



## **Submission to the Standing Committee on General Government**

**RE: Bill 124, An Act to implement moderation measures in  
respect of compensation in Ontario's public sector**

Presented by:

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### **Overview**

CUPE Ontario is pleased to have this opportunity to present its concerns to the Standing Committee on General Government as it conducts public hearings on the matter of Bill 124 An Act to implement moderation measures in respect of compensation in Ontario's public sector.

Created in 1963 and now with more than 280,000 members living and working in all parts of our province CUPE is by far the largest union in Ontario and as such is particularly well suited to offer expert advice to the members of this Committee as they are now called upon to make decisions about matters far beyond their personal experience and training.

In short, Bill 124 would, for many years to come, prevent 280,000 CUPE members, as well as many thousands of women and men who belong to other unions, from exercising their constitutionally protected right to engage in meaningful free collective bargaining in the province of Ontario.

Bill 124 proposes to do this by imposing an arbitrary annual ceiling of 1% on any newly negotiated increase in wages and/or benefits.

In the context of Ontario's inflationary economy this measure would use the authority of big government to violate the Charter and impose an ongoing annual reduction in real earnings for workers and for their families, many of whom are already struggling to feed their families and pay the bills on incomes at or barely above the minimum wage, a wage level which itself is \$1 per hour lower than what Ontario statutes previously stipulated prior to the intervention of the current PC government.

### **Rationale**

Listening to explanations by Treasury Board President Bethlenfalvy, it would appear the government hopes Ontarians will accept that their motivation for bringing forward Bill 124 is not to score political points by beating up on public sector workers and their unions, not to impose moral rectitude on people they somehow believe are overpaid, but simply to take the difficult but necessary steps to rescue Ontario from the ravages of an "out of control" debt and deficit.

Even if that were true, it would not deal with the reality that this legislation violates rights protected by Section 2 (d) of the Charter of Rights and Freedoms. What is alarming is that several facts point to the reality that passing this legislation has little to do with the deficit.

There are several examples to show why the government's case for Bill 124 doesn't hold up.

- 1.) On November 6, 2019, in its Fall Economic Statement, the Doug Ford PC government is widely expected to announce that they have already been successfully in wrestling the deficit down and under control even while Bill 124 is not even law.

- 2.) After Premier Doug Ford was elected he claimed Ontario had a staggering \$15-billion deficit because of the previous Liberal government's reckless spending. However, Peter Weltman, Ontario's financial accountability officer now says the province's actual deficit in 2018-19 was only \$7.4 billion. "It's important for people to understand the official deficit was never \$15 billion," Weltman told Global News on October 17, 2019.
- 3.) Data published by this government's own Ministry of Labour makes clear that public sector wage settlements far from driving inflation, have actually been below the rate of inflation, consistently, for the last ten years straight.
- 4.) The venerable (and hardly union sympathizing) bond rating agency Moody's, late last year cut Ontario's credit rating to its lowest level in 16 years, not because of spending on public sector wages, but because "revenue cuts by the Progressive Conservative government will exacerbate the province's debt and deficit problems." (Globe and Mail Report on Business, Dec.14, 2018.)
- 5.) In case anyone is still taken in by the talk about this government wanting to control spending on wages, and caring for the little guy, let us note that just weeks ago, in early October 2019, the Doug Ford PC government gave a 14% wage hike to the highest paid employees in the entire Ontario public service, employees who were already earning above \$200,000 annually and whom, need we mention it, do not belong to unions or engage in collective bargaining.
- 6.) Ontario's public sector workers have already been struggling under the heavy hand of the previous Liberal government who imposed their own wage restraint policy across the public sector from 2010 until the end of 2017.
- 7.) Not long ago, Liberal Premier Dalton McGuinty tried to use legislation similar to Bill 124 to prevent free collective bargaining by 200,000 employees of Ontario's school boards. The result? A legal Charter challenge was successful. The courts overturned McGuinty's Bill 115 and it cost the government tens of millions in damages.

The rationale that Bill 124 is necessary to address the debt and deficit is a fallacy at odds with the facts.

The Ford Team themselves are telling Ontarians the deficit is under control and Bill 124 will do nothing to address the debt.

And, if this government were really worried about spending on salaries they would never have given a 14% raise to those public employees who need it the least, Ontario's Deputy Ministers.

What Bill 124 is really about is manipulating the facts to score political points at the expense of forcing down the real family incomes, for years to come, of the hard working women and men

