue and about a $5 billion reduction in indirect revenue as share of GDP.[25]

During the recession, spending on social programs responded, as designed, to absorb and soften the blow to workers of the job losses in the private-sector. Ontario also joined together with the federal government in providing a large financial lifeline to the auto sector, a move that saved jobs, families and indeed an entire industry. Finally, as Canadian bank economist Don Drummond noted, Ontario "sacrificed billions [of revenue dollars] by eliminating the capital tax and reducing the corporate tax rate".[26]

It is the global recession and policies that reduced revenue from large corporations, more than any other factors, that caused Ontario's projected budget deficit for 2012/13 and beyond.

This history is important to understand because it shows that it was not public spending on social programs nor the workers that provide those public services that caused the current fiscal situation. The Commission on the Reform of Ontario's Public Services cautions that "this is not because spending is particularly high; relative to GDP, Ontario's spending is one of the lowest among the provinces".[27]

Unfortunately, along with the Report of the Commission on the Reform of Ontario's Public Services (AKA, Drummond Commission), the 2012 Budget appears to ignore these obvious historical facts. Instead, the Budget proceeds to assign a remedy almost exclusively of spending reductions and cuts to solve a deficit that was not spending driven.

As CUPE Ontario President Fred Hahn stated in his 2011 pre-budget submission to the Ontario Standing Committee on Finance, "Ontario does not have a spending problem, it has a revenue problem". This is still the case today.

[25] Jim Stanford, Canadian Centre for Policy Alternatives
[26] City Pulse 24, Feb.15/12
[27] Commission Report, Page 71

3.2 Invest in Growth and Revenue Generation

There is growing evidence from around the world—from Greece, the UK, and Spain in particular—that shows austerity budgets, like those presented by the Liberal minority government, are disastrous for an economy. Also growing is evidence that a policy of extreme fiscal restraint and cuts to the public service will have a direct negative impact on the potential of the Ontario economy to get back to growth. Austerity programs will not only undermine Ontario's fragile recovery, there is good reason to predict that removing an estimated $17 billion from the economy will drag the province back into recession.[28]

A different approach is needed, one that brings a balanced approach to the budget by looking to revenue generation (Table 3.1), bringing fairness back into the tax system, and job creation through strategic investments. The following recommendations could help fill the budget gap left by years of successive reductions in tax revenue:

- Increase the provincial tax rate for incomes over $250,000 by two percentage points to 13.16 per cent, above the current rate of 11.16 per cent that applies to all income over $78,000. This would generate $1.3 billion in total, or close to an additional $800 million a year for the province over that of the $500,000 income surtax announced in the revised budget.

- Restore the general corporate income tax rate to 14 per cent, the same rate it was in 2009. Increasing it to 14 per cent from the current rate of 11.5 per cent would restore an additional $1.5 billion a year in revenue.

- Restore capital taxes for corporations. Eliminating capital taxes reduced the province's revenue by $1.8 billion a year, with the greatest benefit going to highly profitable banks and financial services. Restoring the capital tax for financial services would raise more than $700 million annually.

There are also several expensive tax preferences and loopholes that are not only very regressive, benefiting the most affluent, but are also damaging to the economy. For example, taxing stock options and capital gains at the same rate as normal working income would not only be good for the economy, but would generate $1.5 billion a year for Ontario. At a provincial level, Ontario could also generate considerable revenue by closing other loopholes and strengthening audit, collection and compliance measures.

[28]Budget 2012 and the Public Sector's Contribution to Ontario's Economy, Center for Spatial Economics, May 2012

Table 3.1: Progressive Revenue Generation Options for Ontario

Revenue Measure	Annual Revenue (Billions)
Fair Taxes for Corporations:	
Restore corporate income tax rate to 2009 levels (14%)	$2.0
Restore corporate capital tax	$0.7
Uniform rate for Business Education Taxes & indexation education taxes	$1.0
Progressive Tax on High Incomes:	
Raise income tax rate on incomes over $250,000 by 2%	$1.3
Close Tax Loopholes:	
Eliminate tax preferences for stock options and capital gains	$1.5
Tax audit collection and compliance measures	$2.0+
Total	**$8.5**

Sources:
Drummond report Table 11.1, (p. 303), Appendix 18.1 (p. 427)
Ontario Transparency in Taxation, 2011
Toby Sanger, Fair Shares: How Banks, Brokers and the Financial Industry Can Pay Fairer Taxes, CCPA 2011
Erin Weir, "Filling Don Drummond's revenue gap", Toronto Star, Feb. 26, 2012.

