

TOWARDS A POVERTY-FREE ONTARIO



**2015 PRE-BUDGET SUBMISSION
TO THE STANDING COMMITTEE ON FINANCE AND
ECONOMIC AFFAIRS, GOVERNMENT OF ONTARIO**



ONTARIO FEDERATION OF LABOUR



**TOWARDS A POVERTY-FREE ONTARIO: 2015 Pre-Budget Submission to the
Standing Committee on Finance and Economic Affairs, Government of Ontario**

February 13, 2015 • Ontario Federation of Labour (OFL)

The Ontario Federation of Labour (OFL) represents 54 unions and one million workers.
It is Canada's largest provincial labour federation.

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SUMMARY OF RECOMMENDATIONS

- 1 *Create a community advisory council of community, academic, and labour representatives to advise on policies to assist the government in achieving its goals for the Ontario Poverty Reduction Strategy.*
- 2 *Create a specific poverty reduction plan for Indigenous peoples after consultation with indigenous groups and leaders.*
- 3 *Introduce \$100 per month healthy food supplement for Ontarians collecting social assistance.*
- 4 *Phase in an affordable, public early learning and child care program – a program the Ontario Coalition for Better Child care urges be based on the principles of universal entitlement, high quality and comprehensiveness.*
- 5 *Adopt the Early Childhood Educators’ Ontario call for a comprehensive workforce strategy for the regulated child care sector.*
- 6 *Make community college education free for all students.*
- 7 *Eliminate interest on provincial student loans.*
- 8 *Increase funding for proactive enforcement of employment standards to stop wage theft and ensure that all workers’ rights, including those of women, youth, temporary and migrant workers, are respected.*
- 9 *The Province should follow the lead of a number of Ontario cities and adopt a Fair Wage Policy to ensure that the companies it does business with are not exploiting their workers.*
- 10 *Review and reduce barriers to union organization by updating Ontario’s labour laws through consultation with labour organizations and community groups.*
- 11 *Adopt a minimum wage of \$15/hour to lift all workers out of poverty.*
- 12 *Work with municipalities, the construction industry, labour and community groups to build and maintain new affordable cooperative housing.*
- 13 *Invest in programs that help homeless individuals make a smooth transition from the street to their home.*
- 14 *Ensure that the Ontario Retirement Pension Plan (ORPP) is modeled on the CPP, such that it is portable and could be folded into the CPP at a later date. Such a plan should be universal and mandatory.*
- 15 *Ensure corporations and tax cheaters are paying their fair share by:*
 - (a) *Increasing the corporate tax rate from 11% to 14%, which could generate up to \$2.5 billion.*
 - (b) *Increasing efforts to collect the more than \$2 billion in unpaid taxes the Auditor General has uncovered.*
 - (c) *Removing the exemptions from the Employer Health Tax, which could generate up to \$2.5 billion.*



TOWARDS A POVERTY-FREE ONTARIO

2015 Pre-Budget Submission to the Government of Ontario

INTRODUCTION

Ontario remains a wealthy province inflicted with the disease of poverty.

While the provincial economy grows modestly there is still more that the provincial government can do through public investment and tax reform to get more Ontarians working and to build a fairer society.

The Ontario Federation of Labour (OFL) is pleased to offer the following analysis and recommendations as the provincial government considers options and opportunities for the 2015 Ontario Budget. As Canada's largest labour federation, the OFL represents 54 unions and over one million workers in the province.

This submission builds on the extensive research and public consultation that informed our 2013 People's Budget (<http://ofl.ca/index.php/thepeoplesbudget>). During the People's Budget consultations, the 135 individuals and groups we heard from shared an overwhelming consensus that Ontario should abandon its austerity agenda and build a fairer society.

Since then, while the government has made a partial shift away from the failed and devastating austerity policies, it has been reluctant to fully embrace a growth and public investment plan.

This must change if Ontario is to achieve shared prosperity from a sustainable economy, prepare for and mitigate the effects of climate change, strengthen and expand quality public services, end poverty, and build a truly fair Ontario.

