



**TOGETHER
IT WORKS**

**AN ECONOMIC PLAN
THAT WORKS FOR EVERYONE**

**Ontario Federation of Labour
www.ofl.ca**



Together it Works

**An Economic Plan
that Works for Everyone**

**by the
Ontario Federation of Labour
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INTRODUCTION

Ontario is in the midst of an economic storm caused by the international financial market meltdown and global recession.

Our government has the power and the opportunity to improve our economic future and the lives of Ontarians. It has the power and opportunity to stave off the worst of a recession, build a stronger and more sustainable economy, and to provide relief to people that really need help.

There is a global consensus that it is up to governments to invest in infrastructure, shore up consumer confidence, and help those who need it. This consensus crosses traditional ideological lines about how active a role government should take in the economy.

Our federal government has failed to take the necessary action. Its stimulus package is inadequate, unfocused and incoherent. It will leave us with far too little in return for the billions invested.

The Harper government has also abdicated its responsibility to protect the vulnerable in these hardest of times. That leaves Ontario to fend for itself and to show the leadership the federal government has failed to provide.

To successfully move out of the recession and into a sustainable future, our provincial government needs to adopt a strategic and aggressive plan.

The OFL Economic Plan recommends an investment of \$5.5 billion. This is 6 percent of Ontario's 2008-09 program expenditures and less than 1 percent of Ontario's GDP.

BACKGROUND

Depth and Spread of the Crisis

The global financial crisis and collapse of consumer demand in the U.S. economy is compounding and spreading the crisis in Ontario's manufacturing and forestry sectors across the entire economy.

Job Loss

Ontario lost 138,000 jobs between October 2008 and January 2009. In that same period, the unemployment rate rose from 6.5 percent to 8 percent. The losses were widespread -- 82,000 jobs lost in the goods producing sector, and 55,000 lost in the service sector.¹

More Losses Expected

Housing: The CMHC is forecasting a 22-percent-drop in Ontario housing starts in 2009.² People will lose jobs in construction and related industries.

Commodities: The free-fall in commodity prices will ensure the downturn is felt right across Ontario. The Bank of Canada's commodity price index fell by 48 percent in December from its peak in June.³ Mining communities such as Sudbury have already been hit with layoffs.

Auto: US auto sales in 2008 were the worst since 1992. December sales dropped 53 percent for Chrysler, and 31 to 37 percent⁴ for Toyota, Honda, GM and Ford. Not surprisingly, the dramatic drop in demand translates to job losses and layoffs.

Economic Thinking Turned on its Head

The prevailing orthodoxy about balanced budgets has been turned on its head in less than three months. The discussion has moved away from whether it is appropriate for governments to ever run a deficit to widespread consensus that deficits and strong government leadership are essential to weather this global economic storm. Governments that invest now do the double duty of softening the blow of recession and investing in generations to come. Jurisdictions that act boldly and swiftly will emerge from this crisis with stronger, more sustainable economies.

The International Monetary Fund is calling on all governments to stimulate their economies in the range of 2 percent of GDP.⁵ For Ontario, this means a stimulus of about \$12 billion. The federal government failed in this regard with a fiscal stimulus of only 1.1 percent of GDP.⁶

In recessions, “automatic stabilizers” like employment insurance and social assistance come into play. Reduced economic activity results in lower government revenues. At the same time, 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. The depth and breadth of the economic crisis calls for more than just automatic stabilizers.

WHAT ONTARIO NEEDS

To prepare Ontario for the recovery, we need investments that:

1. Maintain Ontario’s industrial base by helping businesses survive the current economic storm;
2. Invest in infrastructure to create jobs now and build a more sustainable economy;
3. Support public services when we need them the most; and,
4. Provide relief to people who really need it. The government must deliver on its own promise to reduce poverty, and improve adjustment assistance for workers who lose their jobs.

We Need to Work Together

Government should bring together the business community, trade unions, and community representatives. We need to work together to find solutions to the economic challenges we are facing. We need to ensure that we are developing programs and building infrastructure in a creative, efficient, and timely manner. We need to ensure that programs have enough flexibility to meet the differing local needs across the province.

1. Support for Ontario’s Industrial Sector

Ontario’s goods-producing sector is the foundation for much of the economic activity in the province and for the communities in which these industries are located.

The sector's industries accounted for 27.7 percent of Ontario's economy in 2007. Ontario manufacturing, a cornerstone of the economy, accounted for 18.8 percent of the economy in 2007.⁷ These percentages understate the importance of these sectors, and the role they play in exports, supply chain linkages, technological intensity, and the spin-off benefits for other sectors.⁸

Many businesses, which are viable and an integral part of the Ontario economy, are at risk. Although they could operate profitably in the future, they are in danger in the shorter term because of the credit crisis and plummeting U.S. demand. Closing plants and shipping equipment to China is not the best long-term response to short-term problems, no matter how dire they are.

