



## **Bill 229: Protect, Support and Recover from COVID-19 Act**

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### **CUPE Ontario's Submission to the Standing Committee on Finance and Economic Affairs**

December 2, 2020

Thank you for the opportunity to submit our views on Bill 229, the *Protect, Support and Recover from COVID-19 Act*. The Canadian Union of Public Employees (CUPE) Ontario is the largest Union in the province with more than 280,000 members. You will find CUPE members working in health care, municipalities, school boards, social services, and post-secondary education, providing the front-line services that help make Ontario a great place to live.

We are in the middle of a devastating second wave of COVID-19. On a daily and weekly basis, Ontario is breaking records for COVID-19 cases and deaths. Our ICU's – particularly in hard hit areas – are full. Some are even beyond capacity. An increasing number of our long-term care facilities are experiencing outbreak and the number of deaths from COVID-19 is rising.

CUPE members work on the front lines helping to protect Ontarians from the pandemic every day. We are in your hospital emergency rooms and ICU's; we are the PSW's in long-term care and retirement homes; we are the paramedics who will get you to the hospital safely when you cannot get there yourself. CUPE members are the staff working in public health, testing and contact tracing. A significant number of CUPE members are also on the front lines supporting Ontarians. We are the shelter workers helping the homeless. We are the childcare workers supporting parents, working in essential services. We are in the classrooms helping our children learn. We are the essential service workers who need to report to work in order to ensure that our communities continue to function: the solid waste collectors, the snow plough drivers, the drinking water specialists, the public transit workers, the hydro electricians

More than 500 CUPE members in Ontario have contracted COVID-19 in the course of their work and at least five CUPE members have died. Over 14,000 CUPE members are currently laid off because of the pandemic.

Ontario is at a crucial juncture in our fight against COVID-19 and it is important that this budget actually does what it proports to do; that is, protect Ontarians from this pandemic, support Ontarians through the health and economic challenges of this pandemic and set the stage for recovery. Unfortunately, we believe that this budget falls far short of what Ontarians need and does not protect, support or set the stage for recovery.

In CUPE's pre-budget submission, we asked you to consider a change in direction for your government. We asked that you bolster the public services that are doing the heavy lifting during this pandemic and that you address the inequalities that result in higher COVID-19 transmission rates among low-income and racialized communities. We asked that you move away from an agenda based on austerity and cuts to public services and toward a robust support of the public services which are ensuring that our communities operate. If one were to give a cursory review of your fall budget, one might think that the Ontario government had, indeed, changed direction. We acknowledge that your announced spending and your announced budget deficit are higher than before. However, the budget does not direct funds to where they truly need to go. This budget enriches the wealthy and starves the public sector of the resources they need to protect Ontarians. It does not protect, support or allow for a recovery.

CUPE Ontario's concerns fall primarily in where the government *is* spending and significantly where the government *is not* spending. Also, we have serious objections about your government's strategy on revenue. This budget provides permanent tax cuts and energy subsidies to many of the most profitable large corporations and businesses operating in this province. Many are businesses that have made money, hand-over-fist, as a result of this pandemic. ***They do not need tax cuts and energy subsidies.*** A revenue strategy that looks to the long term would introduce additional taxes on those businesses that have profited, so that we can continue to support the public programs that Ontarians have come to rely on.

### **Base program funding for key program envelopes continues to fall behind inflation, population growth, and demand.**

If the Ontario government is going to successfully contain this pandemic, we will need to shore up our public services. Public services are doing the heavy lifting to protect us from COVID-19 while still meeting their important mandates of maintaining the daily functioning of Ontario. These services keep us healthy, care for our parents, educate our children, move us from one place to another and provide us with clean drinking water, to name just a few of their vital functions.