For Ontario workers and their families, fairness means access to a good public education including daycare; affordable housing; quality health care; and pensions that allow older Ontarians to live with dignity. Fairness also means hard work is rewarded with respectable wages, and all citizens and businesses contribute their share to our tax system. Finally, fairness means no Ontarian – especially children – need live with the indignity and hopelessness of poverty.

Poverty transcends the acutely felt impacts on individual families and affects entire communities. We know the social determinants of health – of which poverty is a leading factor – create negative outcomes and add enormous stress to our public health system. We are therefore very supportive of the Ontario Health Coalition’s recommendations for the 2015 Budget.

We also know that poverty contributes to a range of social challenges – from family breakdowns to drug abuse to criminal justice issues – that also impact our collective quality of life and the public treasury. On the other side, poverty constrains educational achievement, reduces opportunities for employment (reduced access to transit or clothes required for work) and reduces the potential for economic growth and additional tax revenue.

In short, poverty is unfair, unjust, and incompatible with efforts to build an equitable society.

It is for these reasons that the OFL has focused its submission on recommending strategies to alleviate poverty.

POVERTY IS THE PRIORITY

In 2013, Ontario's very own public broadcaster, TVO, helped produce an excellent international series called "Why Poverty?" which looked at the poverty issue in a global context and found that some of the most troubling findings on the impact of poverty can be found right here in Ontario.

Consider, according to a 2011 Salvation Army study six percent of Ontarians have had to sleep in the street or a shelter. Twenty two percent have received help from a food bank or charity. A Campaign 2000 report that same year indicated more than 370,000 children lived in poverty, including almost four in 10 children of single mothers.

Our assumptions about who is poor have also been forced to evolve. We already know that some communities are particularly vulnerable to becoming trapped by poverty – including racialized people, newcomers, Indigenous peoples, persons with disabilities, and single parents. Yet poverty now extends to even those who have full-time employment. For example, a report from the advocacy group Keep the Promise notes two in five children in Ontario are living in poverty despite living in a household with full time, full year work.

We know from feedback received during the People's Budget consultations that a changing work environment – with more service industry orientated, part-time jobs with lower salaries and fewer benefits and workplace protections – has pushed more people into poverty.

Across Ontario, people are literally working harder only to find themselves falling farther behind. This is the phenomenon of precarious employment – and it is a very real society challenge.

The lingering effects of the 2008 recession continue to negatively impact families and communities, and any recovery has yet to be felt by large segments of the population. In this economic climate, the new normal for workers and their families is no longer about moving forward, but instead about simply treading water.

In the Greater Toronto-Hamilton Area, for example, the United Way reported in 2013 that half of all residents are working in precarious employment. Some are workers with part-time, low-wage, or insecure jobs without benefits. Others are self-employed or living from contract to contract, again without benefits.

370,000

**Ontario children live in poverty,
including almost 4 in 10 children of single mothers**



Source: Campaign 2000

This situation is not unique to southern Ontario. According to the Sudbury Social Planning Council, 15 percent of the 14,000 monthly users of food banks in that city are working. In Windsor-Essex, the “Pathway to Potential” poverty reduction strategy explains that one in five renters pays more than 50 percent of their income on rent, placing them at risk of homelessness.

As has been noted in the Salvation Army study above, poverty not only devastates individual families, it creates economic and fiscal challenges for governments. Estimates suggest poverty costs Canada \$72 to \$86 billion per year, including potential loss of tax revenue due to the exclusion of low-income people from the labour market. As the country’s largest province, Ontario will absorb a large portion of these costs.

600,000 Ontario families saw their incomes stall or fall behind since 2000

Source: Ontario Common Front

Yet successive past governments exacerbated this situation by pursuing policies which generously rewarded enormous wealth and punished those who were struggling. The result? As documented in the landmark 2012 Ontario Common Front Report, “Falling Behind,” 600,000 families saw their incomes stalled or falling behind since 2000, while the richest 10 percent saw large increases.

