



Pre-Budget Submission

to the

Standing Committee
on Finance and Economic Affairs

by the

Ontario Federation of Labour

January 30, 2007

Introduction

The Ontario Federation of Labour (OFL) is pleased to present its Pre-Budget Submission to the Standing Committee on Finance and Economic Affairs on behalf of our 700,000 affiliated members in unions all across Ontario. Our members include public sector employees, construction workers, teachers and manufacturing workers plus a growing number of private service sector employees. With such a multi-sector workforce it is hardly surprising that the OFL soon becomes aware of the human element of employment changes – such as job growth and job loss – in the economy.

Given such a membership we would like to discuss the following issues.

First, some of the changes in the economy that demonstrate a gap between the high job creation numbers and consequent low unemployment rate versus the reality experienced by many workers terminated and laid off in the manufacturing sector.

Second, we will note that there are other gaps confronting our society and workforce such as the widening gap between rich and poor, the income gap faced by the poor, gaps in terms of affordable housing, the environment and more.

Third, we want to engage in a discussion about policies and initiatives that the government could undertake – such as a jobs strategy – that could make a difference for millions of Ontarians who want and need to work and could do so with improved income levels, benefits and job security.

1. The Economy and Jobs

The **Toronto Star**, Saturday, January 6, 2007, notes that the “labour market sizzles” with 345,000 new positions created in Canada and Ontario, gaining 42,000 jobs over 2006. Surprisingly the Province of Ontario, rather than Alberta, was responsible for most of the job gains in the country. It further reports that the “national unemployment rate drops to lowest level in 30 years.” This news was much better than what most economists expected. The economy seems to be firing

on all cylinders. Yet beneath the “big picture” figures, the reality isn’t so optimistic. The rising economic tide is not raising all boats.

What the **Toronto Star** and many other newspaper reports don’t tell us much about is the widening gap between rich and poor. Nor do they spend much ink on the quality of the new jobs created. To gain an accurate assessment of the situation, one would need to know what the level of compensation in the jobs created, the nature of the benefit package and working conditions of these new jobs. Although one gets a hint of part of this when the article notes that about 30,000 of Ontario’s new jobs were part-time versus only about 11,000 that were full-time. Part-time jobs tend to pay less than full-time jobs, tend to have fewer or no benefits, tend to have less job security unless they are unionized and tend to be filled by more women than men.

Noted also in the same **Toronto Star** article is the high number of new self-employed positions. This continues an ominous trend in the labour market. The percentage of non-standard, contingent or what are more appropriately termed precarious workers, has tended to grow over the last several years. This is especially the case among young workers, women and immigrant workers of colour. In her edited book *Precarious Employment*, Leah Vosko notes how “full-time permanent jobs became less common over the 1990s and early 2000s, dropping from 67 percent in 1989 to 64 percent in 1994 and 63 percent in 2003.” During the same time non-permanent, non-full-time employment increased from 32 percent in 1989 to 36 percent in 2003. Many of these workers are lower-waged workers who experience significant periods of unemployment or under-employment and have been largely excluded from unemployment benefits under new more restrictive rules.

In his study for the CPRN entitled “*Non-Standard Work and Economic Vulnerability*”, Richard Chaykowski confirms the trends noted above. “The proportion of all individuals with some paid employment in 2000 that had low earnings (below the Statistics Canada Low-Income Cutoff) was 34 percent.” Chaykowski also notes how the self-employed experience a much greater incidence of low earnings than do employees and that their “incidence and extent of economic vulnerability” is greater among those employed part-time as compared to full-time.

He also found that low income was not only more prevalent among youth (aged 16-24), but also much more prevalent among women (full-time, full-year) equaling 16 percent as opposed to 7 percent for men. This again, speaks to our initial assumptions concerning not only the number of jobs that the **Toronto Star** reported on, but most importantly that when the quality of those jobs is taken into consideration the picture that emerges is far less optimistic.

