



## Budget 2016: Transformation or Austerity?





**POVERTY FREE SASKATCHEWAN (PFS)** is a network of individuals and organizations working toward poverty elimination including Canadian Centre for Policy Alternatives – Saskatchewan Office, Regina Anti-Poverty Ministry, Saskatoon Anti-Poverty Coalition

Poverty Free Saskatchewan has published three documents analyzing poverty issues in Saskatchewan: **Let's Do Something About Poverty, Strategies to Eliminate Poverty in Saskatchewan and Communities Respond**. All these documents are available for downloading at Poverty Free Saskatchewan's website.

**Budget 2016: Transformation or Austerity?** is our fourth publication drawing attention to the causes and effects of poverty in the province. It focuses on the failure of the provincial government to carry through on its decision to develop a comprehensive anti-poverty plan and it demonstrates the current and future changes occurring in the Saskatchewan labour force that will lead to more low income earners, weakened life chances, and more poverty.

We invite all those concerned with this issue to download our documents and distribute widely by visiting [www.povertyfreesask.ca](http://www.povertyfreesask.ca).

Those wishing paper copies of this document should contact us, and we can arrange printing.

Organizations and individuals wishing to contribute financially to PFS or provide other support are invited to contact PFS at [povertyfreesask@gmail.com](mailto:povertyfreesask@gmail.com).



## Introduction

The 2016 provincial budget, *Keep Saskatchewan Strong*, is a rejection of the provincial government's recent strategy, the so-called *Plan for Growth 2012 – 2016*, which set aggressive expansionary targets for most major economic sectors. However, the Plan was derailed in 2015 when the bottom fell out of the price of oil, and the price of potash and uranium sharply declined. Worldwide overproduction of oil has resulted in a steep decrease in provincial government royalties and revenues. By June 2016, the government tabled a \$434 million deficit budget and set out a complete reversal in fiscal direction.

Transformational change has become the new meme and austerity the new direction. The budget cuts, unfortunately, are largely focused on taking away supports for low income earners and the poor. Only one month later the government revealed that the province's 2015-16 finances finished the year with a deficit of \$675 million, not even close to the \$107 million surplus it originally forecast.

Most egregiously, the government has reneged on its promise to develop a comprehensive anti-poverty plan after spending a year on public consultations and drafting a framework report to address poverty. In fact, it has terminated the coordinators of the

Regional Intersectoral Committees (RICs), which coordinate and implement anti-poverty programs and social programs on a regional basis. These coordinators facilitate the work of the RICs, which are made up of local governments, community-based organizations, vulnerable groups and people, and the provincial government.

RIC coordinators have worked closely on the delivery of several provincial programs such as ***Child Nutrition and Development Program*** grants via the Ministry of Education, monitoring/advising *KidsFirst*, a program for families with children five-and-under living in vulnerable circumstances, and giving community feedback on housing policy, in particular, ***A Strong Foundation – The Housing Strategy for Saskatchewan***. RICs also provided regional input into the development of the ***Saskatchewan Assured Income for Disability (SAID)*** program. With community input, RICs set up Family Resource Centres for piloting in Sandy Bay, Yorkton and Regina. A variety of poverty reduction strategies have been created over several years in most of the regions. The Northern Human Services Partnership, for example, has been active in disseminating nearly \$2 million of government funding toward reducing poverty, and the Saskatoon Poverty Partnership has been the local leader of anti-poverty initiatives. Without provincial staff in the regions, these anti-poverty initiatives may end or be severely curtailed.

*Transformational change has become the government's new meme, and austerity the new direction, with budget cuts largely focusing on taking away supports for low income earners and the poor.*

The government's decision to control its spending has led to several cutbacks.

- Social service benefits have been lowered and some clawed back. The *Saskatchewan Rental Housing Supplement (SRHS)* exemption in the SAID program has been eliminated. Grandfathering for *Saskatchewan Assistance Plan* (SAP) and SAID clients who receive excess shelter benefits as a result of living in communities that previously had low vacancy rates has been discontinued. The practice of exempting *Seniors Income Plan* (SIP) and *Guaranteed Income Supplement* (GIS) top-up benefits from SAP and SAID has been discontinued. And the practice of grandfathering families with children aged 13-and-over receiving the *Saskatchewan Employment Supplement* (SES) has also been discontinued. All of the above mean that the poorest Saskatchewan citizens will have less income in future.
- \$1.8 million has been slashed from the *Aboriginal Court Worker Program* and funding to the *Treaty Land Entitlement Program* has been reduced.
- Funding has been eliminated to maintenance and development of four city parks.
- Buffalo Narrows Correctional Centre will be closed.
- A SaskTel privatization study has been undertaken.