3.3 Economic Assumptions of the Ontario Budget

The 2012 Budget, much like the Drummond Commission before it, has exaggerated Ontario's projected deficit.[29] [30] The Budget states that the province's revenues will grow at a much lower rate than would be reasonable to assume given the government's projection of overall economic growth. The government give gives no explanation for setting such a slow revenue growth for its economic models in the budget, but the effect this number has on the prediction of the deficit is huge.

Provincial revenues have historically increased at a slightly faster rate than economic growth and should continue to do so, unless they are undermined by further tax cuts. However, the Drummond report assumed revenue growth of only 3.2 per cent, well below the province's forecast for long-term economic growth of 4.5 per cent (in nominal terms including inflation). This may not seem like a big difference for one year, but it really adds up. That difference of 1.3 points means the government's revenues in 2017/18 would be $12 billion higher—and the deficit $12 billion lower.

The new Ontario budget also underestimates the province's revenue growth, forecasting it at less than 3.7 per cent a year to 2017/18, compared to average economic growth of 4.1 per cent a year. This gap adds up to $3.2 billion lower revenues annually by 2017/18. Revenue enhancement measures, as announced in the budget, will increase revenues by even more.

[29]Alternative Budget Projection, Toby Sanger, CUPE
[30]Ontario's Fiscal Reality–Cup Half Empty or Half Full? , Hugh Mackenzie, Canadian Centre for Policy Alternatives, March 2012

Ontario should take a balanced approach to its budget. By restoring tax rates and eliminating tax loopholes for the wealthy and corporations to increase its revenues. The alternative of spending cuts will hurt services, workers, and lower and middle income families the most.

The Ontario budget does postpone further cuts to the corporate tax rate and add a surtax on income above $500,000, but the government should go further. Doug Porter, deputy chief economist of BMO, has stated that increases to the corporate tax rate would not reduce economic growth. Ontario businesses have received tax cuts worth more than $8.7 billion a year from the introduction of the HST and cuts to corporate income and capital taxes. A CUPE/Angus Reid poll in early April clearly shows that the majority of Ontarians want to preserve public services, and believe that such revenue measures are worthwhile.

Table 3.2: An alternative deficit projection. Using reasonable assumptions for growth in spending and revenue for the government, the budget deficit is projected to be $9.5 billion, or a third of the Commission on the Reform of Ontario's Public Services' projection. With the implementation of CUPE's recommendations for economic growth and additional revenue generation (which finds $8 billion in new revenue), the budget deficit could be eliminated—and still have room for investment in public services.

Status Quo Fiscal Outlook for Ontario
with more reasonable revenue estimates
($ billions)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Revenue (increase @ 4.5%)	106.7	111.5	116.5	121.8	127.2	133.0	139.0	145.2
Program spending (@ 3.5%)	111.2	115.1	119.1	123.3	127.6	132.1	136.7	141.5
Debt interest (rate @ 6%)	9.5	10.1	10.6	11.7	11.2	11.9	12.6	13.2
Deficit	(14.0)	(13.7)	(13.2)	(13.2)	(11.6)	(11.0)	(10.3)	(9.5)

3.4 Public Support for Revenue Generation and Job Creation Over Cuts

In a recent poll conducted by Angus Reid for CUPE Ontario, Ontarians were asked questions comparing their support for tax increases versus reductions in funding for public service in the current Ontario budget.[31]

This poll, consistent with previous polling, shows the people of Ontario agree with making the tax system fair. Corporations in Ontario have benefited for years from large tax cuts. Unfortunately, these tax cuts for corporations have not brought about the promised private-sector investment and job creation (Figure 3.4), but have resulted in structural budget deficits and underfunding of public services.