Absent also was any discussion of the employment crisis in manufacturing and the forest industry. One would have thought, given the extent and depth of the crisis in these sectors, that it would have made headline news. But this has not been the case. We also note that many reports on the economy focus on jobs created, but fail to balance their discussion with a report on job losses. Manufacturing remains a major part of the Canadian economy. Over two million Workers are directly employed in this sector (12.9%). The Canadian Manufacturers and Export Association estimates that manufacturing sector wages are a full 28% higher than the Canadian average. In significant part, this wage differential is due to the fact that nearly one in three manufacturing jobs are unionized.

Nearly 70% of manufactured products are now exported making this sector central to Canada's economic health. Indeed, manufacturing played a key role in the economic recovery of the mid to late 1990s adding thousands of jobs to the Canadian economy.

Today the situation in manufacturing is particularly troubled despite the oil and employment boom in Western Canada. Job loss across Canada in this important sector totaled 258,000 between August 2002 and May 2006. This totals more than one in ten jobs. Most of these job losses have been, as one would expect, in Ontario and Quebec. Job losses in Ontario alone between August 2002 and May 2006 total 125,000. The consequent harsh reality of job loss, experienced by thousands of workers across Ontario in both urban industrial plants and pulp and paper mills across Northern Ontario, has yet to make the headlines despite its economic importance and the human toll it takes on those thousands of workers permanently laid off.

So, while the overall unemployment rate is low and the media paint a reassuring picture of broadly-based prosperity, the reality is that disturbing new divisions of sector, social class and regions of Canada paint a more complex and more disturbing picture.

What is more, this picture is not new. The past twenty five years has seen remarkably little progress for most workers across Canada. Although real (inflation-adjusted) GDP per person has risen by about 50% since the early 1980s, driven substantively by increased productivity, workers' hourly wages have been remarkably stagnant with the bottom half of the workforce experiencing a sharp decline in job security.

All of the above only highlights a couple of the key gaps and challenges confronting working people in Ontario in a period which ended with the lowest unemployment rate in 30 years. We have restricted ourselves to these brief comments given the limited time allotted for this presentation. Much more can be said regarding the economy, but our central point should be clear, namely, that while the overall figures looked good, a closer examination reveals problems that should and could be substantively improved with the appropriate government action.

The following section briefly exams several other gaps in Ontario that, in our view, need immediate attention.

2. Growing Gaps

Notwithstanding the continuing economic challenges in manufacturing discussed above and the consequent good jobs gap, the people of Ontario also face serious gaps between the public services Ontario needs and the public services the McGuinty Liberal Government is delivering.

For economy of time, we will highlight a few of these gaps below¹:

- **The income gap** between the survival needs of a family living on social assistance today and what this province provides. Many people are shocked to learn that one in seven people in Ontario live in poverty. Poverty in this rich

province is not just having a little less, it is about real deprivation and isolation. It is also not inevitable or even necessary. Arguably, the most significant single failure of the McGuinty Government can be seen in the plight of families living in poverty.

- **The housing gap** between the need of Ontarians for affordable housing and the response of the government. The government promised action on affordable housing in its election campaign. It has delivered next to nothing. It is now stalling on any action in this area, even refusing to take the \$300 million in affordable housing funding from the Federal Government saying it's not enough. The amount may prove to be inadequate, but it's a start and thousands of Ontarians need affordable housing now. The Canada Mortgage and Housing Corporation figures show that there are only about 23,000 vacant rental units across Ontario and an estimated 124,785 households on Ontario's social housing waiting lists.

- **The early childhood education gap** between what is needed and the now stopped Best Start program. Best Start was announced in the 2003 election campaign. This was prior to the establishment of a federal child care program. Now the provincial government wants us to believe that they had to stop the program given the cancellation of the federal child care program. This position is just not rational. It is also counterproductive for the children concerned and society as a whole.

- **The education opportunity gap** between funding allocation and Ontario's high tuition post-secondary education. Both elementary and secondary education has received billions of new dollars since the election of the McGuinty Liberal Government. Yet, because the new money was allocated to fund new initiatives, not to repair the basic structure of the funding formula, the same underlying problems that plagued the education system under Premiers Harris and Eves remain unresolved. The government needs to revisit its decision not to touch the funding formula. A new system of allocation would greatly improve education in Ontario.