But instead of bolstering these services, the opposite has happened. The key takeaway of this budget is that most of the spending increases for public sector programs are temporary. At the same time, the tax cuts, grants and subsidies to the private sector appear to be permanent. With the exception of Health, where there is a projected 7.5% increase in funding over the next three years, funding for all others are flat-lined. Further, when we account for inflation (between 0.5% and 2% annually) and population growth (1.8% annually) even the health care budget is flatlined and the modest increases listed below in other program areas become reductions or cuts.

**Table 1: Ontario Government Program Spending: Five Largest Programs Envelopes (\$ Billions)**

|                                                  | Actual<br>2019-<br>2020 | 2020-21 <sup>1</sup> | Percent<br>Annual<br>Increase | 2021-22        | Percent<br>Annual<br>Increase | 2022-23        | Percent<br>Annual<br>Increase | Total %<br>increase<br>over 3<br>years |
|--------------------------------------------------|-------------------------|----------------------|-------------------------------|----------------|-------------------------------|----------------|-------------------------------|----------------------------------------|
| <b>Programs</b>                                  |                         |                      |                               |                |                               |                |                               |                                        |
| <b>Health</b>                                    | 63.7                    | 64.6                 | 1.41%                         | 67.0           | 3.72%                         | 68.5           | 2.24%                         | 7.54%                                  |
| <b>Education</b>                                 | 30.2                    | 31.0                 | 2.65%                         | 31.1           | 0.32%                         | 31.3           | 0.64%                         | 3.64%                                  |
| <b>PSE</b>                                       | 10.5                    | 10.7                 | 1.90%                         | 10.9           | 1.87%                         | 11.2           | 2.75%                         | 6.67%                                  |
| <b>Children's<br/>and Social<br/>Services</b>    | 17.1                    | 17.9                 | 4.68%                         | 17.8           | -0.56%                        | 17.9           | 0.56%                         | 4.68%                                  |
| <b>Justice</b>                                   | 4.7                     | 4.6                  | -2.13%                        | 4.6            | 0.00%                         | 4.6            | 0.00%                         | -2.13%                                 |
| <b>Total: Five Key<br/>Program<br/>Envelopes</b> | <b>\$126.2</b>          | <b>\$128.8</b>       | <b>2.06%</b>                  | <b>\$131.4</b> | <b>2.02%</b>                  | <b>\$133.5</b> | <b>1.60%</b>                  | <b>5.78%</b>                           |

What the pandemic has highlighted in stark relief, is how much we rely on our public programs for our health and well being. Years of budget cuts by your government, prior to the pandemic, has strained Ontario public services to the breaking point. More money needs to be allocated to the base program envelopes of these valuable services now and into the future. The funding cuts of previous budgets should be restored, and your government should be, **at a minimum**, increasing spending in line with inflation and population growth. After years of underfunding of these critical services, additional funds are also needed to stabilize public services.

### **Health Privatization must be taken off the table.**

CUPE Ontario was happy to see additional funds to increase capacity by funding more hospital beds. There is a desperate need for this expansion of hospital capacity. However, we have a serious concern that the bed capacity will go to private facilities outside of hospitals. References in your budget document to “alternate health facilities” leads us to be very concerned that care will be diverted away from hospitals to private and sometimes for-profit facilities, without the expertise or the public accountability.

<sup>1</sup> Base funding increases are overstated in the Education and Social Services envelopes as 2020-21 increases in the include temporary COVID-19 funding.

### **There is No Revenue Strategy for Recovery.**

Once again, your government's budget has failed to properly consider the revenue side of the equation as a tool towards a post pandemic recovery. Tax increases on profitable businesses, and on the wealthiest individuals, would generate billions of dollars in revenue which could be used to stop the spread of COVID-19 and mitigate the losses of those individuals and businesses hardest hit by the pandemic. We would refer you to CUPE Ontario's pre-budget submission, where we proposed you look to bolster revenue by such measures as increasing the corporate income rate to 16% and placing an additional wealth tax on the top 1.0% of Ontarian earners. Instead, your government's stubborn and systematic refusal to even consider the revenue side of the budget will create long-lasting harm to Ontario's economic well being.

