

tion represents a significant barrier on the government's effort to end deficits. Indeed, in the first two expenditure-reduction initiatives, the health care budget has been cut, leaving the government in the awkward position of suggesting that it will increase expenditures in the future to maintain its promise of no health care reductions. In attacking the size of government in Ontario, it would have been more consistent to reduce expenditures generally and avoid this patchwork of exclusions. (I am not attempting here to address what was clearly an electoral strategy, but to assess the character of that strategy.)

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Borrowing the income tax strategy from New Jersey Governor Whitman was a fiscally simplistic effort. Little thought was given to assessing Ontario's real potential for growth, as opposed to some abstract model. Without much comment, the CSR suggested simply, if not simplistically, that an across-the-board income tax cut would create 725,000 jobs between 1996 and 2000, which translates to a job growth of some 145,000 per year. Yet the Harris government now predicts that unemployment is likely to increase in 1996, and slightly again in 1997. According to forecasts by Liberal finance critic Gerry Phillips — one

not prone to exaggeration — the Harris government will have to create 180,000 jobs a year for its final three years in office if it hopes to achieve its job-growth targets (G. Phillips, *Treasury Watch*, vol. 2, no. 4, January 4, 1996, at 2). This outcome seems even more problematic in view of the anaemic job-growth figures for Ontario in 1995 and the fragile predictions for the immediate future.

A revolutionary approach, on the other hand, would have focused on capital formation, investment, and elimination of the job-killing aspects in Ontario's economic policy. Innovative private-sector financing and local economic development approaches should have merited a subsection in the CSR. Although radical flat-tax proposals would be hamstrung immediately by jurisdictional limitations, approaches aimed at energizing business and entrepreneurship were, nonetheless, well within the scope of the CSR. A truly revolutionary approach must focus on enlarging opportunity and personal wealth creation.

It is on these bases that we can deepen the commitment to a democratic society. The CSR, however, looks at only one part of the broader equation of "increasing the pie." Although it borrows some of its rhetoric from the growth strategists, there is little in the CSR that focuses on fundamentally energizing Ontario's economy. I would suggest that the CSR is neither common sense nor a revolution. ❖

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## THE ECONOMIC STATEMENT AND ONTARIO UNIVERSITIES: IS THAT BLOOD OR RED INK?

BY DONALD C. WALLACE

Cuts in university grants are nothing new to Ontario. Even the NDP government cut provincial transfer payments in each of the last three years; before then, grants failed to keep pace with cost increases. And, for the most part, universities coped with the cuts quietly, if not easily. All that changed on November 29. Even though Finance Minister Ernie Eves devoted only a single page of his 40-page economic statement to Ontario's universities and colleges, he did signal the most significant changes to post-secondary education in Ontario in three decades and promised to alter fundamentally the character of Ontario's universities. Although it would be an exaggeration to label Ontario universities as private, they are now only "half-public." The economic statement puts many achievements in Ontario post-secondary education at risk, but it may take a year or two before the full impact on quality and accessibility can be felt.

The economic statement contained five provisions that directly affect universities:

1. Grants were reduced by \$280 million, or 15 percent.
2. Universities were allowed to increase basic tuition fees by 10 percent and were given permission to increase discretionary fees (already set at 13 percent of the formula fee) by an additional 10 percent. If a university raises tuition fees to the maximum extent possible, a liberal arts student will see 1996 tuition fees increase from \$2,451 to

\$2,935 (before ancillary charges, student-mandated levies, or residence costs).

3. Universities were required to set aside 10 percent of any new fee revenues for local student aid. Foreign student fees will be deregulated.

4. Foreign student fees will be deregulated.

5. The government pledged to release a discussion paper in 1996 on future goals for Ontario universities and colleges. In keeping with the deregulatory bent of the government, issues to be addressed by the paper included the appropriate share of post-secondary funding to come from tuition fees, differential fees for graduate and professional programs, accessibility, program rationalization, and university-community college collaboration. A six-month consultation process will follow the release of the paper to "assist in providing a new framework to guide government policy on post-secondary education."

