



The Economics of Bargaining in the Education Sector

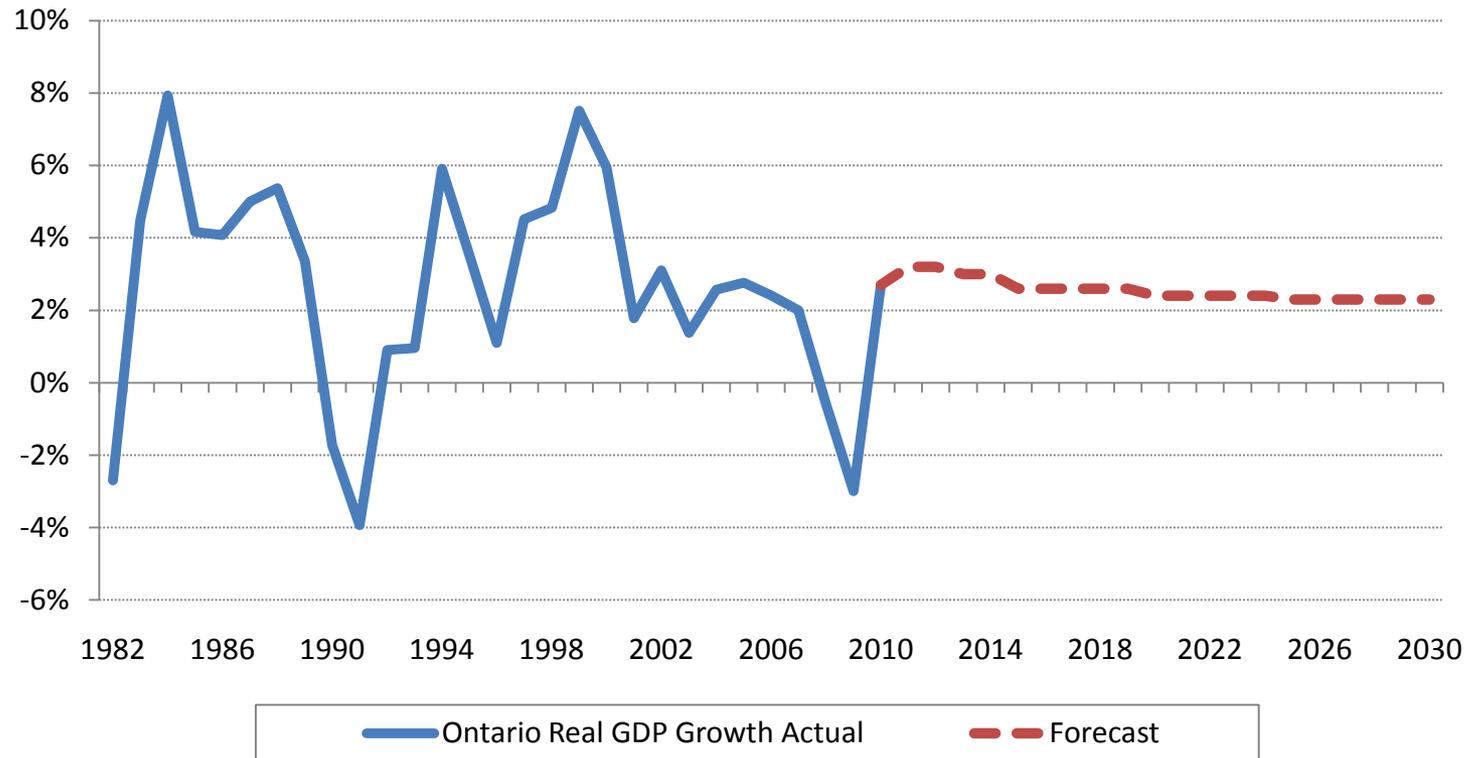
Presentation to the Conference on
Education, the Economy and Sustainable Bargaining
Toronto, October 1, 2010

Toby Sanger, Canadian Union of Public Employees

CUPE / Canadian Union
of Public Employees

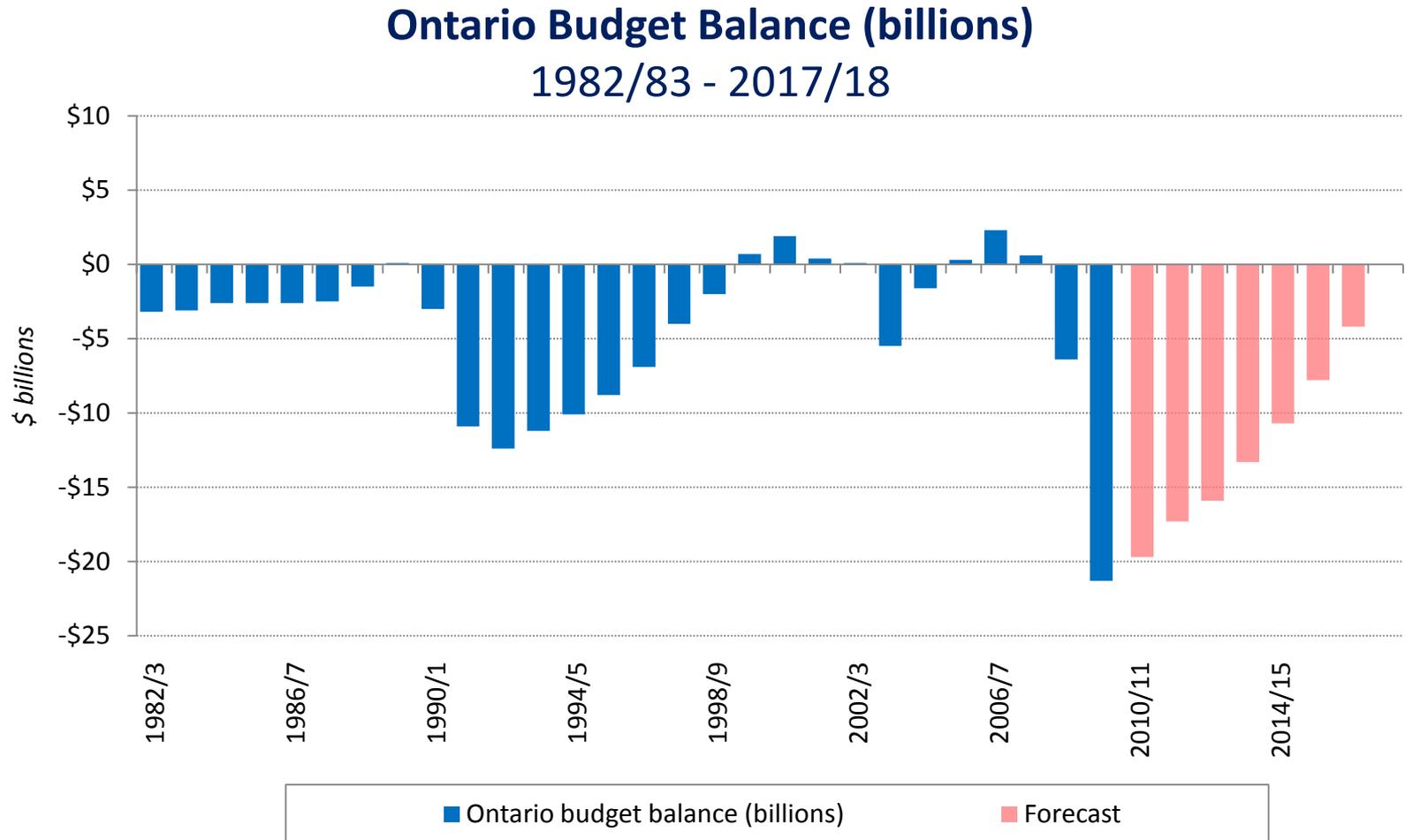
Economy recovering, but growth to be slower

Ontario Economic Growth Actual and Forecast 1982 - 2030



Sources: Statistics Canada, *Provincial Economic Accounts*; Ontario Finance, *Ontario Economic Accounts* and *Long-Term Report on the Economy*.