### **Tax Cuts and Subsidies are going primarily to those who need it least.**

The Ontario budget is proposing tax cuts in the neighbourhood of one billion dollars by the third year of this budget. In general, CUPE does not support tax cuts because we believe it is far more effective to spend money on programs that support all, rather than putting them in the pockets of profitable businesses or the wealthy few. Given the devastation of COVID-19 on some small businesses, we would have been prepared to accept targeted, temporary tax relief for those business hit hardest by the pandemic. Instead, what this government has delivered is a series of tax cuts that generally **do not** target those who have been hardest hit, instead providing tax cuts to businesses regardless of their need.

There is no doubt that some businesses have been hard hit by the pandemic. Small retail, restaurant, hospitality and entertainment have all seen a massive decline in customers and revenue since the pandemic hit. However, there is also no doubt that many businesses have flourished this year and have seen the demand for their products and services grow. Big box retail – the Loblaws, the Walmarts – have done very well. Technology firms have also prospered as more and more work is completed remotely. For other businesses, the COVID-19 pandemic has had little effect on their bottom line. The revenue lost from the elimination of the Employer Health Tax for all but the largest businesses, the Business Education Tax cut, and the beer and wine tax reductions would have been better used to more precisely target those businesses that have truly suffered during this pandemic.

We also oppose the property tax relief program announced in the budget. CUPE believes that this program will put inordinate pressure on Ontario municipalities to make cuts to commercial property taxes at a time when municipalities have sustained significant revenue losses. Putting the onus on the municipalities to bail out small businesses by providing permanent commercial property tax reductions is not showing leadership. Our municipalities offer some of the most important public services available to Ontarians. As we will show elsewhere, this budget does not come close to providing the necessary supports to municipalities who are facing devastating revenue losses due to the pandemic.

**The cost of electrical subsidies is skyrocketing, and the funds could be better used elsewhere.**

The current budget announced still more subsidies for electricity rates – this time, electrical rate reductions are targeted primarily for large industrial and commercial businesses. Again, these are permanent subsidies, hidden under the guise of helping business during the pandemic. In fact, there is no call for these sorts of expenditures.

**Table 2: Growth in Electricity Subsidies (in \$ Millions)**

| Actual<br>2017-2018 | Actual<br>2018-2019 | Actual<br>2019-2020 | Projected<br>2020-21 | Total %<br>increase | Total \$<br>Increase |
|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| 2,834               | 4,293               | 5,484               | 6,209                | 119%                | 3,375                |

Electrical subsidies have more than doubled in the past three years under the Conservative government. This program costs more than any other program outside the “big three” (education, health and social services). These subsidies cost taxpayers more than the entire Justice budget. They claim over six billion dollars annually. They are more than **three billion dollars** greater than they were under the previous Wynne government. While we are not privy to the projected cost of these programs in the future, based on the historic track record of hydro subsidies, they are likely to grow.

There would be no need to subsidize any hydro costs, either for individuals or businesses, if previous Conservative and Liberal governments had not embarked on short-sighted hydro privatization schemes. Prior to the partial privatization of hydro generation under the Harris Conservative government, Ontario businesses and individuals enjoyed public hydro at cost. This was critical to widespread economic growth and competitiveness. Since privatization, rates have soared for individuals and businesses – a situation exacerbated by the sale of Hydro One. Instead of addressing the underlying cause of soaring hydro rates – privatization and for-profit operators – this government continues to spend billions, year after year, subsidizing the increased costs of for-profit power. The public will be subsidizing the bottom line of many very profitable corporations, years after the pandemic is over. Once again, CUPE Ontario encourages the provincial government to embark on a plan to Make Hydro Public – both transmission and generation rather than continue to waste public dollars on subsidizing private companies to pay their hydro bills to a mostly privatized, for-profit hydro system.