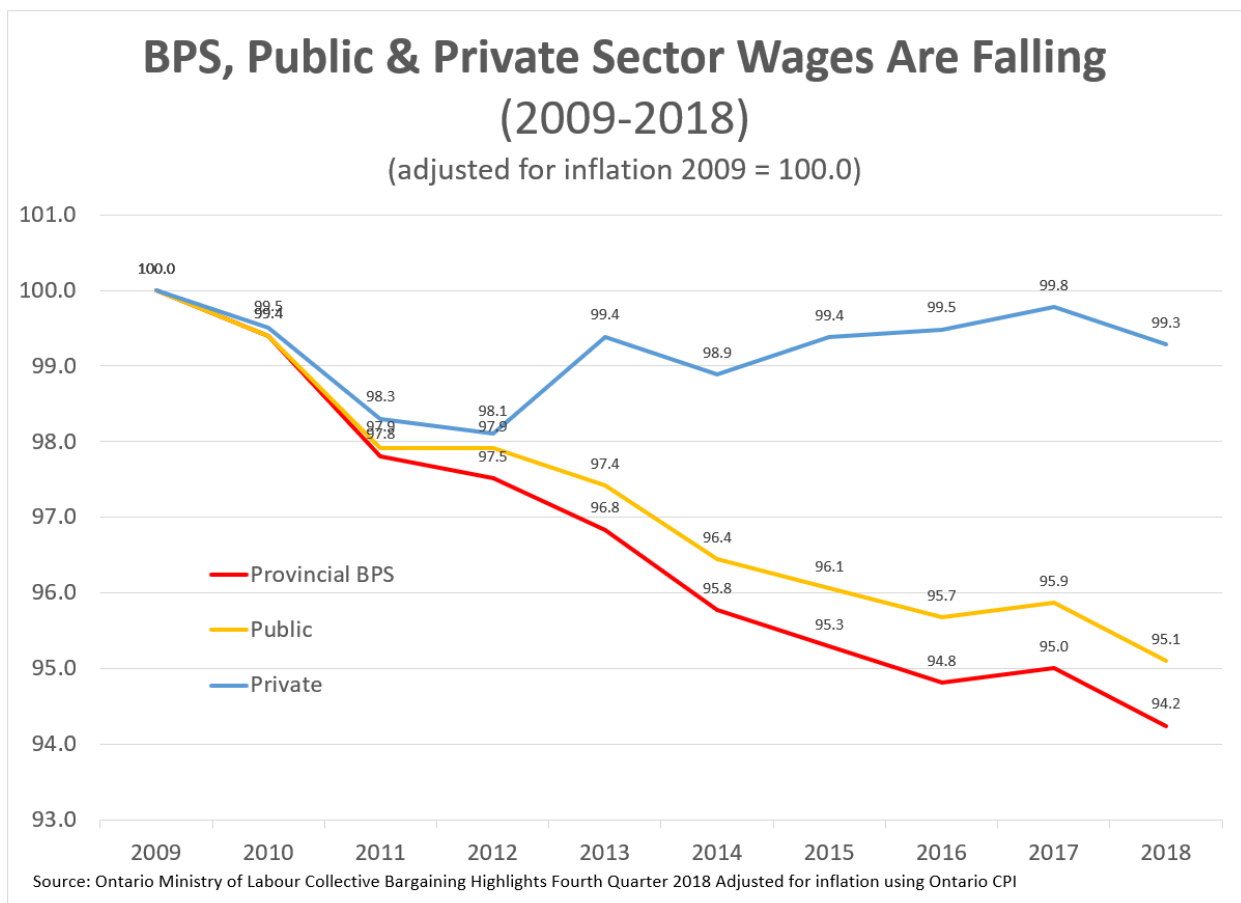
who deliver Ontario's public services 24/7, and, illegally, taking away the legal right of workers and their unions to engage in free collective bargaining.

## **Background**

The charts set out below will help illustrate why Bill 124 is unnecessary.

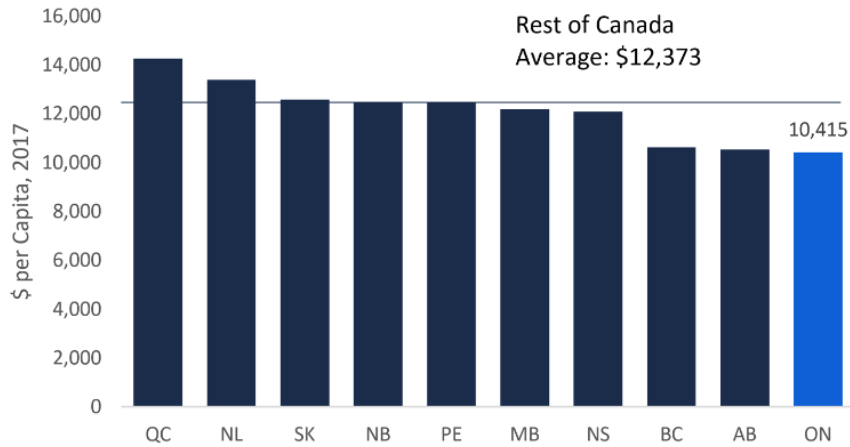
They will show that Ontario's public sector workers' real wages have been declining year over year for the least ten years, that Ontario raises less tax revenue per person than any province in Canada, that Ontario spends less money per person on public services than any other province in Canada and finally that, as a share of government spending, public sector wages and salaries have already been shrinking for the better part of two decades.

These realities are critical to the case that Bill 124 should be withdrawn.



Using Ministry of Labour data, this chart illustrates that wage settlements, both public and private sector, have fallen below inflation for the last ten years.

