

## ONTARIO BUDGET 2012 | AUSTERITY IS BAD FOR OUR HEALTH

# Will the budget avoid harm to children, low-income Ontarians, and women?

### INTRODUCTION

Minister Dwight Duncan is in the process of finalizing the Ontario budget, expected at the end of this month. While budgets are always complex balancing acts, this year's task is particularly daunting. Uncertainty in international markets, continued high unemployment rates, and forecasts of slow economic growth all point to the continuing fragility of Ontario's economy. This uncertainty is layered over the hollowing out of Ontario's manufacturing sector, which lost 150,000 jobs between 2007 and 2011<sup>1</sup>. Many Ontarians are contending with the ongoing impact of the loss of these jobs on their families and communities. Added to this mix is the Harper government's clear indication that it will be implementing an austerity agenda in its budget, also expected this month. Those cutbacks at the federal level will have a disproportionate impact on the Ontario economy, given the expected reductions in the federal public service. At the same time, the government needs to signal to financial markets that it has a plan to move out of deficit finance towards balance.

The short-term impact of budget decisions on financial market sentiment, financing costs, and economic performance only scratches the surface of the decisions facing Minister Duncan. This budget raises more fundamental questions. Will he embark on a road of fiscal prudence or will he adopt the austerity agenda of his opponents? Fiscal prudence requires that revenues be sufficient to pay for the public services that we need. Debt payments should be contained as a share of total expenditures. And debt should not reach levels that result in rating agencies dictating government policies.<sup>2</sup>

Fiscal prudence also requires that governments look at both revenues and expenditures to reduce deficits. Media reports that the government will be delaying corporate tax cuts are a step in the right direction. However, the Premier's statements ruling out tax increases places disproportionate emphasis on reducing government spending and services.

It is unclear whether the encyclopaedic Drummond report will provide much guidance to the Finance Minister. There is much that is of value in Drummond's recommendations

1 Statistics Canada. Table 282-0008 - Labour force survey estimates (LFS), by North American Industry Classification System (NAICS), sex and age group, annual (persons).

2 For an articulation of the difference between fiscal prudence and austerity, see Himelfarb, A. (2012). The Price of Austerity. Alex's Blog. <http://afhimelfarb.wordpress.com/2012/01/16/the-price-of-austerity/>

to enhance value for money. However, they are not short-term fixes and they will not come near meeting the spending reductions that he recommends.

### THE UNEQUAL IMPACT OF AUSTERITY

Mr. Drummond relied on very bleak economic and revenue assumptions to bolster his argument for restraint. The credibility of these assumptions has already been questioned.<sup>3</sup> Accepting Mr. Drummond's assumptions and recommendations will result in a reduction in government spending that, by his own assessment, is unprecedented in Ontario.<sup>4</sup>

A program of reductions in government services to this size and scale will increase inequality. It will have the most detrimental impact on low-income Ontarians, but will also reach far beyond them. Some Ontarians will have to do without the public services they have relied on because they will not be able to afford to purchase them privately. For others, life will become much more expensive when they have to privately purchase those services that had previously been paid for by their tax dollars. Only those whose resources are so large that they rarely need to rely on public services will be unaffected by the impact of such a shift in the landscape of Ontario public services. The choice to rely exclusively on service cutbacks rather than tax increases will also increase inequality. Not only will higher income Ontarians be less affected by service reductions, they will benefit more from the absence of tax increases because of the progressivity of the tax system.

An example of the distributional impact of cutbacks in services is the Drummond Commission recommendation to reduce non-teaching staff in schools.<sup>5</sup> These staff include professionals such as speech-language pathologists, who provide support to students with language problems. Some children who need assistance in language development, will go without it because their parents will not be able to afford to purchase these services privately. For other families, life will become much more expensive when they have to privately purchase this help for their children, previously paid for by their tax dollars. Only those parents who were already

3 Weir, E. (2012). Filling Don Drummond's Revenue Gap. The Toronto Star. <http://www.thestar.com/opinion/editorialopinion/article/1136706-filling-don-drummond-s-revenue-gap>

4 Commission on the reform of Ontario's public services. (2012). Message from the Chair. <http://www.fin.gov.on.ca/en/reformcommission/chapters/report.pdf>

5 Commission on the reform of Ontario's public services. (2012). Chapter 6: Elementary and Secondary Education. <http://www.fin.gov.on.ca/en/reformcommission/chapters/report.pdf>

privately purchasing these services for their children will be unaffected.