Ontario needs to take action now to preserve the province's productive capacity and help workers who have been or will be laid off.

Help for Ontario Industry

The Province should establish an Office of the Jobs Commissioner, with a mandate to provide assistance to Ontario industries. It should have the latitude to do what's necessary, the resources needed to determine what kind of assistance might be required, and the authority to deliver it in a timely manner. This office should be able to negotiate short-term and medium-term transitional arrangements to forestall plant closures and position businesses to benefit from the recovery.

This will build on the current support being offered to the auto industry. The labour movement agrees that the federal and provincial governments should play a proportional role in assisting the North American auto producers to survive the catastrophic downturn that has hit this industry. This support will involve a combination of emergency financial assistance (in the form of bridge loans and other forms of credit, which could be provided by publicly-owned banks with no direct cost to taxpayers), plus measures aimed at improving the longer-run economic prospects of this vital industry. Such a strategy must address all of the challenges facing the industry, including the need to attract investment, invest in new skills and technology, and improve environmental performance. It must also address the massive imbalances in international trade which have destroyed hundreds of thousands of jobs in the auto industry and other manufacturing sectors.

It cannot be emphasized enough that all these measures to support the industry must be tied to firm commitments by the companies to a proportional production and employment presence in Canada. Similar additional emergency assistance must be provided to auto parts manufacturers, which face a desperate cash crisis as a result of the drop-off in auto sales and auto production.

Indeed, the need for government assistance to key industries will not be limited to the auto industry. Other businesses in a wide range of industries will also need assistance. Some of this assistance will be in the form of access to credit, like those currently being negotiated for the auto industry. Other, more direct, forms of assistance will also be needed.

Over the last number of years, the labour movement has developed expertise and knowledge on restructuring and is capable and more than willing to contribute to this process.

This assistance will be money well spent. It will maintain our productive capacity in high-value added industries. These industries provide vital linkages to other sectors of the economy, and well-paying jobs. Monies that are spent on these kinds of supports will avoid expenditures on social assistance and the long-term costs associated with the social displacement linked to large scale job losses.

The Ontario government should provide a mix of access to credit and direct assistance to businesses in Ontario. The budgetary impact of this program should be to make \$1 billion available for assistance.

Help for People Who Lose Their Jobs

Despite the government investments outlined in this document, we will continue to see layoffs and job losses. The economic crisis poses unprecedented challenges for laid-off workers in this province. Ontario's assistance burden will increase. That's because the federal government has refused to make EI available to more people and adequately extend the benefit period for those who have lost their jobs.

This will require increased access to income supports for workers who lose their jobs. Support should include greater access to social assistance for workers who have been laid-off, without punishing them with a requirement to liquidate all their assets.

A new major public initiative that assists workers with basic skills development needs to be implemented with the guidance of a labour market partners' forum. More immediately, existing programs that provide adjustment and training assistance to displaced workers, including group literacy, language and bridging programs must be expanded. This expansion should include both increased access to programs, and enhanced income support.

In these difficult economic times, the needs of long tenure, older workers must be addressed. Long-term unemployment rates are significantly higher for older workers. And, many who do find new jobs experience a significant loss of income. Adjustment difficulties are obviously most serious for those who need skills upgrading or who live in areas with few alternative job opportunities.⁹

A program similar to the Program for Older Worker Adjustment, which provided a transition into retirement for displaced older workers, should be established. At the same time, we need the Ontario government to enact legislation obligating employers to negotiate and fund adjustment programs.

These measures should include \$200 million for training and income supports, \$165 million for enhanced access to Ontario Works, and \$50 million for the Program for Older Worker Adjustment.

2. Infrastructure Investment

Recent Canadian research shows that increasing government spending on infrastructure is most effective at increasing GDP. It shows that \$1 billion of personal income tax cuts increases GDP by \$720 million and creates 7,000 jobs. The same \$1 billion spent on infrastructure creates 16,000 jobs, about half in construction, and increases GDP by \$1.78 billion.¹⁰

MUSH Sector Energy Retrofit

A MUSH (municipalities, universities, schools, hospitals) sector energy retrofit program can be implemented quickly, keeping skilled workers in Ontario, and have long-term positive benefits. It can deliver resource conservation and greenhouse gas reduction, which are among the government's stated goals.

Ontario should invest \$400 million in this program.