CUPE Ontario would strongly recommend diverting the money spent on this subsidy program to actually buying back these critical assets and bolstering public services.

## Phantom Expenditures: Massive Reserves and Unallocated Contingencies

In their fall economic analysis, the FAO highlighted that the Ontario government had \$9.3 billion in unallocated expenditures in the March 2020 economic statement.<sup>2</sup> This figure seems to have been drawn down in this budget by approximately \$4.6 billion, leaving an unspent contingency of about \$4.7 billion. In addition to these unallocated amounts, the Government has an *additional* operating contingency of \$2.9 billion in its 2020-21 budget, and a capital contingency of one billion dollars under Treasury Board expenditures. Furthermore, the Ontario Government has also earmarked a reserve of \$2.5 billion for 2020-21 dropping to \$2.0 billion in 21-22 and 22-23.

As a result, ***more than eleven billion dollars*** of the announced expenditures in this budget are not allocated. Not only is this artificially inflating the deficit, this is money that should be, and needs to be, spent to support those who are hardest hit by this pandemic. It should also be used to enhance base funding levels of the public services listed above.

Where could the money from the tax cuts, the subsidies, and the unallocated contingencies go? In addition to improved base program spending, CUPE Ontario believes that the following pandemic needs have not been met.

### 1. **The Budget does not compensate Public Programs for significant losses in revenue:**

CUPE Ontario believes some of it would be better spent compensating municipalities, universities and childcare centres for the devastating losses in revenue they have faced this year. We were happy to see the funding provided to municipal transit to help municipalities deal with the substantial reduction in transit fares; however, few other groups or other revenue losses in the public sector have been similarly compensated. Municipalities have experienced substantial losses in revenue due to the cancellation of recreation programs, day camps, rink and community centre rentals. Public universities and colleges have seen major declines in tuition fees because of the drop in international student enrollment. Childcare centres, which operate at razor thin margins, have been particularly hard hit by the pandemic. Many have failed and left parents scrambling to find supports. Others, having closed in March, are now expected to open with more staff and fewer children with no commensurate increase in funding.

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<sup>2</sup> Financial and Accountability Office “Economic and Budget Outlook: An Updated Assessment of the Impact of the COVID-19 Pandemic” Fall 2020, p. 9

## **2. Additional funds for classrooms:**

Additional funds could have been spent keeping our children safer at schools with smaller class sizes and improved ventilation. The Ontario government has spent only a bare fraction of what is needed to keep classrooms safe. About half of the announced \$1.3 billion spent to reopen schools was not government funding but the School Board's own reserves (\$500 million). Another portion of that 1.3 billion dollars is from previously announced deferred maintenance. Classrooms desperately need additional resources to prevent the spread of COVID-19 in our schools and in the community.

## **3. Supports for marginalized essential workers:**

The spread of COVID-19 could be reduced through a concerted program to support marginalized essential workers with supports such as paid sick and isolation leave, housing assistance and community supports.

## **Target Benefit Plans**

CUPE Ontario also has some concerns with changes proposed in Schedule 37 dealing with Target Benefit Plans under the *Pension Benefits Act*. The amendments to the *Pension Benefits Act*, where Target benefits are defined, is awkwardly worded. The definition would exclude many pension plans currently operating as Target Pension Plans. CUPE participates on the board of two multi-employer target pension plans: the Multi-Sector Pension Plan and the Nursing Homes and Related Industries Pension Plan. We anticipate that this is a matter of drafting of the language which could be easily corrected. We would refer the Committee to the comments raised by the Ontario Federation of Labour on this issue.

## **Conclusion**

CUPE members are the ones who are protecting and supporting Ontarians through this pandemic. The services we provide are an integral element to any economic recovery. If your government truly wishes to protect and support Ontarians, if you wish to set the stage for a prosperous recovery, then you will need to put more funds into supporting and protecting the public programs and services that hold this province together.