> ***"There is no systematic evidence that tax cuts are the road to economic growth or that tax cuts to corporations or the rich produce jobs. It is time to make some hard choices about the Canada we want, about what services we see as essential,***

[31]The poll was conducted from April 2 and April 3, 2012. It had a sample size of 1505 respondents. Has a margin of error of +/-2.5 per cent, 19 times out of 20.

> ***about how much inequality we are prepared to tolerate, about our willingness to take back the future."***
> ***–Alex Himmelfarb, Director of the Glendon School of Public and International Affairs, November 2011.***

The people of Ontario agree with the sentiment that the government should refocus on investment instead of tax cuts. When given the choice 67 per cent of Ontarians support increases of taxes on corporations over freezes to hospital budgets (Figure 3.2) and 61 per cent support corporate tax increase to stop cuts to schools (Figure 3.1). A full 76 per cent support adding a surcharge tax on individuals with incomes over $250,000 if it means money to fund cost of living increases to those on social assistance (Figure 3.3).

Previous polling conducted by Angus-Reid for CUPE Ontario at the beginning of April, 2012, indicates a full 69 per cent of Ontarians want public spending on programs to remain the same or be increased and 87 per cent agree that job creation is the best way to eliminate the provincial debt and deficit.

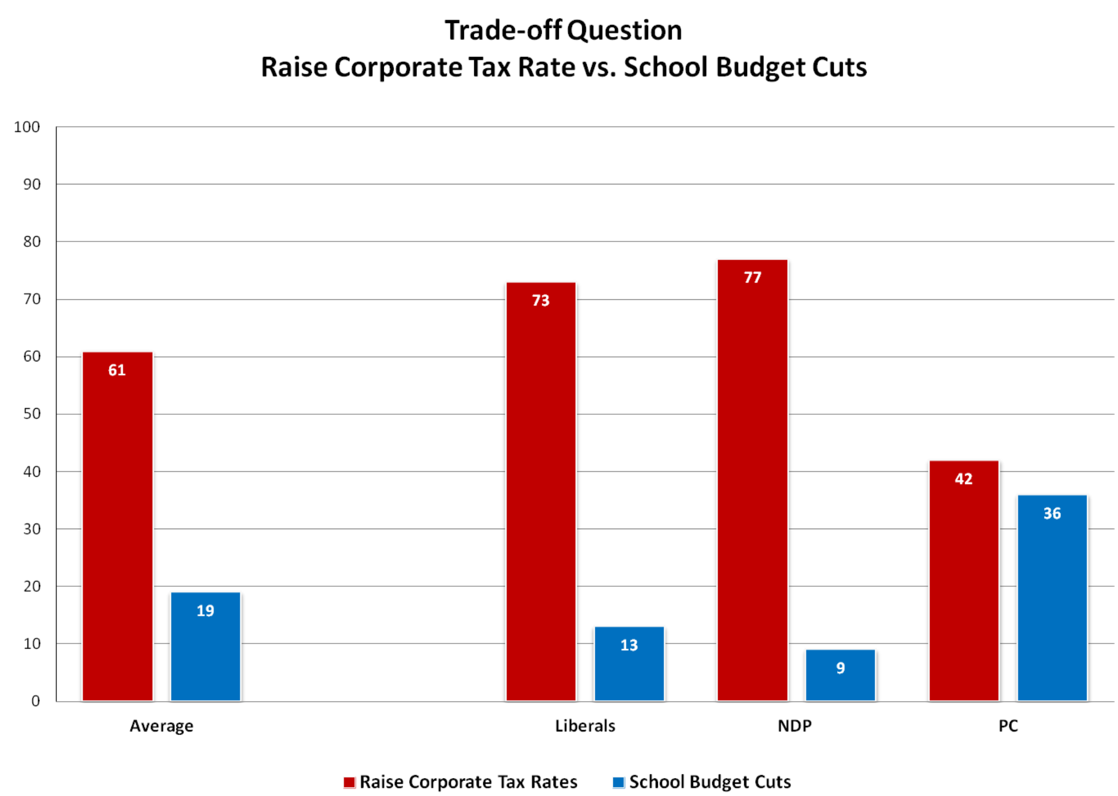


Figure 3.1: 61 per cent of Ontarians support corporate tax increases over cuts to school budgets. 73 per cent of those that voted Liberal in the previous election supported increases in corporate taxes over school budget cuts.