Post-secondary education is on schedule to receive more funding but, again, the government decided not to assess the damage done under the previous government. The result being that while colleges and universities are being asked to further expand enrolment, the current level of enrolment is not funded adequately. At the same time, students are asked to pay higher tuition even though tuition has more than doubled between 1993 and 2003.

- **The ongoing health care gaps** despite welcome increased funding. Privatization of health care via the mechanism of P3s, which the McGuinty Liberals campaigned against in 2003 only to reverse their views once in office and have done so despite the increased costs involved.² Further, evidence on the costs and risks of P3 type initiatives, termed Alternative Financing and Procurement (AFP) by the government, can be found in the British experience. This experience has been so conclusive that even the *Economist* magazine holds that the right lesson to be taken from the Queen Elizabeth Hospital in London demonstrates that such privatization is bad policy.³

There is another gap in the health care system, namely understaffing. There is a need for both adequate funding and staffing standards to ensure that there are sufficient qualified staff to provide the health care needed by Ontarians. Addressing staffing in health care needs to be seen as an important investment in the future of Ontario.⁴

There are many other concerns in the complex institutional arrangements, management and programs of the health care system. The Ontario Federation of Labour has written about many of these issues and concerns over the past several years.⁵

Nonetheless, in even this brief note, one further concern needs to be identified, namely poverty. The recent Health Council of Canada identified the biggest health problem in Canada as inequality. There is now a well established link between poor health and poverty. Those with the fewest economic resources and that face social exclusion are at the highest risk in terms of sickness and a short life span.⁶ In Canada, the infant mortality in low-income urban neighbourhoods is almost double that in high-income neighbourhoods. The

literature on the social determinants of health is now well established, legitimate and needs corrective government action.

- **The infrastructure funding gap** that exists between the billions of dollars needed to rebuild public infrastructure after years of deterioration in the Harris-Eves era and the current program which to date has ignored this deterioration. Failure to come to terms with the problem will not make it go away. Further, the government should use public dollars to meet public infrastructure needs and abandoned its futile attempts to go to the private market via so-called Alternative Financing and Procurement (AFP) arrangements which will only cost the public more and lead, in our view, to continued inadequate infrastructure here in Ontario as it has elsewhere.
- **The environmental leadership gap.** Public health, economic development and the needs of future generations, all demand a clean environment. This is increasingly an issue of fundamental importance to all Canadians. The people of Ontario were told in electing a Liberal Government they were choosing “change” and the polls show that by a huge majority they support strong environmental laws and protections, yet the McGuinty Liberals have only made a few steps in this direction. Ontario needs strong environmental protections, policies to substantially reduce pollution, improve public health and a public power system to meet energy needs in environmentally sustainable ways.
- **The fiscal capacity gap** between the required revenue to meet Ontario’s public services needs the political will of the government to take the necessary steps to raise such revenue. The government has been restricted from moving to increase its fiscal capacity on two fronts. First, its election promise to a right wing lobby group not to raise taxes – despite its increase in the so-called Health Premium, and second, its failure to reverse the tax cuts of the previous Harris-Eves Government which crippled the provincial governments fiscal capacity. No government griping over an alleged “\$23 billion” gap (it is really only \$2 billion) between what the Federal Government collects in revenue from Ontario and what it spends in this province, will make up for the post-1995 tax cuts which total \$15 billion annually. This, and not any federal spending gap, is the root cause of revenue shortfall in Ontario.

The time is now for the government to take the appropriate actions and begin the changes necessary to improve the circumstances briefly highlighted above. In moving to Part 3 of this submission, we firmly believe that many of the problems and gaps in the economy and society, plus the consequent difficulties facing the average Ontarian, could be resolved by changes in labour market and economic policies and the design and implementation of job creation strategies. It is possible to narrow the gap between what is and what could be.

