

# Public Sector Cuts

## The Public Sector: An easy scapegoat

The current deficit wasn't caused by public sector workers. It was caused by private sector greed. Many of the voices calling for attacks on the public sector now conveniently looked the other way while their colleagues sabotaged the global financial system for personal gain.

The federal government's overall national debt remains historically low at about 33% of GDP. The part of the current deficit which won't evaporate naturally through economic growth, according to the Parliamentary Budget officer, is only 1% of GDP, small by comparison to the 7.5% and 4.5% levels of the nineties. The operating costs of running the federal government in relation to the size of Canada's economy are [close to the lowest](#) they've been for the past fifty years. By the time the federal government achieves its goal of reducing spending to 13.2% in 2014-15, it will be at the lowest level since 1949.

Finally, and most importantly, the deficit wasn't caused by spending on much needed public services it was caused by bad tax policies.

The 2010 federal budget is a losing proposition for many. It promises:

### Deteriorating public services

- \$17.6 billion in overall public spending cuts over five years.
- The departmental strategic review to cut 5% will continue. Savings identified from the strategic review will no longer be reinvested in other programs.
- Cuts to 12 federal organizations identified this year. Seventeen additional organizations will be identified in the 2010-2011 year.
- Cuts that reach \$287 million in 2012-13.
- Instead of implementing and enforcing strong regulations to protect the health and safety of Canadians, a new Commission to cut so-called red tape.
- Continuation of the corporate asset management review.
- Nothing to improve the availability of and access to quality child care services.
- No increase in funding under the Canada Social Transfer which helps provinces and territories pay for social assistance and social services while more and more unemployed Canadians are ending up on welfare.
- No plans to improve public pensions.
- Nothing to address the funding crisis in post-secondary education, including the high cost of tuition.
- Inadequate investment in education, housing and safe water for Aboriginal peoples.



## Job losses

- Ongoing cuts to public services and job losses amount to \$6.8 billion over five years.
- Virtually nothing to create jobs for the over 1.5 million unemployed, no improvements to the Employment Insurance Program and, with departmental cuts, fewer workers to administer EI claims.
- 2010-11 departmental operating budgets will not be increased and the 2011-12 and 2012-13 budgets will be frozen at 2010-11 levels.
- The 1.5% increase in annual wages for the federal public sector will be honoured but departments will be required to fund this increase from their operating budgets.
- Crown Corporations will freeze their operations.

## What does it mean?

Cuts to public sector operations mean cuts to public services that Canadians want. This budget is an attack on public services.

Strong and effective public services are essential to addressing the historic economic and environmental challenges that we face. Public Sector spending is [leading the economy out of recession](#). It is also the [key factor underlining job growth](#).

Canadian families benefit from public services by an average of about \$41,000 or 63% of their income. Even households which earn between \$80,000 and \$90,000 a year receive a benefit from public services that is equivalent to about half of their income. Public services are a great deal.

As the public service cuts announced in the budget are implemented, Canadians will be forced to either do without them as in the case of environmental protection and other regulatory matters or pay a higher price for them out of their own pockets – a reality that is almost always overlooked in the one-sided conversation about tax cuts.

When services and infrastructure are publicly owned and operated, they are more efficient, less expensive, of higher quality, and more accountable than when they are privatized.

This budget promotes more private sector incursions into the public sector and more self regulation by industry rewarding those that caused the recession and undermining the public sector that is counted on to fix the problems caused by corporate agendas.

## What would be better choices?

The government should have implemented targeted tax increases. Economists from across the political spectrum have argued that the deficit is the result of a tax revenue

shortfall. The should have closed expensive tax loopholes, discontinued planned corporate tax cuts, increased income taxes on those making over \$250,000 and introduced a much needed financial transactions tax.

Instead of continuing the arbitrary strategic review process initiated in past budgets the government should undertake a publicly transparent process to explore what needs to be done to reduce poverty, create good green jobs, training and infrastructure, and support enforceable regulations that protect people, while at the same time examining the staffing, training and retention strategies required to meet these program goals.

The government should examine the growing costs for federal government contracting-out and replace contracts with more affordable public delivery. At the same time, the use of temporary staffing agencies should be minimized and used only for short-term, unanticipated work.

Canadians should be made aware of the real cost of selling government assets with a full-cost-accrual accounting through the federal government estimates and procurement process that reflects the value of government assets on the public books against the long-term costs of leasing, before these assets are put on the block.

Instead of dishonestly cutting regulations and their enforcement the government should transparently review Canada's regulatory regime and ensure that it protects the interests of Canadians and adheres to the precautionary principle; and ensure that human and support resources are in place for pro-active and precautionary monitoring and enforcement of federal regulations by public officials.

Instead of cutting spending and continuing to support P3s to the tune of \$100 million the government should create an accountable entity that facilitates the creation of good green jobs, training and infrastructure at all levels of government, and immediately stop forcing municipalities, provinces, and territories to use P3s for their infrastructure projects.