

Austerity is Bad for Our Health: Gender and Distributional Impacts of Ontario's 2012 Budget

— *Sheila Block*¹

There are many questions to be asked and answered about the shifts in fiscal policy stance and discourse from the start of the 2008 financial crisis to the present. The policy consensus on the need for concerted international government intervention and the need for constraints and regulation of markets has vanished from the mainstream policy discussion. It has been replaced by an austerity agenda that suffers from short-term amnesia about the causes of government deficits and debt, and is focused instead on a further reduction in the role of the state. This paper will, however, limit itself to an analysis of the 2012 Ontario budget, and its gender and distributional impacts. The agreement reached between the NDP and the Liberal government resulted in the first progressive change in Canadian income tax rates in more than a decade (Benzie & Ferguson, 2012). The agreement included a temporary increase in taxes for Ontarians earning more than \$500,000 per year and a 1 percent increase in rates for people who are surviving on social assistance. These were small, but important, first steps in addressing the record levels of income inequality in Ontario.

These adjustments around the edges, however, will not change the fundamental impact of this budget. The Budget document boasted that for every dollar in new revenues, there were four dollars of savings and cost containment measures. Even after the agreement with the NDP, average annual growth in program spending will be held to 1.0 percent between 2011–12 and 2014–15 (Ontario Ministry of Finance, 2012). This means that there will be real, per capita decreases in government spending in Ontario. A program of reductions in government services to this size and scale will increase inequality. Research by Mackenzie and

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Shillington (2009) shows the progressivity of government expenditures. These reductions will have the most detrimental impact on low-income Ontarians, but will also reach far beyond them. Some Ontarians will have to do without the public services they have relied on because they will not be able to afford to purchase them privately. For others, life will become far more expensive when they have to start paying privately for services their tax dollars used to pay for. Only those whose resources are so large that they rarely need to rely on public services will be unaffected by the impact of such a shift in the landscape of Ontario public services. Given their higher incidence of low income, racialized and immigrant communities will be disproportionately affected by these cutbacks.

An example of the distributional impact of cutbacks in services is the changes to education funding (People for Education, 2012). These changes will include cuts to programs that support math acquisition in schools. Some children, who need this assistance, will go without it because their families will not be able to afford to purchase these services privately. For other families, life will become more expensive when they have to privately purchase this help for their children, previously paid for by their tax dollars. Only those parents who were already privately purchasing these services for their children will be unaffected. The impact of the loss of public services will be compounded for the thousands of families who have members with public sector jobs. Many of these families will face unemployment, reduced access to public services, reduced family incomes, and increased economic uncertainty. Again, the impact of these changes will be felt more acutely by lower-income Ontarians. Workers in lower-paid occupations — such as cleaning, food preparation, and clerks — are generally better paid in the public sector than in the private sector. A cook working in the public sector was paid an average of \$26,216 a year in 2006, which is 24 percent more than the \$21,089 average received by private sector cooks.

On the other hand, higher-paid occupations — such as managers, lawyers and accountants — tend to be paid considerably less in the public sector than in the private sector. For example, engineering managers in the public sector were paid an average of \$93,514 in 2006, which is 27 percent below the average of \$128,886 in the private sector (Sanger, 2011). As a result, higher-income public sector workers who lose their jobs have better prospects in the private sector than lower-income workers who lose theirs. These cutbacks in services and loss of public sector jobs will come at a time when income inequality in Canada is at levels that have not been seen since the 1920s (Yalnizyan, 2010).

HEALTH IMPACTS OF AUSTERITY

The government's austerity agenda poses substantial risks to the health and well-being of Ontarians. A recent report from Statistics Canada provides a stark example of the impact of income and income inequality on health. The difference in life expectancy at age 25 between the highest and lowest income groups was 7.1 years for men and 4.9 years for women (Tjepkema & Wilkins, 2011). While these differences are striking, an equally important finding is that life expectancy increases with each and every step in the income scale. This research found that the gaps are even greater in health-related quality of life, where once again, there was an improvement in health at every step up the income scale. As this research shows, the health impacts of government actions that improve social conditions are not limited to low-income individuals and families. This is supported by international research that shows that inequality has an impact on our health and well-being (Wilkinson & Pickett, 2009). In more equal countries, people are healthier, live longer, and commit fewer crimes. These relationships hold among all income groups. Even for the highest income segment of the population, people are safer, healthier and live longer when they live in a more equal society.