This is an extension of the poverty struggle; growing income inequality encompasses an even wider cross section of Ontarians until we risk creating a permanent society of haves and have-nots. We may already be irreversibly on that path. According to a Centre for the Study of Living Standards report in 2011, over the generation stretching from 1981–2012 Ontario experienced the largest change in income equality of anywhere in Canada in percentage terms at 17.2 percent.

The high cost of housing, particularly but not limited to the Greater Toronto Area, is also forcing people into poverty. The impact of increases in living costs such as transportation, food, and clothing are compounded by reductions in direct government benefits and previous cutbacks that have not been restored, including social assistance rates and the high costs of post-secondary education. It is no wonder why so many Ontarians are going into debt just to make ends meet, or are living one missed pay cheque away from being unable to pay their bills.

While the province is still digging its way out from the effects of the global economic recession, the federal government remains a delinquent partner in public investment. Ottawa continues to fail to contribute its fair share for measures that would help put people to work and alleviate poverty, including infrastructure renewal projects, newcomer settlement programs, and support for young people.

In the absence of this national leadership, the OFL calls on the Ontario Government to act responsibly to contain and reduce the scourge of poverty on our province.

SOLUTIONS AND RECOMMENDATIONS

There are many measures the Government of Ontario could take to alleviate poverty and make life better for struggling families. We have identified several initiatives that, if implemented with a sense of urgency matching the seriousness of the challenge, could make a real difference in the lives of Ontarians.

Alleviating Poverty

Ontario's Poverty Reduction Strategy 2014-2019 is an important contribution to the discussion and work that needs to be done to ultimately eliminate poverty. However, the Province's previous goals – specifically to reduce child poverty by 25 percent in five years – have not yet been met. Other goals, such as a plan to end homelessness, are ambitious yet lacking detailed plans to make it happen. The government could also benefit by having a permanent advisory role for key external stakeholders.

Recommendation 1: *Create a community advisory council of community, academic, and labour representatives to advise on policies to assist the government in achieving its goals for the Ontario Poverty Reduction Strategy.*

Recommendation 2: *Create a specific poverty reduction plan for Indigenous peoples after consultation with indigenous groups and leaders.*

The province must also do more to support families in emergency financial situations. Being able to afford food is a basic human need. According to a 2014 report from the Daily Bread Food Bank “for the 6th year in a row GTA food banks have seen over one million visits, with an increase of nearly 40 percent in Toronto's inner suburbs since 2008.”

Recommendation 3: *Introduce \$100 per month healthy food supplement for Ontarians collecting social assistance.*

Accessible, Quality Childcare

Throughout the province there are growing waiting lists for subsidized child care, which ensures parents can afford to work. According to the Ontario Coalition for Better Child Care, there are only licensed child care spaces for 20 percent of all children in the province. Across Ontario, child care can cost \$10,000 to \$15,000 per year, per child. Ontario parents pay the highest cost for child care in Canada.



Source: Daily Bread Food Bank

Yet child care is a public program that pays for itself. Economist Pierre Fortin's study of the cost-effectiveness of the Province of Quebec's public child care program concluded that this program has made a net contribution of \$1.7 billion to the province's GDP.

Child care has one of the highest multiplier effects of all investments and pays for itself quickly by allowing parents to work, retrain and study. This in turn generates additional tax revenues for the provincial government. In fact, a 2010 report commissioned by the Ontario Coalition for Better Child Care demonstrated that a \$63 million investment in child care produces:

- 7,600 subsidized child care spaces for children from low-income families
- 1,800 child care jobs and another 1,100 jobs in the related economy
- 3,480 jobs for parents who are able to work
- Lower welfare rates as parents can participate in the workforce.

Recommendation 4: *Phase in an affordable, public early learning and child care program – a program the Ontario Coalition for Better Child care urges be based on the principles of universal entitlement, high quality and comprehensiveness.*

Recommendation 5: *Adopt the Early Childhood Educators' Ontario call for a comprehensive workforce strategy for the regulated child care sector.*

Affordable Education

Education has long been considered not just the means by which we develop good citizens, but also a necessity for better income security. At the very least, it was a ticket out of poverty. Yet education – specifically higher education – has become out of reach for too many Ontarians due to the cost. Notwithstanding modest efforts to provide some students with tuition fee reductions, Ontario's tuition fees for post-secondary education remain the highest in the country. This reality forces too many families to make difficult choices and saddles too many students with decades of debt.