With its tight-fisted response to the needs of K-12 and post-secondary education, the budget fails to incentivize human capital development and innovation, the keys to productivity. The budget ignores initiating measures aimed at increasing economic productivity, but shows great willingness to build very expensive capital projects on borrowed money. Investment in K-12 education is in jeopardy. School boards are now responsible for paying half of the teachers' salary increase, which has already produced a significant number of layoffs. Grants to post-secondary education institutions have been frozen. Training program funding has been reduced, notably the *Saskatchewan Apprenticeship and Trade Certification Commission* and *Apprenticeship Training Allowance*. The Commission's budget has been reduced by \$10 million to just over \$22 million, and the Allowance has been reduced by \$500,000 to about \$2.7 million in 2016-17.

These cuts will mean fewer post-secondary education programs, fewer apprentices, and will jeopardize the financial stability of many K-12 systems. Many are forced to drawdown their emergency funds, run deficits or lay off teaching assistants, administration and teachers.

Premier Wall seems reluctant to admit what are the real causes of external shocks to the provincial economy. Oil price depreciation is a reaction to Saudi Arabia flooding the market, which itself is a reaction to the U.S. desire to become energy self-sufficient by making huge investments in fracking during the past five years. Government blames environmentalists for all matters of economic catastrophe, when in fact; the causes are a collapse of the profitability of oil, a falloff in investment in the resource sector, lowering of wages and employee layoffs in the oil and gas industry, and a huge drop in government revenues from oil royalties. The Premier continues to advocate for new pipelines and has identified an "existential threat" to the oil and gas industry. Shilling for a bitumen pipeline to Eastern Canada, however, is not likely to result in new markets for Saskatchewan oil in the foreseeable future. This appears to be a tactic to frame climate change and the need to shift public attention from extraction of fossil fuels as an attack on oil and gas workers and communities. As well, increasing the tensions between "jobs versus the environment" diverts public attention away from the dismal budget situation.

In the late 1980s and 1990s, the neoliberal economic program was created as the way forward for the world's economy: offshoring, de-industrialization, free trade agreements, privatization of public assets, and demands for flexible labour and anti-union laws were all meant to fundamentally change the structures of the economic system. Thus, began the Great Transformation – neoliberalism. During the boom years, the government failed to manage its finances and did little to assist low income earners or support higher wages. Now in Saskatchewan it seems we are going back to the future; our government is intent on enacting another round of neoliberal austerity as its answer to the latest oil crisis.





## Impacts of Budget 2016 on the Labour Force

2016 budget policies will result in a restructuring of provincial government expenditures and hasten changes in the workforce toward what some call a “gig” economy. A gig economy is one in which temporary positions rather than full time jobs are becoming more common as private agencies contract with independent workers for short-term engagements. The trend toward a gig economy began more than a decade ago. Part time work in Canada has also grown from 2.56 million persons in 1996 to 3.38 million persons in 2015 (Stats Can).

Stats Canada’s 2016 June labour market results show that 40,000 full time jobs were lost and about 40,000 part time positions were created. Stats Canada considers any worker employed for 30 or more hours per week as full time, hardly enough hours to earn a living wage. “Labour economist Armine Yalnizyan for the Canadian Centre for Policy Alternatives says temporary work is more common among workers 14 to 24 – involving one in three workers in 2015, versus one in four in 1997 – when data was first collected” (Beeby, CBC News, 2016).

Our workforce is becoming increasingly segmented and new sub-groups are being formed. The large and growing group of contingent workers has been named the precariat by many social scientists. “Precarious has become a catchall term that encompasses everything from day labour to temp work to the gig economy, and denotes flexible work that is insecure, temporary and generally poorly paid” (Hyman, 2016). As much as twenty per cent of the workforce, in some local and regional economies, is temporary or casual agency work. Insecure labour is a main feature of the precariat, with workers flitting in and out of jobs, often with incomplete contracts (sometimes zero hours) or forced into indirect labour relationships via agencies or brokers. The precariat workforce is characterized by a lack of attachment to the workplace, declining loyalty to the employer, and strong feelings of subservience which often conceal employee resentments. Workers commonly associated with being a part of the precariat are: students and young workers, interns, some elderly workers, people with disabilities, social assistance recipients, migrants and immigrant workforces, workers with less than grade 12 education, those released from prison who continue to live under the shadow of past convictions, and most recently the millions of refugees fleeing the Middle East and Africa.