Accelerating Transit and Other Infrastructure Projects

Investing in public transit systems, clean water systems, and renewable energy should be an integral part of this program. These investments will create jobs in the short term, and in the longer term, move Ontario toward an environmentally-sustainable low-carbon economy. To be most effective, these projects must be started quickly. The Federation of Canadian Municipalities has compiled a list of 1,000 shovel-ready projects.¹¹

Ontario should invest \$500 million in these projects.

Affordable Housing

An essential foundation of any poverty reduction strategy is investment in new housing supply. If made wisely, these investments can greatly increase environmental efficiencies and propel us toward crucial long-term conservation goals.

Ontario should invest \$750 million in these projects.

Investments in Child Care

Investing in early learning and child care is good for kids, parents, and the economy. Spending needs to include more child care centres, increased wages including pay equity adjustments, and operating funds to both maintain and expand spaces threatened by federal cutbacks.

Ontario should invest \$300 million in operating spending to maintain and expand affordable, high quality child care, and \$85 million in capital spending.

Buy Ontario Policies

These infrastructure projects should be subject to a Buy Ontario policy. This will increase the stimulative effect of the program, provide opportunities for local businesses to develop expertise in green technologies, and ensure that Ontarians get the maximum benefit from Ontario tax dollars.

Domestic content requirements make economic sense. They will help our manufacturing sector through the recession and put our economy on a more sustainable path. They are also permitted under the terms of NAFTA and WTO which give sub-national governments full powers to source locally.¹² Most countries in the world have domestic purchasing

policies in place including China, Japan, Korea, Mexico, and countries throughout the European Union. They are an effective policy tool for industrial development. Stronger domestic procurement has been supported by groups like the Canadian Manufacturers and Exporters Association and the Ontario Chamber of Commerce.

3. Support Public Services When We Need Them the Most

The Ontario government must allocate funding to support public services when Ontarians need the most. Cutbacks will cost jobs, reduce economic activity and the quality of public services. Economic downturns increase the demand for public services, such as health care and social services. Public sector workers who are already under-resourced will face higher workloads.

Funding must increase sufficiently to keep up with the increase in costs. This will require an additional \$200 million to maintain hospital services, and an additional \$50 million to meet the government's commitment to increase the nursing workforce. A further \$250 million should be directed towards other stress points in the healthcare system.

Pending the review of the funding formula for elementary and secondary education in 2010, an increase in funding for the declining enrollment adjustment will provide some breathing room to accommodate the increased needs of students whose families and communities are in crisis.

Ontario should increase the declining enrollment adjustments by \$50 million.

There is a consensus that increased educational opportunities are essential for our future prosperity. For workers who are facing job loss, or young people who are having trouble entering the job market, further education should be a viable option. There has been an erosion of affordability of post-secondary education in this province. A rollback of tuition fee increase planned for this fall would be a step in the right direction.

Ontario should invest \$114 million in more accessible post-secondary education.

Especially during times of recession, Ontarians turn to the rich network of non-profit community and social services organizations for support. Community service agencies provide essential supports such as housing, employment training, child care, settlement supports, women's shelters,

individual and family counseling, family respite, social-recreational and educational programs, and many other kinds of aid. Even before the economic downturn, community agencies were facing a number of serious challenges while governments increase their reliance upon the sector for the delivery of needed services.

Ontario should invest an additional \$45 million in community service agencies.

A further \$300 million should be set aside to provide funding to other public services that are facing increased demand due to the economic crisis.

4. Keeping the Government's Commitment to Poverty Reduction

The Ontario Federation of Labour was an active participant in the *25 in 5 Network Blueprint for Economic Stimulus and Poverty Reduction*. This plan incorporates the proposals in that document. The labour movement supports the approach that an effective poverty reduction strategy must provide for livable incomes, strong and supportive communities, and good jobs for all.

This budget must include a substantial down payment on livable incomes for social assistance recipients, along with the other poverty reduction measures outlined in the Blueprint. Essential components of the strategy include securing and raising of labour market incomes by expanding access to unionization, strengthening and enforcing the *Employment Standards Act*, and increasing the minimum wage to \$11 by 2011.¹³

COSTING OF TOGETHER IT WORKS

Maintain Industrial base

(\$s millions)

Industrial assistance	1,000
Increased adjustment, training, income support	415
Sub total	1,415

Invest for the future

Social Housing	750
MUSH Sector Retrofit	400
Public Transit other Infrastructure	500
Childcare	85
Sub total	1735

Poverty Reduction Strategy

Child Care	300
Enforcement of Employment Standards	10
Other programs	1,012
Sub total	1,322

Maintain Government Services

Health care

Maintain hospital services	200
Keep commitment to hire nurses	50
Other pressures	250

Education

K -12	50
Post secondary	114
Community services	45

Other programs

Sub total	1009
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Total	5,481
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