3. Jobs Strategy

This submission has discussed the reality that under the positive “big picture” of the economy there lie significant problems – gaps – confronting many may working people. We have also briefly examined a further number of “gaps” in government policy that, in many cases, could be corrected by alternative initiatives. These discussions, in sections 1 and 2, are intended to be examples rather than thorough investigations. Yet, even these highlights pose the question: *What can be done differently?*

We propose that there is a need for more active government intervention in the economy so as to promote both economic development and the creation of good, secure and safe jobs. Below we start with a proposal for, and a discussion of, a jobs strategy. We look at some of the challenges to its implementation and then proceed to discuss what could form key components of such a strategy. In so doing, we are aware that more discussion is needed on all aspects of such a strategy and that most important at this point is to set a new **direction** for government policy in Ontario.

The phrase manufacturing jobs strategy, industrial strategy or simply jobs strategy generally refers to government intervention to develop industry and jobs. Such government action refers to initiatives as economic planning, subsidies, procurement policies or programs.

The key goal of a manufacturing jobs strategy is to link economic development to the creation and maintenance of well-paid, sustainable and rewarding jobs in safe workplaces. We need to expand manufacturing and public services and roll back

privatization and commercialization to create good jobs and to ensure quality services for all citizens.

What are the Key Challenges to Implementing a Jobs Strategy?

For this to occur in Ontario and Canada, a dramatic change in government policy from the current neo-liberal orthodoxy will be necessary. Governments, for example, need to promote productive capacity, take responsibility to maintain a strong manufacturing sector, a strong public sector and implement macro-economic policies (taxation, promote productive capacity and spending and monetary policies) that ensure Ontario and the rest of Canada move toward full employment.

As well, governments have to ensure that the private sector takes responsibility for contributing to full employment, better jobs and an environmentally sustainable economy. Increasingly we live in a global market economy wherein most of the key decisions on employment, hiring and firing, investment and training are made in the boardrooms of private transnational corporations. In the long run, much of this private power should be brought under public democratic control. What is being produced, how it is being produced, how it is to be distributed and for what purpose needs to become a part of public debate.

At the same time, we need to understand that a more equitable and democratic society is compatible with a highly productive economy. High productivity is the basis for well-paid jobs and high quality public and social services. Being in favour of high productivity is not pushing people to work longer and harder, but rather will develop with more efficient systems and more democratic say on the part of working people and their unions together with a substantive increase of investment in:

- public infrastructure
- education and training
- modern machinery and equipment

- new plants and offices
- innovation, research and development, and
- the development of a sectoral jobs strategy

These components of a job strategy and more are briefly outlined below.

a) Sector-Wide Manufacturing Jobs Strategy. We need to develop a sectoral industrial jobs strategy in order to expand societies productive capacities and thereby better address peoples social needs. Sectoral strategies are aimed at strengthening every sector of the economy, not just a handful of key sectors. They are directed at the society and working people as a whole, not just a special few.

It should now be clear that the government's hands-off strategy of "tax cuts and hope" for the best is not working. Ontario needs an active complement of strategies such as direct investments, loan guarantees, domestic procurement provisions, incentives and other measures designed to advance environmentally sustainable jobs that will promote economic development and job creation.

Elements of a Manufacturing Jobs Strategy could well include:

Job Development Boards: Just like we have directly elected local school boards, we should consider directly elected "Job Development Boards." Such boards could be vested with the responsibility of assisting working people in their local and provincial area with gainful employment. They could also assess and fund new projects in their community. They would, of course, need to be funded as are school boards and have some regional/provincial coordination.

Green Jobs: A manufacturing jobs strategy should also be a green jobs strategy. A plan for greenhouse gas reductions should be developed as called for in the Kyoto Protocol. A commitment to dealing with global warming would have major positive impacts on energy efficient jobs in areas such as

machinery and equipment, public transit, infrastructure, and alternative energy technologies such as wind, solar and geothermal power.

Manufacturing and Finance: The Ontario government should encourage the federal government to fund and establish a Sector Development Bank to assist the modernization of firms through injections of long-term equity. Such funds should be targeted to hard-hit sectors such as the forestry industry.