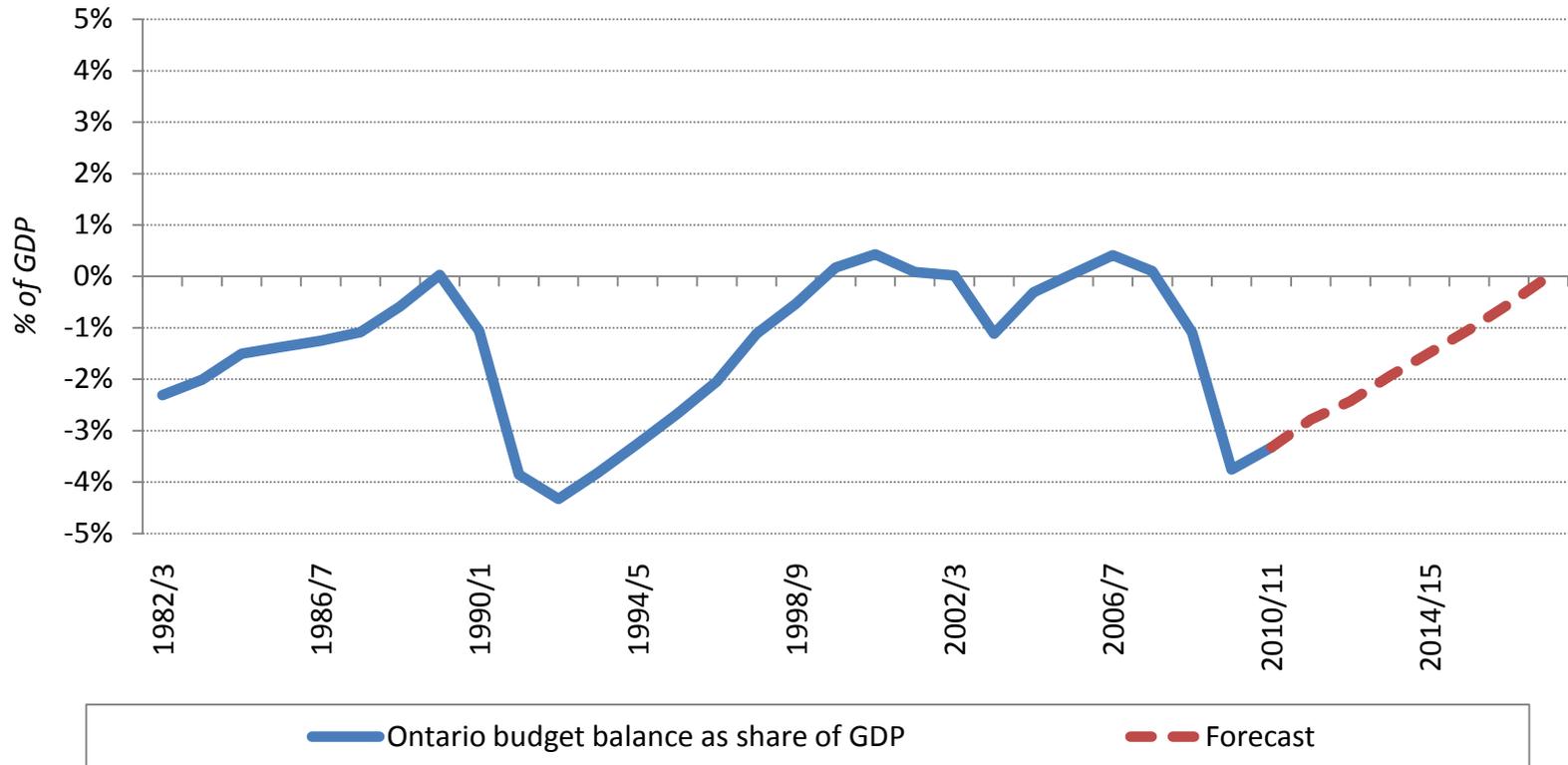
Record deficit, gradual return to balance.



Source: RBC Economics *Provincial Fiscal Tables* September 2010 (from budgets and updates).

But deficit situation less severe than 1990s

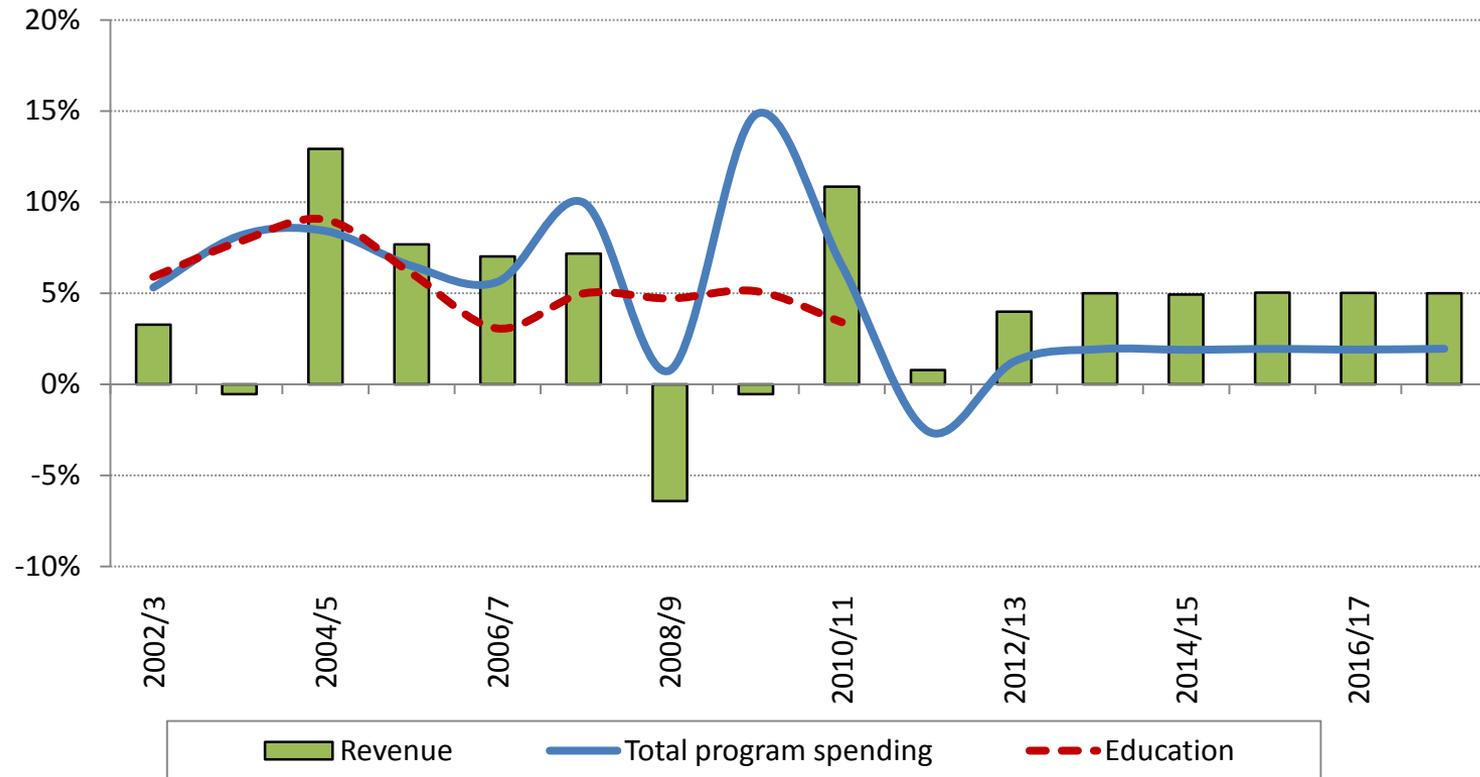
Ontario Budget Balance (% of GDP)
1982/83 - 2017/18



Source: RBC Economics *Provincial Fiscal Tables* September 2010 (from budgets and updates).