The impact of the loss of public services would be compounded for the thousands of families who have members with public sector jobs. Many of these families will face unemployment, reduced access to public services, reduced family incomes, and increased economic uncertainty. Again, the impact of these changes will be felt more acutely by lower-income Ontarians. Public sector workers in lower-paid occupations — such as cleaning, food preparation, and clerks — are generally better paid in the public sector than in the private sector. A cook working in the public sector was paid an average of \$26,216 a year in 2006, which is 24 percent more than the \$21,089 average received by private sector cooks. On the other hand, higher-paid occupations — such as managers, lawyers and accountants — tend to be paid considerably less in the public sector than in the private sector. For example, engineering managers in the public sector were paid an average of \$93,514 in 2006, which is 27 percent below the average of \$128,886 in the private sector.<sup>6</sup> As a result, higher-income public sector workers who lose their jobs have better prospects in the private sector than lower-income workers who lose theirs. These cutbacks in services and loss of public sector jobs will come at a time when income inequality in Canada is at levels that have not been seen since the 1920s.<sup>7</sup>

## EVIDENCE ON HEALTH IMPACTS OF AUSTERITY

If Mr. Drummond's recommendations on spending are implemented in this budget, the government will be embarking upon an austerity agenda that poses substantial risks to the health and well-being of Ontarians. A recent report from Statistics Canada provides a stark example of the impact of income and income inequality on health. The difference in life expectancy at age 25 between the highest and lowest income groups was 7.1 years for men and 4.9 years for women.<sup>8</sup> While these differences are striking, an equally important finding is that life expectancy increases with each and every step in the income scale. This research found that the gaps are even greater in health-related quality of life, where once again, there was an improvement in health at every step in the income scale.

As this research shows, the health impacts of government actions that improve social conditions are not limited to low-income individuals and families. This is supported by international research that shows that inequality has an im-

act on our health and well-being.<sup>9</sup> In more equal countries, people are healthier, live longer, and commit fewer crimes. These relationships hold among all income groups. Even for the highest income segment of the population, people are safer, healthier and live longer when they live in a more equal society.

There are many ways that austerity programs have an impact on health. The link between unemployment and ill-health has been clearly established. Research on the aggregate level has shown that high levels of unemployment in society and in neighbourhoods are correlated with poor health and increased mortality.<sup>10</sup> A recent IMF report, based on international evidence, shows that austerity programs increase unemployment, and long-term unemployment in particular.<sup>11</sup> The report also shows that the burden of austerity is disproportionately borne by wage earners rather than those who rely on profits or rents for their incomes. Increased unemployment, lower job quality, decreased levels of/access to social benefits, and reduced access to services that support social inclusion will all have a negative impact on Ontarians' health. And these impacts will fall disproportionately on Ontarians from marginalized communities — particularly those who are low-income, racialized, and new immigrants.

## HEALTH IMPACTS OF DRUMMOND'S SOCIAL SPENDING RECOMMENDATIONS

Social spending in the Drummond Report is spared the outright reductions he recommends in other areas. The Report also recommends increases in spending for health care, education, and post-secondary education. While none of these increases will keep up with inflation and population growth, social spending has the smallest increase: 0.5 percent per year as compared with 2.5 percent for health care, 1 percent for education and 1.5 percent for post-secondary education. Social spending includes social assistance, developmental services, child protection, Ontario Child Benefit, child and youth mental health, youth justice, and child care.

While this recommendation appears to acknowledge the importance of social spending, it is largely symbolic. Social spending in Ontario has increased by 6 percent a year between 2000 and 2010.<sup>12</sup> An increase in spending of only 0.5 percent, is in actuality, a real, per-capita decrease in funding of 16 percent by 2017-18.<sup>13</sup> Social spending will be 27 percent lower in 2017-18 than it would be if it continued to grow at the 6 percent rate that it has over the last 10 years.

