On the march against austerity!

In his opening remarks to last September’s Confederals Council meeting, Jacques Létourneau, President of the CSN, solidly condemned austerity policies and issued a powerful call for mobilization. Here are some excerpts.

The Liberal government’s recent budget revealed that the On-going Program Review Committee has to come up with ways of cutting program spending in 2015-2016 by $3.283 billion. The reductions must be achieved by abolishing programs or reducing their scope. These budget cuts are on top of the $3.266 billion in cuts made in 2014-2015. The Quebec Taxation Review Committee has the task of identifying $650 million to be saved in tax expenditures. Given the government’s promise not to increase taxes, it seems doubtful that the Taxation Review Committee will identify sources of additional revenue that could help absorb the budget deficit, apart from charging new fees. Not to mention that Minister Leitão has already indicated that as soon as the budget is back in the black, half of any surpluses will go to paying down the debt and tax cuts, and half to eliminating the health tax. The message is absolutely unambiguous: the austerity measures in the 2014-2015 budget are a foretaste of what the two government committees will recommend.

Overview of public finances

The deep recession in the early 1990s helped push the province’s deficit to a record $5.8 billion in 1994-1995. To balance the books, the Bouchard government implemented drastic adjustment measures based essentially on budget cuts. In the 1996-97 budget, program spending in nominal dollars was reduced by 3.95%. The following year, it only went up by 1.03%, which corresponded to major cuts in real terms. The budget was balanced one year ahead of time in the 1998-1999 budget year, thanks to strong economic growth in the late 1990s.

With the zero deficit achieved, the Bouchard government set out to reduce individuals’ tax burden. It began with some modest measures in the 1999-2000 budget, and then more significant ones in the 2000-2001 budget, which cut personal income taxes by $2 billion over three years, reducing revenue from this part of the tax base by 12.5%.

As well, in 2006 the government established the Fonds des générations, a capitalized fund that reduces the government’s overall debt (the Fund draws on various sources of revenue, notably hydro royalties paid by Hydro-Québec).

Tax cuts in the early part of the century, combined with the personal tax cut of $950 million announced in 2007 and the elimination of the corporate capital gains tax, did not prevent the Quebec government from reaching overall zero deficits from 1998-1999 to 2008-2009. But this came at the expense of adequate funding of services for the population.

The severe 2008-2009 recession changed all that. Even though at first Quebec suffered less other regions from the economic downturn, notably because of our social safety net, the province lost its balanced budget, with deficits of $3.946 billion in 2009-2010 and $3.760 billion in 2010-2011. Part of the explanation for the deficits was the implementation of countercyclical measures to support the economy.

The Charest government’s plan to balance the budget initially forecast a return to a zero deficit in 2013-2014, to be achieved through a major reduction in the growth of program spending as well as an increase in government revenue (increase in the TVQ of 2 percentage points, increase in the tax on gas, introduction of the health contribution, etc.). Confronted with weak economic growth, the Marois government had to delay the target of a balanced budget until 2015-2016, a target maintained by the Couillard government.
Other solutions can be envisaged
First of all, the government has to shed its ideological blinkers. A balanced budget isn’t systematically possible regardless of economic conditions. Moreover, given the problems in the economy, the Marois government had recognized that the only way to balance the budget in 2013-2014 would have been through measures that would damage economic growth. Consequently, it put off the goal of a zero deficit until 2015-2016. For similar reasons, the Couillard government also decided to delay balancing the budget until 2015-2016. If economic growth is poor in 2014 and 2015, it would be entirely legitimate for the Quebec government to again postpone balancing the budget in order to protect government missions and not aggravate the economic slowdown with budget cuts. The government must also consider suspending payments into the Fonds des générations until the budget is balanced in order to significantly reduce Quebec’s deficits. Otherwise, these payments seriously hinder reaching a balanced budget. Keeping financing for the Fonds des générations as a priority even during a recession forces cuts in program spending. Without the payments into the Fonds des générations, the deficit would have been $1.979 billion in 2013-2014 instead of $3.1 billion. In 2018-2019, to obtain a surplus of $800 million that corresponds to the legal definition, the government will in fact have to have a surplus of almost $4 billion, $3.126 billion of which will go into the Fonds des générations. Offering young people the same opportunities begins with offering them access to quality public services today. Child care, health and social services, education and culture are all factors that promote equal opportunities. There’s something absurd about the idea of paying large amounts into the Fonds des générations and at the same time seeing these payments jeopardize the capacity of government to provide the public services that benefit young generations right now.

There is a lot of work to be done at the local and regional levels to illustrate the impact of this government’s cuts and political choices. If we want to put real pressure on the government, we have to build local and regional alliances, battlefronts in every region, based on the measures announced and their impact on the population.

Faced with this situation, these conditions, it is impossible to not make the fight against austerity a priority for the CSN. Despite differences of opinion that may exist, we have to propose uniting all progressive forces in Quebec. Speaking
with a single voice to oppose government initiatives aimed at dismantling public services and social programs seems to be the way to go to avoid falling into a social recession. Mobilization is an essential condition for developing this resistance, this opposition that Quebec so urgently needs if it is not to revert to the dark days of the past.

Some of the major measures:

- Control of remuneration through a staffing freeze in the public and para-public sectors ($500 million cut over a full year starting in 2015-2016).

- Administrative measures announced on April 24, 2014 ($205 million): productivity gains corresponding to 2% of total payroll, 3% reduction in operating expenses, stricter conditions for grants.

- Review of the Marois government’s commitments under the National Research and Innovation Policy (PNRI), the Economic Policy and the Industrial Policy, the Summit on Higher Education and government funding for community organizations.

- Health and social services: spending growth of only 3% in 2014-2015 and 2.6% in 2015-2016 – much less than recent historical trends (these amounts include program spending and spending funded through the health contribution). The budget for health and social services agencies shrinks by 5.1%. And the Couillard government is abandoning the autonomy insurance plan proposed by the former government.

- Education: government spending up by only 2.2% for 2014-2015 and 1.9% in 2015-2016. In 2014-2015, support for school transportation and education partners will decline by 2.6% and 12.6% respectively. The government has also announced the abolition of the regional branches of the Ministère de l’Éducation, du Loisir et du Sport (Education, Recreation and Sport).

- Childcare: the government announced that it was taking back some of the surpluses accumulated by CPEs (centre-based child care) and equivalent measures for subsidized daycare centres, along with an increase in the parental contribution from $7 to $7.30 that has already been implemented.

- Social assistance: the Couillard government announces tighter controls to ensure that the amounts paid to beneficiaries of last-resort assistance comply with all the rules. The budget for the Ministère de l’Emploi et de la Solidarité sociale (Employment and Social Solidarity) is down by 2.1% for 2014-2015.

- In 2014-2015, a reduction of 19.5% in the budget of the Ministère du Développement durable, de l’Environnement et de la Lutte contre les changements climatiques (Sustainable Development, Environment and the Fight against Climate Change).

- In 2014-2015, reduction of 1.3% in the budget for the Ministère de l’Agriculture, des Pêcheries et de l’Alimentation (Agriculture, Fisheries and Food) (but of 2.34% from projected spending in last year’s budget).

- Reduction of 10% in the amount of recurring grants to certain organizations for the purposes of economic development.

- Reduction of 20% in the tax credit for business (savings of $35.5 million in 2014-2015 and $270.4 million in 2015-2016). Various sectors are affected: pay for R&D researchers, multimedia production, e-business development, Quebec film or TV production, etc.