Growth of revenues and program spending to slow

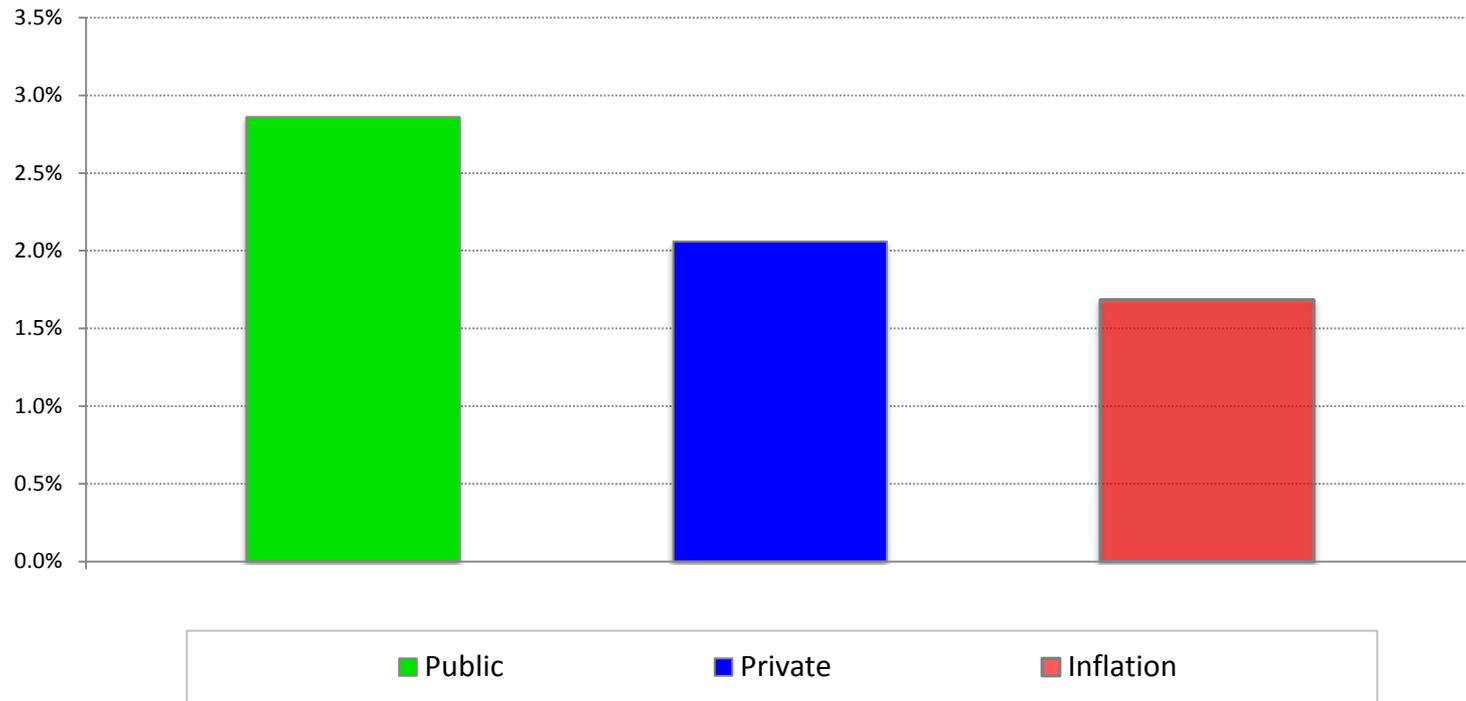
Ontario Revenue and Program Spending Growth
Actual and Forecast 2002/3 to 2017/18



Sources: Ontario Budget 2010, Ontario Economic Outlook and Fiscal Review

Gains for public sector workers in recent years

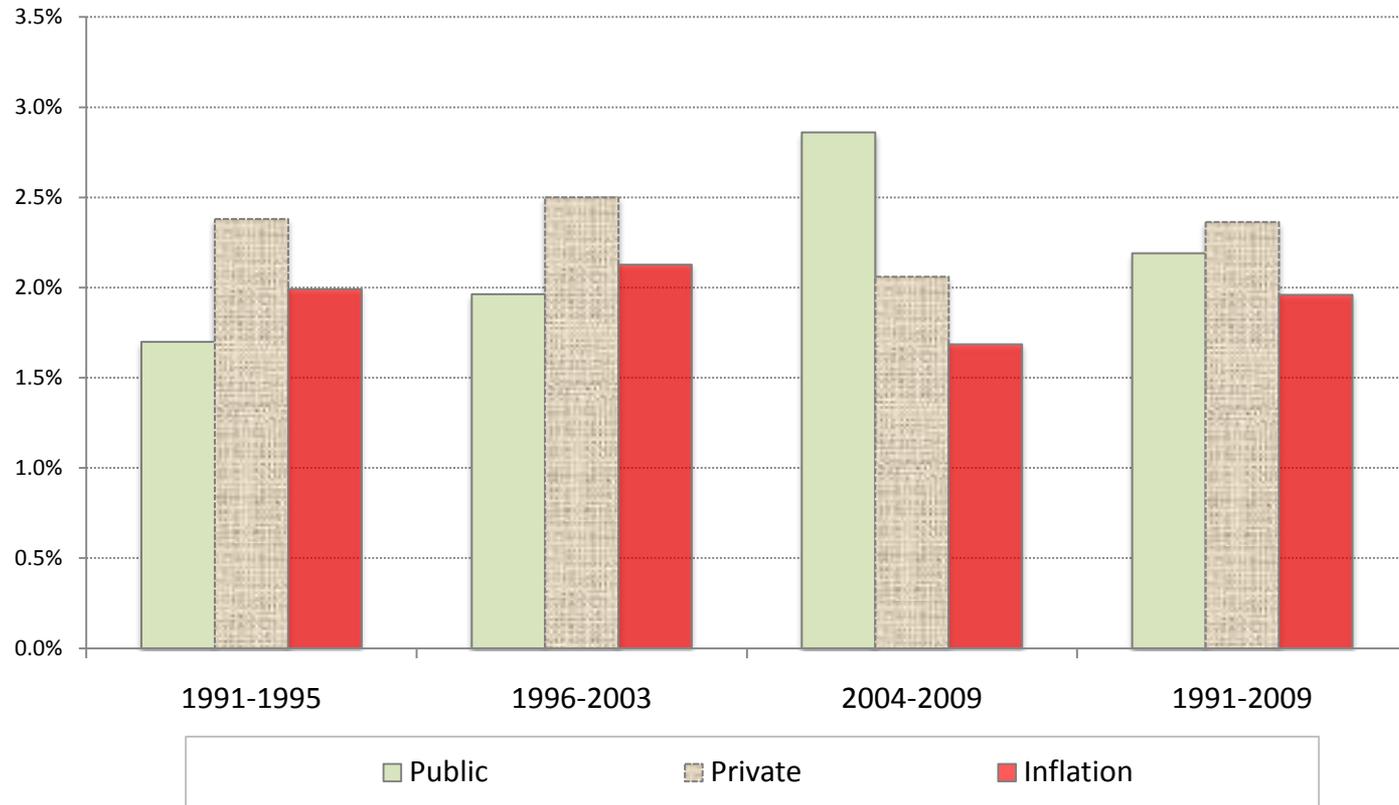
Ontario Wage Settlements and Inflation Annual Growth 2004 to 2009



Source: Ontario Ministry of Labour wage settlements and Statistics Canada for Ontario CPI inflation rates.