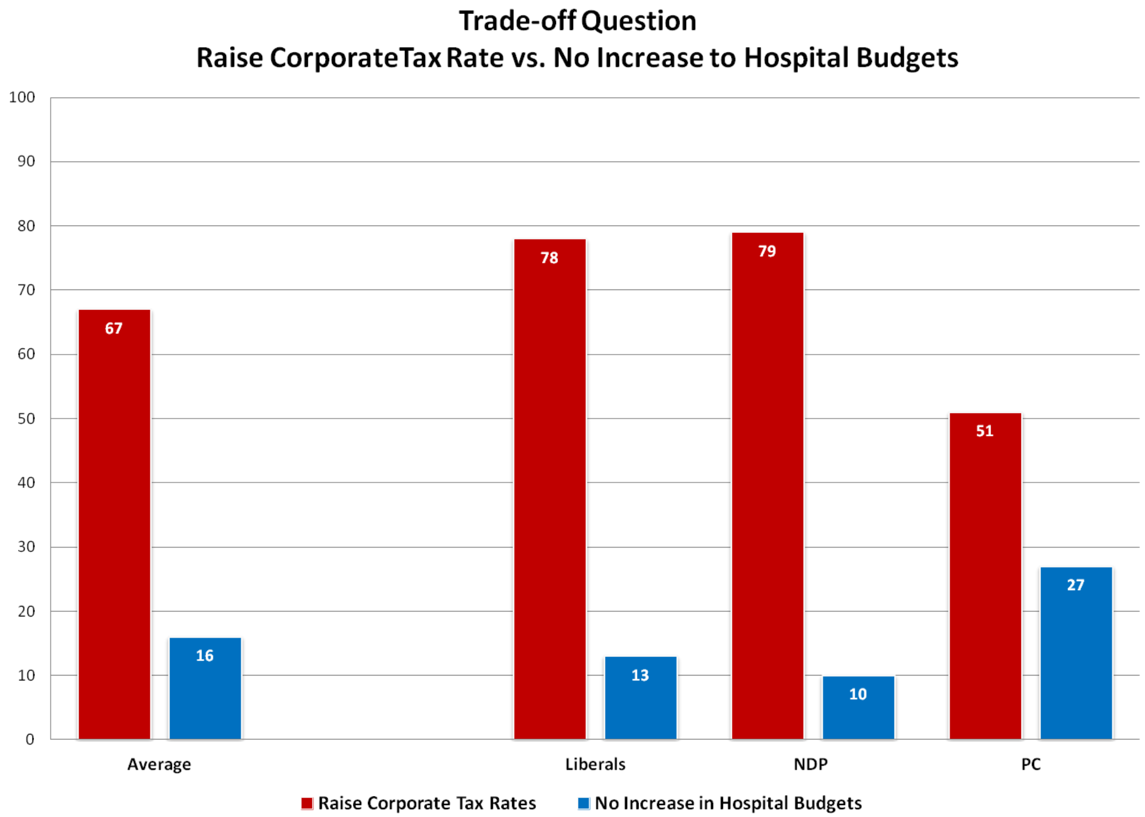


Figure 3.2: 67 per cent of Ontarians support corporate tax increases over zero per cent increase for hospital budgets. 78 per cent of those that voted Liberal in the previous election supported increases in corporate over a freeze in hospital funding.

