Widening the gaps: Privatization worsens inequality

The Trudeau government emphasizes more than anything else the need for inclusive growth, strengthening the middle class and creating good, well-paying jobs for Canadians. These words are repeated over and over again in their press releases, speeches and reports. But if the Trudeau government accelerates privatization, it will result in greater inequality and turn these promises into little more than empty words.

Privatization of public services worsens inequality in a number of ways:

New and increased user fees.
Privatization generally leads to new and increased fees for use of roads, bridges, water, community services, transit, education, health services, parking and any related services. User fees are regressive and increase inequality, as an internal study prepared by the federal Finance department recently confirmed. Well-heeled advisors such as McKinsey head Dominic Barton and former Bank of Canada governor David Dodge are now urging the Trudeau government to engage in a privatization sales job convincing Canadians it is in their interest to pay more in user fees.

Inequitable pay and benefits.
Privatization also increases inequality because private employers provide lower and less equitable pay to workers than the public sector does. Workers, especially those in generally lower-paid occupations, receive lower pay and benefits in the private sector than in the public sector while executives and managers pay themselves much more. Women, racialized workers and other equity-seeking workers are hit hardest, receiving substantially lower pay in the private sector.

Lower revenues for governments and higher profits for corporations.
When public assets that generate revenues are partially or fully privatized, such as Ontario Hydro, governments lose valuable revenues that help fund public services, while corporations, investors and financial advisors profit. Because ownership of corporations and capital is more concentrated, this further exacerbates income inequality.

Lower quality, less access.
Privatization generally leads to a deterioration of public services, often combined with inequitable access. The wealthiest individuals have access to better services, while lower-income earners, racialized people and other equity-seeking people, and those living in remote communities have worse quality services, or none at all. As a recent report concluded, “when they are privatized, public goods that were meant to serve everyone can morph into separate and unequal systems that further divide communities and perpetuate inequality.”

See also:

• How Privatization Increases Inequality, In the Public Interest, September 2016.
• Narrowing the Gap: The difference that public sector wages make, CCPA, October 2014.
• Battle of the Wages: who gets paid more, public or private sector workers, CUPE 2011.

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