



**The Ontario Federation of Labour's Submission on
Bill 124, *Protecting a Sustainable Public Sector for
Future Generations Act, 2019***

Standing Committee on General Government

November 2019

November 1, 2019

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

Dear Minister Bethlenfalvy,

Piece by piece, the Ford government is trying to dismantle our public services 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 sectors and agencies – and most recently, by undermining decent working conditions in the public sector.

The Ontario Federation of Labour – which represents 54 unions and one million unionized workers across this province – demands that the government immediately withdraw Bill 124, *Protecting a Sustainable Public Sector for Future Generations Act, 2019*.

Bill 124 imposes a series of three-year moderation periods in the form of salary and compensation caps on a variety of unionized and non-unionized workplaces. During these periods, increases to both salary rates as well as to existing or new compensation requirements – including salary rates – will be restricted at one per cent per year with very few exceptions.

Given that the cost of living increase for Ontario was 2.4 per cent in 2018ⁱ, a *maximum* one per cent wage increase – which is not even guaranteed – fails to keep pace with inflationary pressures and therefore translates into a real wage cut for these workers.

Workers across the public sector – including those employed by crown agencies, school boards, universities and colleges, public hospitals, non-profit long-term care homes, and children’s aid societies – are being left behind by this government.

Meanwhile, they have gifted compensation increases to the wealthy.

In February 2019, for example, it was announced that the Province will provide doctors with a salary raise of at least 3.5 per cent over four years.ⁱⁱ

In June 2019, the Premier named 31 MPPs as parliamentary assistants, meaning that all of those MPPs will now receive an additional \$16,600 on top of their already six-figure salaries.ⁱⁱⁱ

In October 2019, it was revealed through published orders-in-council that the minimum salary for deputy ministers has increased by 14 per cent since 2016. These 28 individuals will now earn at least \$234,000 per year.^{iv}

According to the 2018 public sector salary disclosure list in Ontario, the President and CEO of Ontario Power Generation received a 12 per cent raise over one year, landing him at the top of the list at \$1,746,824.96.^v This individual is not alone. In 2014, Canada’s top 100 CEOs made on average

\$8.96 million. In 2016, this cohort raked in on average \$10.4 million — a 16 per cent increase over two years.^{vi}

It is interesting that the value of certain workers is being recognized by this government, while front-line workers, who deliver the services we all depend on, are being penalized.

It must also not be forgotten that in November 2018, this government cancelled a \$1 per hour raise for minimum wage workers – instead opting to eliminate their income taxes. The reality is that two-thirds of minimum wage earners will see no benefit from the government's tax cut, because they already earn less than \$30,000 per year. For those low-wage workers who pay taxes, they may save between \$800 and \$850. These workers, however, will forgo nearly \$2,000 that they would have earned with an additional \$1 per hour.^{vii}

'Open for business' cannot – and should not – mean that workers in Ontario are forced to sacrifice their standard of living, their rights, and their protections while the wealthy continue to profit.

Respecting Collective Bargaining

By imposing compensation outcomes during the collective bargaining process, Bill 124 interferes with workers' constitutionally protected right to meaningful 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]."^{viii}

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.

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.

Even the FAO released their assessment of the provincial deficit and found that the actual deficit for 2018-19 was \$7.4 billion, roughly half of what the government claimed.^{ix}

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.^x 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.^{xi} 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.^{xii}

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^{xiii}; spending \$1.9 billion over five years on the ineffective LIFT tax credit (in lieu of a \$15 minimum wage)^{xiv}; 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.^{xv}

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.^{xvi}

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.^{xvii} Further, as mentioned, reversing the tax break for high-income earners will generate \$275 million per year for the Province.

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

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

Manufacturing An Economic Crisis

Through Bill 124, 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 collective bargaining rights.

It must be recognized, however, that this legislation 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.^{xix} 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.^{xx} 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^{xxi}, 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^{xxii} – 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.

The OFL demands that the government withdraw Bill 124 immediately.

Sincerely,



Chris Buckley
President



Patty Coates
Secretary-Treasurer



Ahmad Gaied
Executive Vice-President

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ⁱ 2019. Government of Ontario. Protecting What Matters Most (Budget Papers).

ⁱⁱ 2019. Globe and Mail. Ontario Government Reaches an Arbitrated Agreement with OMA.

ⁱⁱⁱ 2019. CBC News. Doug Ford Names 31 MPPs As Parliamentary Assistants, Each Getting \$16K On Top of Six-Figure Salaries

^{iv} 2019. CBC News. Ontario Deputy Ministers' Enjoy 14% Pay Bump in Recent Years, But PCs Say Blame the Liberals.

^v 2018. Government of Ontario. Public Sector Salary Disclosure List.

^{vi} 2019. David Macdonald. Mint Condition: CEO Pay in Canada.

^{vii} 2018. Sheila Block. \$15 Minimum Wage or a Tax Cut: What are the Trade-Offs?

^{viii} 2015. Supreme Court of Canada. Mounted Police Association of Ontario v. Canada (Attorney General).

^{ix} 2019. Financial Accountability Office of Ontario. Understanding Ontario's 2018-19 Deficit.

^x 2019. Financial Accountability Office of Ontario. Comparing Ontario's Fiscal Position with Other Provinces.

^{xi} 2019. Government of Ontario. Protecting What Matters Most (Budget Papers).

^{xii} 2019. Financial Accountability Office of Ontario. Comparing Ontario's Fiscal Position with Other Provinces.

^{xiii} 2018. Financial Accountability Office of Ontario. Cap and Trade: A Financial Review of the Decision to Cancel the Cap and Trade Program.

^{xiv} 2019. Financial Accountability Office of Ontario. Comparing the LIFT Credit to a Minimum Wage Increase.

^{xv} 2019. Government of Ontario. Protecting What Matters Most (Budget Papers).

^{xvi} 2018. Andrew Jackson. Corporate-Tax Cuts are no Solution to Canada's Competitiveness Problem.

^{xvii} 2019. Canadian Centre for Policy Alternatives. Ontario Has Options: Alternative Fiscal Paths for the 2019 Budget.

^{xviii} 2018. Vic Fedeli. Ontario Economic Outlook and Fiscal Review (Statement to the House).

^{xix} 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.

^{xx} 2019. LivingWork Analytics. Ontario Occupational Income Comparisons: Public Sector and Private Sector Wages.

^{xxi} 2019. Canadian Centre for Policy Alternatives. Public and Social Services Jobs: An Economic Lifeline in Communities Across Ontario.

^{xxii} Ibid.