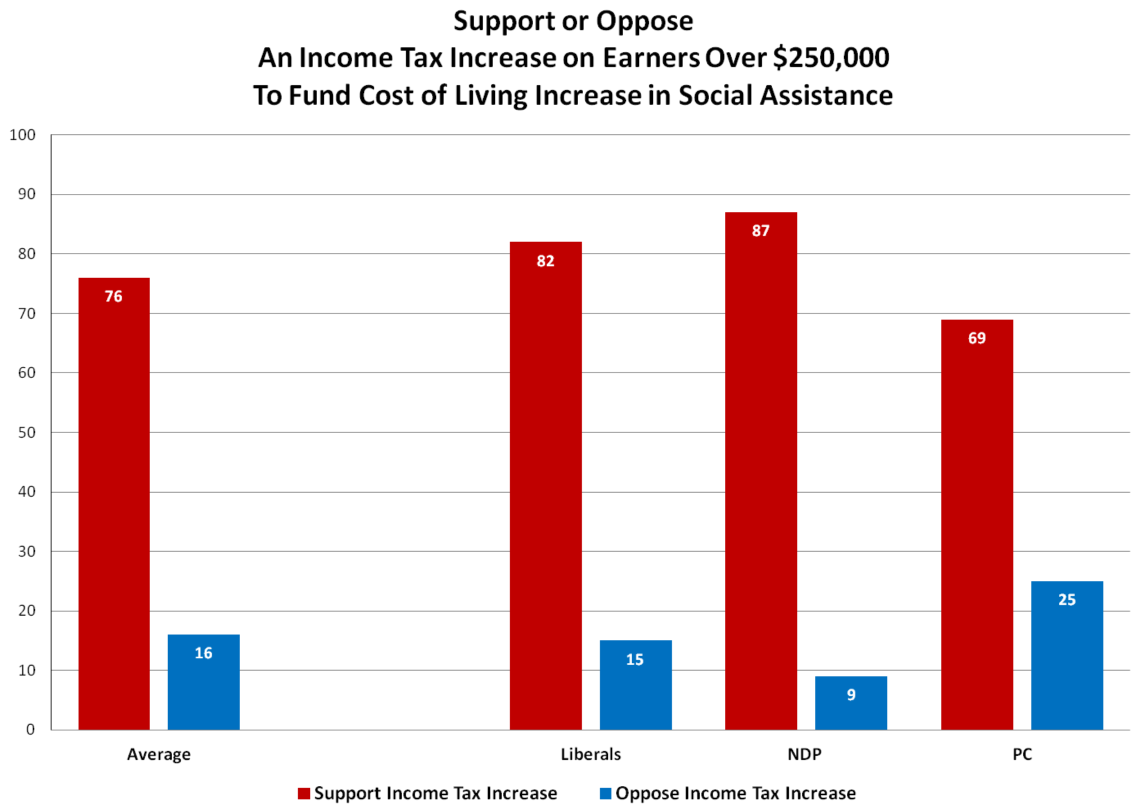


Figure 3.3: 76 per cent of Ontarians support increases for the high-income earners (those making more than $250,000), to pay for a cost of living increase to social assistance rates. 82 per cent of those that voted Liberal in the previous election supported increases to income taxes of high earners to support those on social assistance.