This is not how Ontario built a prosperous and inclusive society. In the United States, President Obama has recognized the critical role higher education plays in reducing income inequality and has proposed free community college tuition for all young Americans. Such a bold idea should be implemented here, in particular because Ontario has such a strong and diversified community college system. Free community college tuition would be the natural next step in making higher education in Ontario truly universal. It would also bolster the trades and prepare Ontarians to prosper in today's knowledge-based economy.

The average student debt after a four year degree could be a down payment on a \$370,000 house



Source: Canadian Federation of Students–Ontario

However for recent graduates, it is crushing debt loads that are the most pressing issue. The Canadian Federation of Students reported in 2013 that the average debt load for a post-secondary education graduate was \$37,000. With youth unemployment at 16.9% and the proliferation of unpaid internships, young Ontarians are feeling overwhelmed. Handcuffed by the debt accumulated attaining a degree, they are now struggling to afford homes, are delaying starting a family, and are unlikely to be able to afford the time to volunteer or participate in their communities.

Recommendation 6: *Make community college education free for all students.*

Recommendation 7: *Eliminate interest on provincial student loans.*

Good Jobs

While the manufacturing sector continues to struggle, the largest job growth is in the service industry. However, it is also this industry as a whole where workers are most likely to be taken advantage of, particularly marginalized populations. Low wages, part-time hours, and a lack of job security means there is little upward mobility for workers. As the economy changes, so too should working conditions.

The ability of workers to join unions and bargain collectively for improvements in wages, benefits and working conditions continues to be a critical pathway out of poverty for most workers, despite relentless employer efforts to undermine the wages and benefits of union and non-union workers.

By fighting collectively through a union, workers have improved their health and safety at work; their pay, benefits, and pensions; and have narrowed the wage gaps between men and women, between white workers and workers of colour, and between those born in Canada and those born elsewhere.

Unfortunately, since the mid-1990s, anti-union legislation has given employers more confidence and scope to subvert workers' desire to join a union. We are also seeing employers display intolerable belligerence at the bargaining table, while at the same time there has been unprecedented government interference in the bargaining and arbitration processes.

We believe it is a matter of urgency that fairness and balance be returned to the *Ontario Labour Relations Act* so that workers may freely choose to form a union, bargain fairly and expect fairness and respect in return. When workers have achieved a collective agreement, we believe that employers should not be able to circumvent the contract through competitive bidding processes. In this regard, restoring successor rights in the contract sector is critical.

Finally, while the increase in the minimum wage to \$11/hour was a welcome step, it falls too short of what is necessary to provide low wage workers with an adequate wage to live in the cities where they work. Grassroots movements across the country have called for a fair minimum wage to ensure families can live a life of dignity and realize better health outcomes. In Ontario, all workers deserve no less than a \$15/hour minimum wage, regardless of the sector in which they work or the age or educational status of the worker. A minimum wage hike to \$15/hour would lift more people out of poverty and send a strong message that Ontario was a fair province.

“The ability of workers to join a union ... continues to be a critical pathway out of poverty.”

Recommendation 8: *Increase funding for proactive enforcement of employment standards to stop wage theft and ensure that all workers' rights, including those of women, youth, temporary and migrant workers, are respected.*

Recommendation 9: *The Province should follow the lead of a number of Ontario cities and adopt a Fair Wage Policy to ensure that the companies it does business with are not exploiting their workers.*

Recommendation 10: *Review and reduce barriers to union organization by updating Ontario's labour laws through consultation with labour organizations and community groups.*

Recommendation 11: *Adopt a minimum wage of \$15/hour to lift all workers out of poverty.*

Affordable Housing

It has been a full generation since our federal and provincial governments got out of the business of building new affordable housing. Since that time we have seen more Ontarians shut out of an expensive housing market and more individuals – and families – living on the street. In recent weeks we have learned of four homeless individuals who died in Toronto. In a city and province as wealthy as Toronto and Ontario this is utterly unacceptable. Housing is essential to ensuring the dignity and safety of all members of society. Housing is also critical to health populations, as the Wellesley Institute notes:

The connections between homelessness and poor health are also well established; people who are homeless are at greater risk of death and serious health problems like tuberculosis than the general population. Moreover, risk of homelessness is associated with other risk factors for poor health, like poverty and addiction.

