

Ontario announces spending cuts, public sector wage freeze

Keith Jones
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Ontario's Liberal government has announced an austerity budget that sets the stage for years of public spending cuts that will adversely impact all working people, but especially public sector workers, the poor, the sick, and the old.

To much applause from big business, the government has imposed a wage freeze on one million public sector workers—including provincial civil servants, teachers and other school board employees, nurses and hospital workers, and college and university instructors.

The freeze will immediately affect 350,000 non-union personnel, mainly managers and administrators. Their contracts are to be rewritten by government legislation. Existing contracts for unionized public sector workers will remain in force, but the Liberals have not and will not budget money for any increases in their wages for at least the first two years after their current contracts expire. "We will not," declared Finance Minister Dwight Duncan, "fund any increases in overall compensation as those agreements get renegotiated."

Duncan said that by next year, the government expects the wage freeze will lower government expenditure by \$750 million.

The government is also urging the province's municipalities to freeze city workers' wages, adding that no money for increases will be budgeted in the grants the province makes to the municipalities to help meet their expenses.

The province's hospitals, which have already had to lay off more than 1,000 nurses due to budget shortfalls, will have their budgets increased by just 1.5 percent in the 2010-11 fiscal year. Given the high inflation in the health sector and demographic pressures, this puny increase is in reality a significant decrease.

In subsequent years the situation will get worse.

Although the province's health care budget has been growing in recent years at an annual pace of 6 percent, the government has vowed that beginning in 2012-13 it will hold increases in health spending to 3.1 percent per annum or less. As the *Globe and Mail* noted, this is "tantamount to aggressively cutting spending in most other departments."

Beginning in 2012-13, other departments will have budget increases of just 1.9 percent, meaning cuts in real terms.

Through attrition and other measures, the government vows that it will shrink the provincial civil service by 5 percent, or almost 3,500 positions over the next two years.

The government also announced it is delaying many important infrastructure projects, including a \$4 billion expansion of Toronto's transit system.

The budget increased welfare rates by a miserly 1 percent, and this under conditions where the official inflation rate is double that and food and housing costs are rising much more rapidly. The government is also scrapping a special dietary allowance for welfare recipients at medical risk. In the name of fighting abuse, the \$200 million-a-year scheme will be replaced by a much more restrictive program.

Led by Premier Dalton McGuinty, the Liberals are seeking to justify their austerity measures by pointing to the province's burgeoning deficit. The finances of Canada's most populous province and manufacturing heartland have been ravaged by the economic slump. Last year the provincial deficit exceeded \$24 billion and in the coming year it is forecast to be \$21.3 billion. Yet the Liberals have rejected any increases in the taxes of either big business or the rich. They are proceeding, however, with the implementation of a major, regressive change to the province's tax regime—the

creation of a harmonized federal-provincial sales tax—that shifts the burden of taxation from business to working people and will raise consumer prices.

The official opposition Conservatives were quick to denounce the Liberals for not cutting spending more aggressively. Conservative leader Tim Hudak—a protégé of former Ontario Premier Mike Harris whose government imposed draconian social spending cuts in the latter half of the 1990s—charged that McGuinty “will never balance the books.”

Hudak, who had urged the government to impose a public sector wage freeze, complained that the government had not made it effective immediately for unionized workers: “A real leader would want to get spending under control, would enter into negotiations right away with the public sector union leadership to try to achieve a wage freeze or find equivalent savings”.

The unions immediately signaled that they would bow before the wage freeze and the program and job cuts that will inevitably result from the government’s austerity drive.

The Ontario Federation of Labour (OFL), which held extensive pre-budget consultations with Liberal ministers, issued a press release that described the budget as a “positive jobs budget,” which however was “marred” by the wage freeze. “Today’s provincial budget,” boasted the OFL, “has incorporated numerous demands advanced by the Ontario Federation of Labour in its pre-budget meetings with Finance Minister Dwight Duncan.”

The Canadian Auto Workers, the province’s largest industrial union, took essentially the same stance. Its press release was headlined, “Budget Gains for Child Care Positive but Ontario Workers Still Insecure.”

Ontario New Democratic Party leader Andrea Horwath refused to oppose the public sector wage freeze. Asked by reporters point-blank for her party’s position, Horwath said, “There is a collective bargaining process that has to be respected. Workers will understand that they have to do their part as well.”

The trade union supported-NDP long ago shredded its reformist program. Two days before the Liberals delivered their budget, Manitoba’s NDP government tabled a budget that slashed spending and announced a public sector wage freeze.

The NDP government that held office in Ontario between 1990 and 1995 came into headlong conflict

with the working class. It slashed social spending, imposed onerous tax hikes, pioneered workfare, and implemented a wage- and job-cutting “social contract.”



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