

Submission to

**The Standing Committee on
Finance and Economic Affairs
Pre-Budget Consultations**

by the

Ontario Federation of Labour

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INTRODUCTION

The Ontario Federation of Labour (OFL) represents over 700,000 workers who belong to 1,500 affiliated local unions in Ontario. Our members work in hundreds of occupations -- from government employees to construction workers; from nurses to manufacturing workers.

The collective strength of all of the members of all the affiliated unions stands behind each of our members. The OFL is the collective voice of union members on issues relevant to working people – from labour relations to health care to economic policy.

The OFL is pleased to be making this pre-budget submission to the Standing Committee on Finance and Economic Affairs. The actions that the government takes in this budget will have a profound impact on Ontarians in the short term, and on the path that Ontario takes out of the recession in the longer term.

BACKGROUND

Depth and Spread of the Crisis

The global financial crisis and further weakening of the U.S. economy is compounding and spreading the crisis in Ontario's manufacturing and forestry sectors across the economy. Weakness has spread to financial services, construction, and mining sectors. The depth of the crisis is evident from the available data:

- The labour force survey report for November shows the deepening crisis in the manufacturing sector, and the spread to other sectors in the economy with the loss of 66,000 jobs. The 42,200 jobs that were lost in manufacturing bring the total losses in that sector up to more than 225,000 since 2002.¹
- The CMHC is forecasting a 17 percent drop in Ontario housing starting in 2009.²
- The free-fall in commodity prices will result in the impact of the downturn being felt across Ontario. The Bank of Canada's commodity price index fell by 17 percent between October and November.³
- November U.S. vehicle sales at General Motors Corp. and Chrysler LLC plunged more than 40 percent, while Ford

Motor Co.'s sales dropped 31 percent. Toyota Motor Corp.'s November U.S. sales tumbled 34 percent, and Honda Motor Co. Ltd.'s fell 32 percent.⁴

- The impact on government revenues is being felt already, before the impact of these conditions have worked their way through the real economy.⁵

Tight credit conditions, slowing global demand, and the collapse of asset values will continue to have complex and compounding impacts on Ontario and Ontarians. From pension plan finances to the demands on the health care system; from the auto industry to community service organizations; from the mining industry in Sudbury to financial services sector in Toronto.

Heightened Importance of Public Policy Interventions

The current crisis has demonstrated the impact of public policy interventions. The volatility of current economic conditions have highlighted that these interventions need to be timely, appropriate, and well-coordinated across jurisdictions.

Missed opportunities for interventions can have disproportionate impacts. The depth and severity of the current credit crisis has been attributed to the U.S. government's inaction in preventing Lehman Brothers from failing.⁶ The difference in impact of U.S. and U.K. interventions in financial markets illustrate that not only is government intervention important, it must be appropriately structured, well-coordinated, and timely.^{7,8}

What Ontario Needs

In an indication of the depth of our economic crisis, the prevailing orthodoxy about the need for governments to balance their budgets has been turned around in less than three months. The discussion has moved away from whether it is appropriate for governments to ever run a deficit to what size the deficit should be. Some would tell you that while the government shouldn't make things worse by reducing spending or raising taxes, they shouldn't do anything to make things better.

However, there is an international consensus that there is a need for governments to provide aggressive fiscal stimulus. Germany is providing stimulus of 7 percent of GDP, China is providing 16 percent, and Britain is providing 21 percent, while President-elect Obama's proposed package is equivalent to 6 percent of GDP.⁹ The International Monetary Fund is calling on all nations to stimulate their economies in the range of 2

percent of GDP.¹⁰ For Ontario, this means a stimulus of about \$12 billion.

We know that in recessions, “automatic stabilizers” come into play. Reduced economic activity results in less government revenues, and more people have to rely on government assistance to help them through hard times. As a result, governments are likely to spend more than they take in. However, the depth and breadth of the economic crisis that we are facing calls for more than just automatic stabilizers. It calls for an economic stimulus program.

This economic stimulus program should be directed toward making investments that will prepare Ontario for the recovery by investing in people, maintaining our manufacturing base, and moving our economy to a greener, more sustainable future. As a result, this budget should:

- Maintain all current and planned spending on government services;
- Make a substantial down payment on the government’s poverty reduction strategy through new investments in affordable housing and increased benefits for low-income Ontarians;
- Speed up planned infrastructure investments to take up expected slack in construction activity. This should have a focus on climate-change related infrastructure. At the same time, the government should use this opportunity to set aside its P3 financing policy for public infrastructure investments; and
- Assist Ontario’s viable businesses, especially in the manufacturing industry, to weather the current economic storm; and, improve adjustment assistance to workers who have lost their jobs.

Green Investment Strategy

Investments in infrastructure should be concentrated on those that will move Ontario toward sustainable prosperity, and help the transition to a low-carbon economy. Infrastructure investments are much more effective at stimulating job creation and economic growth than other policies such as tax cuts.