There is a wealth of knowledge and expertise in this province on how to build affordable housing in mixed communities. We have successfully done it before and it is imperative we do it again.

Recommendation 12: *Work with municipalities, the construction industry, labour and community groups to build and maintain new affordable cooperative housing.*

Recommendation 13: *Invest in programs that help homeless individuals make a smooth transition from the street to their home.*

The lack of affordable housing has become a crisis in Ontario

165,069
Ontario
households
on waiting
lists

3.9
years
average waiting
for affordable
housing

68%
more
units
needed
in Ontario

Source: Ontario Non-Profit Housing Association

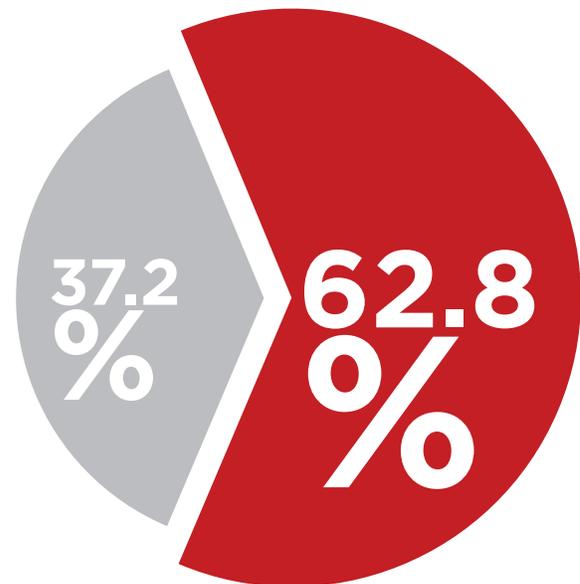
Retirement Security

Another laudable initiative by the provincial government is the intention to create the Ontario Retirement Pension Plan (ORPP) for Ontarians after the federal government rebuffed efforts to improve the Canadian Pension Plan (CPP). The aging of the “baby boomer” generation, declining incomes affecting our ability to save, and the abdication of responsibility by corporations like Nortel to their retired employees have left Canadians worried about their economic security as they age. Respected economists have called on governments to get serious about improving pensions and analysts continue to note that Canadians are not saving nearly enough – most often because they cannot afford to – for a poverty-free retirement.

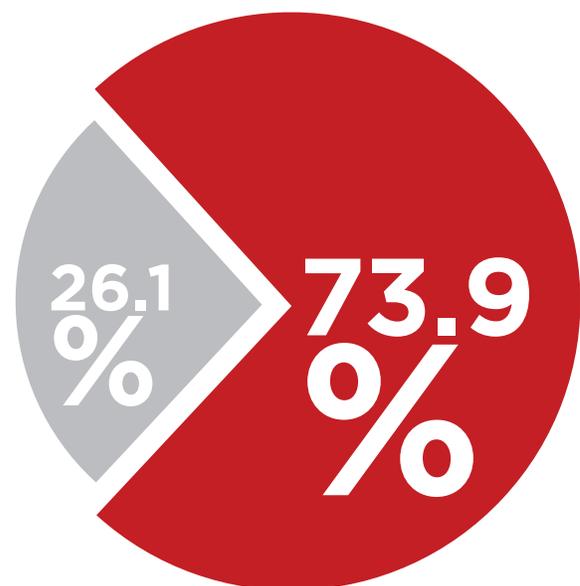
The potential for a made-in-Ontario pension plan is impressive. Ontario is already home to public-sector pension expertise with extremely well run pension programs, including the Teachers’ Pension Plan. The stability of large public pensions such as the CPP and Québec Pension Plan (QPP) provide an excellent template for an Ontario plan, one that could provide more generous payments with higher, but still affordable, premiums. Such a system would both reduce poverty and increase economic growth, as pensioners would have a higher disposable income. In addition, as with medicare, an enhanced pension program would be a positive contributing factor in persuading creative workers and industries to locate to Ontario.

