Ontario budget throws down the election gauntlet [1]

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EXCERPTS

In its waning days before a June election, with the opposition breathing down its neck, the Ontario government threw down the gauntlet with what is unquestionably a pull out all the stops election budget.

The marquee item was announced yesterday after weeks of big announcements: if re-elected, the government would offer free child care for kids aged 2.5 to 4, building on its free full-day kindergarten program.

Ontario is home to the steepest child care fees in Canada, so parents will cheer this on. Advocates are cheering, too. The Ontario Better Child Care Coalition is calling this idea “transformational”, though it is calling on the government to expand these spaces in the non-profit and public child care sphere, not private.

The lines in this pre-election battle have now been very clearly drawn, with a welcome social policy expansion in some areas, such as child care, and a sprinkling of increased investments in other areas, such as health care.

This isn’t just a budget; this is a platform document that contains undeniably progressive expenditures on major social policy issues—partly to catch up after years of spending squeezes.

But the flipside is that this government is proposing to finance this major social policy expansion by running a deficit for six years. That’s better than selling off more public assets, but it chose not to go into this election cycle talking taxes.

Does the budget invest in the essentials?

Everyone, rich or poor, benefits from high quality public services. In many ways, this is the centerpiece of the budget, with investments to expand hospital funding, pharmacare, dental care, child care, seniors’ care and more. Here are some highlights:

Free child care: The budget commits an additional $2.2 billion over three years, starting in 2020, to cover the costs of expanded child care services for children 2.5 to 4 years. It also includes $1 billion over three years to support reduced fees and more subsidized spaces for infants and toddlers.

Education: Advocates are calling for a provincial commission to review Ontario’s education funding formula in 2018, with the goal of amending it to reflect real needs in the public school system. The budget is silent on this front. Overall, the Ministry of Education budget will increase by 4.1 per cent between 2018-19 and 2020-21. This includes investments in the child care system, increased school board funding to support higher enrolment, investments in special education, mental health supports, and capital projects. These investments are welcome but by no means are they reflective of the transformation in education funding that’s needed.

Health care: The budget commits an additional $822 million to the $18 billion hospital budget. This 4.6 per cent increase represents a relief from a long-term squeeze on hospitals. Since 2013, hospital budgets have grown by 1.1 per cent per year, on average, lagging behind increased costs and population growth, leading to overcrowding and longer wait times. Today’s budget begins to make up for lost ground, but more investments are needed to address structural deficiencies created by years of underfunding. The total health budget will increase by 4.3 per cent between 2018-19 and 2020-21.

Dental care: With the NDP making universal dental care a centrepiece of its platform, it’s not surprising to see the Liberals competing on this flank. The government already offers Healthy Smiles free dental coverage to anyone aged 17 and under. The budget expands that coverage to “individuals and their families who do not have coverage for an extended health plan” starting next year, including drug costs. It would reimburse participants for up to 80 per cent of eligible dental care expenses, up to a maximum of $400 for singles and $600 for couples, plus $50 for each child in the family.

Pharmacare: Last year’s budget introduced OHIP+, which extended drug coverage for anyone aged 24 or younger. This budget eliminates co-payments and deductibles that seniors are required to pay under the Ontario Drug Benefit plan. This enhancement falls short of the NDP promise to offer universal pharmacare, though OHIP+ covers to a lot more medications than the NDP plan.

Does the budget take steps to reduce income inequality?

We know that income inequality won't disappear without a fight and everyone deserves the right to income security. Does this budget deliver?

Minimum wage increase: After raising the minimum wage to $14 an hour this January, the government commits to stick to the plan to raise the minimum wage to $15 on January 1, 2019. Raising the minimum wage will help lift up those workers at the bottom of the income spectrum and would leave more money in minimum wage earners' pockets than the PC promise to freeze the minimum wage and take those workers off of the income tax rolls.