MUSH Sector Energy Retrofit

A MUSH (municipalities, universities, schools, hospitals) sector energy retrofit program could be implemented quickly, keeping skilled workers in Ontario, and have long-term positive benefits. A MUSH sector retrofit program would also provide an important contribution to the province's goals of resource conservation and greenhouse gas reduction.

Accelerating Transit and Other Infrastructure Projects

Investing in public transit systems, clean water systems, and other infrastructure projects should be an integral part of this program. Research conducted for the Federation of Canadian Municipalities shows that in the first full year of implementation, a billion dollars in infrastructure investment would create 11,500 jobs and increase real GDP by .13 percent, as compared to 5,700 jobs and .08 percent in GDP from a personal income tax cut.¹¹ These investments must happen quickly, and the Federation of Canadian Municipalities has indicated that municipalities have projects that are ready to go.¹²

Increasing the investment in public transit reduces private vehicle use and improves air quality. This has important impacts for the environment and public health. In 2004, Toronto Public Health released a report dealing with air quality and health that recognized that “air quality and health are inextricably linked”.¹³ Another infrastructure investment which can have positive impacts for the environment and public health is the construction of underground sewage overflow basins.

Accelerating Affordable Housing

Investment in new housing supply is an essential foundation of any poverty reduction strategy. Every dollar invested in housing creates two dollars in additional economic activity, and induces as much as seven additional dollars in economic activity.¹⁴ If these investments are made wisely, they can greatly increase environmental efficiencies moving us to crucial long-term conservation goals.

These infrastructure projects should be accompanied by a buy Canadian policy. This will increase the stimulative effect of the program. It will also provide opportunities for local businesses to develop expertise in green technologies. These projects will position Ontario's economy well in this important emerging sector of the economy.

Putting Money in the Pockets of People Who Need It and Will Spend It: Increase Social Assistance Rates and Implement Card-Based Certification

The fiscal stimulus program must include a down payment on the government's poverty reduction strategy. This must include a down payment on the increases needed to allow people living on Ontario Works and Ontario Disability Support Payments to live in dignity. Poverty is not equally distributed across Ontarians, those most likely to be living in persistent low income include: lone parents (most frequently mothers); individuals aged 45-64 years who are living alone; recent immigrants; persons with a work-limiting disability; aboriginal people; women; and racialized group members.¹⁵

The need for increased income is evident from the level of food insecurity and hunger that many in our communities are facing. Ontario food banks served 318,540 Ontarians per month in 2007.¹⁶ Between September 2007 and September 2008, food banks in Ontario have reported an average increase in demand of 13 percent. Although many major centres have witnessed significant growth in demand, the greatest increases have been seen in mid-sized communities that have been hit hard by job losses.¹⁷

Increasing access to unionization for Ontario workers is crucial to reducing poverty. Providing for access to card-based certification for workers across all sectors is a crucial step. The introduction of mandatory votes has decreased the number of applications for certification that occur each year; the share of those applications that are successful, and the number of employees unionizing in the province.

Requiring both a majority of members to sign union cards and a mandatory vote, increases the number of unfair labour practice complaints, and increases the effectiveness of unfair labour practices in making the attempt to join a union unsuccessful. Research shows that employer unfair labour practices are twice as effective at reducing the likelihood of certification under a compulsory vote system as under a card-based system.¹⁸

Mandatory votes also make it more difficult for vulnerable workers to unionize. Empirical research shows that there is a significant difference in the characteristics of the bargaining units when a mandatory vote is required. Workers are more likely to have successful certification applications if they are in larger bargaining units in the manufacturing sector. They are less likely to succeed in the service sector or if they are part-time workers.¹⁹ Precarious employment is more likely to occur in smaller workplaces, in the service sector and where there are part-time

workers. These are the sectors where women's employment is concentrated.

Support for the Manufacturing Sector

Ontario's manufacturing base is a cornerstone of the economy accounting for 18 percent of GDP in 2007.²⁰ This percentage understates the importance of this sector, and the role that it plays both in exports, supply chain linkages, technological intensity, and the spin off benefits that go to other sectors. These manufacturing industries are the foundations for much of the economic activities for Ontario, and in particular for the communities in which they are located.²¹

The credit crisis, and the bottom falling out of US demand, has threatened Ontario businesses that will be able to continue to operate profitably after the recovery. There is a need to identify who these businesses are; and identify strategies to keep this productive capacity in the province. Closing plants and shipping equipment to China is not the best response to short-term problems, no matter how large they are. Ontario should establish a Jobs Commissioner, who has the flexibility needed to determine what kind of assistance might be required and desirable. And, has the ability to strengthen adjustment assistance for workers who will lose their jobs.

Ontario Needs a Partner in the Federal Government

This crisis did not start in Ontario and cannot be addressed by Ontario alone. Ontario needs a partner in the federal government.

The current crisis requires coordinated, timely action by governments. We need the Federal government to embark on a complementary set of policies that will support the Provinces' work in rebuilding a green infrastructure, rebuild our social infrastructure, and return to an employment insurance program that will provide the income support in unemployment and the retraining that Ontarians need.²²

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