But only after a decade of losses..

Ontario Wage Settlements and Inflation 1991 to 2009

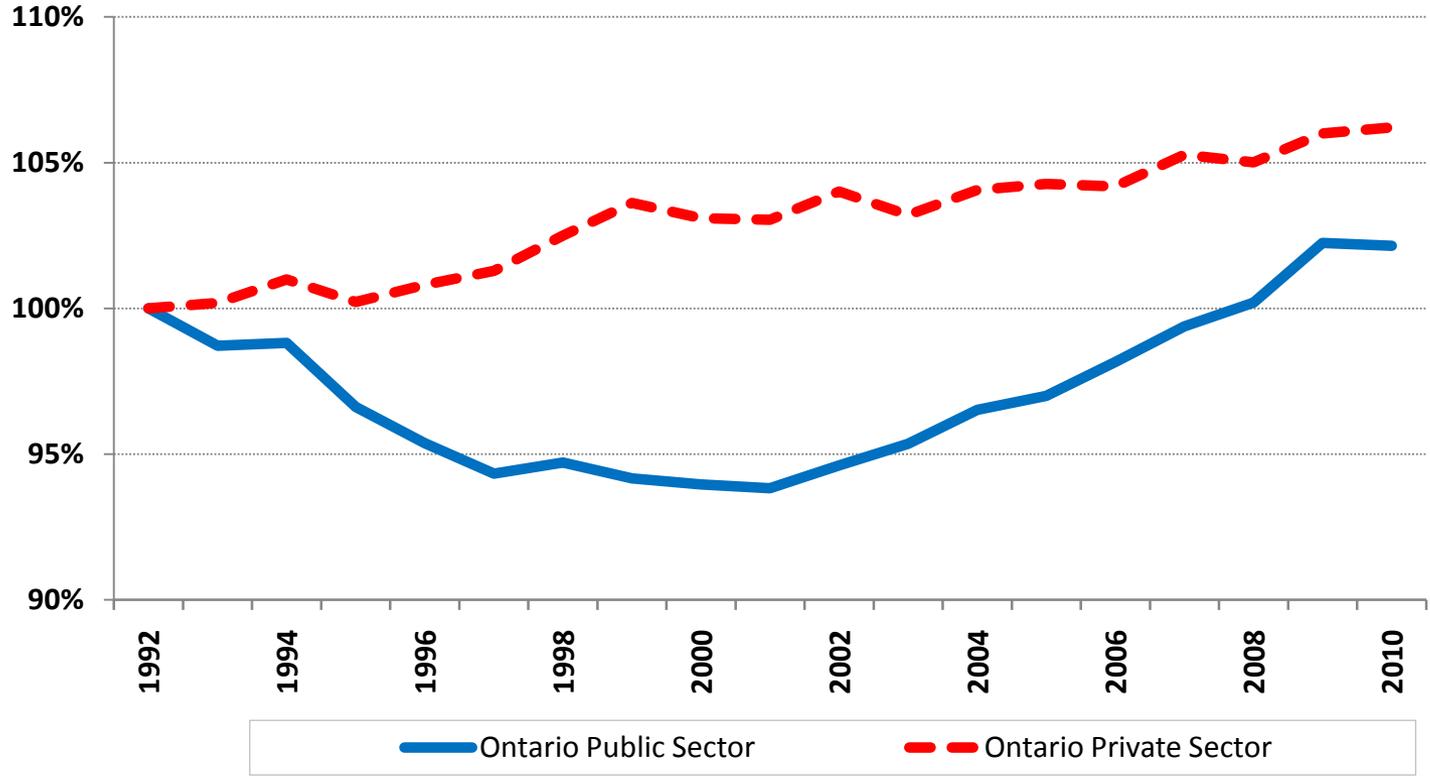


Source: Ontario Ministry of Labour wage settlements and Statistics Canada for Ontario CPI inflation rates.



Public sector wages only recently recovered from cuts of 1990s

Ontario Public and Private Sector Real Wages (adjusted for inflation 1992 = 100%)

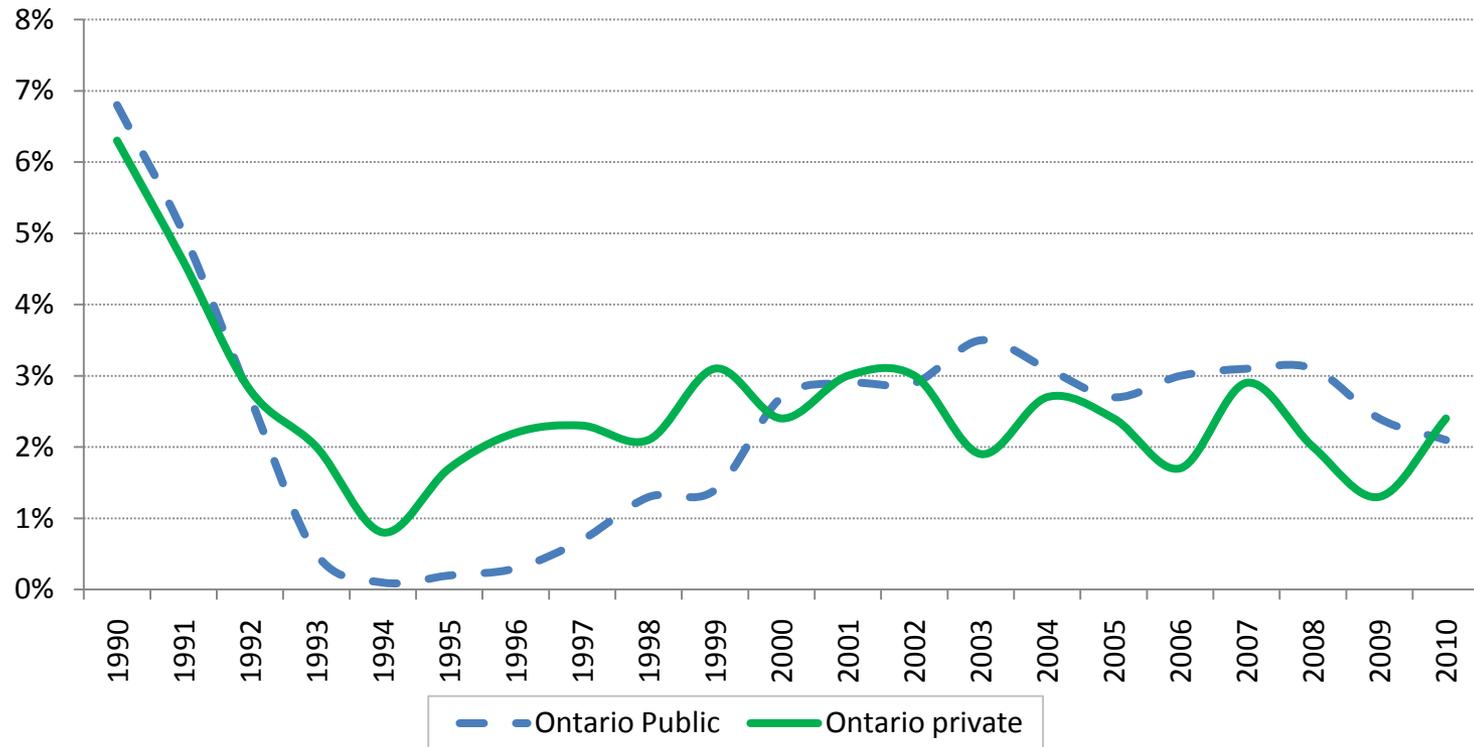


Real wages calculated using Ontario Ministry of Labour annual base wage increases from collective agreements for Ontario, adjusted for inflation using Ontario CPI.