Better income security: Earlier this year, three Provincial Working Groups tabled the report, Income Security: A Roadmap for Change, which proposes a comprehensive reform of Ontario's income security system. The budget commits to an additional $2.3 billion over the next three years to address income security. It will increase Ontario Works (OW) and Ontario Disability Support Program (ODSP) rates by three per cent annually for the next three years, starting this fall. While these rate increases are welcome, rates have lost more than half of their real value since the Mike Harris years. In addition to inadequate rates, Ontario's income support system is fraught with draconian policies that penalize people struggling to survive. The budget commits to letting social assistance recipients earn more employment income without impacting their benefits. The Mike Harris era asset restrictions for social assistance recipients will be eliminated this fall, which means people won't have to completely drain their assets in order to get needed income security supports. These are good improvements, in line with the recommendations of theRoadmap, but much more still to be done.

Free tuition: Ontario is home to some of the most expensive tuition fees in the country and student debt can be a crushing burden. The budget reiterates the throne speech commitment to expand the existing free tuition program for modest-income families whose youth are attending college or university. But, overall, spending on postsecondary education isn't going up by much: it will grow from $11.8 billion in 2018-19 to $12 billion in 2020-21, a 0.9 per cent increase in a sector that has been under long-term fiscal austerity. Expect more of the same.

Does the budget invest in decent work?

AI and work: Ontario has just implemented progressive labour and employment law reforms to enhance protections for workers—widely welcomed by workers' rights advocates. There is more to do given the rise in precarious work, "sharing economy" gigs, and the threat of automation and AI job disruption but there is little new relief in this budget on this front. In fact, the budget invests in new AI initiatives such as helping to support AI technology startups and investing in the Centre of Excellence in Health Care Artificial Intelligence. These investments are being made without any public discussion about the potential for these developments to result in future job losses; nor is there any discussion about the need to regulate the AI and automation initiatives that government is investing in.

Pay equity: About half of all workers in Ontario are women but the gender pay gap persists: women make 69 cents compared to every man's dollar. The budget reiterates the government's plan to require businesses to track wages and break them down by gender and racialized group as a means of nudging employers to start closing the gender pay gap. But it will only apply to companies with 250 or more workers—something pay equity advocates say doesn't go far enough.

Training: The budget commits $170 million over three years to "modernize" the new Ontario Apprenticeship System. It commits to establish an Ontario Training Bank and it invests an additional $63 million to "bring employers, employees and training institutions together to develop skills programs that are tailored to the needs of the local economy".

Does it rely on progressive fiscal measures to pay for public services?

Overall, it's a progressive budget in terms of spending on services and programs that will disproportionately benefit middle- to low-income Ontarians. To pay for its promises, however, the government is dodging tax increases, betting that the electorate will view deficit financing as a better trade-off.

Can Ontario afford to go this route? The debt-to-GDP ratio remains relatively stable, rising slightly from 37.1 per cent to 37.6 per cent next year. And, interest costs as a share of revenue remains stable at 8.2 per cent. In short, there is no debt crisis on Ontario's horizon.

Program spending is projected to grow from $145.9 billion in 2018-19 to $155.8 billion in 2020-21. As a share of GDP, program spending will increase only slightly, from 16.4 per cent to 16.6 per cent this year, and to a projected 16.9 next year, despite these new announcements.

Meanwhile, the decision to put off raising any significant new taxes in order to ensure fiscal health in light of long-term slow economic growth projections means the government heads into this election with a deficit-funded platform. The technical adjustment in the personal income tax system from surtaxes to adjusted brackets and rates will increase taxes paid by higher income Ontarians by $275 million. At most, higher income earners will pay $200 more per person. Otherwise, when it comes to taxes nothing much to see here.

The wise Alex Himelfarb, CCPA-Ontario advisory board chair and former clerk to the Privy Council, has said governments that are afraid of taxes have two choices: sell off public assets or take on a deficit. This government has already sold off public assets, including the majority share of Hydro One, which is one of the most unpopular things it has done. Keeping public assets in public hands makes more sense since it gives government greater control.

Going into deficit is the better trade-off between the two options, but we do pay the price for tax avoidance. Had the government turned to key revenue tools to raise taxes during these past few years of reasonable post-recession economic growth, it would have been better positioned to make these needed investments in hospitals, pharmacare, dental care, child care, and more. There would have been less catching up required.

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