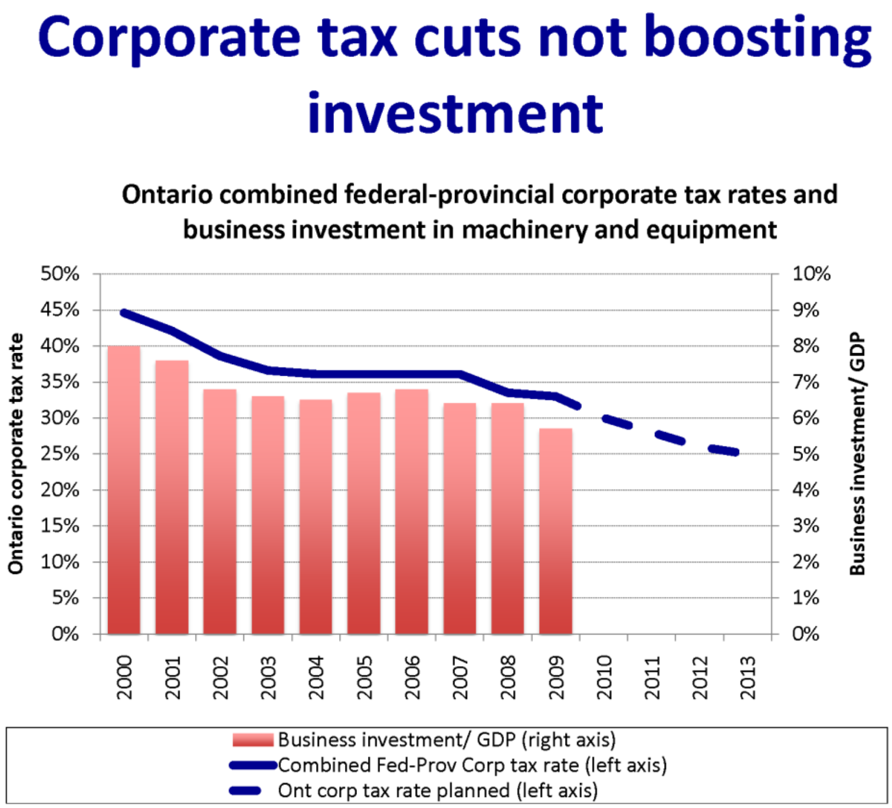


Figure 3.4: Ontario business investment versus corporate tax rates. As corporate tax rates have fallen, so too have corporate investment in machinery and equipment.

3.5 Economists on Austerity and Tax Fairness

Recently, economists from across the political spectrum are coming-out strongly against austerity budgeting and in favour of tax fairness. Recent impacts of austerity budgets in Europe have resulted in stagnated economies, pushing many like the UK back into recession. The increasing levels of income inequality in Canada[32], like in much of the developed world, has also spurred many economists to support increasing income taxes on the most wealthy Canadians to help balance the budget and maintain social programs we all need.

> ***"Austerity is a suicide path."***
> ***–Joseph Stiglitz, Economic Nobel Prize Winner, Hill Times, October 31, 2011.***
>
> ***"We obtain three policy recommendations from basic research that satisfy these criteria reasonably well. First, very high earners should be subject to high and rising marginal tax rates on earnings. Second, low income families should be encouraged to work with earnings subsidies, which should then be phased-out with high implicit marginal tax rates. Third, capital income should be taxed."***
> ***–Peter Diamond, Economic Nobel Prize Winner, The Case for a Progressive Tax: From***

[32] Mike Veall & Emmanuel Saez, The Evolution of High Incomes in Northern America: Lessons from Canadian Evidence, The American Economic Review, June, 2005

> ***Basic Research to Policy Recommendations, August, 2011.***
>
> ***"It is not superfluous to argue that steepening the income tax progression, removing a number of blatant loopholes, such as the special treatment of capital gains, and reducing the exemption level for estates would add considerably to post-tax equality."***
> ***–Kenneth Arrow, Economic Nobel Prize Winner, Boston Review, November, 2011.***
>
> ***"state and local governments have slashed spending and employment … this has been a major drag on the overall economy. Without those spending cuts, we might already have been on the road to self-sustaining growth."***
> ***–Paul Krugman, Economic Nobel Prize Winner, New York Times, January 29, 2012.***
>
> ***"…be careful not to snuff out the recovery by cutting too deeply in the short-term deficit fight. Think about whether now is the right time to do anything on spending cuts or whether we should wait till there's a stronger foundation for growth."***
> ***–Glen Hodgson, Conference Board of Canada Economist, Globe & Mail, Nov.08, 2011.***
>
> ***"Governments shouldn't be aggressively cutting spending when the economy is gasping for air …[t]hat's certainly the wrong prescription."***
> ***–Douglas Porter, BMO/Nesbit Burns Chief Economist, Globe & Mail, Sept.26, 2011.***