6 Sanger, T. (2011). Battle of the Wages: Who gets paid more, public or private sector workers? Canadian Union of Public Employees. [http://cupe.ca/updir/Battle\\_of\\_the\\_Wage\\_ENG\\_Final-o.pdf](http://cupe.ca/updir/Battle_of_the_Wage_ENG_Final-o.pdf)

7 Yalnizyan, A. (2010). The rise of Canada's richest 1%. Canadian Centre for Policy Alternatives. <http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2010/12/Richest%201%20Percent.pdf>

8 Tjepkema, M. & Wilkins R (2011). Remaining life expectancy at age 25 and probability of survival to age 75, by socio-economic status and Aboriginal ancestry. Statistics Canada. Health Reports. 22 (4), page 2. <http://www.statcan.gc.ca/pub/82-003-x/2011004/article/11560-eng.pdf>

9 Wilkinson, R. & Pickett, K. (2009) *The Spirit Level: Why More Equal Societies Always Do Better*. Allen Lane: London.

10 Block, S. (2010). Work and health: Exploring the impact of employment on health disparities. The Wellesley Institute: Toronto.

11 Ball, L. Leigh, D., & Loungani, P. (2011). Painful Medicine. The International Monetary Fund. Finance and Development. 48 (3), page 20-24. <http://www.imf.org/external/pubs/ft/fandd/2011/09/PDF/ball.pdf>

12 Commission on the reform of Ontario's public services. (2012). Chapter 8: Social Programs. <http://www.fin.gov.on.ca/en/reformcommission/chapters/report.pdf>

13 Author's calculations using the Drummond Commission's assumptions.

## GENDER IMPACTS OF DRUMMOND RECOMMENDATIONS

These recommended cutbacks in real, per capita social spending will have a profound impact on Ontarians' health, both now and into the future. Currently, the social assistance system does not provide adequate supports to ensure that people can meet the basic requirements of life, and this underlies the poor health status among people receiving social assistance. Average monthly incomes for households in Toronto supported by social assistance are not sufficient to provide a nutritious diet.<sup>14</sup> They bear the greatest risk and burden of ill-health due to low levels of support.<sup>15</sup>

The Report recommends that the Ontario Child Benefit be frozen at its current level, despite the government's commitments to increase it to a maximum of \$1,310 per child, per year, from its current level of \$1,100.<sup>16</sup> This will reduce incomes for low-income families with children. The evidence is clear that child poverty is closely linked to ill-health.<sup>17</sup> The social spending recommendations will also reduce the level of services available for children who are at risk. Early childhood interventions have a positive impact on health and well-being throughout one's lifetime.<sup>18</sup> These cutbacks to services will have social and economic costs, both now and for years to come.

Any attempt to restrain social spending to a growth rate of 0.5 percent cannot be accomplished solely by increased administrative efficiency. Administrative costs for the Ministry of Community and Social Services amounted to \$38 million in the 2010-2011 fiscal year.<sup>19</sup> The total elimination of all administrative costs in that ministry, which accounts for 0.4 percent of its total operating expense, would not be sufficient to slow spending down from 6 percent to 0.5 percent.

Achieving Drummond's recommended growth rate in expenditures will require reductions in services for children and for people with disabilities. It will also require either a reduction in already inadequate levels of social assistance support or tightening of qualifications that will reduce eligibility for benefits at a time when labour market prospects for many unemployed people in Ontario are grim.

14 Vozoris, N., Davis B. & Tarasuk V. (2002). The affordability of a nutritious diet for households on welfare in Toronto. *Canadian Journal of Public Health*. 93 (1), page 36-40.

15 Gardener, B. & Barnes S. (2011). Towards a social assistance system that enable health and health equity. The Wellesley Institute. <http://www.wellesleyinstitute.com/wp-content/uploads/2011/11/Towards-a-Social-Assistance-System-that-Enables-Health-and-Health-Equity-Brief-to-the-Commission-for-the-Review-of-Social-Assistance-in-Ontario.pdf>

16 Commission on the reform of Ontario's public services. (2012). Chapter 8: Social Programs.

17 Ontario Public Health Association. (2004). Public health responds to the challenge to reduce poverty and enhance resiliency in children and youth. Toronto: Author. [http://www.opha.on.ca/our\\_voice/ppres/papers/2004-05\\_pp.pdf](http://www.opha.on.ca/our_voice/ppres/papers/2004-05_pp.pdf)

18 Pascal, C. (2009). An updated and annotated summary of evidence. A compendium to: With our best future in mind Toronto: Author.