Public-private wage trends already reversing

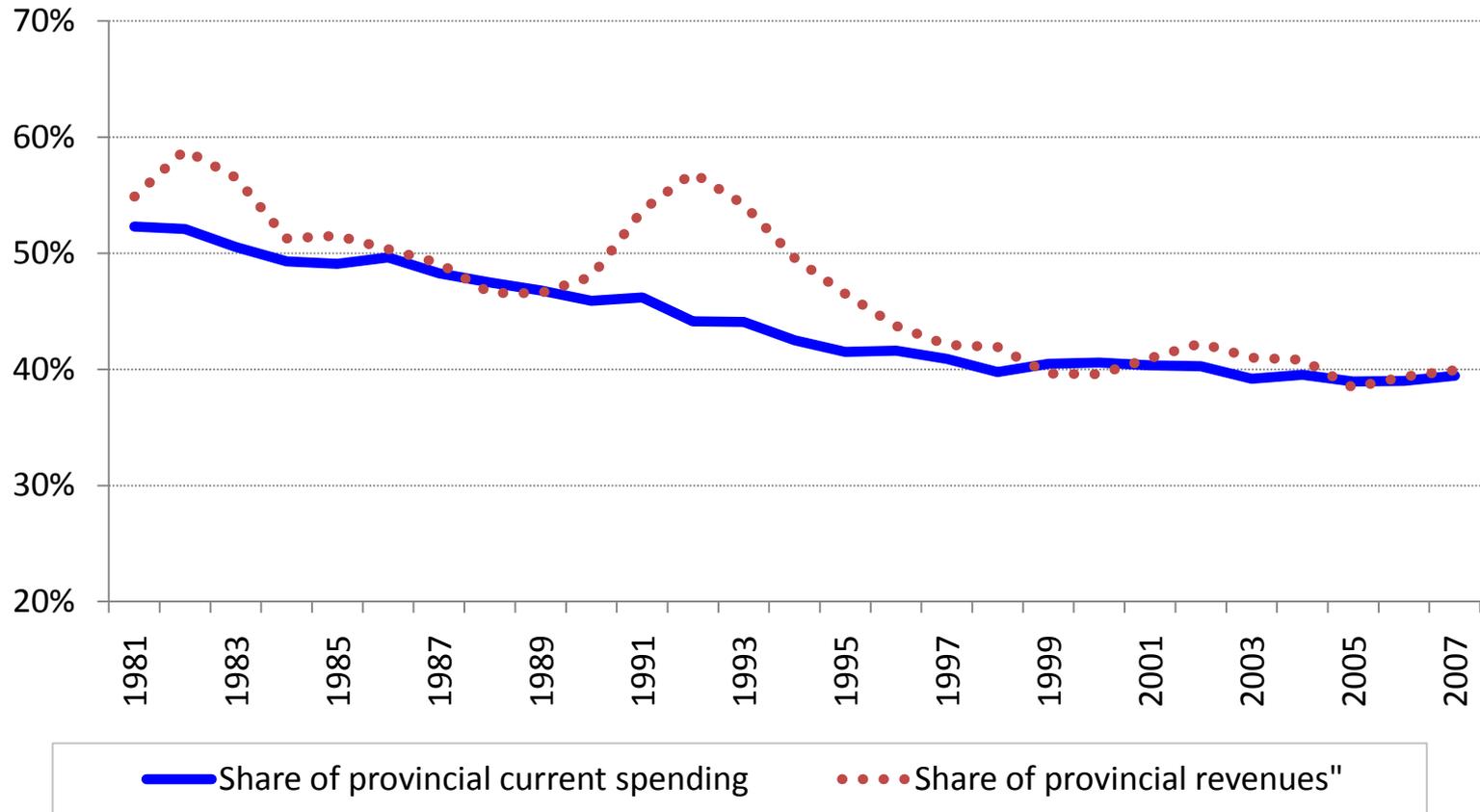
Ontario Average Wage Settlements
Public and Private Sectors



Source: Ontario Ministry of Labour

Wage bill declining share of public spending

Ontario Public Sector Wages and Salaries share of provincial spending and revenues



Sources: Statistics Canada Survey of Employment, Earnings and Hours and Provincial Economic Accounts