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In Saskatchewan a large portion of the Aboriginal workforce, especially those living in the North and on reserves, are part of the precariat. And in Saskatchewan during the past five years 10,000 temporary foreign workers have been imported into the economy. Many oil and gas workers in the exploration and production sector also hold jobs whose tenure fluctuates with the world price of oil. Even large corporations such as SaskPower and Potash Corporation of Saskatchewan require new hires to remain in temporary positions for up to two to three

years before they are able to obtain permanent positions. Many precariat workers are carrying high debt levels and are surviving on less than a living wage. In 2011 in Regina, 55,000 families with two or more persons had incomes less than the living wage – \$58,245 annually (Gingrich et al, 2014). What then happens is that over time these workers become habituated to *expecting* a life of unstable labour and unstable living (Standing, 2011).

Precariatization is about the loss of control over the time one dedicates to work and earning, which is critical to the development and use of one's capabilities. Members of the precariat, for example those doing computer work, often have to learn and relearn technical and communication skills. And some never form an occupational identity or pursue a well-established career path. Today's precariat sometimes work off the jobsite and often outside normal remunerated hours or days. As well, they receive almost all income in the form of money

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*(Gingrich et al, 2014)*

wages; they do not receive the array of enterprise non-wage benefits such as company pension plans or sick leave benefits, nor do they always qualify for some government social security programs such as unemployment insurance benefits and workers compensation protections. Some may also be living and working in the underground economy where all transactions are in cash or barter. Members of the precariat pinball in and out of the benefits system thanks to the fluctuating availability of employment and short-term working arrangements, and as a result they form a large part of the demand for food banks. There are few if any benefits in the budget to assist those caught up in precarious living.

Standing (2014) identifies three segments within the precariat. The first sub-group is those falling out of what had been considered "steady and full time" jobs, most often traditional

manual jobs which normally were attached to a workplace. This group is often older with lengthy work experience but have become "alienated, anomic, anxious and angry" because economic changes have made their skills redundant or the wages earned by such skills very low. This group may be inclined to listen to populist politicians blaming migrants for their work/income situation.

Second, migrants or ethnic minorities, disconnected from their home country, and adjusting to a new economy and culture may also be "alienated, anomic, anxious and angry", but tend to keep their heads down politically as they pursue a legal path to citizenship.

The third and potentially most active group consists largely of educated younger persons, who feel they have been denied a future and a sense that they can build their lives and careers, after being promised their educational qualifications would lead to success. They experience a sense of relative deprivation or status frustration. Some of this group (millennials) may lean toward placing a high value on an individualist ethic and put value on the ability to pick and choose the work that attracts them. Some may accept the trade-off between low income and choosing work that is fulfilling or motivating to them. But many are also very concerned about future economic insecurity.

Undoubtedly budget 2016 will lead to further growth of precarious work in the Saskatchewan economy as it experiences more dependence on the growth of the service sector and recession in the resource sector.



## What are the relationships between precariatization and the 2016 provincial budget?

If one assesses the budget cutbacks and the government's claim that it will review all its social expenditures, and redesign its social service programs, then it becomes obvious that much of its harms will fall on the poor, Indigenous, those dependent on social welfare benefits, and those doing precarious work.

