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**ONTARIO
FEDERATION OF
LABOUR**

May 24, 2019

Minister Peter Bethlenfalvy
President of the Treasury Board
99 Wellesley St. W
Toronto, ON M7A 1W3

Dear Minister Bethlenfalvy,

Public services are the great equalizer of society. They ensure equal access to social programs, such as education and health care, for everyone.

The Ford government, however, is trying to dismantle our public services – piece by piece – through various avenues by manufacturing a crisis in every sector and community across Ontario. This includes chronically underfunding the programs and services we rely on, making plans for further privatization and contracting out, ordering more restructures and mergers within different public sectors and agencies – and most recently, by setting the stage to undermine decent working conditions in the public sector.

The Ontario Federation of Labour – which represents 54 unions and one million unionized workers across this province – wants to make it abundantly clear that any attempt to impose compensation outcomes on the collective bargaining process interferes with workers’ constitutionally protected right to meaningful collective bargaining, and it is not warranted.

‘Open for business’ cannot – and should not – mean that workers in Ontario are forced to sacrifice their rights and their protections.

Respecting Collective Bargaining

The Charter of Rights and Freedoms enshrines the fundamental freedom of all Canadians to associate for the meaningful pursuit of collective workplace goals. This includes the right to organize, the right to unionize, the right to collective bargaining, and the right to withdraw labour.

According to the Supreme Court of Canada, the right to collective bargaining extends to a meaningful collective bargaining process, and it has been clarified that "a process of collective bargaining will not be meaningful if it denies employees the power to pursue their goals". Consequently, "[a] process that substantially interferes with a meaningful process of collective bargaining by reducing employees' negotiating power is therefore inconsistent with the guarantee of freedom of association enshrined in s.2(d) [of the Charter of Rights and Freedoms]."ⁱⁱ

Based on this government’s leading questions and manufactured crises, it is evident that they have predetermined the outcome of this “consultation”. It is not meaningful, but instead it is a means to an end – one that will strip workers of their rights and protections.

The government must recognize that collective agreements are freely and fairly negotiated in good faith between unions (on behalf of their members) and employers. The ratified collective agreement reflects employment conditions that have been agreed upon by both parties. These legal agreements

are not only specific to the sector in which the organization operates but also to the workplace, ensuring that negotiated provisions consider various socioeconomic and fiscal issues.

As a result, unions will not attempt to bargain through this process – negotiations must occur at the bargaining table. It is undeniable that the Ford government is proposing to interfere in the collective bargaining process – and thereby, violating the constitutional right of Ontario workers.

The government has a duty to the people of this province – to protect and to uphold their constitutional rights, including their right to engage in meaningful collective bargaining.

Manufacturing A Fiscal Crisis

It is important to understand that there is no fiscal crisis in Ontario.

Ontario does not have a spending problem.

The reality is that the Ontario government spends the lowest amount per person on public services of any province in this country.

In fact, Ontario spent \$9,829 per person on programs in 2017 – more than \$2,000 below the rest of Canada average. Since 2011, Ontario program spending per capita has grown on average by 0.7 per cent per year – or by less than half the pace of growth in the rest of Canada.ⁱⁱ In 2019, the Ontario budget revealed that total program spending will only increase an average of 0.8 per cent annually over the next three years.ⁱⁱⁱ Once inflation and population growth are factored, program spending will effectively decline.

It follows that spending cuts to public services translate to job losses, and every job loss in the public sector translates to a service loss in the community.

Ontario does, however, have a revenue problem.

The reality is that the Ontario government receives the lowest total revenue per person of any province in this country.

In fact, Ontario received \$10,415 total revenue per person in 2017. Ontario's relative tax burdens are generally lower than the rest of Canada. Namely, Ontario's personal income tax revenue is equivalent to 9.9 per cent of labour income, significantly below the 11.7 per cent share in the rest of Canada. Similarly, corporate income tax revenue as a share of corporate profits is 11.8 per cent in Ontario, below the 12.2 per cent ratio in the rest of Canada.^{iv}

Instead of generating greater revenues, the Ford government's regressive policy agenda has continued to adversely impact the Province's budgetary balance. This includes forgoing \$3.0 billion in lost revenue from the cap-and-trade program over the next four years^v; spending \$1.9 billion over five years on the ineffective LIFT tax credit (in lieu of a \$15 minimum wage)^{vi}; forfeiting \$275 million in lost revenue per year in personal income tax from high-income earners; and gifting \$3.8 billion in tax relief over the next six years to corporations.^{vii}

Corporations and the wealthy, for instance, should pay their fair share of taxes.