Wage freeze would make little difference to debt

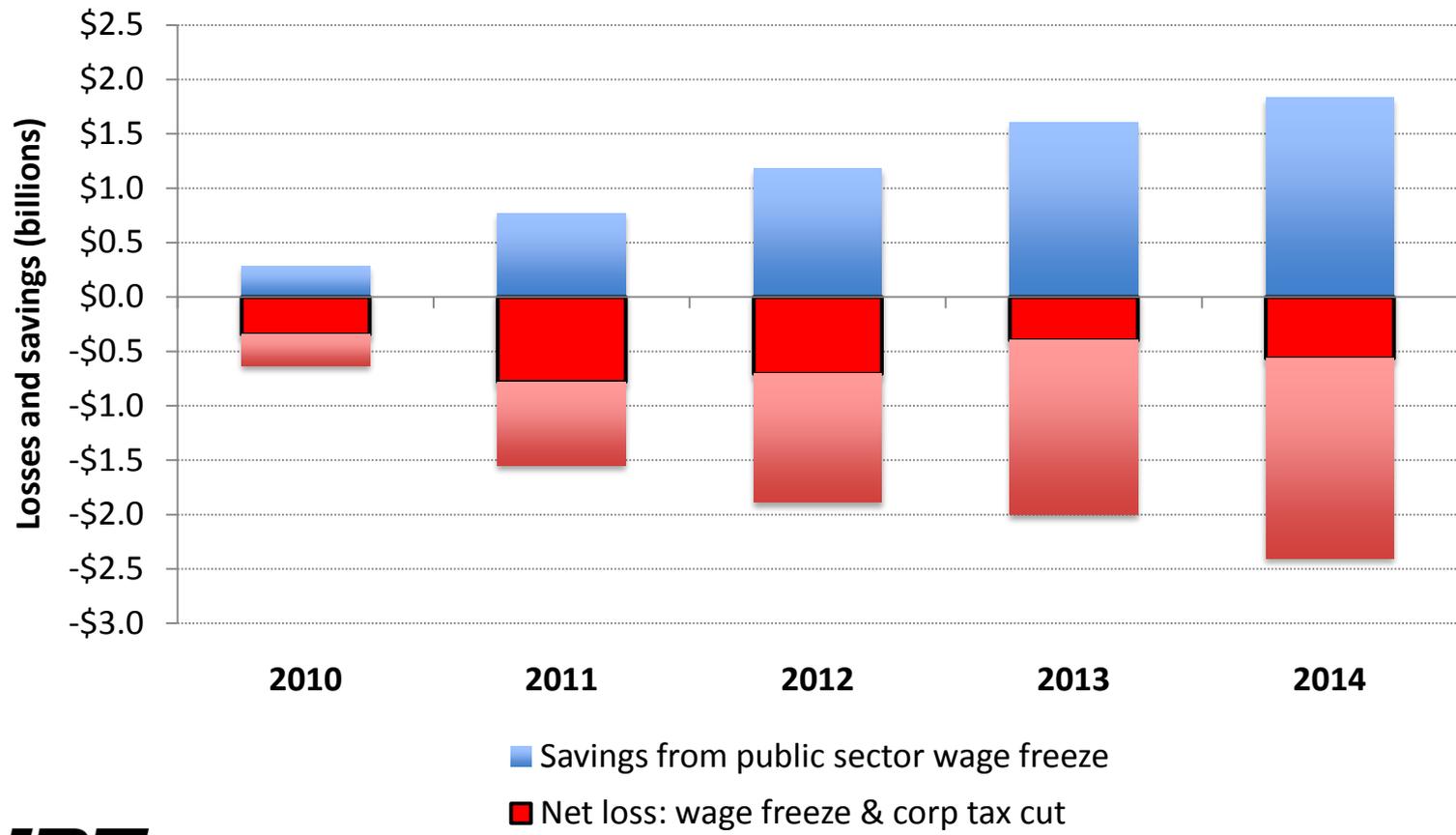
Ontario Debt Reduction Profiles





Cost of corporate tax cuts exceeds savings from wage freeze

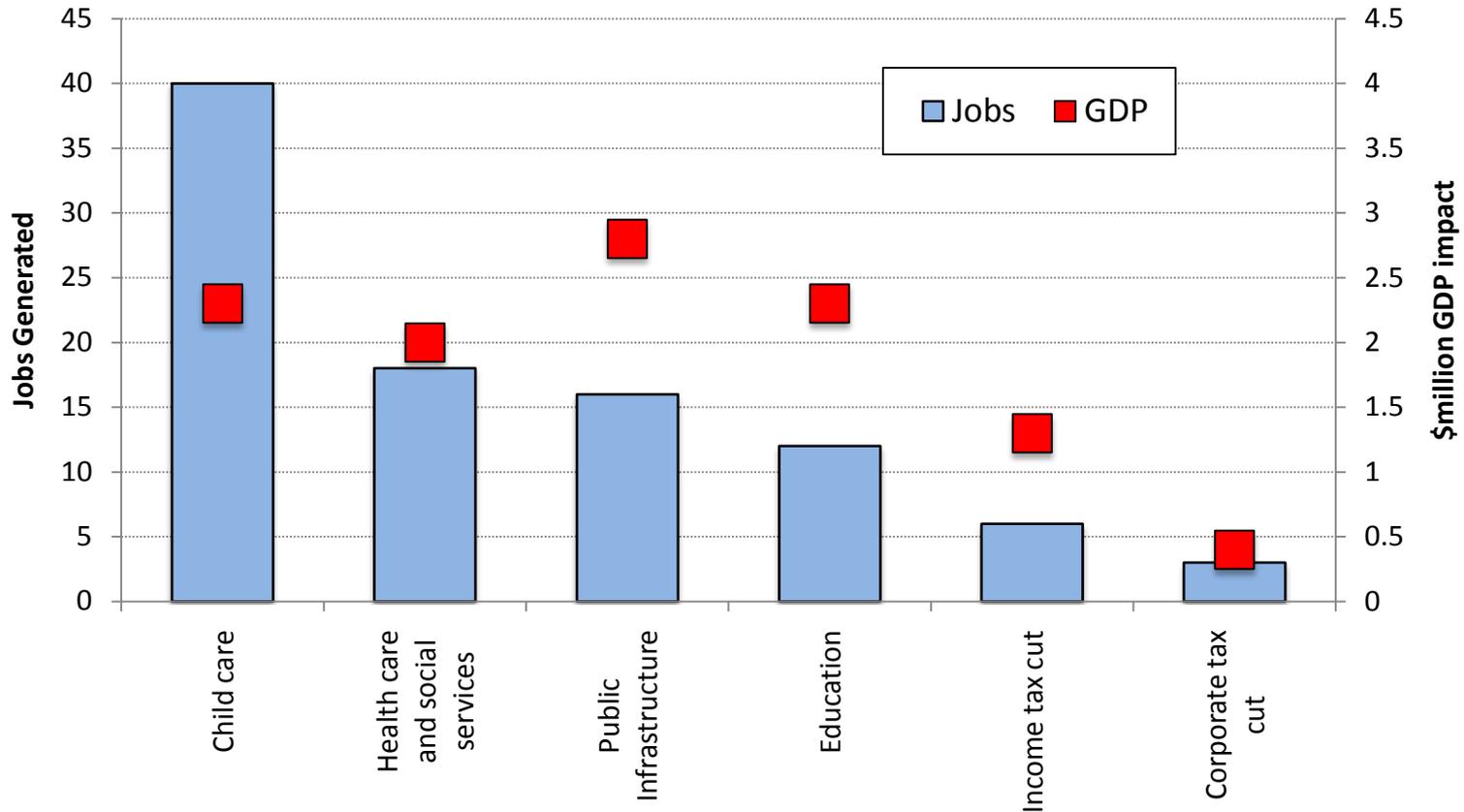
Annual costs of corporate tax cuts and savings from proposed Ontario public sector wage freeze





Cuts to public spending to fund tax cuts will hurt the economy

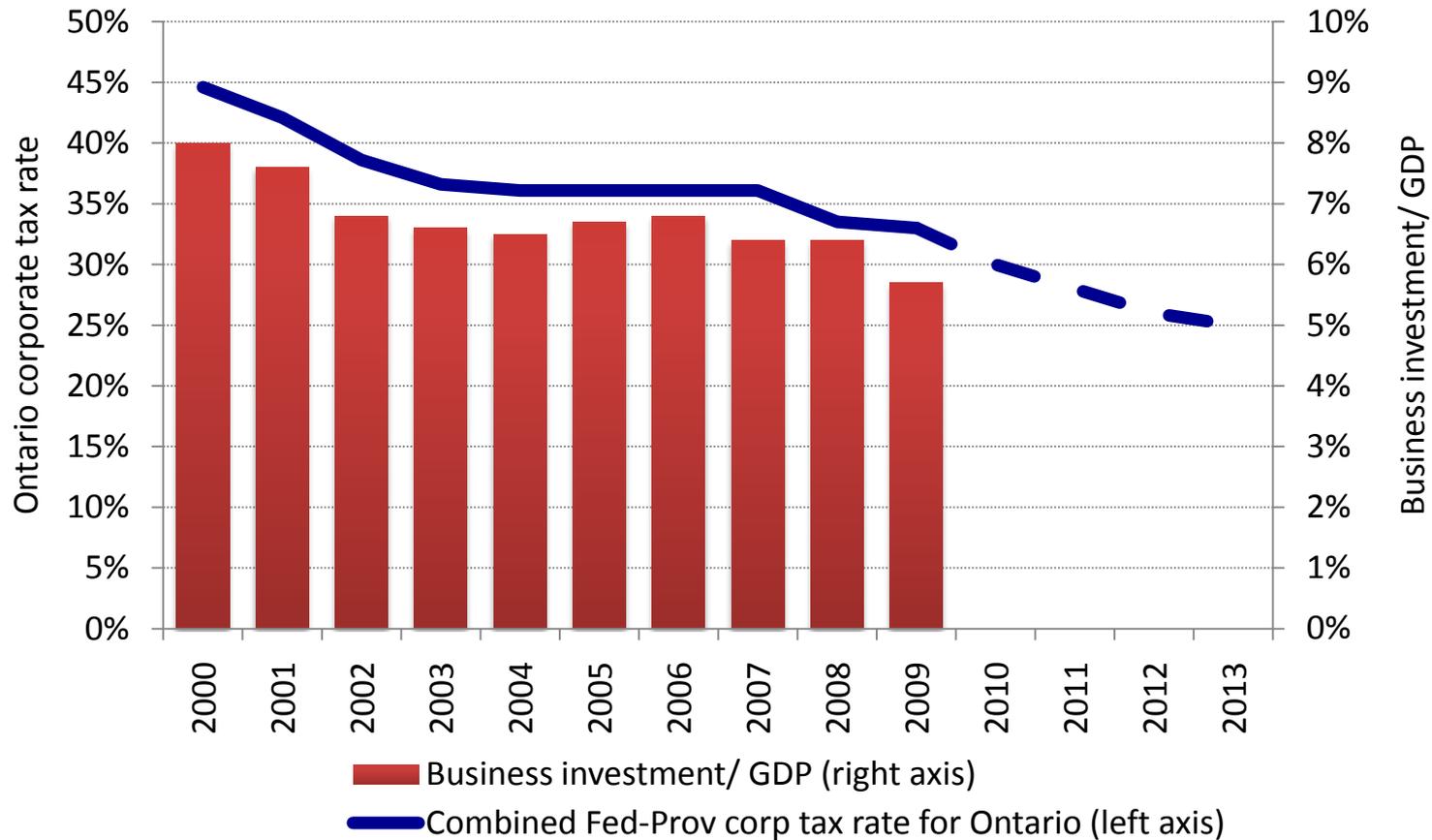
GDP and Employment Multipliers
(per \$1 Million invested or spent)