### CRIPPLING CUTS

Notwithstanding some dire predictions of even deeper cuts, the Harris government stuck to the Common Sense Revolution when it came to post-secondary education. Ontario universities could also claim some success in this outcome. Both the Council of Ontario Universities and many individual university presidents had pressed the government for significant fee deregulation to offset grant reductions. By tinkering with

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## THE ECONOMIC STATEMENT AND ONTARIO UNIVERSITIES: IS THAT BLOOD OR RED INK? *from page 57*

only the funding of the university system, the Harris government left the broad contours of the existing system in place. Despite occasional musings about tenure or sabbaticals, the government chose to respect university autonomy. The government also avoided putting individual institutions

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on the chopping block, perhaps for fear of alienating its own back benches.

The government also left in place the "corridors" regime, which commits each institution to a particular enrollment level. In doing so, the government circumscribed the actions universities could take to accommodate the cuts. Although many hospitals were announcing layoffs and community colleges were targeting specific programs for closure, comparable announcements were conspicuously absent from the province's universities. Few universities could avail themselves of these instruments without sacrificing fee income, risking losing now-reduced grants, or running afoul of existing collective agreements. Universities were also missing from the controversial omnibus Bill 26, legislation that would, among other things, authorize hospital closures. Higher fees are likely to mean fewer applications, increased inter-univer-

sity competition for students, and lower entrance standards. For some universities, such as Carleton, which already faced enrollment shortfalls and operating deficits, the new cuts are nothing short of crippling.

Not surprisingly, many of the precise details of these provisions have yet to be sorted out, and that fact itself is a problem for universities. Not only are some of these issues devilishly complicated, but universities are busy recruiting the 1996 class. Students beginning programs in May don't yet know what their fees will be. The minister of education and training has handed over the precise allocation of the \$280 million cut to the Ontario Council on University Affairs. Whether the discretionary fee room applies uniformly to all programs is still under discussion. Some universities favour steeper increases in professional programs, such as dentistry or medicine, and lower increases in arts and science, which, taken together, average 10 percent. Rules on the allocation of the new student assistance monies have yet to be issued.

The deregulation of foreign student fees is equally uncertain. Although it is clear that the so-called visa student fee pool — a mechanism that shifted the differential foreign student fee income from universities with substantial foreign student enrollment to those with fewer foreign student admissions — has been scrapped, the government has not indicated whether enrollment corridors will be adjusted to take account of the removal of foreign student grant eligibility. Matters were made even more complicated when Premier Harris sug-

gested during the Team Canada's trade mission to Asia that universities should not seek to profit from higher student fees:

I'm distressed that some universities are looking at it as a money maker ... It's a short-term money spinner, provided they're prepared to enlarge class size and devalue the education ... I think it's wrong ... If universities are simply using it to make money, then we'll put a stop to the program. If the motive is cash, they're talking to the wrong premier.

— J. Stackhouse, "Universities Seeking Asian Students," *The (Toronto) Globe and Mail* (January 19, 1996)

Just as a significant aspect of the university sector is being deregulated, Premier Harris seems to be indicating that it will be re-regulated. Not only does he seem not to have understood an inevitable outcome of one of the economic statement's measures, he appears to have been naive enough to think that the reduction in government grants would not result in increased class sizes and a debasement of the educational experience.

### "GENTLE" DOWNSIZING

Solutions to the budget crunch vary considerably across the province and depend, to a considerable extent, on where each university was positioned before this round of cuts. Early indications suggest that most universities will avail themselves of the maximum fee increase. Many universities, especially those outside Toronto, are worried about the impact on their

enrollments of the higher fees and the wider differential over community college fees. Most institutions have fallen back in the first instance on the tried-and-true techniques of internal horizontal budgets cuts, larger class sizes, scrimping on administrative expenditures, and "gentle" downsizing, largely by means of attrition and early retirement programs. Leading the way in this latter category has been the University of Waterloo, which saw one-eighth of its employees (340), including 140 faculty members, take up an early retirement offer. Less than 30 percent of the vacant positions are expected to be replaced, and many of those on a contractual basis. According to Waterloo's academic vice-president, the large number of departures represented the greatest staff exodus in the history of Canadian academe. The retirements — projected to cost \$35 million — will be funded mostly from the university's pension plan and will save about \$10 million in annual salary costs, more than one-half of Waterloo's \$19 million grant cut. Some departments, such as engineering, were especially hard hit; civil engineering lost 14 of its faculty of 32. (A. Duffy, "340 Take Early Retirement as Waterloo U Cuts Bite," *Toronto Star* (January 19, 1996) )

