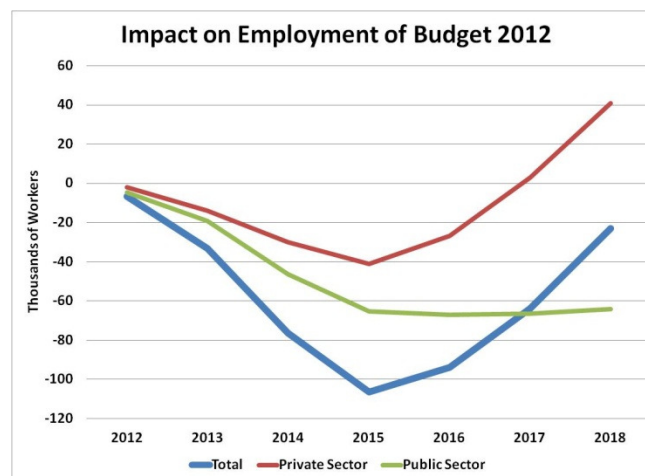


## Key facts about Ontario's economy and Budget 2012

In February 2012, the Ontario Public Service Employees Union (OPSEU) commissioned Robin Somerville, Director of the Centre for Spatial Economics (C4SE), to produce a report on the role of the public sector in Ontario's economy and to examine the economic impacts of the 2012 Ontario Budget. C4SE is a respected mainstream firm that provides economic models, analysis, and forecasts for eight provincial governments, including the government of Ontario. Key findings of the C4SE's report released April 18, 2012 include:

### 1. The March 27 Ontario Budget will have a significant impact on the economy.

- It will subtract as much as 0.7 per cent in 2014 and 0.6 per cent in 2015 from real Gross Domestic Product (GDP) growth in Ontario; and
- It will begin reducing employment immediately, costing 105,000 jobs in 2015 – 65,000 from the public sector and 40,000 from the private sector.
- By 2015, the budget will have reduced the size of the economy by over \$20 billion a year, reducing provincial government tax revenue by between \$2 billion and \$2.5 billion a year.



### 2. Cuts in public spending and tax increases have the same impact on the deficit but cutting public spending hurts the economy more than increasing taxes by the same amount.

- “Cuts in government spending lead to Gross Domestic Product (GDP) and employment losses that exceed those from higher taxes.”
- “If the province needs to have an adult conversation about spending, then it also needs to have a similar conversation about revenue and taxation. While the ability to tax is not without limits, raising taxes rather than cutting spending imposes lower costs on society in terms of reduced jobs and GDP while achieving the government's objective of reducing the deficit.”

**3. For every dollar Ontario's public sector spends, 36 cents goes *directly* to purchase goods and services from the private sector.**

- 20 per cent of all jobs in construction are tied to public spending.
- Professional, scientific, and technical services; information and cultural industries; and the arts, entertainment and recreation are among several sectors that depend on public spending for between five and 10 per cent of all jobs.

**4. "A strong economy includes a strong public sector."**

- "Public spending delivers needed services and, when done right, is a vital catalyst for current and future economic growth.... The public sector cannot be viewed in isolation: public sector excellence is integral to private sector success."

**Comments from the OPSEU perspective:**

- The current debate around the 2012 Ontario Budget has been too narrow. The McGuinty government has focused on spending cuts and largely ignored options for increasing revenue through the tax system. The NDP's proposals to change the Budget have added the issue of fairness to the debate, but so far there has been too little focus on how to minimize the Budget's negative impacts on the economy.
- By providing hard data from a trusted source, the Centre for Spatial Economics report gives the parties a new way to judge the relative merits of different Budget choices.