



# 2013 Pre-Budget Submission to the Government of Ontario

SUBMITTED BY THE ONTARIO FEDERATION OF LABOUR

MARCH 22, 2013

The Ontario Federation of Labour (OFL) welcomes this opportunity to comment in advance of the 2013 Ontario Budget. This is a critical budget for the people of Ontario. The provincial government can either continue to implement a discredited austerity agenda, or it can embrace a new path, one that preserves public services, helps create good jobs, and builds, in the words of the Premier, a fair society.

The OFL lays out its concerns with the austerity agenda in greater detail in the attached green paper entitled *Towards a People's Budget*, whereby we debunk many of the common myths supporting the public policy drive for austerity.

Specifically, we challenge the myth that the government can no longer afford to provide the same level of services to Ontarians. In reality, Ontario is already at or near the bottom compared to other jurisdictions when it comes to per capita spending on a wide array of public programs and services. As Nobel Prize-winning economist Paul Krugman says about the American deficit: "the deficit is a side-effect of an economic depression, and the first order of business should be to end that depression – which means, among other things, leaving the deficit alone for now."<sup>1</sup>

In other words, the deficit in Ontario was caused by the recession, not government overspending. Cuts to public spending and public services are not necessary and are not the path to economic recovery. Consider

also a recent Canadian Centre for Policy Alternatives–Ontario report demonstrating that since the recession, the actual increase in accumulated deficit as a share of GDP has been moderate and is certainly manageable.<sup>2</sup>

Our green paper proposes that as a province we must address increases in both income inequality and precarious work. Between 1981 and 2012, Ontario experienced the largest change in income equality anywhere in Canada; in percentage terms this came to 17.2 percent.<sup>3</sup> At the same time, more Ontarians are working in precarious jobs. According to a report by the United Way and McMaster University, precarious work has increased by 50 percent in the GTA and Hamilton over the last 20 years.<sup>4</sup>

Spurring economic growth and creating good jobs is the preferred budgetary approach for addressing income inequality and putting Ontario back on the right economic and fiscal path. The province must pursue a bold strategy that proactively supports key sectors in the Ontario economy that foster innovation, invest in sustainable products and practices, and create good jobs. On this issue, the Jobs and Prosperity Council has offered some positive recommendations, including working with key stakeholders to strengthen the manufacturing sector in Ontario through research and training programs.<sup>5</sup> Efforts to encourage local procurement should also be explored, particularly as part of initiatives to re-build Ontario's aging infrastructure.

# Expanding the conversation

While these are some of the OFL's ideas, we respect that we do not have a monopoly on good ideas. So we are doing what we believe the government should have done – we've created a People's Budget consultation process. To date, we have travelled to seven cities in Ontario – Brampton, Ottawa, Sudbury, Thunder Bay, Kitchener-Waterloo, London and Toronto – with consultations in Hamilton and Windsor to take place next week. When the process is over we expect to have heard oral presentations from over 100 organizations from across the province. Each event has also been attended by an average of 50 community members who are also given the opportunity to ask questions and contribute their ideas. We have also solicited and received written and online submissions from Ontarians on our website.

By contrast, this is the second year in a row that a thorough process for pre-budget hearings has not been observed. Last year, no pre-budget hearings took place. This was considered an exceptional circumstance, but the consultation process has been truncated once again this year.

This year, consultations have only taken place in four cities (Windsor, Timmins, Ottawa and Toronto), compared to six cities in 2011. The timeline for preparing submissions was also short. The consultations were announced on March 5 and Ontarians were given three days to apply to make an oral presentation. Moreover, written submissions had to be made by March 22, giving individuals and organizations only a short time frame for preparing submissions. An online form for making submissions was available, but this avenue for providing feedback could have been better promoted if the government truly wanted to facilitate a genuine, participatory consultation with Ontarians.

We are concerned that the government is moving away from processes that allow for meaningful public participation in the budget process. Consultation with the public should be a top priority. Meaningful engagement with Ontarians will help to facilitate public policy that reflects the public interest.

We therefore strongly recommend the government extend its consultation process to allow more time for citizen input – at least by telephone and via the web.

# What we are hearing

Through our consultations so far, Ontarians have brought forward an impressive array of ideas, shared stories on the impact of the austerity agenda, and proposed thoughtful recommendations for moving forward in a new direction.