Sources: Informetrica Ltd *Macroeconomic Impacts*, Federal Budget 2010, Centre for Spatial Economics.

Corporate tax cuts not boosting investment

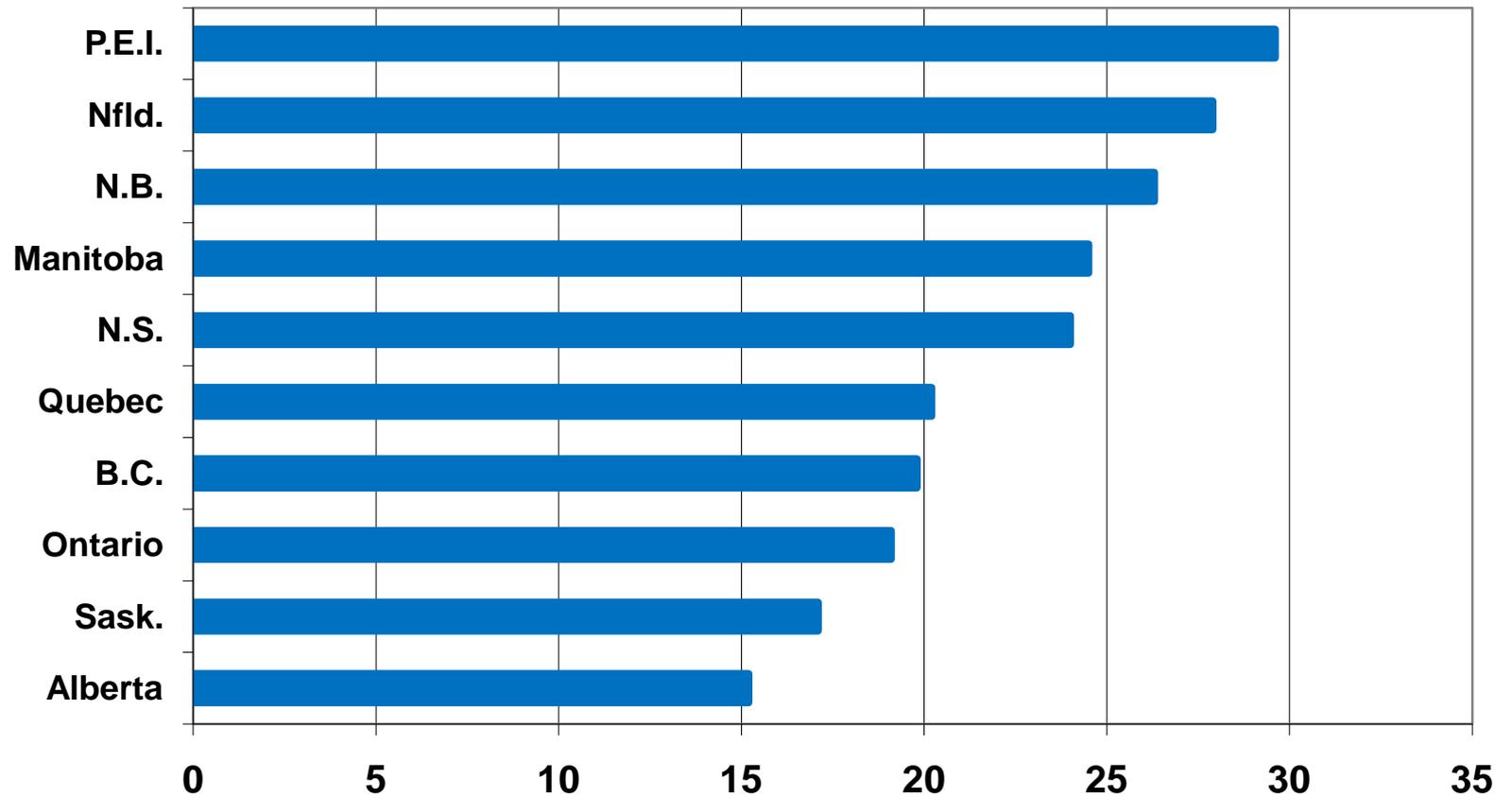
Ontario combined federal-provincial corporate tax rates and business investment in machinery and equipment





Ontario program spending relatively low

Program Spending (% of GDP)

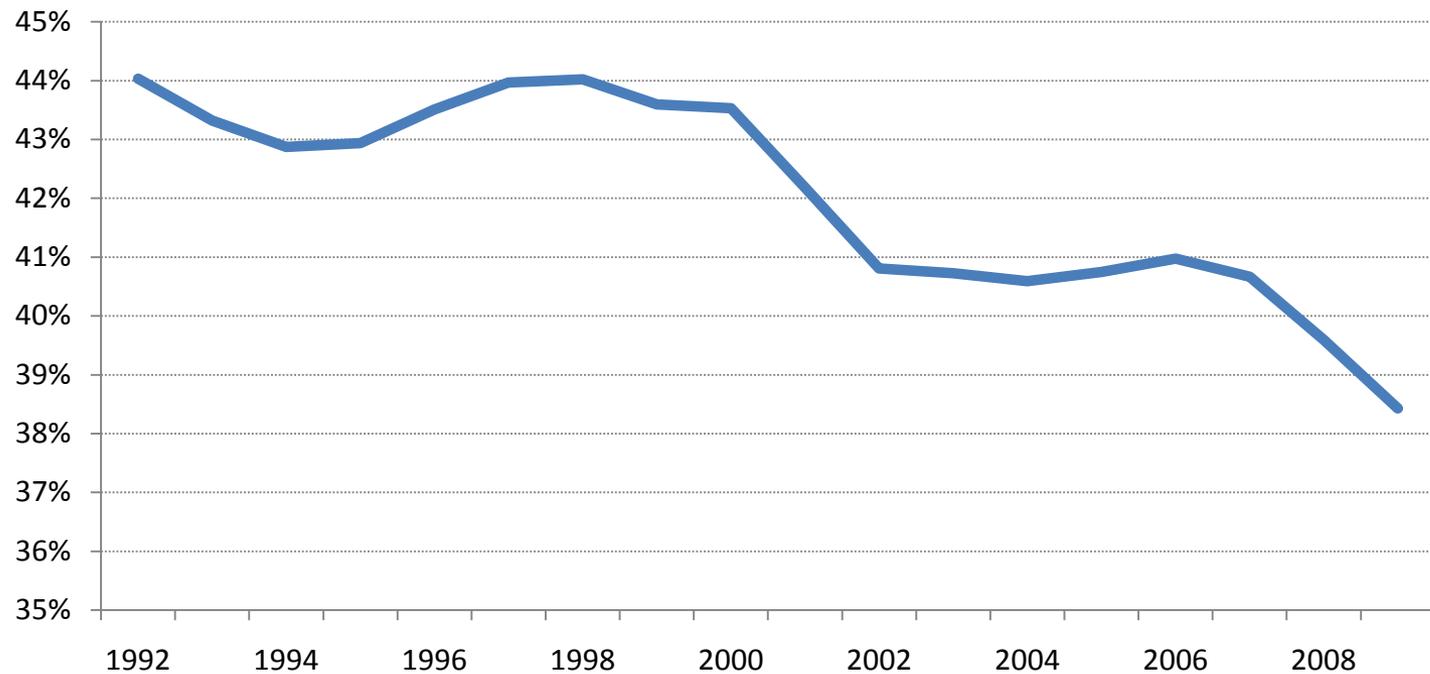


Source: RBC Economics, Provincial Fiscal Tables (for 2009/10)