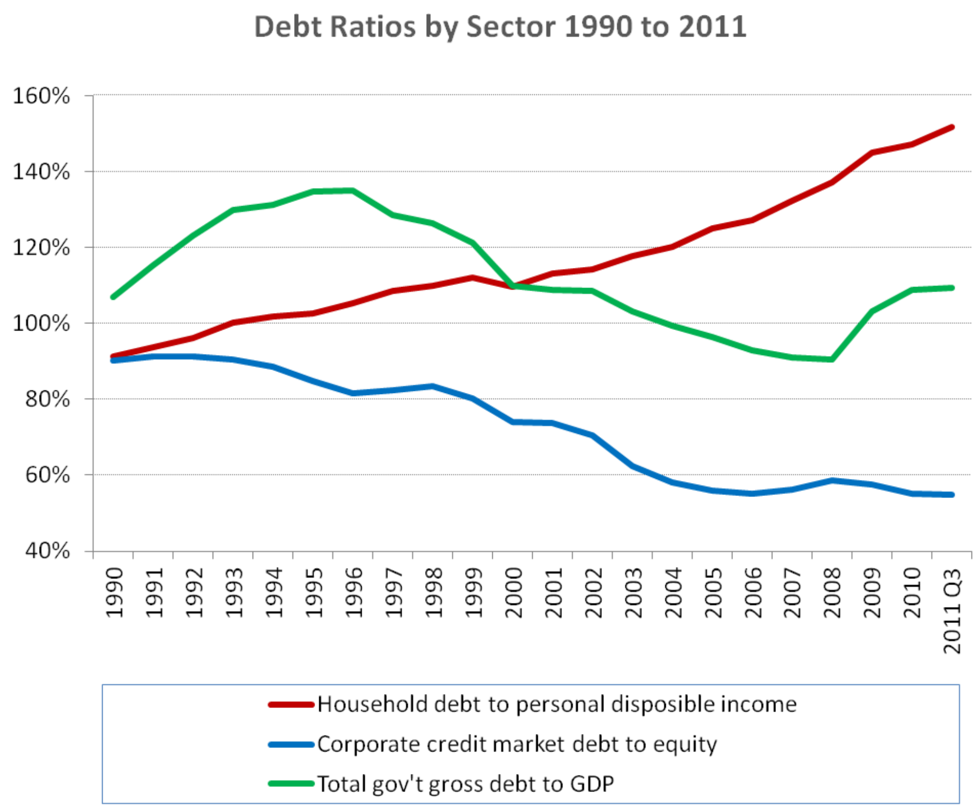
3.6 Personal Debt

Family debt levels continue to rise faster than personal disposable income (Figure 3.5), indicating that Canadians are falling further into debt. This is occurring even as consumers have recently increased their efforts to pay down their debts[33]. Statistics Canada's most recent figures show household credit market debt to personal disposable income has climbed from 146.30 to 148.66 per cent in a year. These debt levels are rising because, for most, wage increases are not keeping-up with the costs of essentials, with people at the top of the income scale getting the majority of the increase.[34] Bank of Canada Governor Mark Carney has stated that the personal debt to income ratio is of high concern "that's something that we all have to take seriously".[35]

The increased personal debt levels, driven mostly by stagnant wages increased costs to services, education and meeting the needs of day-to-day living—as opposed to luxury purchasing[36], means that families have reduced ability to pay for increases in user-fees or off-set reduced and more-costly privatized public services. It is short-sighted government policy that tries to pay-off its debt—a debt caused by corporate financial mismanagement, not workers—by downloading this debt onto working people. The negative effect is hardest felt by those at the lower-end of the income distribution where downloading of social service and education costs put many of these services out-of-reach for those that need them the most.

[33]The Current State of Canadian Family Finances, 2010
[34]Canadian Income Inequality, Conference Board of Canada, 2012
[35]Bank of Canada warns on home equity lines of credit, Globe and Mail, April 18, 2012
[36]Canadian Centre for Policy Alternatives, http://www.policyalternatives.ca/publications/commentary/canadian-households-among-highest-debt-income-ratios-world