In many places, definitive answers await the outcome of collective bargaining, and most universities don't expect serious negotiations to begin until the formal expiry of Social Contract agreements at the end of March. These talks are expected to be quite controversial as some university administrations seek to negotiate compensation rollbacks with their employee groups. In

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*Instead of developing orderly change and a comprehensive strategy to restructure the university system, the government has just slashed.*

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its opening position, McMaster University's administration proposed to the faculty association a nine percent reduction of salaries while preserving career progress and merit increments.

The November 29 economic statement signals a new era for Ontario's universities. Instead of developing orderly change and a comprehensive strategy to restructure the university system, the government has just slashed. Even before this round of cuts, Ontario chronically provided some of the lowest levels of funding of any province. A greater burden has been placed on the individual student. Although this action may be in keeping with the trend toward a greater user-pay ethos across many sectors and serves to bring Ontario closer to some American states, the province's enviable post-secondary participation levels and the quality of teaching and research are bound to suffer.

The cuts are bad enough, but that they appear so thoughtless makes them that much harder to accept. ❖

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## DUFFERS OR PROS? from page 54

to the judiciary, you are undermining a fundamental civil right.

We expected a government hellbent on cuts. We expected a government that would favour the rich and powerful, and undermine the organized power of poor and working people. We expected a government that would work against equality rights, but we did not expect a government that would so cavalierly ignore a generation's worth of democratic processes and principles. We should have.

If Harris believes his own propaganda about the debt crisis, democracy gets in the way of a quick solution. Committee hearings, consultations, and court appeals get in the way of slash-and-burn solutions. So it makes sense that the government, believing itself to have the support of the people, will do away with as much of this democratic process as possible.

A government that claims to reduce its size is systematically increasing its power. Any thinking right-winger will surely understand that a more left-leaning government could use these same powers in the future to once again expand the size of government, or introduce regulations to promote more equity in the marketplace.

### A GOVERNMENT IN TROUBLE

Harris and friends are no doubt worried about the level of protest in the province. In the few short months of their reign, there has been a massive demonstration on the day of the Throne Speech, an extraordinary sit-in by opposition parties, an unprecedented one-day strike in London, Ontario, to be followed by one in Hamilton; protests from reli-

gious groups; constant demonstrations around the province wherever the premier appears; and almost daily rallies at Queen's Park, including a huge teachers' demonstration. No government can withstand this level of protest in a democratic society.

Perhaps it's wishful thinking, but I believe this government is already in trouble. Government ministers and ad-

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*They are between a rock and a hard place with their promised tax cut.*

*Economists are warning that it will increase the deficit. Social activists are decrying the unfairness of cutting the income of the poor so drastically while giving the rich more money.*

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visers seem to have been chosen more for their ideology than their skill. They have handled the controversy around Bill 26 with less than aplomb. No one, including the premier himself, seems to know what is in the massive Bill. The 160 amendments do nothing to change the essence of the power-grabbing nature of the Bill, but show how poorly drafted it was from the beginning. They are between a rock and a hard place with their promised tax cut. Economists are warning that it will increase the deficit. Social activists are decrying the unfairness of cutting the income of the poor so drastically while giving the rich more money. Workfare, a key election

promise, will prove too expensive and unworkable.

So what we are witnessing is a government on ideological autopilot, given to fits of extreme arrogance one day, and shuffling incompetence the next. Their early heartless attacks on the poor provoked immediate active opposition among those ideologically opposed to them. Their recent fumbling move to centralize power has no doubt raised serious questions among many who supported them.

As an ideologue, Harris is unlikely to retreat from his agenda, but it may not be folly to hope for a somewhat more cautious approach in the days to come. ❖

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