Now the Province must choose the right plan. Any other option would put the wants of investment bankers over the needs of Ontario seniors. Ontario has the capacity and the template of the CPP to follow. With the political will we can help ensure a secure future for our seniors.

Recommendation 14: *Ensure that the Ontario Retirement Pension Plan (ORPP) is modeled on the CPP, such that it is portable and could be folded into the CPP at a later date. Such a plan should be universal and mandatory.*



IN ONTARIO'S WORKFORCE
nearly 2/3 of workers
lack a workplace pension



IN THE PRIVATE SECTOR
nearly 3/4 of workers
lack a workplace pension

Source: Statistics Canada

Tax Fairness

Fairness also applies to how Ontarians contribute financially to the overall well-being of the province. Doctors for Fair Taxation and other fair tax groups advocate that those with the means to contribute more to the common good through income tax should do so. Others, including the Broadbent Institute, also recommend that corporations pay more. Currently, Ontario has a corporate tax rate that is lower than every U.S. state, even Alabama or Texas. Yet there is no evidence that this low tax rate has generated new jobs for the people of this province. During the People's Budget consultations, the Ontario Health Coalition argued that exemptions from the Employer Health Tax are costing the treasury badly needed funds. The Auditor General has previously reported that Ontario is missing over \$2 billion in unpaid taxes. If those who can afford to contribute more are not asked to do so, or are unwilling to do so, the cost of paying for the programs and services that benefit us all will be borne disproportionately by those who can afford it least.

The province has taken modest steps in recent budgets to improve tax fairness but there is more it could and should do.

“Ontario has a corporate tax rate that is lower than every U.S. state, even Alabama or Texas.”

Recommendation 15: Ensure corporations and tax cheaters are paying their fair share by:

- (a) Increasing the corporate tax rate from 11% to 14%, which could generate up to \$2.5 billion.***
- (b) Increasing efforts to collect the more than \$2 billion in unpaid taxes the Auditor General has uncovered.***
- (c) Removing the exemptions from the Employer Health Tax, which could generate up to \$2.5 billion.***

CONCLUSION

In the People's Budget, we heard about a number of positive stories of grassroots organizations, municipal governments, and individuals taking concrete actions to end poverty. Here is one small but pertinent example.

In Hamilton, an innovative poverty reduction strategy has helped that city weather the recession better than what might have been expected considering the recent loss of manufacturing jobs in the steel industry. Part of this strategy, according to the Hamilton Roundtable on Poverty Reduction and the Social Planning and Research Council of Hamilton, was the creation of an affordable bus pass for low-income residents. Since its inception, 5,000 people, 70% of whom are women, have benefited from the pass by making it possible to get to and from work or appointments.

This is the sort of innovative, inexpensive measure that governments can take to make a real difference in the lives of Ontarians. It is time we saw more of this creativity and commitment in policy development to reduce – and eventually end – poverty.

The government received a strong endorsement from Ontarians in the last provincial election to move forward on commitments to create a public pension program, invest in public infrastructure and job creation, implement modest steps towards fair taxation, and increase wages for personal support and childcare workers.

Now is the time to embrace the potential of Ontarians. We look forward to working with the Government of Ontario, all Members of Provincial Parliament, other stakeholders, and the people of Ontario to implement these recommendations.

The OFL welcomes the opportunity to provide further information and clarification on our recommendations and looks forward to helping to continue to build a strong and fair Ontario.

Respectfully submitted,



Sid Ryan, President
Ontario Federation of Labour

Submitted on February 13, 2015
CH/SS/JD/ss