There are many ways that austerity programs have an impact on health. The link between unemployment and ill-health has been clearly established. Research on the aggregate level has shown that high levels of unemployment in society and in neighbourhoods are correlated with poor health and increased mortality (Block, 2010). A recent IMF report, based on international evidence, shows that austerity programs increase unemployment and long-term unemployment in particular (Ball, Leigh, & Loungani, 2011). The report also shows that the burden of austerity is disproportionately borne by wage earners rather than those who rely on profits or rents for their incomes. Increased unemployment, lower job quality, decreased levels of/access to social benefits, and reduced access to services that support social inclusion will all have a negative impact on Ontarians' health. And these impacts will fall disproportionately on Ontarians from marginalized communities – particularly those who are low-income, racialized, and new immigrants.

GENDER IMPACTS OF AUSTERITY

The burden of reductions in public services, loss of public sector employment, and privatization of public sector employment falls more heavily on women than on men. The slowdown in spending proposed in the budget cannot be accomplished without reduced employment in the

public sector, and a shift of employment within the public sector from better paid unionized jobs with pensions and benefits to more precarious work. These changes will have a differential impact by gender. Women comprise just over 60 percent of Ontario public sector employees, and about 47 percent of private sector employees (Statistics Canada, n.d.). The impact of layoffs will be compounded by the differences in wages for women in the public and private sectors. On average, women employed in public sector jobs are paid 4.5 percent more than women in comparable occupations in the private sector: \$45,821 compared to \$43,841. Women who are laid off from the public sector will likely have difficulty finding employment with similar remuneration, Men in the public sector are paid an average of 5.3 percent less: \$57,318 compared to \$60,531 (Sanger, 2011). As a result, a decrease in public sector employment will tend to widen the gap between men and women's wages. The impact on women's remuneration is not limited only to job losses. Shifts in the method of public service delivery will also have a disproportionate impact. Private delivery of services and a shift to community-based health care delivery will move women to more precarious employment situations, where they are less likely to be unionized and typically have lower compensation.

Caregiving makes up a substantial portion of public services. When these services are reduced, the responsibility falls on disproportionately on women to pick up the slack. For example, 21 percent of women in Ontario provide unpaid caregiving to seniors as compared to 16 percent of men. Women also provided more hours of caregiving, with 9 percent spending more than 5 hours a week as compared to 5.7 percent of men (Statistics Canada, 2008). The loss of public services will increase unpaid work for women while reducing their remuneration and opportunities for paid work. Reducing women's employment and wages has an impact on their families and their communities. The table below shows the increasing importance of women's contributions to family incomes. The increase in the share of families where women contribute more than 50 percent of income has been sharpest in areas of the province that have been particularly hard hit by the downturn in manufacturing. These families and areas will be particularly disadvantaged by this year's budget.

| SHARE OF TOTAL NUMBER OF FAMILIES WITH THE WIFE CONTRIBUTING OVER 50% TO HUSBAND-WIFE EMPLOYMENT INCOME | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Toronto | 27.7% | 28.2% | 28.7% | 29.2% | 29.5% | 29.7% | 30.1% | 30.5% | 31.2% | 32.8% |
| London | 26.2% | 26.3% | 26.8% | 27.2% | 27.4% | 27.8% | 28.0% | 28.8% | 30.0% | 32.4% |
| Windsor | 20.4% | 21.5% | 22.5% | 22.7% | 23.7% | 24.2% | 25.2% | 26.5% | 27.9% | 31.6% |
| Hamilton | 22.8% | 23.7% | 24.4% | 24.7% | 25.1% | 25.9% | 26.7% | 27.5% | 28.3% | 30.4% |
| Ontario | 25.8% | 26.1% | 26.8% | 27.3% | 27.7% | 28.0% | 28.5% | 29.0% | 29.7% | 31.6% |

Source: Statistics Canada. Table 111-0021 - Family characteristics, husband-wife families, by wife's contribution to husband-wife employment income, annual (number unless otherwise noted)

CONCLUSION

The changes to the 2012 Ontario Budget that resulted from the agreement between the Liberal government and the NDP were a welcome departure from the austerity agenda. They increased the progressivity of the tax system, and mitigated the erosion of purchasing power of inadequate social assistance rates. However, the overall impact of this budget is to increase inequality in Ontario. By relying much more heavily on cutback on expenditures than increasing tax revenues, it will have a disproportionate impact on lower income Ontarians. Because of the role of public sector employment in women's working lives; it will also erode gender equity in the province. Increased inequality, unemployment, and low income resulting from this budget will have negative health impacts for Ontarians.

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