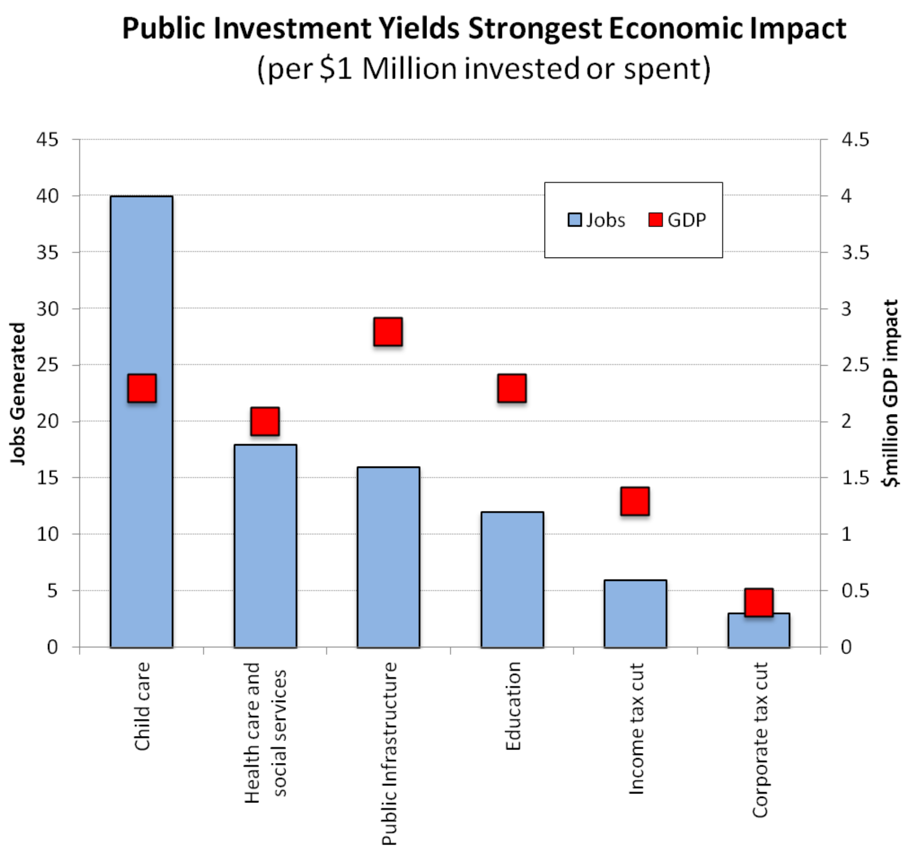
Figure 3.5: Debt to income comparison of households, corporations, and government. The graph shows who has benefited the most from government policies around debt. Rising personal debt and falling corporate debt indicates that debt burdens are being downloaded to individuals and families.



3.7 Public Sector Job and Growth Multipliers

The easiest and most immediate way for the government to create jobs is direct investments in government services, infrastructure, child care, and public education. Using the federal government's economic growth and job creation multipliers—the positive effects of public spending on jobs and growth—for every million dollars spent on these investments are significantly higher than for tax cuts (Figure 3.6). It is clear that, as Ontario continues to deal with the effects of the recession, public investment should continue to ensure a strong and full recovery and sets a secure foundation for future economic growth.

Figure 3.6: A comparison of the multiplier effects of public spending in different sectors of the economy. The figure shows that, for economic growth (measured in Gross Domestic Product (GDP)), investment in infrastructure results in the biggest gains–approximately three times the gain from tax cuts. For job creation, government investment in child care yields the greatest increases with ten times as many jobs created when compared to an equivalent amount in tax cuts.



Appendix A

Bill 55, Schedule 28: Shrybman Legal Opinion

Bill 55 would have far-reaching impacts on the process the government would be forced to follow when it comes to privatization and out-sourcing public services as well as selling of Crown assets. CUPE sought outside legal opinion from Steven Shrybman, a partner at Sack Goldblatt Mitchell LLP practicing in public interest and international trade law, on the broader impacts Schedule 28 of the budget legislation, Bill 55, would have. See the following pages for the legal opinion in its entirety.

The opinion outlines how Schedule 28 is not limited in scope to Service Ontario. The legal opinion states that Schedule 28 gives cabinet authority over “contracting out or privatization of any and all Ontario Government Services,” to any person or corporate entity, whether Canadian or foreign-owned.

The act overrides requirements for quality standards contained in other, pre-existing laws. It also allows private service providers of public services new powers to collect and retain fees, even though that is prohibited by the Financial Administration Act, and transfers decision-making authority from the Legislature to individuals and private corporations. It also opens the door to back-room deals to sell off the LCBO or Hydro One, and allows government services including water quality monitoring or school curriculum development to be privatized or contracted out.

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Canadian Union of Public Employees
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