

Canada's federal and Ontario governments unveil “transformative” austerity budgets

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Canada's federal Conservative and Ontario Liberal governments tabled brutal austerity budgets this week to enthusiastic applause from the corporate media.

The budgets outlined billions of dollars in spending cuts and declared open season on the wages, pensions and working conditions of public sector workers.

Both were touted by their authors as “transformative.” Their true purpose is to launch a new stage in the ruling class drive to dismantle what remains of the social gains that the working class pried from big business and its political representatives through the convulsive struggles of the last century.

Although the official national jobless rate is close to 7.5 percent and less than 40 percent of the jobless even qualify for Employment Insurance benefits due to the massive cuts made to jobless benefits by successive governments, neither the federal nor the Ontario budgets contained more than token job creation measures.

The federal budget targeted healthcare and pensions.

It reaffirmed the Harper Conservative government's decision to forego negotiations with the provinces and unilaterally impose a new health care funding formula (the Canadian Health Transfer) that over its 10 year-life (2014-2024) will see Ottawa sharply curtail its contribution to Canada's universal public health insurance system, Medicare. In “return” for withdrawing from health care, Ottawa is encouraging the provinces to experiment with alternative methods of health care management and delivery, a euphemism for privatization.

The budget also effectively raised the retirement age, announcing that over a six-year period starting in 2023 eligibility for Old Age Security and for the Guaranteed Income Supplement (paid to low-income seniors) will be raised from 65 to 67.

The government also announced that federal public sector workers will be forced to increase their share of pension contributions to 50 percent. This will undoubtedly prove to be only the first step in a radical regressive restructuring of federal workers' pensions. The Conservative government has intervened aggressively over the course of the past year at Air Canada and Canada Post to criminalize workers' job actions and assist management in imposing concessions, including two-tier pension schemes.

The budget announced major cuts to the roughly \$75 billion in annual federal discretionary spending. While details of the cuts will only be known when departmental spending estimates are presented, the budget says the cuts will escalate from \$1.9 billion this year to \$5.23 billion in three years. In nominal dollar terms this represents a spending cut of about 5 percent, but in inflation-adjusted terms this will constitute a 12 percent per capita spending reduction by 2017.

According to the government's own figures the cuts announced in Thursday's budget will result in the elimination of more than 19,000 federal government jobs. But the Center for Canadian Policy Alternatives (CCPA) notes that the government's figures don't take into account the full-time job equivalents eliminated or soon to be cut as a result of two earlier government “restraint” exercises—15,300—or the impact on suppliers, nonprofit organizations and others of the spending cuts. “Put this all together,” says the CCPA, “and you've got a job cuts impact of over 70,000 positions, half public and half private.”

The Conservative budget also included a pledge to curtail environmental reviews of resource development projects, new money for an initiative to force the unemployed into accepting low-paying jobs, and funds for the tax department to investigate registered

charities' "political activities." In recent months the Conservative government has railed against "foreign-funded, radical environmental groups" that oppose its drive to make Canada an energy superpower through rapid and extensive exploitation of the Alberta oil-tar sands.

The Ontario budget outlined the plans of Dalton McGuinty's Liberal government to impose austerity for years to come, beginning with \$17.7 billion in spending cuts over the next three years.

The centerpiece of the cuts is a vow to use all "administrative and legislative" means at the government's disposal—i.e. strikebreaking laws and contracts imposed by government fiat—to freeze one million public sector workers' wages for the next two years.

In presenting his budget, Finance Minister Dwight Duncan said the contract proposals the government has made to the province's elementary and secondary teachers will serve as a template for its negotiations with all other public sector workers. The government is demanding sweeping concessions from the teachers, including, in addition to the wage freeze, the suspension of the incremental pay increases given teachers as they move up the seniority grid and the elimination of the right to bank sick days.

The government has also said it will be making major changes to public sector workers' pensions, including increasing worker contributions to 50 percent, another form of pay cut. The government has also declared that it will not make good deficits in public sector pension plans. Rather these will have to be made up through increased worker contributions or pension cuts or both.

The government is also freezing for one year Ontario Works (welfare) and Ontario Disability Support Plan benefits. No matter that food price and electricity rates are both rising far in excess of the overall 3 percent inflation rate and, when adjusted for inflation, welfare and disability payments are now lower than they were at the end of the Conservative government of Mike Harris. On taking office in 1995, Harris slashed welfare benefits by more than 20 percent then froze them for the remainder of his time in office.

The budget commits the government to limiting increases in provincial spending (other than interest payments) to 0.9 percent for at least the next three years. This amounts to an annual real spending cut of

2.5 -3 percent when inflation and population growth are taken into account.

Health care costs which have been increasing at a rate of 6 percent per annum are to be limited to increases of 2.1 percent per year. Numerous hospital, highway and other infrastructure projects have either been cancelled, postponed or scaled back.

The Liberals have said that their budget is only the beginning of major structural changes in public services and government operations. Currently, the government is conducting "value-for-money" audits of "every program and service."

The federal Conservative and Ontario Liberal budgets are predicted on the reactionary fiscal framework created by two decades of radical regressive change to the tax system, including dramatic reductions in corporate, personal income and capital gains taxes and increases in regressive consumption taxes.

The social-democratic New Democratic Party and the trade unions have responded to this week's budgets by issuing ritualistic pro forma condemnations. They have absolutely no intention of mounting any struggle to mobilize the working class against the ruling class' agenda of austerity for the working class and poor and lavish tax cuts for big business and the rich. Indeed the Ontario NDP is preparing to provide the minority Liberal government with the votes needed to pass its budget. As for the unions, the country's largest union, the Canadian Union of Public Employees, has just imposed sweeping contract concessions on City of Toronto workers, including the gutting of job security clauses, thus facilitating the municipal government's agenda of slashing and privatizing city services.



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