We have heard about conditions in Ottawa schools that create an unacceptable learning environment, financial barriers to healthy eating for low-income people receiving social assistance in northern Ontario, and the unprecedented number of children who spent Christmas Eve in a shelter in Kitchener.

While we will be sharing more of these stories along with our recommendations in a forthcoming white paper, we want to briefly highlight some of the key discussion points.

Throughout the province and in feedback we have received online, the priority issues for Ontarians are job creation, poverty alleviation, and the need to create a fair society.

Four specific recommendations that have come up regularly in our consultations are:

## INCREASE THE MINIMUM WAGE

Minimum wage workers today earn \$10.25 per hour and are living 19 percent below the poverty line. A minimum wage benchmarked at 10 percent above the poverty line would be \$14 per hour. The minimum wage should also be updated every year with the cost of living. In Canada, three provinces or territories (Alberta, Nova Scotia and the Yukon) already adjust the minimum wage each year according to the Consumer Price Index (CPI).

## INVEST IN INFRASTRUCTURE

Our schools, public transit systems, and water infrastructure are badly in need of updating and investment. Beyond being a necessity, these investments create jobs, improve the environment and health of our cities and towns, and contribute to economic growth. It is estimated that traffic congestion costs the Greater Toronto-Hamilton Area \$7 billion a year in lost productivity.

## SUPPORT YOUNG ONTARIANS

The need for good jobs is particularly urgent for young Ontarians. At the end of 2012 the unemployment rate in Ontario was 7.8 percent, while for youth it was 16.9 percent.<sup>6</sup> Unfortunately, unpaid internships have also become commonplace and when young people do find work it is more likely to be temporary or short-term. In addition, the cost of tuition at Ontario universities is among the highest in Canada and student debt weighs young people down as they enter the labour market. It's time to take seriously students' demand for a real reduction of tuition fees by 30 percent

over three years and invest in programs that will help young people find meaningful employment.

## FAIR TAXATION

Years of tax cuts have disproportionately benefitted the wealthiest citizens and corporations, while we have not seen the mythical trickle-down effect in either economic growth or jobs. It's time to listen to those calling for a more fair taxation system which would include rolling the corporate tax rate back to 14 percent – Ontario rates would still be lower than in all US jurisdictions; increasing taxes on those making more than \$250,000 per year; and working harder to collect the more than \$2 billion in unpaid taxes.

In conclusion, we point to the growing body of evidence – and the feedback from Ontarians – that austerity is not working. In the United Kingdom, austerity measures are leading to an unprecedented triple dip recession. In Europe where youth unemployment has reached over 25 percent in 13 countries, austerity has created a “lost generation”. Even the International Monetary Fund has acknowledged that the negative impact of austerity is much greater than they anticipated. In late 2012, the acknowledgement in the United States that spending cuts were not what their ailing economy needed, demonstrated that some lessons have been learned from the European experience.

In Ontario, it is time for a budget that rejects this self-defeating approach and builds a fair society, creates good jobs, and grows our economy. Ontario has the fiscal capacity to do this and it is the only way back to economic growth. As we learned in the 1930s, we cannot cut our way to growth.

It's time for a budget that puts people first.

We look forward to sharing our more detailed white paper with the government in early April.

Respectfully submitted,



Sid Ryan, President, Ontario Federation of Labour

## NOTES

1. <http://www.nytimes.com/2012/12/17/opinion/krugman-that-terrible-trillion.html>
2. <http://www.policyalternatives.ca/newsroom/updates/more-harm-good-austeritys-impact-ontario>
3. <http://www.weareontario.ca/wp-content/uploads/OCF-RPT-FallingBehind-20120829.pdf>
4. <http://pepsouwtf.files.wordpress.com/2013/02/its-more-than-poverty-feb-2013.pdf>
5. [http://www.ontariocanada.com/ontcan/1medt/econdev/ed\\_downloads/jpc\\_AdvantageOntarioEnglish.pdf](http://www.ontariocanada.com/ontcan/1medt/econdev/ed_downloads/jpc_AdvantageOntarioEnglish.pdf)
6. <http://www.fin.gov.on.ca/en/economy/ecupdates/factsheet.html> and Labour Force Survey, Cansim Table 282-0002.