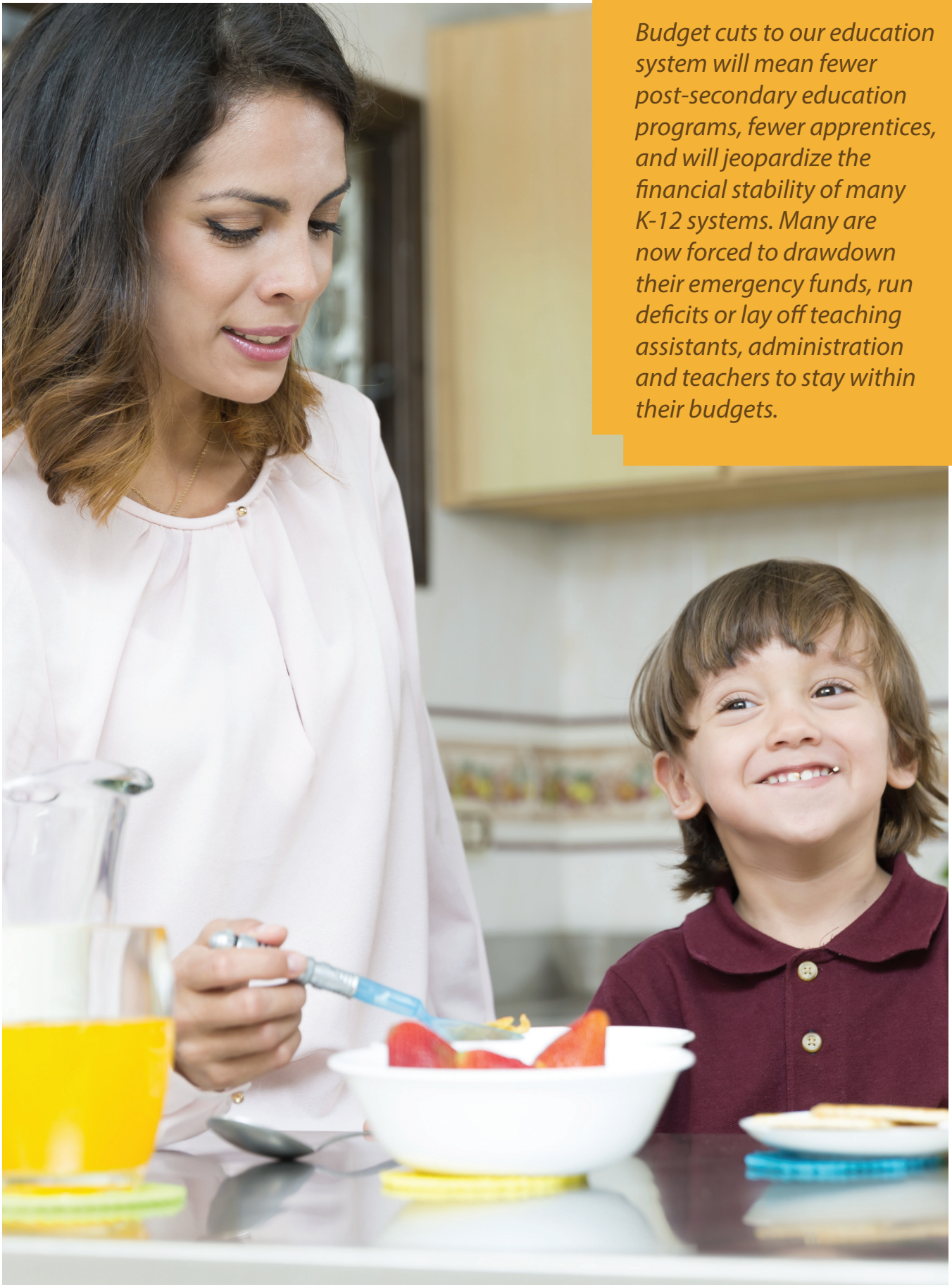
Many politicians of left and right still tend to think that the marginalized and the precarious are essentially there to be stigmatized, which they believe plays well with the so-called middle class, who hold the key to electoral success. (Witness the recent Federal Liberal Party approach, where they promised tax breaks for the middle class, and after being elected, they carried out that promise, but left tax rates the same for those earning less than \$40,000 annually.) The underclass is easily criticized, pitied, demonized and penalized in turn by governments depending on their budgetary circumstances. Most of the spending reductions in the budget will hurt the inner city residents of Saskatoon and Regina, and the North, suggesting citizens who cast their vote for the opposition political party are most penalized.