Value Added Resources: To ensure that resource development is environmentally sustainable and contributes to long-term economic development a job strategy should encourage, through regulation and export measures, value added processes of Canadian resources before they are exported. Energy exports could be regulated by the National Energy Board.

Procurement Policies: The Ontario and Federal governments should assess and coordinate procurement in areas such as health care in order to further Canadian industrial capacity and expand employment.

Foreign Ownership: Ontario and Canada have extensive foreign ownership but little in the way of requirements. Foreign takeovers need to undergo a comprehensive assessment in order to ensure jobs are safeguarded and that collective bargaining is respected. The Ontario and Federal governments need to establish and enforce performance requirements to ensure that the promised investment benefits are realized.

- b) Research and Innovation:** Research and innovation are central to industrial development and job expansion. Given the weakness of small and medium-sized manufacturers, the OFL supports expanding the National Research Council and its Industrial Outreach [Industrial Research Assistance Program (IRAP)].

There should also be expanded support for new and substantial corporate investments in research and development by Industry Canada's Technology

Partnerships Canada. Some of this support has already occurred in sectors such as aerospace, auto and the environment. More can be done.

- c) **Expand Education and Training:** We support greater federal investment in education through a public, pan-Canadian child care and early learning programs, plus a separate transfer to the provinces for post-secondary education tied to the gradual elimination of tuition fees and other barriers to widespread participation.

We also need the development of training leaves for workers under the EI program and incentives under EI for employers who invest in lifelong learning for workers. The Ontario Government should establish a 1% training levy on the Quebec model which was implemented to ensure a minimum level of employer investment in worker training. Joint labour-management training committees should be mandated. Further, the OFL supports public sector training of unemployed workers and the expansion of literacy programs. The government should actively work with employers and employees to expand training in the crisis ridden manufacturing sector.

Further investment in education and training alone do not guarantee good jobs but they help. Good education and lifelong learning systems will encourage higher skill business strategies and help address potential skill shortages.

- d) **Exchange Rates:** We need government intervention in Canada and with the G-7 to maintain the Canadian dollar at a realistic level as opposed to the destabilizing swings in exchange rates that we have recently experienced. The Canadian dollar was at a low of 62 cents compared to the US dollar in 2002 and is about 90 cents US today. This has devastated particular sectors, such as the forest industry in Northern Ontario, and had negative impacts on many others such as the steel industry.
- e) **Energy:** The partial privatization of hydro and the move from non-profit electricity to market prices has also contributed to the closure of many mills in the forest industry throwing thousands of workers out of work. Energy costs

need to be reduced and long-term controls need to be enacted to assist this industry and enable the return of many forestry workers to gainful employment.

- f) **Housing:** We need the funding and commitment for a massive program of non-profit housing. There is also a desperate shortage of new affordable rental housing. Housing costs are way up, the average rents are up and yet household incomes for low, moderate, and middle-income households are stagnant or declining. This “shelter gap” is key to the Ontario Rental Housing Tribunal report that 64,864 households faced eviction in 2005. With substantial funding for affordable housing, thousands of people in Ontario will greatly improve their quality of life and the province will see a significant expansion of jobs in both construction and secondary manufacturing.

- g) **Labour Adjustment:** Even with the implementation of positive job measures, jobs will continue to be lost given a higher exchange rate, higher energy costs and manufacturing export capacity in Asia. Companies laying off workers will therefore continue to have a responsibility to assist in adjustment and this needs to be mandated under employment standards legislation. Workers affected by major layoffs and closures must be given reasonable notice; adjustment committees need to be mandated; and minimum severance pay must be increased.

- h) **Raise the Minimum Wage:** The McGuinty Liberal Government has raised the minimum wage, by 30 cents in each year of their mandate, which means today that it stands at \$8.00 per hour. The problem, given the reality that the minimum wage was frozen by the previous Harris-Eves Government for nearly nine years, is that \$8.00 per hour is insufficient for people, even if they work full-time, to raise themselves out of poverty. The Ontario Federation of Labour has long called for a minimum wage that lifted people to the Low Income Cut-Off (LICO) of Statistics Canada. This would now need to be at least \$10.00 per hour (then adjusted up to the LICO) and be indexed.