It is argued that raising corporate tax rates will hurt investment. The reality, however, is that lower taxes have not directly stimulated greater business investment. In fact, Canada's corporate income tax rate was reduced from 43 per cent in 1997 to 26.7 per cent in 2016. Over that 20-year period, investment in machinery and equipment and in intellectual property remained below the 1997 level as a per cent of GDP.^{viii}

Increasing corporate tax rates by two percentage points, for example, will generate \$2.4 billion in additional revenues this year, growing to \$2.8 billion by 2022. This increase still leaves Ontario rates half a percentage point below where they were in 2010 – when the last rate reduction occurred.^{ix} Further, as mentioned, reversing the tax break for high-income earners will generate \$275 million per year for the Province.

Finance Minister Vic Fedeli has said, "The fiscal hole is deep ... Everyone across the province will be required to make sacrifices, without exception."^x

The truth is that big businesses and the wealthy are this government's exception – not workers and their families.

Manufacturing An Economic Crisis

Through this process, the Ford government is targeting public sector workers across the province – including those working in education, health care, social services, and the civil service – as they move to shrink the size of the public sector; drive down wages in both the public and private sector; attack workplace benefits like health care and pensions; and interfere with the collective bargaining rights.

It must be recognized, however, that this process is not just an attack on Ontario public sector workers. It is an attack on all Ontario workers. Any compensation-related policy in the public sector will have spillover effects in the private sector, creating an avenue for greater wage restraint across all sectors. Instead of raising the bar for decent work in this province, this government is engaging in a race to the bottom for workers.

Since the 2009 recession, the public sector – particularly its workers – have been hard hit by the government's austerity measures. In fact, the growth in public sector wages for unionized workers has failed to keep pace with the rate of inflation year after year.^{xi} This means that rising prices have effectively erased Ontario workers' meager wage gains – yet another sign that strong economic growth has not translated into greater prosperity for the working class.

Furthermore, it is important to understand that any modest gains in public sector wages can largely be attributed to wage differentials for lower waged women workers. In other words, a large proportion of lower waged women workers in the public sector earn a somewhat better annual income than women in similar occupations in the private sector. Racialized workers in the public sector experience a similar reality – but to a lesser degree.^{xii} The government must then recognize that equity-seeking workers, including women, Indigenous, and racialized workers, will be negatively affected by any government policy that seeks to undermine decent working conditions in the public sector.

Although one in four workers in Ontario are employed in the public sector^{xiii}, in some communities the reach is far more expansive – particularly in Northern Ontario. In regions that are largely dependent on public sector workers – like Nipissing North, where more than 50 per cent of workers are from the public sector^{xiv} – consumer demand and local economic growth will dampen if wages are adversely

impacted. Specifically, the purchasing power of low- and middle-income households will decline, eventually leaving these communities and local businesses desolate over time.

An attack on the public sector is an attack on every Ontario worker.

An attack on the public sector is an attack on equity-seeking Ontario workers.

An attack on the public sector is an attack on Ontario communities.

Public sector jobs are middle class jobs – union-protected with decent wages, benefits, and working conditions – and the labour movement will not support any actions that seek to undermine decent working conditions for Ontario workers.

Sincerely,



Chris Buckley
President



Patty Coates
Secretary-Treasurer



Ahmad Gaied
Executive Vice-President

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- ⁱ 2015. Supreme Court of Canada. *Mounted Police Association of Ontario v. Canada (Attorney General)*.
 - ⁱⁱ 2019. Financial Accountability Office of Ontario. *Comparing Ontario's Fiscal Position with Other Provinces*.
 - ⁱⁱⁱ 2019. Government of Ontario. *Protecting What Matters Most (Budget Papers)*.
 - ^{iv} 2019. Financial Accountability Office of Ontario. *Comparing Ontario's Fiscal Position with Other Provinces*.
 - ^v 2018. Financial Accountability Office of Ontario. *Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program*.
 - ^{vi} 2019. Financial Accountability Office of Ontario. *Comparing the LIFT Credit to a Minimum Wage Increase*.
 - ^{vii} 2019. Government of Ontario. *Protecting What Matters Most (Budget Papers)*.
 - ^{viii} 2018. Andrew Jackson. *Corporate-Tax Cuts are no Solution to Canada's Competitiveness Problem*.
 - ^{ix} 2019. Canadian Centre for Policy Alternatives. *Ontario Has Options: Alternative Fiscal Paths for the 2019 Budget*.
 - ^x 2018. Vic Fedeli. *Ontario Economic Outlook and Fiscal Review (Statement to the House)*.
 - ^{xi} 2018. Ministry of Labour. *Trends of the Consumer Price Index and the Average Annual Base Wage Increases for the Public Sector and Private Sector Settlements*.
 - ^{xii} 2019. LivingWork Analytics. *Ontario Occupational Income Comparisons: Public Sector and Private Sector Wages*.
 - ^{xiii} 2019. Canadian Centre for Policy Alternatives. *Public and Social Services Jobs: An Economic Lifeline in Communities Across Ontario*.
 - ^{xiv} *Ibid.*