19 Ontario Ministry of Finance. (2011). Public Accounts of Ontario: Ministry statements and schedules Volume 1. Ministry of Community and Social Services fiscal year 2010-2011.

The burden of reductions in public services, loss of public sector employment, and shift in public sector employment recommended by Drummond will all fall more heavily on women than on men. The Drummond Report calls for reductions in government spending that will reduce services, reduce employment in the public sector, and shift employment within the public sector from better paid unionized jobs with pensions and benefits to more precarious work. This shift in employment will have a differential impact by gender.

Women comprise just over 60 percent of Ontario public sector employees, and about 47 percent of private sector employees.<sup>20</sup> As a result, public sector layoffs will have a disproportionate impact on women. These impacts will be compounded by the differences in wages for women in the public and private sectors. On average, women employed in public sector jobs are paid 4.5 percent more than women in comparable occupations in the private sector: \$45,821 compared to \$43,841. Men in the public sector are paid an average of 5.3 percent less: \$57,318 compared to \$60,531.<sup>21</sup> Privatization or contracting out of services will have a negative impact on women's earnings. Private delivery of services and a shift to community-based health care delivery will have a disproportionate impact on women, moving them into more precarious employment where they are less likely to be unionized and are typically paid less.

Caregiving makes up a substantial portion of public services. When these services are reduced, the responsibility falls on women to pick up the slack. For example, 21 percent of women in Ontario provide unpaid caregiving to seniors as compared to 16 percent of men. Women also provided more hours of caregiving, with 9 percent spending more than 5 hours a week as compared to 5.7 percent of men.<sup>22</sup> The loss of public services will increase unpaid work for women while also reducing their remuneration and opportunities for paid work.

The impact of reducing women's employment and wages are not, of course, limited to women. The table below shows the increasing importance of women's contributions to family incomes. The increase in the share of families where women contribute more than 50 percent of income has been sharpest in areas of the province that have been particularly hard hit by the downturn in manufacturing.

20 Statistics Canada. Table 282 0012 - Labour force survey estimates (LFS), employment by class of worker, North American Industry Classification System (NAICS) and sex, annually (persons).

21 Sanger, T. (2011), Battle of the Wages: Who gets paid more, public or private sector workers? Canadian Union of Public Employees. [http://cupe.ca/updir/Battle\\_of\\_the\\_Wage\\_ENG\\_Final-o.pdf](http://cupe.ca/updir/Battle_of_the_Wage_ENG_Final-o.pdf)

22 Statistics Canada. (2008). 2006 Census. Unpaid work, age groups and sex for the population 15 Years and over of Canada, Provinces, Territories, Census Divisions and Census Subdivisions. Catalogue Number 97-559-XCB2006015.

## CONCLUSIONS

Fiscal prudence requires the Ontario government to reduce deficits. However, this reduction must be done wisely and with consideration of the possible economic, social, and health impacts. A deficit reduction program that relies solely on reduced spending will increase inequality and will produce negative health outcomes. Implementing the Drummond Report's recommendations on social spending will result in diminished services and reduced incomes for marginalized children and adults. The evidence is clear that this will harm their health. Mr. Drummond's recommendations also have differential gender impact; women will be disproportionately affected by the cutbacks in public sector services and in public sector jobs. Minister Duncan must consider these impacts carefully while he finalizes this year's budget.

### Share of total number of families with the wife contributing over 50% to husband-wife employment income

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Toronto	27.7%	28.2%	28.7%	29.2%	29.5%	29.7%	30.1%	30.5%	31.2%	32.8%
London	26.2%	26.3%	26.8%	27.2%	27.4%	27.8%	28.0%	28.8%	30.0%	32.4%
Windsor	20.4%	21.5%	22.5%	22.7%	23.7%	24.2%	25.2%	26.5%	27.9%	31.6%
Hamilton	22.8%	23.7%	24.4%	24.7%	25.1%	25.9%	26.7%	27.5%	28.3%	30.4%
Ontario	25.8%	26.1%	26.8%	27.3%	27.7%	28.0%	28.5%	29.0%	29.7%	31.6%

Source: Statistics Canada. Table 111-0021 - Family characteristics, husband-wife families, by wife's contribution to husband-wife employment income

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