- i) **Jobs Protection Commissioner:** The creation of such a position could prove a strong and effective jobs advocate. In British Columbia such a Commissioner

was able to save about 75,000 jobs before the new provincial government abolished the position in 2001. The Ontario Government should initiate such a position providing the Commissioner the authority to bring together the workplace parties, investors, community leaders and others to try and save troubled companies and jobs.

- j) Employment Insurance (EI) Benefits:** EI regular benefits need to be significantly raised and coverage expanded. Far too many workers don't qualify for benefits and the duration of benefits in regions with a low overall unemployment rate is too short. The five-week extension of maximum benefits now available in regions of very high unemployment should, at minimum, be extended to all regions.

Where an employer is obliged to pay severance, EI benefits are delayed. This rule should be eliminated immediately so as to facilitate the negotiation of good adjustment packages. The older workers adjustment program should be re-introduced. Older workers often are required to learn new skills and to move to another part of the country. Mobility assistance should be provided under EI to facilitate a job search and cover moving costs.

- k) Globalization:** These job strategy measures will involve substantive challenges and changes in Ontario and thereby raises issues of how our province and Canada as a whole fit into the global economy. We cannot address the positive restructuring of our economy if we don't take the time to assess the Canadian economies increasing integration with the US economy and the neo-liberal (or market fundamentalism) restructuring that is currently ravaging economies around the world with their downsizing, the movement of production to where costs are lowest, no matter the impact on manufacturing workers and the society concerned, the cuts to the public sector and social services, the deregulation, the growth of more and more contracting-out and the significant rise in irregular work.

A key alternative to neo-liberal globalization and multilateral international negotiations is fighting for more democratic control over investment within each

country. Some of this already exists with government public and broader public sector investment and, in a few cases, with union control over pension funds.

Conclusion

The enormity of the problems, only indicated here in several examples, are daunting despite economic and employment growth. Yet these problems are either not elaborated in public debate or see proposed solutions that have been far too small and timid. If we are to realize progressive change and job expansion it will take imaginative initiatives and substantive government intervention.

In this submission, the Ontario Federation of Labour has tried to point to a different direction than the one Ontario has experienced to date. Our job strategy ideas would require a break from the “leave it to the market” ideology. In its place they suggest thoughtful government policies and actions with the goal of linking economic development to the creation of good, secure and safe jobs such that all may enjoy a better quality of life.

Respectfully submitted,

Ontario Federation of Labour

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Endnotes

1. We have generously drawn on the *Ontario Alternative Budget 2007* for this discussion.

Ontario Alternative Budget 2007, Ottawa: Canadian Centre for Policy Alternatives.

2. Auerbach, L., Donner, A., Peters, D., Townson, M., Yalnizyan, A. (2003). *Funding Hospital Infrastructure: Why P3s Don't Work, and What Will*. Ottawa: Canadian Centre for Policy Alternatives. Cited in OAB 2007.

Schneider, E., Epstein, A., and Zaslavsky, A. (2005). Quality of care in for-profit and not-for-profit health plans enrolling Medicare beneficiaries. *American Journal of Medicine*, 118, 1392-1400. Cited in OAB 2007.

3. The Economist (Dec. 20, 2005). The NHS's financial difficulties. Accessed 1/17/2006, http://www.economist.com/world/europe/printerfriendly.cfm?story_id=5327885

4. *Understaffed and Under Pressure: A Reality Check by Ontario Health Care Workers*, October 2005, Toronto: Ontario Federation of Labour.

5. For the latest brief see *Submission by the Ontario Federation of Labour to the Standing Committee on Social Policy Concerning the Long-Term Care Homes Act, 2006*, January 17, 2007, Toronto: Ontario Federation of Labour.

6. Shaw, M., Dorling, D., & Smith, G. (1999). Poverty, Social Exclusion, and Minorities. In M. Marmot & R. Wilkinson, (Eds.), *Social Determinants of Health*. Oxford: Oxford University Press, 232. Cited in OAB 2007.