



Getting Serious about Deficits

**The Registered Nurses' Association
of Ontario (RNAO)**

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Yes, Ontario has a deficit problem. But it's not just a budgetary deficit...

Ontario has multiple deficits:

- A budgetary deficit, slated to drop to \$15.2 billion or 2.3 per cent of GDP in the coming fiscal year, down from \$19.3 billion or 3.3 per cent of GDP in 2009-10. The deficit is manageable, particularly when interest rates are low, but the projected debt-to-GDP ratio of 39.5 per cent for 2012-13 must be addressed.
 - This arose due to the deep recession of 2008-09:
 - Tax revenues naturally fell.
 - Government expenditures rose to compensate. The rise in expenditures was supported by a consensus on the need to help stop the recession's effects in Ontario.
 - Largely due to cuts in tax rates during the 1990s, Ontario's tax revenue has fallen almost 15 per cent since 1994. This contributes to Ontario's per capita program expenditure being the lowest in Canada and 11 per cent below that of the rest of the provinces.
- An employment deficit: 541,500 Ontarians are looking for employment – 7.4 per cent of the workforce. The unemployment rate for youth remains a high 15.2 per cent.
- A social deficit: in spite of a much-lauded Poverty Reduction Strategy, the Ontario poverty rate was 13.1 per cent in 2009 – the highest it has been since 1976.

Making the Right Choices:

- Budget 2012 focuses on just one deficit: the budgetary deficit, ignoring the other deficits, and paying little heed to Ontario's fragile economic recovery.
- The majority of the government's deficit solution in the 2012 Budget is cutting spending, even though Ontario's per capita spending is the lowest of all provinces and 11 per cent below the average of the rest of the provinces.
 - The poor were hit disproportionately hard:
 - Social assistance (Ontario Works and Ontario Disability Support Program) payments and the minimum wage were frozen, meaning they will erode at the rate of inflation of 2+ per cent per year.
 - Ontario Works is cut by an additional \$14.1 million (used to pay for food and shelter for those willing to find employment).
 - The promised \$200 Ontario Child Benefit increment will be delayed, with \$100 rises in July of 2013 and July of 2014.

- Fiscal capacity is not seriously addressed, even though Ontario’s tax revenue has fallen almost 15 per cent as a share of GDP since 1994.
 - Most of the claimed expansion of revenue is just postponement of the scheduled corporate tax cut.

Budget Details:

Budget 2012 has largely followed suit with the recommendations of the Drummond Commission. The Drummond Commission was given a mandate to devise a strategy to eliminate Ontario’s budget deficit by 2017-18 without raising taxes, which meant that it had to cut spending dramatically: by an amount of 16.2 per cent in real per capita terms. If carried out, this will imply huge service cuts and huge losses in employment.

Budget 2012 compared to Drummond Recommendations					
	Annual increase (per cent)		Annual Real per capita Change (per cent)		7-year real per capita cut (per cent)
	Drummond	Budget 2012	Drummond	Budget 2012	Drummond
Health	2.5	2.3	-0.9	-1.0	5.8
Education	1.0	2.3	-2.3	-1.0	15.1
Post-Secondary	1.5	4.9	-1.8	+1.4	12.1
Social Programs	0.5		-2.8		18.0
Other	-2.4		-5.6		33.2
Total	0.8	1.5	-2.5	-1.9	16.2

Health in the Budget:

Health fared comparatively well, taking just a one per cent real per capita cut, though the Drummond Commission had recommended a slightly smaller per capital cut of 0.9 per cent. The Budget sought to shift clients to more appropriate settings, such as moving Alternative Level of Care clients more into the community and moving some routine procedures from hospitals to not-for-profit clinics (such as the Kensington Eye Clinic in Toronto). Funding will shift away from hospitals (1.3 per cent cut) and more towards long-term care (just a 0.6 per cent cut) and towards home care and other community services such as community health centres (0.6 per cent rise) (all percentages expressed in real per capita terms). “Patient-centered funding” will pay hospitals, long-term care facilities and community care access centres according to types and volumes of services in the hope that will encourage best practices and enhance efficiency. Termination and re-scoping of some hospital capital projects will reduce government borrowing by \$570 million.

RNAO Recommendations:

- As a first step to restoring fiscal capacity, support the opposition's proposal for a new tax bracket for personal incomes over \$500,000.
- Raise social assistance payments (Ontario Works and disability support (ODSP)) payments by at least 2 per cent to cover the cost of inflation and then peg them to the Ontario Consumer Price Index.
- Raise the minimum wage by \$.75 per hour, to \$11.00 per hour, and appoint the promised minimum wage advisory committee.
- As per the Drummond Report health system vision, place more emphasis on health promotion, shift the main point of contact to primary care, support measures to improve same-day and next-day appointments as well as after-hours care with primary care providers, promote full scope of practice in all health professionals, maximize the use of nurse practitioners, and provide knowledgeable integrated care across the spectrum for appropriate staffing standards and reduced duplication in all sectors. For example, the Registered Nurses' Association of Ontario (RNAO) recommends eliminating unnecessary duplication between Community Care Access Centres (CCACs), hospital discharge co-ordinators and home care agencies where the funds can be better spent on direct care for patients at home. Approximately 4,300 primary care nurses are ready and eager to take on the care co-ordination role.
- Expand the use of not-for-profit community-based clinics to perform routine procedures, such as the Kensington Eye Clinic.
- Endorse the Budget's rejection of the Drummond Commission's advice to experiment with for-profit delivery of health care services.
- Commit to moving Ontario RN-to-population ratios towards the average of the rest of Canada, in order to enhance access to nursing care; and complete the move to 70 per cent full-time employment for nurses in all sectors in Ontario.

Resource:

The Registered Nurses' Association of Ontario. (2012). *RNAO's 2012 Advocating for Vibrant Communities Briefing Notes*. Retrieved from:

http://www.rnao.org/Storage/89/8345_76096-1_RNAO_Notes_April_12.pdf