A short time ago, the Wall government implemented a public consultation process meant to design a new long-term approach to reducing the number of Saskatchewan citizens experiencing poverty. Poverty Free Saskatchewan participated in these consultations. During the process, the government seemed to demonstrate some willingness to accept responsibility for improving the lives of the poor. Only a few months later it has returned to a work for welfare approach even though they know it is dysfunctional and will ensure higher health care and justice costs (Poverty Costs, 2014). Many political economists have observed the dominant dynamics that are driving divisions among citizens and workers. "A large constituency of working-class voters feel that not only has the economy left them behind, but so has the culture, that the sources of their dignity, the dignity of labour, have been eroded and mocked by developments with globalization, the rise of finance, the attention that is lavished by parties across the political spectrum on economic and financial elites, the technocratic emphasis of the established political parties" (Sandel, 2016). Thus, the impacts of the provincial budget 2016 and beyond are a perfect example of what Sandel claims. It is bound to lead to greater alienation and insecurity of Saskatchewan's workforce... the precariat... the marginalized.

Balanced budgets, no new taxes, no carbon tax, no royalty review and no heritage fund until provincial debt is paid off were set out as the policy features of Saskatchewan's *Plan for Growth*. Today the government claims to be adhering to the same economic strategies even though our economic situation is vastly different from what it was in 2012. Forcing an austerity program on its most vulnerable citizens and abandoning its pledge to create an anti-poverty plan, rather than using fiscal measures to increase government revenues, will inevitably lead to more contingent work and growing feelings of increased alienation, anomie, anxiousness and anger among the precariat.



*Budget cuts to our education system will mean fewer post-secondary education programs, fewer apprentices, and will jeopardize the financial stability of many K-12 systems. Many are now forced to drawdown their emergency funds, run deficits or lay off teaching assistants, administration and teachers to stay within their budgets.*







## The Way Forward

For the last several years Poverty Free Saskatchewan has advocated for a holistic and integrated antipoverty plan that would create synergies among health care, education and social services delivery (Let's Do Something About Poverty, 2009). Such an approach is the best way of lowering child poverty rates and supporting vulnerable populations. In order for an antipoverty plan to succeed, Poverty Free Saskatchewan has argued that antipoverty legislation should be passed and over time social expenditures must be gradually increased to support the plan. On the other hand, reductions in poverty and inequality will lead to better health and quality of life for all of us.

The government has abandoned the proven means of actually reducing poverty but instead is lowering social expenditures through austerity measures. It is well established that countries with the highest public social expenditures have the lowest child poverty rates. The Organization for Economic and Cooperative Development (OECD) countries with the highest social expenditures and higher taxation collection rates demonstrate child poverty rates below ten per cent, which are half as low as Canada and Saskatchewan rates (Sachs, p. 134).

Austerity over time inevitably produces higher income inequality, social discontent, higher poverty rates, furthers the "gig" economy, and creates a much lower rate of social and income mobility across generations.

Poverty Free Saskatchewan urges the government to implement the recommendations brought forward by the 2015 public consultations and focus on a proactive and positive role to foster greater social inclusion. A good start would be to restore SAID benefits to people with disabilities.

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**Please support Poverty Free Saskatchewan.**  
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## **POVERTY FREE SASKATCHEWAN: OUR BELIEFS**

*PFS is a network of individuals and organizations working to eliminate poverty in the province since 2009. The province has many other individuals, businesses and community organizations working to alleviate the harmful effects of poverty and address the root causes of poverty.*

***Working together more closely, we can eliminate poverty.***

*Poverty has serious consequences. The Poverty Costs campaign estimated **spin off costs of poverty to be \$3.8 billion**, about five per cent of the province's gross domestic product.*

*The guiding principles underpinning PFS's anti-poverty strategy are:*

- *A focus on vulnerable groups;*
- *Community involvement carried out through meaningful province-wide engagement processes that hears from all vulnerable groups and includes them in planning and implementation of strategies and programs;*
- *Anti-poverty targets timelines for achievement and performance indicators to be met; and*
- *Adoption of government accountability mechanisms that are clearly set out in a Saskatchewan Anti-Poverty Act.*

*PFs strategies to eliminate poverty were developed and have been communicated to the public and government. These strategies must cut across key issue areas and be supported by investments in the following:*

- *Housing access and affordability;*
- *Income security for vulnerable groups;*
- *Innovation in education, training and early childhood learning programs;*
- *Enabling and rewarding work and participation in our communities including support for a living wage;*
- *Improving access to quality services for low income people; and*
- *Promoting health and preventing illnesses among vulnerable groups, including food security initiatives.*







***[www.povertyfreesask.ca](http://www.povertyfreesask.ca)***