Government revenue share has plummeted

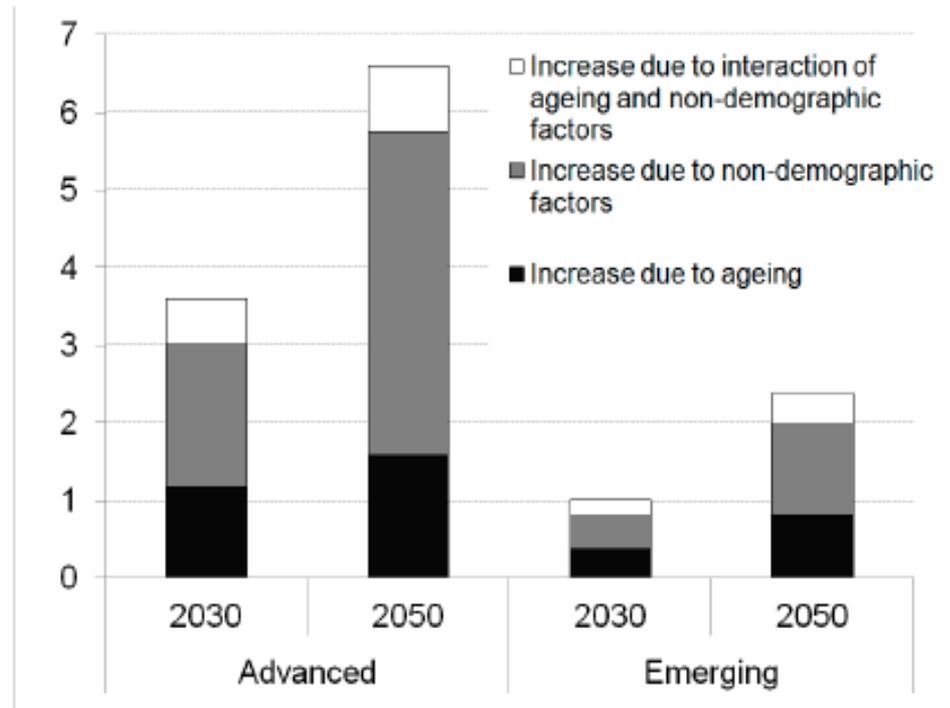
Total Canadian government revenue as share of economy (GDP)



Source: Statistics Canada tables 385-0032 (figures only available from 1992) and table 380-0002.

Costs of aging are manageable

Figure 9. Increase in Public Health Spending in Baseline Scenario
(In percent of GDP)



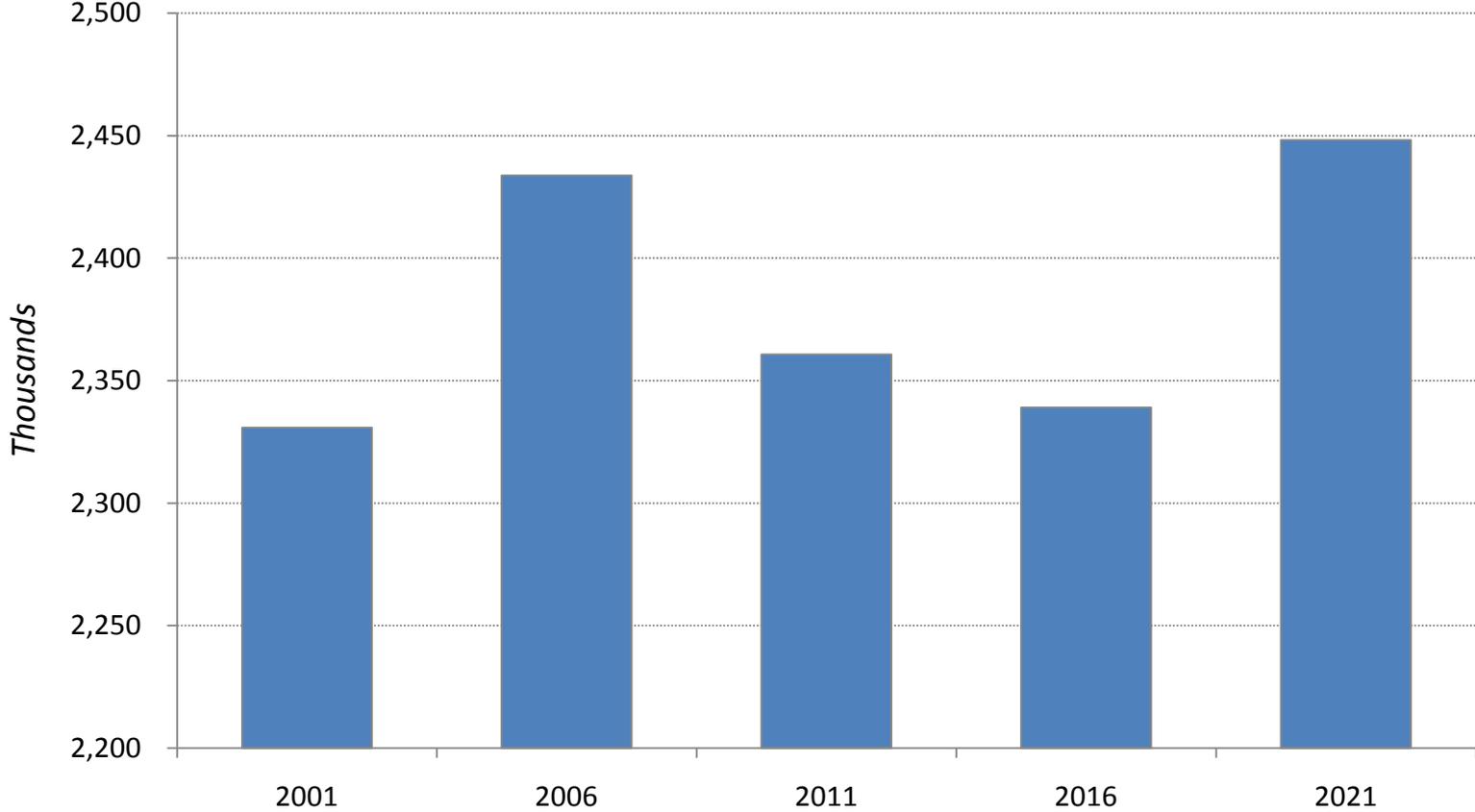
Sources: IMF staff estimates; and sources listed in Appendix VI.

Source: International Monetary Fund, *From Stimulus to Consolidation*, April 2010



School age population and enrolment declining

Ontario Population Age 5 to 19
2001 to 2021 Actual and Projections



Source Ontario Finance *Ontario Population Projections* Spring 2010



Thank you!

<http://cupe.ca/economics>