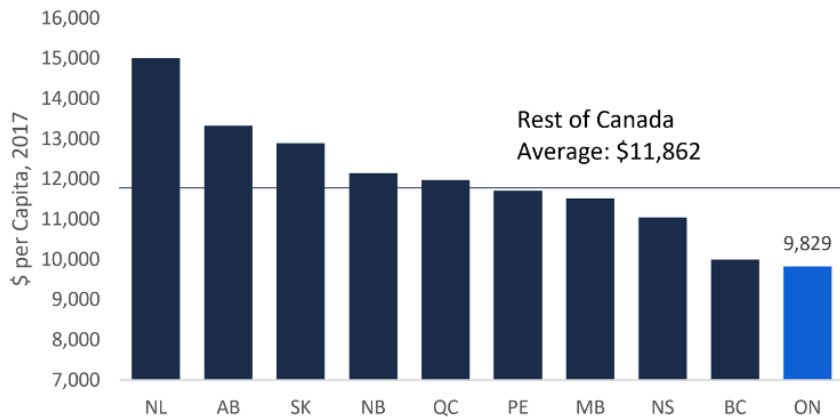
Figure 1: Ontario total revenue per capita lowest in Canada



Source: Statistics Canada and FAO.

Using Statistics Canada data, this chart illustrates the reality that prompted Moody's to downgrade Ontario's credit rating: Ontario raises less tax revenue per person than any other province in Canada. More than anything else, this is the root of our debt and deficit problem.

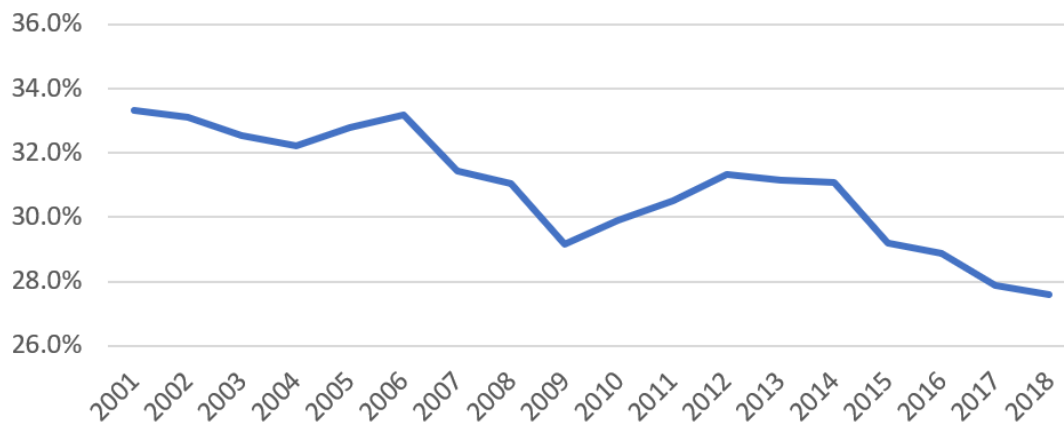
Figure 5: Ontario program spending lowest among provinces



Source: Statistics Canada, Canadian Government Finance Statistics.

Using Statistics Canada data, this chart shows that Ontario already spends less money per person on public services than any other province in Canada. Seen in conjunction with the previous chart on revenue, this chart makes clear - we don't have a spending problem, we have a revenue problem.

## Public sector wages and salaries declining share of provincial government spending



Source: FAO (2018) "Assessing Ontario Government Employment and Wage Expense", and Ronald Kneebone and Margarita Wilkins (2018) "Canadian Provincial Government Budget Data"

Again, reinforcing the message that wages are not the cause of our deficit and debt problems, this chart by Ontario's Financial Accountability Office (FAO) illustrates that for years, public sector wages have been steadily shrinking as a share of government spending.

### **Conclusion**

In conclusion, let us point out that CUPE members are concerned about Ontario's deficit.

They would far prefer to see government dollars put to use to provide public services instead of watching as billions of dollars get forked over annually to the biggest banks and debt holders in interest payments.

But the following is also true.

Ontario's deficit is not the result of a spending problem. In particular, it is not the result of spending on public sector wages, which, when measured against inflation, have been shrinking annually for ten years.

The deficit is a result of the fact that even while Ontario already spends less per person on public services than any other province in Canada, successive Liberal and Conservative governments alike have lacked the political courage to ask the wealthiest citizens and the most profitable corporations pay their fair share in taxes.

That is why we have a fiscal problem and why Moody's downgraded our credit rating. Ontario does not have a spending problem, Ontario has a revenue problem.

Bill 124 will not improve Ontario's deficit position.

Bill 124 will strip away worker's democratic Charter rights and impose an ongoing annual reduction in real incomes causing hardship for hundreds of thousands of Ontario front line workers and their families.

For all these reasons, CUPE Ontario urges all members of the Sanding Committee on General Government to vote to **not** send Bill 124 back to the House.

Bill 124 should be withdrawn and by doing so Ontario could demonstrate respect for the Charter, make a long and expensive legal battle through the courts unnecessary and put to rest the notion that fiscal responsibility means passing laws to reduce the incomes of workers while awarding 14% raises to people earning six figures.